

# Sovereign Wealth Funds and Private Equity

Increased Access,  
Decreased Transparency

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# Sovereign Wealth Funds and Private Equity: Increased Access, Decreased Transparency

*Faced with growing scrutiny from the media and Congress, these foreign government-controlled funds are increasingly turning to the secrecy offered by investments in U.S. private equity firms*

It's difficult to pick up a major newspaper or newsmagazine without reading about sovereign wealth funds (SWFs)—and for good reason. Over the past few months, SWFs have provided capital to teetering publicly traded U.S. financial houses including Citigroup, Merrill Lynch and UBS,<sup>1</sup> generating some concerns about their motivation. Sen. Evan Bayh, D-Ind., remarked that, SWFs “may have interests that will take precedence over profit maximization.”<sup>2</sup> Hearings on the issue have been held in both the U.S. House of Representatives and the U.S. Senate.<sup>3</sup>

Faced with this intense scrutiny, SWFs are hiring Washington, D.C., lobbyists and have been careful to keep their investments under thresholds in existing U.S. law that might trigger closer review by regulators.<sup>4</sup> But U.S. private equity firms provide media-shy SWFs with an ideal investment vehicle. “Sovereign wealth funds are beginning to use a new template—investing in private equity funds, apparently as a means to defend themselves from a public backlash against their growing direct investment in banks and industrial companies in the West,” wrote Henny Sender in the *Financial Times* of London.<sup>5</sup>

Through private equity firms such as the Carlyle Group, the Blackstone Group, and Apollo Management, SWFs are investing in blue chip U.S. firms and strategic American industries. SWFs can participate as investors in specific investment funds, or, as in the case of Carlyle, Blackstone and Apollo, can purchase an ownership stake in the private equity firm itself. In the case of privately held firms such as Carlyle and Apollo, these relationships are largely immune from public scrutiny because pri-

vately held companies are exempt from many of the reporting and disclosure requirements that would ordinarily ensure some measure of public accountability. Some significant SWF investments in individual funds have been revealed in the past on the obscure Form D filings with the SEC, but the SEC recently rescinded the Form D provision that required these investments to be identified.<sup>6</sup> By using private equity firms as a shield, SWFs are subject to far less disclosure and public accountability than if they invested directly in U.S. public companies.

Industry estimates of SWF commitments to private equity vary from \$120 billion to \$150 billion—or about 10 percent of all global capital available to the sector.<sup>7</sup> Ninety percent of SWFs have made some kind of private equity investments in the United States in the past.<sup>8</sup> Commentators have noted that through their holdings, these private equity firms are among the largest employers in the United States.<sup>9</sup>

Through a close examination of a well-established private equity firm, the Carlyle Group, this report will explore the scope of SWF investment in U.S. private equity firms, the ways in which these investments fall outside of federal regulatory frameworks for assessing foreign ownership and the possible risks to our national security of simply not knowing who the stewards of these large pools of capital are or the nature of their control. At the end, we offer a few simple steps that Congress can take to equip itself and the public with tools necessary to make informed and rational decisions about sovereign investment in the United States.

## The Rise of Sovereign Wealth Funds

According to the U.S. Treasury Department, a SWF is “a government investment vehicle ... funded by foreign exchange assets, and which manages those assets separately from the official reserves of ... the Central Bank ... and Finance Ministry...[and with] a higher risk tolerance and higher expected return.”<sup>10</sup> More simply, SWFs are large government-controlled asset pools invested for profit.

