DICK CHENEY, IRAN AND HALLIBURTON:
A GRAND JURY INVESTIGATES SANCTIONS VIOLATIONS

A REPORT BY THE OFFICE OF
SENATOR FRANK R. LAUTENBERG

DICK CHENEY, IRAN AND HALLIBURTON:
A GRAND JURY INVESTIGATES SANCTIONS VIOLATIONS

Because of Iran's sponsorship of worldwide Islamic terrorism, the United States maintains a sanctions regime against that nation. These sanctions laws prohibit U.S. companies from doing business with the Iranian government or Iranian companies. The laws were imposed for a simple reason: when U.S. companies assist Iranian business ventures, they are helping generate revenue for terrorism. Violations of U.S. terror sanctions laws can be punished by civil fines or, in egregious cases, as a criminal case punished by imprisonment.

Halliburton: Criminal Violations of Terror Sanctions?

In July 2004, a Federal grand jury empanelled in the Southern District of Texas issued a subpoena to the Halliburton Company for the production of documents related to potentially criminal activity by current and former executives who may have violated U.S. terrorist sanctions law. The grand jury was assembled after the case was referred by the Department of the Treasury's Office of Foreign Assets Control to the U.S. Department of Justice.

At issue is a foreign subsidiary of Halliburton, called "Halliburton Products & Services Limited," that has only one source of revenue: business with the Iranian government and its national oil company. While U.S. sanctions law prohibits American companies, like Halliburton, from doing business with Iran, a loophole in the law allows the foreign subsidiaries of a U.S. company to conduct business with terror-sponsoring states. However, Halliburton may have egregiously abused that loophole by conducting decision-making on Iran operations not out of the foreign subsidiary, but out of the U.S. parent company or its U.S.-based subsidiaries – a serious violation of the law.

The Treasury Department has now referred a criminal case to the Department of Justice regarding Halliburton's business dealings. The Department of Justice has sent the case to the U.S. Attorney for the Southern District of Texas, who has assembled a Federal grand jury. If indictments are filed against current or former Halliburton executives, the criminal charges carry a penalty of up to ten years in prison.

The Law At Issue

The regulations governing sanctions against Iran derive from the President's authority under the International Economic Emergency Powers Act (IEEPA) to impose sanctions against state sponsors of terrorism. The sanctions prohibit companies from doing business with the Islamic Republic of Iran, as long as a company fits the definition of a "U.S. Person," which is defined by the Code of Federal Regulations (at *31 CFR 560.314*) as follows:

> The term United States person means any United States citizen, permanent resident alien, entity organized under the laws of the United States (including foreign branches), or any person in the United States.

While covering the foreign *branches* of U.S. companies, the definition fails to mention foreign *subsidiaries*. So, if a U.S. company owns a foreign subsidiary that is staffed only with non-

U.S. nationals, and that subsidiary's decision-making is wholly independent of the U.S. parent, then the subsidiary is permitted to do business with Iran.

Criminal penalties for violation of this law include maximum fines of $50,000 and up to ten years in prison. The law makes clear that these penalties apply to "any officer, director, or agent of any corporation who knowingly participates" in the violation. *(See 31 CFR 560.701)*

The Conduct At Issue

In order to comply with terrorist sanctions law, neither Halliburton (the U.S. parent company) nor any of its U.S. subsidiaries here or overseas can engage in any decision making with regard to, or become involved in, business transactions between the foreign subsidiary – Halliburton Products and Services – and Iran. The foreign subsidiary must be truly independent in order to legally take advantage of the loophole.

After initially closing an investigation of Halliburton in early 2001, the Treasury Department's Office of Foreign Assets Control reopened the case in January 2004, after CBS News' *60 Minutes* broadcast an expose of Halliburton Products and Services' longtime business practices with Iran.

