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**BYLINE:** KIM MARTINEAU; Courant Staff Writer; Courant Staff Writer Matthew Lubanko contributed to this story

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**BODY:**

For years, Yale University was involved in a plan to pump water from beneath a ranch in southern Colorado and market it to Denver's outlying suburbs. Environmentalists and farmers opposed the plan, claiming it would rob the San Luis Valley of water and disrupt the fragile Great Sand Dunes National Monument and Preserve nearby.

Hundreds fought the proposal without knowing Yale owned a stake in the cattle ranch -- until members of Yale's unions in New Haven uncovered the link in 2002, sparking a public relations disaster. The unions revealed that Farallon Capital Management, a hedge fund company that controls a significant chunk of Yale's endowment, had orchestrated the deal.

Now union members and students at Yale are calling for more transparency in the way Yale invests its \$11 billion endowment. They have signed on students from Stanford University, Duke University, the University of Pennsylvania and other schools with money invested through Farallon, in their call for more disclosure.

"The university should be setting an example for doing good through its investments," said Andrea Johnson, a graduate student in Yale's School of Forestry and Environmental Studies. "If you invest in more environmentally and socially sustainable projects, you can still make great returns."

Today, Christine Canaly, a Colorado resident who led the fight against the Baca ranch water-export plan, will speak at Yale and lead a demonstration outside the office of Yale's head of investments, David Swensen. Students have launched a website questioning the environmental and social repercussions of some of Farallon's investments ([www.unfarallon.info](http://www.unfarallon.info)) and have asked the firm for a meeting to discuss their concerns.

Some say the hedge fund industry, which is largely unregulated, could benefit from more accountability. "There's just not a lot of disclosure on what hedge funds invest in," said Geoff Bobroff, a former Securities and Exchange Commission lawyer who now runs a hedge fund consulting firm in Rhode Island. "Unless you do a lot of digging, it's very difficult to identify where the returns are coming from."

Both Yale and Farallon insist they have done nothing wrong. Yale has scrupulously followed the law in investing and disclosing where its money goes, university spokesman Tom Conroy said. Yale keeps its investing strategies close to the vest -- not because it has anything to hide but because it wants to protect a winning approach, he said. "One of the reason the endowment has been so successful is because Yale does not share every creative investment decision and strategy with everyone else."

Farallon responded through its New York public relations firm, Abernathy MacGregor: "We have always been responsible investors and take that obligation seriously. We intend to respond [to the students' request for a meeting] once we've had a chance to review this."

In January 2002, Colorado residents learned that Yale, with Farallon, was behind Vaca Partners, a 50 percent stakeholder in Cabeza de Vaca -- the owner of the sprawling Baca ranch and the valuable aquifers below it. Vaca Partners funded two statewide referendums in 1998, which included a proposal to limit water use by farmers in the San Luis Valley, a predominantly poor, Hispanic area.

Critics worried that the plan would destroy the farmers' livelihood and hurt the sensitive sand dunes and plants bordering the ranch, which sprawls 13 miles in each direction. Residents spent more than \$1 million fighting the plan. After losing both referendums and suffering several legal setbacks, the ranch's owners abandoned their water-export plan and put the property up for sale. Congress identified the ranch as a potential national park and the Nature Conservancy began negotiating its purchase on behalf of U.S. taxpayers.

Not long after Yale's involvement came to light, U.S. Sen. Wayne Allard, R-Colo., asked Yale to lower the ranch's asking price. "Yale University secretly supported efforts to export water from the San Luis Valley as part owners of the ranch," Allard wrote in a press release at the time. "For them now to profit at taxpayers expense from those actions is not only unseemly, but simply outrageous."

Yale later pledged to donate \$4 million toward the ranch's \$31 million purchase price, according to press accounts at the time, but last fall, gave \$1.5 million. Yale denies promising more.

The Nature Conservancy is now closing on the ranch, which is home to herds of elk, antelope and other wildlife. It will be added to Sand Dunes national monument to become a national park.

"We're not disappointed at all," Charles Bedford, associate director of the Nature Conservancy's Colorado chapter, said of the Yale donation. "It's a spectacular gift."

Yale's endowment helps pay for student scholarships, professors' salaries and the upkeep of Yale's campus -- making endowment growth a key part of Yale's overall educational mission.

Hedge funds are designed to make money whether the stock market rises or falls, which has made them a favorite of wealthy institutions such as Yale.

Analysts estimate that up to a quarter of Yale's endowment is invested in hedge funds, which has helped Yale outperform its rivals over the last decade. Yale has the second-largest endowment of any university, trailing behind Harvard's \$18.8 billion endowment, according to the National Association of College and University Business Officers.

Farallon is one of the largest hedge funds in the nation, with offices in San Francisco, Greenwich, Conn., and Cambridge, Mass. Its founder, Thomas Steyer, a Yale graduate and senior managing member of the firm, did not return a call for comment.

Yale paid Farallon Capital Management \$5.9 million in fees in 2000 -- the third-highest paid contractor after S-Squared Technology and Chieftain Capital Management, according to Yale's 2000 tax returns.

The attention on Farallon and Yale's endowment comes at a time when union leaders at Yale are seeking to expand their membership to Yale's graduate students and workers at Yale-New Haven Hospital. Justin Ruben, a union employee and graduate of the forestry school, says raising awareness about Yale's endowment is part of the overall mission.

"My union has always been committed to a vision of a more responsible and democratic university," he said. "We are gravely concerned that we learn one thing in class about the environment or social justice but the message Yale sends with its actions teaches something else entirely."