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## Investment Firm with Ties to Mills Under Fire

*Farallon Capital criticized for poor environmental and social practices*

By Erica Gulseth  
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A coalition of national and student organizations, from over 60 colleges and universities, is targeting an investment company Mills College is invested in for being environmentally and socially irresponsible.

National and student organizations are hoping to pressure Farallon Capital Management, LLC, where Mills College has had up to 19 percent of its endowment invested, to disclose all of their investments, some of which have been questionable in the past. Unlike investing in public stocks and bonds, which the Securities Exchange Commission oversees, Farallon mostly invests in privately-held companies and does not have to disclose most of their investments.

The coalition's Web site, [www.unfarallon.info](http://www.unfarallon.info), started by students from Yale, says they are "seeking to make private capital more socially and environmentally responsible. As universities and colleges turn increasingly to non-public investments...stakeholders like us have been calling for increased disclosure of these investments." The coalition is targeting Farallon since 40 percent of their investment is money from universities and other tax-exempt institutions.

In 1986, Thomas F. Steyer and Matthew Barger founded San Francisco-based Farallon with start-up capital provided by Hellman and Friedman, a firm co-founded by a former Chairman of Mills' Board of Trustees, Warren Hellman. Today, Farallon manages over \$9.8 billion, making them the fourth largest private investment fund in the world.

According to company Web sites, Barger, who started at Hellman and Friedman in 1984, is now Deputy Chairman of Hellman & Friedman. Steyer, the senior managing member of Farallon overseeing all of their investment activities, is also a managing director at Hellman and Friedman.

There are many ties between Mills, Hellman, and Farallon. From 1985 until 1992 Hellman served as chair of Mills' Board of Trustees. According to Mills Quarterly, Spring 2004, "at least ten [of Hellman's] family members have attended Mills, and five have served as trustees." Hellman's daughter-in-law Sabrina Hellman recently began a three-year term on the Board of Trustees.

Former trustees Kathryn Hall and Georgia Lee are also associated with Farallon and Hellman and Friedman. Hall chaired Mills' Investment Committee from 1997-2001, and has also worked for both Hellman and Friedman and Farallon. Hall also co-founded HFS Management Partners, a predecessor to Farallon Capital Partners.

Lee was Vice Chairman for the Board of Trustees from 1997 to 2001, then also working for Hellman and Friedman where she continues today as a managing director and the Chief Financial Officer.

According to the National Association of College and University Business Offices 2003 Endowment Study, Mills College invests 19.6 percent of its endowment in Farallon Capital Management, LLC. The endowment has a market value of about \$155.5 million as of the end of June 2004 according to the college, equaling about \$30.478 million invested in Farallon.

But College Treasurer Elizabeth Burwell said, "The 2003 NACUBO information is now out of date... funds move up and down as the markets change, the college draws down income from funds to meet financial goals, [and] funds are moved between asset classes to balance the portfolio," Burwell said. She could not provide specific numbers on how much the college currently invests in Farallon before press time, but said it's probably around 15 percent of the endowment. Mills has been invested in Farallon since the late 1980s, according to Burwell.

The "Unfair"allon Campaign all started when students at Yale found out, by digging through tax forms, that their school was investing with Farallon in projects hurting a "whole areas ecosystem," including Baca Ranch in Colorado, according to Maris Zivarts, a Yale grad student and part of the Unfarallon Campaign.

Because Farallon is a private investment fund, also known as a hedge fund, it is not required to register their private investments under the federal securities laws, and is not even required to disclose their investments to investors like Mills.

According to the San Jose Mercury News, Farallon also invested in land to build a luxury golf course in San Martin, near San Jose.

Environmental groups protested the land use since it was home to two endangered species, the tiger salamander and the western pond turtle. In 1996, Farallon agreed with the city and Santa Clara County to construct habitats for these species and allow public access to the golf course in exchange for permission to build the luxury course.

"It wasn't until we connected Yale's name to the scandal, that Farallon and Yale agreed to sell the property to a nature conservancy," Zivarts said. "Since then, we've dug deeper and now know that several of Farallon's investments are of social or environmental concern, and are definitely not the type of investments that most university students would like to see their school involved in."

In 1999, Cordevalle Golf Club and Resort opened. By 2002, the county's planning commission discovered Cordevalle failed to build the habitats and was not allowing public access to the golf course, instead offering \$250,000 invitation-only individual memberships.

Other private investments criticized by the coalition include Farallon's investment in Halliburton, a company profiting from the war in Iraq, as well as other questionable investments in Indonesia, Argentina, and Russia. As recently as December 2003, Farallon held 140,000 shares in Halliburton, worth a total of \$3,640,000 at the time of reporting.

In response, a Farallon spokesperson said, "we are not going to go beyond what we have already said publicly." In an e-mail to coalition students on March 17, 2004, Steyer said, "I appreciate that you or others may have different ideas about economics and business. We do believe that our role in allocating capital contributes to economic growth in communities around the world, which in turn improves long-term social and environmental conditions."

Asked whether Mills has any advisory committees on investor responsibility, economics professor David Roland-Holst, who oversees the Investment Committee, said, "as a faculty observer on this committee, I can't speak publicly about its policies or conduct."

According to Burwell, the Investment Committee invests "in funds that will provide the college with the best return...It is necessary since our endowment payout is about 23 percent of our total revenue at Mills." According to Burwell, "it would be difficult [to have guidelines for investor responsibility] since we don't all agree on what socially responsible is." But, she said, "the college would not invest in something that was not legal or ethical...we say, what's best for the college, what's the right thing to do."

This is not the first time an investment by Mills has been targeted by students for being socially irresponsible. From the mid-1980s through the early 1990s, and during the time Hellman was Chairman of the Board of Trustees, Mills students and faculty members marched, held sit-ins, signed petitions, and built and camped out in mock shanty towns, protesting the continued investment of millions of dollars in South Africa during apartheid. In 1984 The Weekly reported Mills had over \$3 million in stocks invested in companies with direct investment in South Africa in 1984, and over \$4 million by 1987.

The trustees repeatedly voted against divesting despite the protests. The board said they had more power, by keeping their money in the investments, to pressure companies to help end apartheid. The Weekly reported that Hellman wrote in a Jan. 1986 letter to the Mills community, that the board's decision not to divest was based on moral responsibility, and not on financial returns.

In May of 1987, amid continued protests, the board decided that they would give the companies they invested in three years to cut ties with South Africa.

The same month the divestment issue was to be revisited, May 1991, Hellman, and then-college president Mary Metz, announced the college was to become co-ed. Though the decision was reversed by the end of the month, it delayed the final vote on divestment from South Africa.

The board finally voted in August 1991. According to Burwell, "At the time there were not a lot of investments that had nothing to do with South Africa...it was the right thing to do, but took a couple of years to move the money." Mills completed their divestment by December 1991, years after other institutions such as U.C. Berkeley and the Cities of Oakland, Berkeley and San Francisco had divested from South Africa.

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