



The Pension Boards
United Church of Christ

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May 14, 2013

MEMORANDUM

To: Executive Council United Church of Christ

From: Michael A. Downs, President/CEO

Subject: The Pension Boards' Initiatives and Actions Subsequent to the 2005 Synod Resolution
"Concerning Use of Economic Leverage in Promoting Peace in the Middle East"

Attachments:

- Letter Dated July 7, 2005 to The Rev. John H. Thomas
- Letter Dated August 2005 with Church-wide Distribution
- UCF Document - *"Responding to the General Synod 25 Resolution Regarding Economic Leverage to Promote Peace in the Middle East"*
- October 12, 2006 Email from Ballard, Spahr to Michael A. Downs

The Pension Boards is pleased that the term "Economic Leverage", coined by us, is now widely used by the UCC and Greater Church. We are happy to report that our investment made in 2011 from unrestricted reserves in the private equity fund Siraj Palestine Fund LP1 (Fund) is directly or indirectly improving the lives of thousands of Palestinians. The Fund is comprised of direct equity investments in viable start-up, distressed, and relatively large enterprises in Palestine across various economic sectors. Siraj's investments are intended to unleash the potential of these Palestinian businesses, while promoting technological advancements and development in the country, spurring economic growth, job creation and innovation in Palestine. The Pension Boards .67% interest in Siraj followed three years of comprehensive due diligence by staff including onsite visits, and review assistance by a large New York-based hedge fund. Companies funded by Siraj in 2012 include the following:

- A family-owned gas distribution company that was serving only residential clients in Nablus City was injected with an investment for expansion to realize the company's vision of becoming the Country's market leader in LPG distribution. Today it is the fastest growing gas distribution company in Palestine serving all market sectors – residential, commercial and industrial. In 2013, the company will expand into the southern region of the West Bank focusing mainly on the industrial sector. They are opening new offices in Hebron and will hire and train staff that will lead expansion in that region.

- A public company with a number of specialized subsidiaries in logistics (mail and package delivery service and land, air and sea freight and shipping services), leasing, security services, organization of events and exhibitions, and sales of Xerox printing and copying machines. The company launched the operations of “Aman” the only licensed money and valuables transportation company with licenses from both the Palestinian and Israeli authorities. New for 2013 will be the introduction of new logistics related products such as supply chain management, security and electronic monitoring, machinery leasing and technology such as DMS and specialized printing.
- A start-up company that specializes in the production and sales of Medjool dates. The Fund’s investment, with a possible follow-up investment, was used to finance a more efficient process of planting Medjool palms, the purchase of two existing farms, financing the buildup of the farm’s infrastructure (wells, water network, etc.), needed working capital and the addition of a packing house. During 2012, the company tripled the size of its crops and managed to produce and export 230 tons of Medjool dates to several countries such as the U.K., Spain, Turkey, Russia, Indonesia and the U.A.E.
- One of the pioneering engineering and architectural firms in the West Bank that provides architectural design, supervision and production management services. During 2012, the company doubled its professional staff, and building on its unique and solid expertise acquired in developing the city Rawabi, management is currently focusing on acquiring new projects.
- The first licensed company to provide capital and operational leasing services within the Palestinian market. The company’s strategy is to provide leasing options for various ranges of equipment and vehicles to the commercial sector and individuals. During 2012, the company was able to reach financing agreements with two major banks, and will capitalize on this to achieve growth and diversification in its product offerings while focusing on the untapped market for machinery and equipment leasing.
- A holding company for media and production that specializes in providing media and production services for local and international TV stations and news agencies. The company’s vision is to expand its operations by launching a local commercial mainstream television station that is transmitted over satellite, Al-Falastinyah (FTV). Combined with comprehensive production services, it will address the unmet needs of Palestinians in Palestine and in the diaspora.
- A hospitality services start-up company that has opened three restaurant outlets.
- An integrated internet platform company that provides health information to Arabic speaking internet users, connecting them with health service providers, so that they can better be informed, control their health, and lead healthier lives. Their website includes a series of features popularized on the U.S. sites like WebMD, all in Arabic, including a Q&A section, a physician directory, and original content that the site licenses, translates and publishes. The company continues to provide high-quality healthcare content by cooperating with leading publishers like Harvard Medical School and The Mayo Clinic. During 2013, the company plans to launch a specialized site for diet and lifestyle, pregnancy and parenting; and provide focus-content/events, e.g. Diabetes Day, Cancer Day, Ramadan and health news, with content being created in-house or licensed, translated and customized to the local market.

For 2013 thru 2015 there are 28 additional companies that have been vetted from a list of 55 possibilities. 20 of these companies have initial contracts in place for investments by Sarij.

The investment in Siraj Palestine Fund LP1 is connected to the development of the city of Rawabi – the largest project and by far the largest private sector investment in Palestine’s history, at a cost of well-above \$850 million U.S. Rawabi will provide more than 5,000 well priced contemporary housing units with nine different floor plans to choose from, spread across 23 neighborhoods. The city will also include a commercial center, business district, a hotel and convention center, public and private schools, medical facilities, mosque, and a church, as well as extensive green recreation space. Rawabi will initially be home to 25,000 residents with additional residential and commercial units slated for subsequent construction phases that ultimately will serve a city with a population of 40,000. There are currently 3,000 construction workers employed in the building of Rawabi growing to 8,000 employed within 18 months.