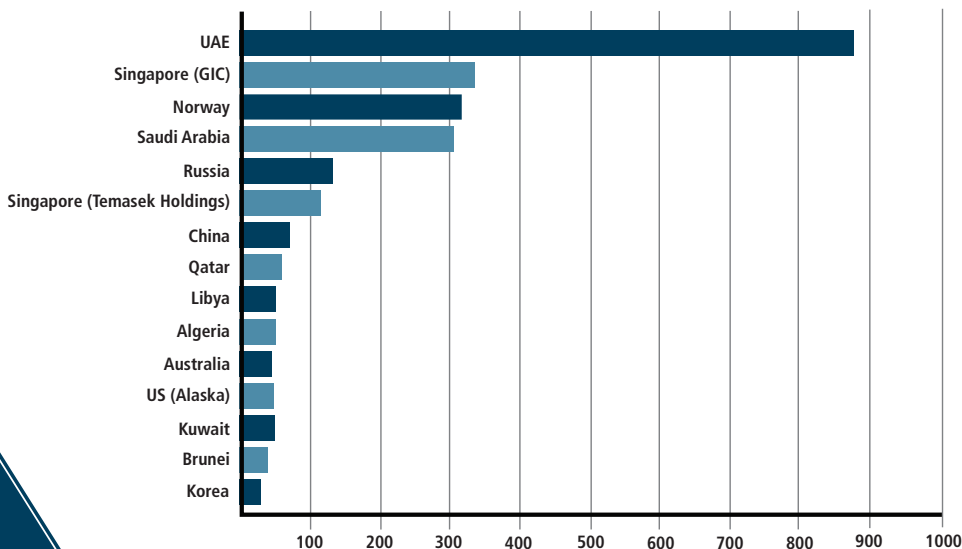
These funds dwarf other forms of investment capital. As one government official testified at a congressional hearing, SWF assets are believed to be greater than the global stock of assets invested in either hedge funds or private equity.<sup>12</sup> Current estimates place the value of SWF assets at approximately \$3 trillion and forecast that number will quadruple to \$12 trillion by 2015.<sup>13</sup> In 2007, SWF assets grew 18 percent.<sup>14</sup>

The largest SWF, the Abu Dhabi Investment Authority (ADIA),<sup>15</sup> controls up to an estimated \$875 billion in assets; exact figures are unknown. As *The New York Times* points out, currently ADIA does not even have an internal communications department to answer such basic questions, although it claims to be in the process of setting up one.<sup>16</sup>

## Who Controls the Capital?

Recent polls reveal a widespread unease about the motives of sovereign wealth fund investments in the United States. *The Wall Street Journal* reports that nearly three-quarters of poll respondents believed that foreign governments do not reveal enough about their investments and overwhelmingly opposed these funds taking interests in key U.S. businesses.<sup>17</sup>

### Largest Sovereign Wealth Funds Estimated Assets in Billions of USD



Sources: Council on Foreign Relations and the Peterson Institute<sup>11</sup>

## The Appeal of Private Equity Partnerships

SWFs are seeking new ways to invest their increasingly large stockpiles of money. The use of “local partners,” like well-connected private equity firms, is becoming an attractive investment option.<sup>23</sup> Yale professor and former Commerce Department official Jeffrey Garten has reportedly predicted that SWFs will use increasingly complicated financial instruments to avoid attracting attention, “It’s going to be harder to trace, and harder to decide whether the investments are worth worrying about.”<sup>24</sup>

The secretive nature of private equity can also provide cover for SWF investments. Private equity firms are not required to make the regular reports to the SEC that are required of publicly traded firms. Private equity firms do not have public shareholder meetings and operate largely outside of public scrutiny.

While SWFs have long had the option of investing in individual investment funds raised by private equity firms, in recent years they have begun taking ownership stakes in the overall private equity businesses as well, replicating pension giant CalPERS’ purchase of ownership stakes in both Apollo Management and the Carlyle Group. In 2006, the Abu Dhabi Investment Authority (ADIA) took a stake in Apollo Management.<sup>25</sup> In May 2007, China’s State Foreign Exchange Investment Corp. bought just under 10 percent of the Blackstone Group<sup>26</sup> and in September, Abu Dhabi’s Mubadala Development Co. bought a 7.5 percent stake in the Carlyle Group.<sup>27</sup>

Guy Hands, head of UK private equity company Terra Firma, has predicted that SWFs will to some extent replace Wall Street and the traditional banking industry by actually lending to private equity firms.<sup>28</sup> Similarly, the Carlyle

Several elected officials share their constituents’ unease, as do some regulatory officials. At a Joint Economic Committee hearing, Sen. Charles Schumer, D–N.Y., noted that in their lack of transparency, “[S]overeign wealth funds are their own worst enemies. Most are not transparent or publicly accountable, and we know little about their governance structures or fiduciary controls.”<sup>18</sup> Edwin Truman, a former assistant U.S. Treasury secretary who testified in November before the Senate Committee on Banking, Housing and Urban Affairs about SWFs, noted that “[SWFs] involve a dramatic increase in the role of governments in the ownership and management of international assets. This characteristic is unnerving and disquieting. It calls into question our most basic assumptions about the structure and functioning of our economies and the international financial system.”<sup>19</sup>