In February 2004, Senator Lautenberg's office provided Treasury Department investigators with suspicious documents (published in this report) that indicate that the Iranians had certain named contacts at Halliburton in 1997 and 1998, when Dick Cheney was CEO. The documents were significant because it was unclear whether these contacts were employed by a U.S. subsidiary, KBR, or the foreign subsidiary, Halliburton Products and Services Limited. As discussed in this report, those two subsidiaries share an office, phone and fax lines in Dubai, United Arab Emirates.

This Report

This report contains documentary evidence and other material regarding these transgressions by Halliburton. The materials indicate that this activity by Halliburton was consistent with then-CEO Dick Cheney's contempt for terrorist sanctions law, which he saw as an impediment to corporate profits. This report also documents active lobbying against terrorist sanctions by Halliburton under Cheney's command. Senator Lautenberg has offered legislation in the Senate to shut down the "Business with Terrorists Loophole" that Halliburton is suspected of abusing. On a near party-line vote, Senator Lautenberg's legislation to shut down the "Business with Terrorists" loophole narrowly lost by a margin of 49-50.

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"Money is the life-blood of terrorist operations."

– **George W. Bush**
September 24, 2001

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DISCLOSURE IN AUGUST 3rd 2004 SEC REPORT

From Halliburton's Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2004, pages 27-28:

Operations in Iran. We received and responded to an inquiry in mid-2001 from the Office of Foreign Assets Control (OFAC) of the United States Treasury Department with respect to operations in Iran by a Halliburton subsidiary that is incorporated in the Cayman Islands. The OFAC inquiry requested information with respect to compliance with the Iranian Transaction Regulations. These regulations prohibit United States citizens, including United States corporations and other United States business organizations, from engaging in commercial, financial, or trade transactions with Iran, unless authorized by OFAC or exempted by statute. Our 2001 written response to OFAC stated that we believed that we were in full compliance with applicable sanction regulations. In January 2004, we received a follow-up letter from OFAC requesting additional information. We responded fully to this request on March 19, 2004. We understand this matter has now been referred by OFAC to the Department of Justice. In July 2004, we received from an Assistant United States Attorney for the Southern District of Texas a grand jury subpoena requesting the production of documents. We intend to cooperate with the government's investigation. As of June 30, 2004, we had not accrued any amounts related to this investigation.

Separate from the OFAC inquiry, we completed a study in 2003 of our activities in Iran during 2002 and 2003 and concluded that these activities were in full compliance with applicable sanction regulations. These sanction regulations require isolation of entities that conduct activities in Iran from contact with United States citizens or managers of United States companies.

Full report available at:
http://www.sec.gov/Archives/edgar/data/45012/000004501204000228/edjune10q2004_final.htm

IS HALLIBURTON LIMITED AN INDEPENDENT SUBSIDIARY?

In order to abide by U.S. terrorist sanctions law, Halliburton Limited must maintain a completely separate and independent operation from any U.S. subsidiary of Halliburton. But as this page from Halliburton's online corporate directory shows, Halliburton Limited shares an office suite, phone and fax lines with KBR, Halliburton's U.S. subsidiary. It is hard to argue that Halliburton is maintaining such independence when the two subsidiaries are so intertwined:

