

Students raise concerns with University's investments

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Stanford students joined students from four other universities on March 2 to request more information about the social and environmental effects of investments by the world's fourth-largest hedge fund, San-Francisco-based Farallon Management LLC.

"It seems some of the businesses and companies they have invested in do not have very socially responsible priorities," said sophomore Alyssa Schwartz, one of the signatories of a letter to the company. "As students, it's our money when we pay the University. We are concerned money may not be used in ways we would want it, like sweatshops."

Tom Steyer, senior managing member of Farallon and member of the advisory board of Stanford's Graduate School of Business, denied the students' first request for a meeting on March 17.

"That our university invests in hedge funds like Farallon raises many ethical concerns which must be explored and discussed," said sophomore Kiyomi Burchill — another of the signatories — in a press release. "We want to engage Stanford officials in how they are spending our endowment."

The students' campaign for information began in the form of an open letter to Steyer published on a Web site, <http://www.unfarallon.info>.

The letter carried 18 signatures, including those of Burchill, sophomore Derek Kilner and Schwartz. Stanford students also wrote a letter to Michael McCaffery, president and CEO of the Stanford Management Company, requesting information about Stanford's investments in Farallon. Stanford has not responded to the request and a spokesperson was not reached for comment by press time.

Stanford Management Company spokesperson Linda Kimball told Hedgefund.net that Stanford mandates that investments conform to human rights, environmental, labor and corporate governance standards.

"We have repeatedly asked the Stanford Management Company to provide information on the size and details of the investment, but they have not responded," Kilner said. "Our most important tool right now is information, which we can use to pressure Farallon into reforming their practices and to show the University how its money is being spent."

He added, "They have a history of socially irresponsible investments, from Argentina to Indonesia."

The Stanford campaign has not gained the momentum that Farallon protests have at Yale University, where more than 60 students demonstrated against a

related land sale at the beginning of March.

About 15 students, mostly from the Stanford Labor Action Coalition and the Stanford Community for Peace and Justice, have joined the Stanford group challenging University investments, according to Kilner.

Colleges are increasing the percentage of their endowment assets that they invest in hedge funds, according to <http://unfarallon.info>.

The Web site's creators — a coalition started by students at Yale University — believe Farallon may use university money in investments that are socially and environmentally harmful.

“As students paying tuition, and thus putting our money into Stanford's endowment, we have a right to know where our money is being invested, and to know that our money is being used for socially responsible investments,” Stanford Community for Peace and Justice member Kate Skolnick, a junior, said in a press release.

Kilner cited the example of Cordevalle Golf Club and Resort in San Martin, in which Farallon is a major partner. Cordevalle violated two conditions of its 1996 use permit: first, it neglected to reserve 60 percents of its grounds for public use; second, it reneged on its promise to create pools in order to protect two endangered species that lived on its grounds. According to the Web site, Farallon helped Cordevalle hire a lawyer to come up with a new proposal in place of its permit.

“We believe that we are stakeholders in the investments you make with University money; so, too, are the communities affected by these investments,” the letter to Steyer reads. “Stated simply, we do not want our universities to profit from investments that harm other communities. We are concerned about the effect some of Farallon's recent investments have had.”

In Steyer's response letter, he stated that although Farallon appreciates the importance of the issues that the letter raised, “We have strong disagreements with you on the facts about our investments and the conclusions you draw.”

Steyer continued to say that Farallon works hard to maintain strong values as a business.

“It is abundantly clear from your work that we disclose a great deal of information to our limited partners,” Steyer said. He also said that Farallon voluntarily registers with the SEC as an investment advisor.

On the issue of environmental impact, Steyer wrote, “We do believe that our role in allocating capital contributes to economic growth in countries around the world, which in turn improves long-term social and environmental conditions.”

He concluded, “We communicate extensively with our investors, including universities, on these and all other investment issues and concerns. Therefore, we do not believe a meeting with you is appropriate.”

On the same day, Steyer wrote a letter to Farallon's limited partners, stating that

Farallon had reviewed the Web site's charges and found them "factually inaccurate" and "misleading." In this letter, Steyer also wrote, "I am hopeful that this issue will quiet down, though we will of course work vigorously to protect our reputations, if need be."

A Farallon spokesman would not comment beyond clarifying Steyer's remarks.

On March 19, students wrote to Steyer again asking whether Farallon wanted to identify pieces of information on the student Web site as misleading. This letter has not yet received a response.

A day of action involving many universities is planned for mid-April.

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