While some SWFs are working with U.S. officials to determine principles for investing,<sup>20</sup> for some it is with reluctance as they note that private equity and hedge funds are not held to similar guidelines.<sup>21</sup> Many in the private equity industry applauded Abu Dhabi’s recent three-page letter to U.S. Treasury Secretary Henry Paulson and other finance officials. This first official response to ongoing calls from Europe and the United States for increased transparency contains rhetoric about the emirate’s investment policy and offers assurances that it will not use its financial leverage for political advantage. However, the letter notably failed to provide specific enforceable commitments or all of the assurances that U.S. Treasury officials and others sought.<sup>22</sup>

*“If we let this continue to grow, we will not be in control of our own economic destiny as we have been in the past.”*

—Sen. Richard Shelby, R-Ala.

Group's David Rubenstein has observed that SWFs and private equity "are likely to pursue large investment opportunities through joint ventures."<sup>29</sup>

*"The partial sale of the general partnership doesn't change our relationship [as a limited partner], but it does change the life inside the general partnership ... and that is a significant issue."*

—Christopher Ailman,  
Chief Investment Officer,  
California State Teachers' Retirement System.

## Regulatory Gaps Leave SWF/ Private Equity Partnerships Unassessed

Current U.S. regulations, designed to address foreign entities taking a direct ownership interest in domestic assets, miss the peculiar nature of voting covenants and indirect ownership structures that characterize private equity. Because the private equity firm is recognized as a domestic company and the lack of publicly traded shares makes verifying the magnitude of a SWFs ownership interest difficult to verify, proposed private equity buyouts of sensitive companies fail to trigger the Committee on Foreign Investment in the United States' (CFIUS) process for examining risks and benefits of foreign investment or ownership of American companies. This is true even if the buyout involves a company that services federal government contracts. As Reps. Barney Frank, Carolyn Maloney, and Luis Guterrez recently stated in a letter to Treasury Secretary Paulson, current rules defining a controlling interest and determining when government scrutiny is appropriate may not be sufficient to address all of the issues raised by SWF investments' in U.S. companies.<sup>30</sup>

The legislative intent to establish systems for assessing the effect of foreign ownership is clear. First drafted as the Defense Production Act in 1950, the process for evaluating foreign ownership was by the late 1980s expanded to protect national security while maintaining U.S. investment policies.<sup>31</sup> In 2007, the Foreign Investment and National Security Act of 2007 (FINSAs), further refined the process by which CFIUS, upon receiving notice of mergers, acquisitions, or takeovers that could result in foreign control, is required "to immediately conduct an investigation of the effects of certain covered transactions on national security and to take necessary actions to protect the national security."<sup>32</sup> Similarly, the Office of Foreign Asset Control holds all financial institutions throughout the United States accountable for complying with laws that impose economic and trade sanctions against hostile targets to further U.S. foreign policy and national security objectives.<sup>33</sup>

*"To the extent that the state investment company stays below the 10 percent threshold for governmental review ... and invests in securities that are liquid ... that's a very easy way for the state investment company to put large amounts of money to work with minimum to no controversy."*

—Stephen Schwarzman,  
CEO of the Blackstone Group.

## Comparing a joint venture deal between a private equity firm and a foreign company to a SWF purchase of an ownership stake in such a firm highlights the challenges of using the CFIUS process to evaluate potential foreign ownership.

In September 2007, Bain Capital and Huawei Technology, a private Chinese company, tendered an offer to buy 3Com, a Massachusetts-based computer networking company.<sup>34</sup> Bain Capital voluntarily notified CFIUS of the deal. At issue was a particular unit of 3Com, Tipping-Point, which provides sensitive security monitoring equipment to the Department of Defense. After several months of scrutiny, 3Com and Bain announced that due to CFIUS concerns they were cancelling the takeover deal in its current form.<sup>35</sup> A joint venture partnership between a private equity firm and a foreign corporation was a structure the regulations were designed to evaluate: the extent of foreign ownership was easily defined, there was a great deal of public information about the scope of the businesses involved and the opportunity for company leadership and elected officials to discuss the national security issues at stake.