HALLIBURTON halliburton.com

Middle East

UNITED ARAB EMIRATES

Operation Name	Physical Address	Mailing Address	Phone & Fax Numbers
Halliburton	PO Box 57 11th Floor Lulu Center Bldg Salam Street Abu Dhabi	PO Box 57 Abu Dhabi United Arab Emirates	Phone 1: 971 2 676 3635 Fax 1: 971 2 676 1516
Halliburton (District Office)	PO Box 57 Mussafah Abu Dhabi	PO Box 57 Abu Dhabi United Arab Emirates	Phone 1: 971 2 555 3000 Fax 1: 971 2 555 3200
Halliburton Limited	PO Box 3111 Al Moosa Tower 1, 10th Floor Sheikh Zayed Road Dubai	PO Box 3111 Dubai United Arab Emirates	Phone 1: 971 4 331 0666 Fax 1: 971 4 331 0442
KBR	PO Box 57 12th Floor Lulu Center Bldg Salam Street Abu Dhabi	PO Box 57 Abu Dhabi United Arab Emirates	Phone 1: 971 2 676 3635 Fax 1: 971 2 676 1962
KBR	PO Box 3111 Al Moosa Tower 1, 10th Floor Sheikh Zayed Road Dubai	PO Box 3111 Dubai United Arab Emirates	Phone 1: 971 4 331 0666 Fax 1: 971 4 331 0442
Landmark Graphics	PO Box 57 13th Floor Lulu Center Bldg Salam Street Abu Dhabi	PO Box 57 Abu Dhabi United Arab Emirates	Phone 1: 971 2 676 3635 Fax 1: 971 2 672 5925
Landmark Graphics	PO Box 3111 Al Moosa Tower 1, 8th Floor Sheikh Zayed Road Dubai	PO Box 3111 Dubai United Arab Emirates	Phone 1: 971 4 331 3142 Fax 1: 971 4 331 5837

View this web page at:
http://www.halliburton.com/ofc_loc/location_search.jsp?USA=0&rgn=ME&cnt=United%20Arab%20Emirates

BID SOLICITATION
OCTOBER 15, 1997
FROM IRANIAN NATIONAL OIL COMPANY TO HALLIBURTON PRODUCTS & SERVICES

MODE = MEMORY TRANSMISSION START=15-OCT 11:40 END=15-OCT 11:46

FILE NO.= 042

NO.	COM	ABBR/NTWK	STATION NAME/ TELEPHONE NO.	PAGES	PRG.NO.	PROGRAM NAME
001	OK	#	9009714319105	003/003		

-KALA LTD(LONDON)

-KALA-LTD-LONDON - ***** - 0171 340 5200- *********

F.A.O. MR. MCINTYRE
YOUR FAX REF. F356/98
DATED 5/2/98

Type 'A'

Kala LIMITED

Registered Office
4, VICTORIA STREET, LONDON SW1H 0NE
Telephone: 0171-840 5000 Telex: 864784/884858 A/B KALA G
Fax: 0171-840 5202/5203 Materials Procurement Division
Telegrams Kalalimited, London, SW1

TO:
HALLIBURTON PRODUCTS & SERVICES LTD
AL-MOOSA TOWER, FLOOR 10
DUBAI ABUDHABI HIGHWAY
P.O.BOX 10122, DUBAI
U.A.E.

Buyer's Reference M248

FAX NO. 0171-3405208/5211

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HPSL/307.

ENQUIRY FORM

REMINDER 1
16-12-97

ENQUIRY NO. A 08-70-765111 01 DATE 15/10/97

Please submit in English your lowest F.C.A. loaded on lorry/aircraft quotation for the material detailed herein.
Materials prices are to be stated in the currency of the country of origin and payment will be made accordingly.
Any Purchase Order subsequently placed will be subject to your acceptance of our General Conditions of Purchase printed overleaf.
The material is required for supply to the Oil industry in Iran for or in connection with its operations and to which you will be liable for any damage suffered by it as a result of any defect therein or any non-compliance by you with our Purchase Order or conditions.
Your quotation should include:-
(a) A price firm through to Shipment and any discount terms.
(b) Full details of any deviation from the specification quoted by us.
(c) Lump sum price in addition to each price.
(d) An approximate shipping specification of material offered for export. (Note: We will arrange shipment to IRAN). F.O.B. DUBAI PORT.
(e) Port or ports at which F.C.A. delivery offered. (F.O.B. only applies to seafreight shipments).
(f) In an attempt to assist you in scheduling your commitments, we have shown below the latest delivery which will meet our on site requirement. Please respond by quoting a realistic delivery which you will be able to maintain. If you are able to supply prior to our required date please quote accordingly.

