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HEADLINE: Ranch deal prompts donation, re-evaluation by **Yale**

BYLINE: By Joe Light, The **Yale** Herald

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Standing at the Great Sand Dunes National Monument in San Luis Valley, Colo., visitors either can admire the Rocky Mountains on one side or gaze out into the seemingly endless stretch of sand dunes on the other.

For years, the Nature Conservancy, a national environmental lobby, and the government have been trying to turn this land into a national park. For years, the companies that own land adjacent to the dunes tried to export water from an underground basin -- activities that, environmentalists say, could endanger the existence of the sand dunes. For years, **Yale** University has been a partner with those companies.

"Everybody was taken aback -- including us -- because they didn't know for sure what was going on," Sen. Wayne Allard [R-Colo.] said in an interview with the Herald, describing his initial reaction to revelations that **Yale** had invested millions of dollars in the Baca Ranch, a stretch of land next to the monument the government says is essential to preserving the sand dunes.

After Allard confronted **Yale** University President Richard Levin, about **Yale's** stake in the land, Levin and the **Yale** Corporation quickly decided to donate **Yale's** profits from the sale to the Nature Conservancy, which has agreed to buy the land once sufficient funds have been raised. On Wednesday negotiations culminated with the price of \$ 31.28 million. **Yale** officials have agreed to donate all of the University's profits, "up to \$ 4 million," to the Nature Conservancy, Allard said.

After the Nature Conservancy raises the money to buy the land, it has agreed to donate the 97,000-acre ranch to the government for the creation of a national park. In light of the confusion surrounding the investment, **Yale** environmentalists have questioned whether the University pays enough attention to investments made through the endowment. Levin told the Herald Thursday he will be looking into changing the way the University supervises its partners.

The controversy first began in 1995 when Cabeza de Vaca L.L.C. bought the ranch from American Water Development Inc. Half of Cabeza de Vaca is owned by Vaca Partners, which in turn is owned by **Yale** and Farallon Capital Management, a money management company based in California. Thus, **Yale** holds approximately 25 percent of the land. For a number of years, Cabeza de Vaca campaigned to pass initiatives that would allow it to export water from beneath the Baca Ranch to highly populated land outside of Denver.

Environmentalists vehemently opposed the plan, claiming removing the water from the area would destroy not only the fragile wetlands habitat above, but also would endanger the Great Sand Dunes National Monument, which lies adjacent to the property.

"If [the water is] exported, our scientists determined that there would not be enough to support the wetlands habitat," said Jordan Peavey, a spokesman for the Nature Conservancy. "Geologists also determined that the water plays a crucial part in the creation and preservation of the sand dunes."

Farallon, **Yale's** partner in Vaca Partners, independently determined the project would not harm the environment.

"[Levin] was misled, and I think that the school was misled by Farallon," Allard said.

According to the senator, Farallon told **Yale** the project actually would help the environment.

Farallon Capital Management declined to comment.

In 2000, after its last hopes of gaining the rights to export the water failed, Cabeza de Vaca began negotiations with the Nature Conservancy to sell the land.

Only recently was **Yale's** involvement with the land exposed by an article on Yaleinsider.org, a Web site maintained by the Federation of Hospital and University Employees. Later that same week, the issue was raised at a water conservancy district meeting in the San Luis Valley.

After hearing of **Yale's** involvement, Allard wrote Levin a letter, informing him of **Yale's** involvement and describing how important the issue was to the people of Colorado, in an attempt to convince Levin to lower the selling price of the land.

"I approached the president of **Yale** to see if he would consider making things right," Allard said.

Within hours, Levin called Allard to learn more about the situation and what exactly **Yale's** involvement entailed. He told Allard he would consider the best course of action and call back later.

"The leadership of the University was unaware of the circumstances regarding the partnership," Levin told the Herald. "When it did come to light, and we learned of the opposition, we had to reassess our view. I had not known that the original deal proposed was something defeated in a voter referendum or that taxpayer money was going to be involved in selling the land. When we learned that, we decided we didn't feel comfortable profiting on the sale."

Sean Conway, Allard's press secretary, said the same evening Allard and Levin spoke and agreed "Baca Ranch was something **Yale** University should never have been involved with."

He added, "**Yale** felt that it was only proper that 100 percent of the proceeds from the sale of Baca Ranch be donated to the Nature Conservancy."

In response to **Yale's** quick action, Allard said: "I want to commend both Levin and the [**Yale** Corp.] for being conscientious in trying to address these problems."

"Obviously, people make mistakes," Conway added. "A lot of credit needs to go to Levin for recognizing that a mistake was made here. He worked very expeditiously to solve the problem."

Upon reflection, however, some feel this instance raises a more serious issue: Since **Yale's** investment was caused by a lack of information in the first place, should **Yale** monitor its investments more closely to make sure they are in line with the University's social and environmental policies?

Rose Murphy, the researcher for Yaleinsider.org who wrote the original article, said, "These questions were raised for a reason. It's not clear what kind of oversight there is of the endowment."

"We have many partnership investments, and each partner participates in dozens of transactions," Levin said. "It's hard to monitor all of them."

"This exposes a big problem within the University in the regulation of how we invest our money," said Andrew Kroon, a co-chairman of the **Yale** Student Environmental Coalition (YSEC). "It shows inherent problems with how the University goes around investing and how the ACIR (Advisory Committee on Investor Responsibility) isn't really doing its job or even being allowed to do its job."

Ian Cheney, another co-chairman of YSEC, agreed.

"It's kind of the same old tune, in a sense. There's a lot of careless delegation of **Yale's** investment holdings. They're careful from a financial standpoint, but socially careless," he said.

When asked whether he thought **Yale** should be more aware of the kinds of investments it is making, Allard was hesitant.

"Possibly. Obviously if you're investing in things, you should know a little about the company," he said.

But Allard added it would be hard for **Yale** to monitor carefully all the ways its massive endowment is invested.

While **Yale** has the ACIR to help consider whether certain investment decisions are **socially responsible**, the committee generally oversees investments in publicly traded companies.

The University entrusts parts of its endowment to different organizations, such as Farallon Capital Management, who in turn invest the money in operations they see as profitable and which meet their own standards of social responsibility.

Peavey, the Nature Conservancy spokesman, pointed out investors of an endowment often are faced with a conflict of

interest when making investment decisions.

"I think that **Yale** is in a tough position because they and the people who manage **Yale's** endowment are being asked to manage the endowment to make the most money possible," she said. "That puts them in a tough position as far as making decisions that are environmentally friendly."

Conway, however, said he believes this incident might change how **Yale** invests in the future.

"Clearly, in light of revelations concerning Baca Ranch, **Yale** will probably be taking a closer look at things," he said.

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