At virtually the same time, the Carlyle Group announced that Mubadala Development, an Abu Dhabi sovereign wealth fund, was purchasing a 7.5 percent own-

ership stake in the firm for \$1.35 billion.<sup>36</sup> Even as news reports noted Carlyle holdings such as Freescale Semiconductor and Sequa Aircraft, both of which have serviced military contracts, there was no mention of a pending CFIUS review.<sup>37</sup> When *The Washington Post* revealed rumors of a possible Carlyle Group buyout of government consulting giant Booz Allen Hamilton three months later, the ownership stake of Abu Dhabi barely registered on Capitol Hill. This despite the fact that Booz Allen Hamilton has won \$11.7 billion in government contracts in less than a decade—reportedly government contracting accounts for almost half of Booz Allen's \$4 billion in revenue—and has services contracts for the Department of Homeland Security, Air Force, Army, and Navy.<sup>38</sup> Current regulations are not equipped to address the indirect manner in which SWF investments are transacted through nontransparent private equity. Private equity funds conduct buyouts in every sector of the economy, and current regulations can fail to alert lawmakers and regulators of potential problems of foreign ownership.

## **SWF Investment in Government Contractors: The Mubadala Development Company and Carlyle Group Case Study**

Large private equity firms take over companies in a wide variety of industries, some of which can service significant government contracts and which may have access to sensitive information. Other portfolio companies may serve critical infrastructure needs. When a SWF buys into these firms, they buy ownership stakes in current and future holdings in areas as diverse as consumer products, energy and power, technology, manufacturing or public infrastructure.

Even as it negotiated its partnership with Abu Dhabi, the Carlyle Group was buying several companies with significant ties to national defense and critical infrastructure. The fact that none of these transactions came under CFIUS scrutiny underscores the shortcomings of current regulations on foreign ownership in relation to SWFs and the private equity industry.

### **Who is The Carlyle Group?**

Carlyle is among the largest private equity funds in America. With more than 750 direct employees spread over 21 countries and more than \$75 billion in equity capital under management, the firm is a financial powerhouse.

The list of Carlyle's current and former directors and officers reads like a Who's Who of American political, business, media and military leaders, including former President George H.W. Bush, former Secretary of State James Baker, former Secretary of Defense Frank Carlucci, former SEC Chairman Arthur Levitt, former FCC Chairman William Kennard, former Time Editor-in-Chief Norman Pearlstine and dozens of former CEOs of major corporations from around the world.

After 2003, Carlyle underwent a far-reaching

reorganization to diversify beyond its reputation for defense holdings; high profile political advisers were replaced with well-known business figures such as Louis Gerstner. However, a significant proportion of its holdings remain defense-related companies, and through its holdings Carlyle holds government contracts worth hundreds of millions of dollars.

### **Kinder Morgan: Purchased May 2007**

One of the companies in Carlyle's investment portfolio, Kinder Morgan<sup>39</sup>, is a key player in the energy industry and provides services to markets critical to the United States' economy and safety. As of 2006, the last year the company was publicly traded, Kinder Morgan owned or operated 26,000 miles of pipelines; every day Kinder Morgan transports more than 2 million barrels of gasoline and their terminals can store nearly 70 million barrels of petroleum products.<sup>40</sup> Kinder Morgan facilities are located in major American cities, including three liquid storage facilities in the New York harbor area (two in New Jersey and one on Staten Island<sup>41</sup>) and two in Chicago, including one facility directly connected to Midway Airport.<sup>42</sup> Kinder Morgan also operates a pier in Newport News, Va., the location of numerous defense-related manufacturing facilities, and a marine terminal in Florida in which they store fertilizer and ammonia.<sup>43</sup> Even now, legislators in California are holding hearings about proposed expansions of Kinder Morgan pipelines into key military bases<sup>44</sup> and it is unclear whether they are aware that Kinder Morgan is partially owned by a foreign government-controlled entity.

### **ARINC: Purchased October 2007**

One of the leading providers of communications and integration systems to government agencies, airports and surface transportation networks, ARINC received more than \$500 million in federal contracts in 2007 alone.<sup>46</sup>

Among ARINC's largest federal customers are the Army, Navy and Air Force for whom it provides services ranging from maintenance and repair of communication and detection equipment to engineering and technical services.<sup>47</sup> In fact, more than half of ARINC's revenue comes from aerospace and the military.<sup>48</sup> Since the Carlyle buyout, ARINC has gotten a \$15 billion contract with the Department of Defense to develop Counter-Narcoterrorism Technology,<sup>49</sup> a \$22 million add-on contract with the Space and Naval Warfare Center,<sup>50</sup> and a contract with the San Diego Space and Warfare center that could be worth as much as \$26 million.<sup>51</sup> In the past several months, ARINC has also gotten contracts with civilian transit systems that serve millions of passengers in major metropolitan areas, including New York's Metro North system,<sup>52</sup> Maryland Transit,<sup>53</sup> San Diego<sup>54</sup> and the Baltimore Metro system.<sup>55</sup>