REMINDER (2)
12-01-98

We require delivery as soon as possible.
Where appropriate, and other factors being equal, preference will be given to the Supplier offering material which is certified to be in compliance with a stated standard specification.
Quotations not in accordance with the above conditions are liable to be disregarded.
The quotation should reach this office no later than 31/10/97

REMINDE (3)
19-01-98

PARTS FOR:

1. Item No(s) in accordance with attached list.
2. Prices to include packing for SEAFREIGHT SHIPMENT.
3. Prices to be firm for duration of contract.
4. Quotation to allow validity of 60 days from closing date.
5. One unit of each item to be tagged with an indestructible label showing identification details.
6. Please advice approximate net and gross weights when quoting.
7. Please advice new Part Numbers where applicable.
8. Country of Origin should be stated. (Goods originating from Israel are not acceptable).
9. Certified invoices and certificate of origin required.

A.P. Thakar
Materials Procurement Division

The Iranians addressed this bid to "Mr. McIntyre" on the 10th floor of the Al-Moosa Tower in Dubai. Halliburton has refused to identify Mr. McIntyre, and disclose whether he is/was a KBR employee.

Kala Naft Limited is the British subsidiary of the National Iranian Oil Company.

BID SOLICITATION
OCTOBER 7, 1997
FROM IRANIAN NATIONAL OIL COMPANY TO HALLIBURTON PRODUCTS & SERVICES

Type 'A'

Kala LIMITED

HPS4/357

Registered Office
4, VICTORIA STREET, LONDON SW1H 0NE
Telephone: 0171-340 5000 Telex: 884784/884958 A/B KALA G
Fax: 0171-340 5202/5203 Materials Procurement Division
Telegrams Kalalimited, London, SW1

TO: HALLIBURTON

Buyer's Reference M342

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ATTENTION MR PROCTOR

ENQUIRY FORM

ENQUIRY NO. 08-22-765058 DATE 7.10.97

Please submit in English your lowest F.C.A. loaded on lorry/aircraft quotation for the material detailed herein.
Materials prices are to be stated in the currency of the country of origin and payment will be made accordingly.
Any Purchase Order subsequently placed will be subject to your acceptance of our General Conditions of Purchase printed overleaf.
The material is required for supply to the Oil Industry in Iran for or in connection with its operations and to which you will be liable for any damage suffered by it as a result of any defect therein or any non-compliance by you with our Purchase Order or conditions.
Your quotation should include:-

(a) A price firm through to Shipment and any discount terms.
(b) Full details of any deviation from the specification quoted by us.
(c) Lump sum price in addition to each price.
(d) An approximate shipping specification of material offered for export. (Note: We will arrange shipment to IRAN).
(e) Port or ports at which F.C.A. delivery offered. (F.O.B. only applies to seafreight shipments).
(f) In an attempt to assist you in scheduling your commitments, we have shown below the latest delivery which will meet our on site requirement. Please respond by quoting a realistic delivery which you will be able to maintain. If you are able to supply prior to our required date please quote accordingly.

1st REMINDER PLEASE EXPEDITE YOUR REPLY 10.10.97

We require delivery as soon as possible.
Where appropriate, and other factors being equal, preference will be given to the Supplier offering material which is certified to be in compliance with a stated standard specification.
Quotations not in accordance with the above conditions are liable to be disregarded.
The quotation should reach this office no later than AS SOON AS POSSIBLE

PARTS FOR:

1. Item No(s) in accordance with attached list.
2. Prices to include packing for
3. Prices to be firm for duration of contract.
4. Quotation to allow validity of 60 days from closing date.
5. One unit of each item to be tagged with an indestructible label showing identification details.
6. Please advice approximate nett and gross weights when quoting.
7. Please advice new Part Numbers where applicable.
8. Country of Origin should be stated. (Goods originating from Israel are not acceptable).
9. Certified invoices and certificate of origin required.

