

## **Student coalition opposes university ties to Farallon**

*By Krystal De Los Santos*

UT Watch and the Campus Greens have joined a coalition of student organizations from around the country that oppose financial involvement by universities with Farallon Capital Management LLC.

A Web site the coalition launched last month, [www.unfarallon.info](http://www.unfarallon.info), alleges unethical practices in Farallon's investments. It urges students at universities that invest with Farallon to ask administrators to disclose information about the company's overseas investments.

Farallon is the fourth-largest hedge fund in the United States. Because hedge funds invest in foreign companies, they are not required to disclose as much information as U.S. public companies.

As of Feb. 29, the UT Investment Management Company has \$359,068,546 invested in Class A shares of Farallon Capital Offshore Investments. UTIMCO is a UT System-owned company that manages the System's investments.

The coalition says Farallon sought to pump water from an aquifer that would have endangered a national monument, and invested in a company that failed for months to pay workers at a textile mill even though it was turning a profit.

Austin Van Zant is heading UT Watch's campaign to encourage the University to divest from Farallon.

"This is our money," Van Zant said. "We're profiting off the failing economies of other countries."

The fund seeks investment opportunities, including arbitrage, an investment method that takes what the investment manager thinks are under-priced firms and sells them immediately at a higher price in another market.

"[Arbitrage] is very high risk," Van Zant said. "I wouldn't put my own money in it, let alone a third of a billion dollars in public University funding."

The secretive nature of hedge funds also makes them susceptible to fraud, Van Zant said.

Van Zant and Brent Perdue, a member of the Campus Greens, sent a letter to Tom Steyer, senior managing member of Farallon, requesting a meeting to discuss the nature of Farallon's investments. Steyer refused to meet with them.

Farallon spokesman Steven Bruce declined to comment.

Justin Reuben, Yale alumnus and spokesman for the coalition, said in the letter that Farallon should view students as investors.

"It's a very reasonable thing we asked for," Reuben said. "They've been really unwilling to talk to us at all."

Since universities have a social function, Reuben said, they shouldn't invest in companies that are ethically questionable.

"Is it appropriate for universities to fund their educational missions through the non-payment of workers or the expansion of a polluting industry?" Reuben said.

But Bob Boldt, president and CEO of UTIMCO, said the allegations prove nothing.

"Our investment policy explicitly prohibits us from taking social factors into account when making decisions," Boldt said.

Farallon provided UTIMCO with a 21-percent rate of return on its investments in fiscal year 2003.

"They've done very well for us," Boldt said.

UTIMCO would not provide memos, prospectuses and other correspondence with Farallon in response to a Daily Texan open records request. Boldt said that information is exempt from the Texas Open Records Act. The Texas attorney general previously ruled UTIMCO isn't required to disclose certain information about returns on its investments, though the company eventually did.

Jean Brunel, managing principal for Brunel Associates LLC, said Farallon has a history as one of the top "absolute return" hedge funds. Brunel said these funds usually don't involve much risk if managed wisely and not relied upon too heavily.

"At times of crises, markets aren't reasonable," Brunel said. "These funds have the potential to be extremely dangerous."

---