## Allison Transmission: Purchased August 2007

The Carlyle Group, in partnership with Canadian private equity firm Onex, acquired Allison Transmission for a reported \$5.58 billion.<sup>56</sup> Allison, based in Speedway, Ind., is a designer and manufacturer of automatic transmissions for the medium- and heavy-duty commercial vehicle markets. A recent article noted that Allison Transmission benefits from a trend toward "up-armoring" in the military" which presents "a great market for Allison" where the company makes about one-tenth of its sales, providing transmissions for all vehicle suppliers to the Pentagon.<sup>57</sup> But even before the takeover was finalized, business leaders were speculating about how Carlyle's relationships in the defense world could lead to increased government work.<sup>58</sup> Sure enough, in early 2008 Allison got a contract worth \$3.8 million to work on the M1 Abrams Tank. Allison employees were praised at the time for providing equipment to American troops;<sup>59</sup> however, it is unclear whether

anyone realized that profits from the contract would flow to Abu Dhabi through Carlyle.

## Restoring Oversight to the SWF—Private Equity Relationship

Since 2007, sovereign wealth fund investment in U.S. private equity firms has grown exponentially, and according to private equity CEOs and SWF officials alike, this relationship will become even more frequent. Current U.S. rules exempting private equity from many disclosure requirements coupled with gaps in laws concerning foreign ownership have inadvertently left a door open for virtually unregulated foreign ownership of American assets.

- 1) **The beneficial ownership structure of the general partnership/management company and/or limited partnerships controlling funds must be disclosed**—particularly if their portfolio companies contract for the U.S. government. Under the current law, we do not know if Carlyle portfolio companies such as ARINC that service the Air Force and Navy are controlled by foreign interests. Federal procurement regulations should include disclosure of the entire ownership structure of bidding companies, and if during the life of a contract the ownership structure changes as the result of a buyout the contractor should be required to notify the contracting government agency so that the desirability of the contract could be reassessed, especially before any renewal options are exercised.
- 2) **Mandatory CFIUS investigation of proposed deals involving private equity firms and SWFs.** Because of the intensely private nature of private equity and the lack of reporting regulations, assertions that SWF stakes in a private equity firm constitute less than

a 10 percent share are difficult to verify. Furthermore, because a private equity company may buy into any number of sensitive industries subsequent to the SWF purchase it is essential that legislators and regulators be completely confident in the structure and goals of the partnership from the outset. Consequently, CFIUS review should not be voluntary in these transactions, nor should it be contingent on self-reported levels of control under the 10 percent guidelines.

- 3) **New SEC rules concerning Form D should be rescinded.** Currently, one of the only methods for discovering SWF investment in individual private equity investment funds is through the disclosure required to the SEC. A recent rule change will eliminate the requirement to name investors, making it virtually impossible for legislators, regulators or the general public to learn whether a SWF is a key investor in a fund proposing to take over defense-related companies or key infrastructure. If private equity funds are to retain their exempt status for reporting purposes, the Form D rules should at least be revised to retain this important reporting requirement.
- 4) **All representatives of a sovereign wealth fund, including advisers, fund managers, or others acting on its behalf, must register under the Foreign Agent Registration Act.** The Foreign Agents Registration Act (FARA) is a U.S. law passed in 1938 that requires information from foreign sources to be properly identified to the American public. FARA is enforced by the Foreign Agent Registration Unit within the Criminal Division of the Department of Justice. The law currently requires registration for individuals who engage in the following activities on behalf of foreign governments: (1) political activities;

(2) acting in a public relations capacity for a foreign principal; (3) soliciting or dispensing anything of value within the United States for a foreign principal; and (4) representing the interests of a foreign principal before any agency or official of the U.S. government.

Lobbyists and private equity principals who engage with elected officials should be required to register under FARA if any sovereign wealth fund has an ownership stake in the private equity firm.

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<sup>1</sup> “A Worrisome New Wrinkle in Bailouts,” *New York Times*, December 14, 2007; “Asset-Backed Insecurity,” *The Economist*, January 17, 2008.