A.P. FOR KALA LIMITED
Materials Procurement Division

This bid from the Iranians is addressed to the attention of a "Mr. Proctor." Halliburton has refused to identify Mr. Proctor, and disclose whether he is/was a KBR employee.

WHILE CEO OF HALLIBURTON, CHENEY "BLASTS" IRAN SANCTIONS

[W]hen Vice President Cheney was chief executive of Dallas-based Halliburton Co., a major oil equipment supply company, in the mid-1990s, he blasted the Iran sanctions as "self-defeating."

"There seems to be an assumption that somehow we know what's best for everybody else, and that we are going to use our economic clout to get everybody else to live the way we would like," he said in 1996 in Abu Dhabi, in the United Arab Emirates.

– John Ward Anderson, "Iran Throwing Off Its Isolation; U.S. Remains Dubious After Decades of Mutual Distrust," *The Washington Post*, March 31, 2001, p. A18

"We're kept out of there primarily by our own government, which has made a decision that U.S. firms should not be allowed to invest significantly in Iran, and I think that's a mistake."

"While American companies have to sit on the sidelines, oil companies from the rest of the world have invested in Iran's energy sector, sometimes without operating the same high standards."

– **Dick Cheney**
Speech before the World Petroleum Congress
Calgary, Canada
June 13, 2000
(the month before joining the Bush-Cheney ticket)

Sources:
http://www.alberta-canada.com/export/pdf/Iran_Energy_July12000.pdf
http://www.cnn.com/ALLPOLITICS/time/2000/07/31/hallib.html

HALLIBURTON LOBBIES AGAINST IRAN SANCTIONS UNDER CHENEY

Below is page 2 of Halliburton's 1997 Year End lobbying report filed with the Senate and the House of Representatives. The lobbying report indicates that Iran and Libya sanctions were one of the few issues Halliburton focused its lobbying efforts on in that year, while Dick Cheney was CEO. Halliburton's 1998 lobbying reports have similar references to lobbying on Iran and Libya sanctions.

Registrant Name Halliburton Company

Client Name Self

LOBBYING ISSUES. On line 8 below, enter the code for *one* general lobbying issue area in which the registrant engaged in lobbying activities for the client during this reporting period *(select applicable code from list in the instructions and on the reverse side of Form LD-2, page 1)*. For that general issue area *only*, complete lines 9 through 12. If the registrant engaged in lobbying activities for the client in more than one general issue area, use one Lobbying Report Addendum page for each additional general issue area.

8 General lobbying issue area code (enter *one*) FOR

9 Specific lobbying issues *(include bill numbers and specific executive branch actions)*

Treaty - NATO Expansion
HR 1685/S 772 - Freedom of Religious Persecution
HR 748 - Sudan/Syria Sanctions
Helms-Burton secondary sanctions regulations (no bill number)
D'Amato Iran/Lybia secondary sanctions (no bill number)
Burma sanctions implementation
HR 2708/S1413 - Unilateral Economic Sanctions Framework

10. Houses of Congress and Federal agencies contacted

House of Representatives
Senate
Department of State
Department of Commerce

11. Name and title of each employee who acted as a lobbyist

Dave Gribbin, Vice President

Donald A. Deline, Director of Government Affairs

12. *For registrants identifying foreign entities in the Lobbying Registration (Form LD-1, line 12) or any updates:* Interest of each such foreign entity in the specific lobbying issues listed on line 9 above

This report includes 12 Addendum pages

Signature Dave Gribbin Date 02/03/98

Printed Name and Title Dave Gribbin, Vice President, Office of Government Affairs

Form LD-2 (1/96) Page 2

For more information on this or other reports from the office of Senator Lautenberg, contact:

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Communications Director
Senator Frank R. Lautenberg
(202) 224-7340
alex_formuzis@lautenberg.senate.gov