

MINNESOTA
STATE
BOARD OF
INVESTMENT



Board Members:

Governor
Mark Dayton

State Auditor
Rebecca Otto

Secretary of State
Steve Simon

Attorney General
Lori Swanson

Executive Director &
Chief Investment
Officer:

Mansco Perry

60 Empire Drive
Suite 355
St. Paul, MN 55103
(651) 296-3328
FAX (651) 296-9572

E-mail:
minn.sbi@state.mn.us
www.sbi.state.mn.us

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DATE: January 15, 2015

TO: Senator Tom Saxhaug, Chair, Senate Committee on
State Departments and Veterans Budget Division
Senator Roger C. Chamberlain, Senate Committee on State
Departments and Veterans Budget Division

Senator Richard Cohen, Chair, Senate Committee on Finance
Senator Michelle L. Fischbach, Senate Committee on Finance

Representative Tim Sanders, Chair, House Committee on
Government Operations and Elections Policy
Representative Michael Nelson, House Committee on Government
Operations and Elections Policy

Representative Jim Knoblach, Chair, House Committee
on Ways and Means
Representative Lyndon Carlson Sr., House Committee on Ways
and Means

Representative Sarah Anderson, Chair, House Committee on
State Government Finance
Representative Sheldon Johnson, House Committee on State
Government Finance

FROM: Mansco Perry III, Executive Director

SUBJECT: Report on Iran Required by *Minnesota Statutes*, Section 11A.244.

Minnesota Statutes, section 11A.244, requires the State Board of Investment (SBI) to submit a report to the chairs of the legislative committees and divisions with jurisdiction over the SBI concerning the SBI's identification of, communication with and discontinuance of investment in certain companies with operations in Iran.

Section 11A.244, subdivision 9 specifies that the SBI include in the report:

1. a list of scrutinized companies;
2. summary of correspondence with companies;
3. a list of investments divested;
4. a list of prohibited investments;
5. a description of any progress in having investment management firms create investment funds that exclude Iran companies.

As provided for in Section 11A.244, subdivision 2, the SBI purchases Iran research services regarding companies with business operations in Iran from IW Financial through Glass Lewis.

Attachment 1 displays companies of communications received in 2014 to which the SBI sent correspondence. There were two companies added to the restricted list in 2014 and both companies were removed.

The law calls for divestment of securities of companies which do not publicly announce substantial action specific to Iran within 90 days of the SBI correspondence. There were no companies in 2014 that required divestment.

Attachment 2 is the list of restricted and scrutinized companies sent to SBI equity and bond managers. The managers are explicitly instructed to refrain from purchasing securities of companies on this list.

Enclosures

Liquefied Natural Gas Ltd
10 Ord Street, West Perth
Perth 6005 Western Australia
Tel: (618) 9366 3700
Fax: (618) 9366 3799
Email: lng@lnglimited.com.au
Website: www.lnglimited.com.au
ABN: 19 101 676 779



September 22, 2014

Mansco Perry III
Executive Director
Minnesota State Board of Investment
60 Empire Drive
Suite 355
St. Paul, Minnesota 55103

Dear Mr. Perry:

**LIQUEFIED NATURAL GAS LIMITED
PROHIBITION ON INVESTMENT IN IRAN**

For the reasons described below, Liquefied Natural Gas Limited ("**Company**") respectfully requests that the State Board of Investment remove Liquefied Natural Gas Limited from the list of scrutinized companies published by the State Board of Investment on January 15, 2014 (a copy of which is enclosed with this letter) pursuant to Minnesota Statutes, section § 11A.244.

The Company should be removed from the list of barred entities because we do not engage, and none of the Company's subsidiaries engage, in any investment activities in Iran. Nor is the Company or any of its subsidiaries engaged in the deployment of new investments in Iran. The Company's wholly-owned subsidiary, LNG International Pty Ltd, has a 50 percent interest in a dormant Iranian company ("**ICoy**"), which was involved in a proposed liquefied natural gas ("**LNG**") project on Qeshm Island, Iran that between 2005 and 2008 was considered in compliance with Australia's then-existing sanctions against Iran. Following Australia's adoption of the full United Nations sanctions against Iran, the Company ceased all project activities in Iran, including the proposed Qeshm Island LNG project, and ICoy became a dormant company. The Company sought to dissolve ICoy, but this process has proved and continues to prove, difficult and may necessitate personnel visiting Iran, which the Company will not permit.