In October 2012, the city of Rawabi was accepted as the first Palestinian member of the U.S. Green Building Council (USGBC). Palestine is third country in the region (after the U.A.E. and Jordan) to join this esteemed professional group, an international organization dedicated to the development and construction of cost-efficient, energy saving green buildings across the globe.

On February 12, 2013, His Beatitude Theophilos III, Patriarch of Jerusalem, and all Palestine and Jordan, blessed the Cornerstone of Rawabi’s first Run Orthodox Church in the presence of among others, Ziad Bandak, Palestinian President’s Advisor for Christian Relations Affairs. During the laying of the Cornerstone, His Beatitude Theophilos III remarked his satisfaction with the central placement of the Christian Church in Rawabi’s residential area.

At his recent visit to Rawabi, Palestinian Minister of Prisoners’ Affairs H. E. Issa Qaraqe said, “The City of Rawabi is like a Palestinian Paradise – A Paradise in that it offers hope of a new life for released prisoners and their families. For those who spent many years detained in Israeli prisons, this new City gives a glimpse of a new future in Palestine.”

See Rawabi online:

- www.rawabi.ps/cams.php
- [www.Facebook.com/RawabiCity](https://www.facebook.com/RawabiCity)
- [www.Youtube.com/RawabiCity](https://www.youtube.com/RawabiCity)
- [www.Twitter.com/RawabiCity](https://www.twitter.com/RawabiCity)
- www.rawabi.ps/panorama.php

In spite of hyper unemployment exceeding 30% throughout most of the Middle East, and deteriorating GDP growth, year over year unemployment in Palestine has been declining since 2008. At year-end 2012, the unemployment rate in the Palestine territory was 24.3% (West Bank 20.4%. Gaza 31.9%). And, despite the economic constraints, a report by the I.M.F. still expects a 5.6% GDP growth for Palestine for 2013 and a GDP per capita increase of 2.6%.

The Pension Boards continues to work with Palestinian relationships to assist raising desperately needed investment capital to spur private sector growth. The Palestinian Stock Exchange (PSE) includes 33 publicly traded companies, the largest with a market capitalization of \$600 million. It is our hope that within the next two years, a Palestinian Exchange Traded Fund (ETF) will be available to investors worldwide. Additionally, the Pension Boards is working closely with our decades-old relationships in retirement benefit plans from ecumenical partners, seeking investment opportunities worldwide including those that may be suitable in the Middle East. These important discussions continue.

With respect to historical documents, please note the letter dated July 7, 2005 to The Rev. John H. Thomas, General Minister and President from me with the unanimous support of the Pension Boards of Trustees. Copied were the Collegium, Pension Boards' Trustees, Conference Ministers, Norm Jackson, General Synod Moderator and Donald Hart representing United Church Foundation. The letter speaks to the Pension Boards' view then and now regarding the process leading to the presentation of the Substitute Resolution, and the Vote itself. We never received a response from John Thomas.

Note also the letter dated August 2005 with distribution across the Church regarding those things that the Pension Boards can and cannot do in relation to our fiduciary duties. Included were comments regarding successes in Socially Responsible Investment (SRI) strategies through our relationship as a founding member of the Interfaith Center on Corporate Responsibility (ICCR).

From September 2005 thru November 2006, the then Pension Boards' CFO, Julie Oliver, participated on all calls related to implementation of the 2005 Substitute Resolution, and kept detailed notes of each meeting which we have retained. The September 12, 2006 UCF document "Responding to the General Synod 25 Resolution regarding Economic Leverage to Promote Peace in the Middle East" was referred to Pension Boards' General Counsel for review and comment. This review is attached in her e-mail to me dated October 12, 2006. You will note three specific comments:

1. The PBUCC's Funds are Plan Assets not Church Assets.
2. A Plan Fiduciary may engage in Economic Leveraging activities but only to the extent that they are secondary to and consistent with the investment policies of the Plan and do not harm investment performance.
3. The PBUCC cannot delegate its fiduciary responsibility to the Church.

Further, there was a recommendation that the committee insert a paragraph in any statement adopted for the entire Church in reference to the Resolution. This statement by external legal counsel was unanimously approved by the Pension Boards' Board of Trustees at its November 2006 Board Meeting and sent to the Collegium for a response. It was assumed that this statement along with previous documents would be forwarded to Executive Council for review, consideration and action. This was not the case. There are more documents and notes related to this part of history, and the Pension Boards response to the General Synod 25 Substitute Resolution Concerning Economic Leverage to Promote Peace in the Middle East. We would be happy to provide these materials and discuss further with the new United Church Unified Board if felt relevant for that Body.

Sincerely,



Michael A. Downs
President/CEO

CC: Pension Boards Board of Trustees