<sup>2</sup> Press Release, Office of Senator Evan Bayh, November 14, 2007.

<sup>3</sup> The House Committee on Financial Services held a hearing on March 5, 2008, while the Senate U.S.-China Economic and Security Review Commission heard testimony on the issue on February 7, 2008.

<sup>4</sup> Opensecrets.org, 2007 lobbying reports; “Foreign buyers eye U.S. firms, court Congress,” *USA Today*, December 13, 2007. Section 800.302 of Title 31 of the Code of Federal Regulations sets a 10 percent ownership stake as an example of a circumstance that would exempt an acquisition from CFIUS investigation (although it should be noted that this is not actually a bright line established by the law). All the SWF stakes in U.S. companies made recently fall below this 10 percent line.

<sup>5</sup> Sovereign Wealth Funds Find New Private Equity Bedfellows, Henny Sender, *Financial Times* of London, February 15, 2007.

<sup>6</sup> See notice of rule change at: <http://www.sec.gov/rules/final/2008/33-8891.pdf>.

<sup>7</sup> “Prequin Sovereign Wealth Funds Review: Activity in Private Equity and Private Real Estate,” *Private Equity Intelligence, Ltd.* (2008): 4.

<sup>8</sup> “Prequin Sovereign Wealth Funds Review: Activity in Private Equity and Private Real Estate,” *Private Equity Intelligence, Ltd.* (2008): 4, 8.

<sup>9</sup> “Funds that shake Capitalist Logic,” Lawrence Summers, *Financial Times*, July 29, 2007.

<sup>10</sup> United States Department of the Treasury, *Semiannual Report on International Economic and Exchange Rate Policies*, June 2007, Appendix III.

<sup>11</sup> Council on Foreign Relations “Backgrounder on Sovereign Wealth Funds,” <http://www.cfr.org/publication/15251/> (accessed March 27, 2008) and Edwin Truman. “Sovereign Wealth Funds, The Need for Greater Transparency and Accountability.” *The Petersen Institute for International Economics*, August 2007 Policy Brief available at <http://www.iie.com/publications/pb/pb07-6.pdf>.

<sup>12</sup> Testimony of Under Secretary for International

Affairs David H. McCormick, Testimony before the Joint Economic Committee, dated February 13, 2008.

<sup>13</sup> “Sovereign Funds May Surpass Global Foreign Reserves,” *Reuters*, March 11, 2008.

<sup>14</sup> “Sovereign Wealth Funds grow to \$3,300bn,” *Financial Times*, March 30, 2008.

<sup>15</sup> Included in the UAE aggregate amount in Table 1.

<sup>16</sup> “Cash Rich,” *New York Times*, February 28, 2008.

<sup>17</sup> “Americans See Little to Like in Sovereign-Wealth Funds,” *Wall Street Journal*, February 21, 2008.

<sup>18</sup> Opening statement of Chairman Charles E. Schumer, Joint Economic Committee Hearing: ‘Do Sovereign Wealth Funds Make the U.S. Economy Stronger or Pose National Security Risks?’ Press release, February 13, 2008.

<sup>19</sup> Testimony of Edwin Truman before the Committee on Banking, Housing, and Urban Affairs, United States Senate on November 14, 2007.

<sup>20</sup> “Code set for State-Run Funds,” *Wall Street Journal*, March 21, 2008.

<sup>21</sup> “Foreign Wealth Funds Defend U.S. Investments; Profit, Not Politics, is Motive, Officials Say,” *Washington Post*, March 27, 2008.

<sup>22</sup> “Abu Dhabi Sets Investment Code,” *Wall Street Journal*, March 6, 2008.

<sup>23</sup> “Reverse Charges,” *Economist*, November 29, 2007.

<sup>24</sup> “Funds Transparency Woes could worsen,” *AP Newswire*, March 3, 2008.

<sup>25</sup> “Abu Dhabi invests \$600m in Apollo fund,” *Gulf Daily News*, June 17, 2006.

<sup>26</sup> China Buys \$3 Billion Blackstone Stake, *BBC News*, May 21, 2007.

<sup>27</sup> Carlyle News Release, Mubadala to Take 7.5 percent, \$1.35 Billion Stake in the Carlyle Group, September 20, 2007.

<sup>28</sup> “PE Turns to SWFs,” *Financial Times*, February 27, 2008.

<sup>29</sup> Quoted in “Government Funds Partnerships with PE,” *International Herald Tribune*, March 3, 2008.