There have been no ICoy project activities since October 2008; no director, officer or representative of the Company has visited Iran since October 2008; ICoy has no physical assets in Iran, and the Company has no intention of pursuing any future business activities or investment in Iran. ICoy will remain a dormant/inactive company until the Company has successfully arranged for it to be dissolved.

Accordingly, the Company does not fit within the statutory definition of a "scrutinized company" because it has no "active business operations." We therefore ask that the Minnesota State Board of Investment confirm to us in writing that you will immediately remove the Company from the

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Perth 6005 Western Australia
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Fax: (618) 9366 3799
Email: lng@lnglimited.com.au
Website: www.lnglimited.com.au
ABN: 19 101 676 779

list of scrutinized companies found in the "Report on Iran Required by *Minnesota Statutes*,
Section 11A.244."

Yours faithfully,



David Michael Gardner - Company Secretary
Liquefied Natural Gas Limited

Enclosure



No. AM-736A Date 26.12.2014

BUSINESS PROPRIETARY

VIA OVERNIGHT MAIL

LeaAnn M. Stagg
Chief Operating Officer
Minnesota State Board of Investment
60 Empire Drive
Suite 355
St. Paul, Minnesota 55103

**Re: Response to Information Request Regarding LUKOIL's Business Activities
in Iran**

Dear Ms. Stagg:

We write in response to your October 3, 2014 letter requesting clarification regarding LUKOIL's business activities in Iran. Specifically, you asked LUKOIL to confirm that it will cease business operations in Iran, or that it will convert them to inactive business operations. In fact, LUKOIL can confirm that it is not engaged in "scrutinized business operations," as defined by Minn. Stat. § 11A.244, in Iran.

For further clarification and substantiation, we provide below additional background with respect to the company's business operations related to Iran:

- As of 2010, LUKOIL was diminishing its activities in Iran. The final sale of gasoline to Iran was completed in April 2010 under a preexisting supply contract by a LUKOIL trading affiliate.
- None of LUKOIL's affiliated companies have made sales or shipments of gasoline or other refined petroleum products to Iran since April 2010.
- From April 2010 forward, LUKOIL and LUKOIL affiliate contracts have specified that LUKOIL products are not for sale in U.S.-sanctioned countries, including Iran.
- LUKOIL has no investments or other business activities in Iran that are subject to sanctions under U.S. law.

In sum, LUKOIL does not engage in scrutinized business operations in Iran, and there is no basis for LUKOIL's inclusion on the divestment list maintained by the Minnesota State Board

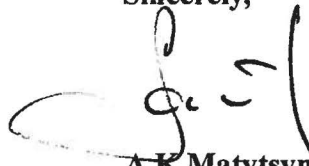
of Investment ("MSBI"). Accordingly, LUKOIL requests that MSBI immediately remove LUKOIL from its divestment list.

LUKOIL takes very seriously the allegation that the company is engaging in or has engaged in sanctionable business in Iran since 2010. We are concerned that the MSBI appears to have inaccurate information concerning the operations of LUKOIL. Therefore, LUKOIL respectfully requests that the MSBI identify the source of the information that LUKOIL is engaging in scrutinized business operations subject to U.S. sanctions law so that LUKOIL may clarify its lack of such business activities to that source to avoid further confusion.

* * * * *

Please let us know if you have further questions. You may contact LUKOIL through our U.S. counsel at Akin Gump Strauss Hauer & Feld LLP, Wynn Segall (1333 New Hampshire Ave. N.W., Washington DC 20036; tel. 202.887.4573; email wsegall@akingump.com).

Sincerely,

A handwritten signature in black ink, appearing to read 'A.K. Matytsyn', written over a faint circular stamp or watermark.

A.K. Matytsyn
Senior Vice President, Finance

cc: Wynn H. Segall, Esq.
Tatman R. Savio, Esq.

ATTACHMENT 2
RESTRICTED IRAN COMPANIES
SECURITIES OF COMPANIES MAY NOT BE PURCHASED FOR PORTFOLIO

COMPANY NAME	COUNTRY
Bharat Petroleum Corporation Ltd.	India
China Petroleum & Chemical Corp	China
Daelim Industrial	South Korea
Gail (India) Ltd.	India
Gubre Fabrikalari T.A.S.	Turkey
Harbin Electric Company Ltd.	China
Indian Oil Corporation Ltd.	India
L G International	South Korea
Marie Technimont S.p.A.	Italy
Mitsui & Co. Ltd	Japan
Nagarjuna Fertilizers & Chemicals Ltd.	India
Oil & Natural Gas Corporation Ltd.	India
PetroChina Co. Ltd.	China
Toyota Tsusho Corporation	Japan

Effective Date: December 31, 2014