

Hedge Fund Manager Farallon Denies Students' Request for Transparency
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by Jeremy Smerd, Reporter

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Students from Yale, Stanford, Duke and other leading universities who are concerned their schools profited through socially and environmentally destructive investments have been denied a request to meet with Farallon Capital Management, the hedge fund managing those endowments.

The students launched a Web site earlier this month calling upon the San Francisco-based hedge fund to disclose more information about its investments.

Farallon, which manages \$8 billion in assets, of which \$3.3 billion comes from endowments and pensions, made its only public comment in a letter sent to the students last week.

"We communicate extensively with our investors, including universities, on these and all other investment issues and concerns," wrote Thomas Steyer, Farallon's president, in the letter. "Therefore, we do not believe a meeting with you is appropriate."

But students say that Yale and other universities were unaware of their own investments, in particular a 1994 venture to pump and sell water from an aquifer below the 100,000 acre Baca Ranch in the San Luis Valley of Colorado. The deal, outlined on the students' Web site, unfarallon.info, met heavy local resistance as draining the aquifer would have led to the likely destruction of local habitat.

"Geologists believe the area's high water table holds the dunes in place and nourishes shallow wetlands," the Denver Post reported in 2002.

Vaca Partners, a limited partnership that includes Farallon and Yale, bought the ranch in 1996. Local headlines immediately tainted the school's image, leading the partnership to sell the ranch to the environmental conservation group The Nature Conservancy for \$31.3 million.

After the controversy Yale donated \$1.6 million to The Nature Conservancy, according to the Yale Herald, the school's newspaper.

The students say they approached Farallon because Yale University was unaware they were invested in the project. "Part of the reason we came to Farallon in the first place is that they had no idea what was going on," said Justin Ruben, a graduate of Yale's School of Forestry and one of the organizers of the group.

Other investments in oil companies continue to raise the concerns of students, even as they are dismissed by Farallon.

"We appreciate the importance of the issues you raise," wrote Steyer in

the letter. "Even as we have strong disagreements with you on the facts about our investments and the conclusions you draw."

But Ruben, who calls for university endowments to be more transparent, says those disagreements should not be the end of the debate but the beginning.

"Endowments need to grow but not at the expense of other communities and the environment," Ruben said. "What we want is a reasoned debate."

Yale students' requests to meet with Yale's investment company have been stymied. Only Duke University has begun to dialogue with the students, Ruben said.

Stanford University's management company said that it will respond to the students and review the charges carefully before deciding whether to divest.

"If you divest with allegations but without backup you've breached your fiduciary responsibilities, that's primary," Linda Kimball, a Stanford spokeswoman, said.

The school has mandated for the past 30 years that investments conform to human rights, environmental, labor and corporate governance standards, Kimball said.