<sup>30</sup> “Frank, Maloney, Gutierrez Call on Treasury

to Address Sovereign Wealth Funds in FINSA Regulations,” Press Release by House Committee on Financial Services, March 13, 2008.

<sup>31</sup> <http://www.ustreas.gov/offices/international-affairs/exon-florio/>.

<sup>32</sup> CRS summary of Public Law No: 110-49, <http://thomas.loc.gov/cgi-bin/bdquery/z?d110:HR00556:@@D&summ2=m&>.

<sup>33</sup> <http://www.ustreas.gov/offices/enforcement/ofac/mission.shtml>.

<sup>34</sup> “3Com Announces Agreement to be Acquired by Bain Capital Partners for \$5.30 per share in Cash,” 3Com Press Release, September 28, 2007. ([http://www.3com.com/corpinfo/en\\_US/pressbox/press\\_release.jsp?INFO\\_ID=267061](http://www.3com.com/corpinfo/en_US/pressbox/press_release.jsp?INFO_ID=267061))

<sup>35</sup> “3Com and Bain Capital Partners Announce Mutual Withdrawal of CFIUS Application,” 3Com Press Release, February 20, 2008.

<sup>36</sup> “Mubadala to take 7.5 percent stake in the Carlyle Group,” Carlyle Group press release, September 20, 2007 (<http://www.carlyle.com/Media%20Room/News%20Archive/2007/item9873.html>).

<sup>37</sup> “Carlyle to sell stake to Mideast Government,” New York Times, April 21, 2007.

<sup>38</sup> Summary of Contracts and Transactions, [www.USASpending.gov](http://www.usaspending.gov/fpds/fpds.php?reptype=r&detail=-1&sortby=f&datatype=T&reptype=r&database=fpds&database=fpds&parent_id=13224&fiscal_year=2007&recordnum=f500), [http://www.usaspending.gov/fpds/fpds.php?reptype=r&detail=-1&sortby=f&datatype=T&reptype=r&database=fpds&database=fpds&parent\\_id=13224&fiscal\\_year=2007&recordnum=f500](http://www.usaspending.gov/fpds/fpds.php?reptype=r&detail=-1&sortby=f&datatype=T&reptype=r&database=fpds&database=fpds&parent_id=13224&fiscal_year=2007&recordnum=f500), “Carlyle Said to be in Talks for Booz Allen Unit,” New York Times, April 3, 2008.

<sup>39</sup> “Kinder Morgan investor buyout closes,” Reuters, May 30, 2007.

<sup>40</sup> Kinder Morgan Inc., 10-K SEC filing, dated 3/1/2007, page 4.

<sup>41</sup> KM 10-K, 3/1/07, page 35.

<sup>42</sup> KM 10-K, 3/1/07, page 35.

<sup>43</sup> KM 10-K, 3/1/07, page 37.

<sup>44</sup> [http://www.sbsun.com/news/ci\\_8752670](http://www.sbsun.com/news/ci_8752670)

<sup>46</sup> USASpending.gov; ARINC Web site.

<sup>47</sup> FedSpending.org.

<sup>48</sup> “Carlyle Group Acquiring Communications and Systems Engineering Provider ARINC,” Defense Daily, July 6, 2007.

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<sup>50</sup> ARINC Engineering Services Gains \$22M Follow-on Contract for SPAWAR Activities, ARINC press release, September 24, 2007.

<sup>51</sup> <http://www.arinc.com/news/2008/03-26-08.html>

<sup>52</sup> <http://www.arinc.com/news/2007/10-04c-07.html>

<sup>53</sup> <http://www.arinc.com/news/2007/11-08-07.html>

<sup>54</sup> <http://www.arinc.com/news/2008/03-10-08.html>

<sup>55</sup> <http://www.arinc.com/news/2008/01-14-08.html>

<sup>56</sup> Carlyle Group in Deal to Buy Allison Transmission for \$5.6B,” Baltimore Business Journal, June 28, 2007

<sup>57</sup> “Allison Transmission in high gear as world goes automatic,” Canadian Press NewsWire, September 26, 2007.

<sup>58</sup> Carlyle Could Steer Allison to Military Contracts,” Indianapolis Business Journal, June 27, 2007

<sup>59</sup> Bayh Says New Allison Contract Secures Jobs,” Inside Indiana, January 4, 2008

