

**MEMORANDUM**

**Date:** 16 October 2014  
**To:** Natural Resource Foundation (NRF) Board, Dean Watzin, Chancellor Woodson  
**From:** Fred Cabbage, Professor, Coordinator, Natural Resources Program /FWC/  
 Joseph Roise, Professor, Director of Graduate Programs, FER /JR/  
**Subject:** Think and Do: Top 10 New and Old Reasons to Stop the Hofmann Forest Sale Disaster

You all have heard more than you want about this issue, but it is becoming an ever increasing blight on NCSU’s reputation that will stain all other good accomplishments we have made. Our lawsuit reaching the North Carolina Supreme Court indicates the level of importance this has achieved.

- 1) **Sale Below Appraised Value.**—First, note that the new Hofmann Forest sale price is \$130 million includes deferred payments, plus \$9 million contingent on an uncertain easement sale. The appraised value was \$145.8 million in 2012, and has increased now. Selling the Hofmann for at least \$16 million less than its appraised or increased value is not good business, and violates the fiduciary responsibility of the Natural Resource Foundation (NRF) and NCSU Endowment Fund.
- 2) **NC Supreme Court Case.**—NCSU and NRF claim that our lawsuit to stop the sale lacks merit. Nothing could be further from the truth, or it would not have been very carefully and unilaterally selected for a North Carolina Supreme Court hearing. The North Carolina Supreme Court does not entertain frivolous cases, let alone select them without going through the appeals process out of hundreds it is requested to hear. More dreadful lawsuit implications follow on the next page.
- 3) **Stock Market Tanking.**—NCSU Foundations have received very poor returns from their investments, as noted before and below. When the market declines, as it has in October, NCSU, CNR, and the Natural Resource Foundation returns will get crushed. We had five good years, which NCSU made little. Five bad years will vaporize any sale proceeds.

Returns/Year	2009	2010	2011	2012	2013	Average	Std Dev
NCSU Investment Fund (%)	-32.42	11.44	14.95	2.60	11.19	3.35	15.64
S&P 500 Average (%)	25.94	14.82	2.10	15.89	32.15	18.18	11.52

Source: 2013 NCSU Financial Report; Damodaran, A. 2014. [http://pages.stern.nyu.edu/~adamodar/New\\_Home\\_Page/datafile/histretSP.html](http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html)

- 4) **The New Buyers Are Not the New Owners.**—As the new buyers of about 70% of the land, RMS is flatteringly touted as a new certified sustainable forest manager—which clearly infers that Walker Farms—who still own 30%—is not sustainable. RMS is a great manager; we agree. BUT (1) No one has said Walker Farms will become certified or be sustainable, and (2) RMS is just purchasing the land as a manager—a Timber Investment Management Organization (TIMO)—like a farm management company. Somebody else (**a secret actual owner who will give the money to RMS**) will own the land, and can develop or dispose of it as they want. **The NRF and NCSU do not need any more Hofmann secret deals, and here they have another one.** The secret owner could be Walker Farms, the Chinese government, a Saudi Prince, Klausner (a German Sawmill

Company), any other major developer, or “green” investors who may not realize the issues. Farmers, sawmillers, and developers want profits; the sooner the better.

- 5) **Terrible Lawsuit Precedent.**—In the lawsuit against the sale, NCSU, the NR Foundation, and the Attorney General (AG) are arguing that (1) the Hofmann Forest is not State land (despite previous AG letters to the contrary and paying no taxes for 80 years); (2) that the plaintiffs of a faculty member, conservationist, former NR Foundation President, local citizen, and hydrologist, have no standing or input into the sale; and (3) that they do not need to perform any environmental analyses of such massive impacts. So, if NCSU wins the case on all three prongs (which we of course doubt), they will be (1) double dealing on State lands status; (2) destroy legal standing for environmental groups in the whole state indefinitely; and (3) undercut environmental analyses and NC Constitution protections for the environment. Smithfield Farms is now the dubious case limiting environmental lawsuits; next it would be the NCSU Endowment Fund. CNR and NCSU will become infamous as purveyors of enduring environmental destruction for the whole state of North Carolina, not for environmental solutions.
- 6) **CNR Big Ambitions for the Money.**—The first sale PR justification said that CNR needs the money from a sale for its “big ambitions” (really!). The first CNR major funded expenditures spent in anticipation of sale revenues are (1) a global climate change research project on Albemarle Sound, and (2) and half-time Professor of the Practice with an MBA who lives in Wilmington and is a member of the NR Board. These are nice, but compare these big ambitions **versus owning the largest educational and research forest in the world**. Which one will make us more famous? Which one upholds our precious legacy as a College and University?
- 7) **Alumni Desertion.**—Alumni contributions to CNR also have been flat at best since the sale was announced. The sale will destroy NC State’s reputation for sustainability for years, and won’t help with its image in any discipline. Ask any stranger in North Carolina what they think of the sale. Many alums and citizens people have already stopped giving, including many Forestry Faculty. Many more will as well. Just ask Benny Suggs. Our extension agents get grief frequently, as do we professors.
- 8) **Massive Public Opposition.**—There is massive public and university opposition to this sale. **More than 30 organizations or groups and 20,000 petition and resolution signers oppose the sale**. So do both the professional forestry associations in North Carolina; NC State students; Department of Forestry and Environmental Resources faculty; and 17 local, state and regional environmental organizations.
- 9) **Poor Sale Process.**—The sale process was handled incredibly poorly, at best. The agribusiness buyer from Indiana signed the forms for an LLC in North Carolina before the sale was even publicly announced. At least four of the largest ten timberland TIMOs REITs, including the largest private landowner in the United States, did not receive any formal notice about the sale. The new co-buyer is an excellent firm, but they will need to make millions per year in profits for themselves and for the **secret landowner**, plus pay the taxes, debt, and costs.
- 10) **Deceit and Secrets.**—The faculty and public information about the sale was blatantly dishonest. Deans Brown and Watzin, and NR Foundation directors and officers always said there would be a working forest and access guaranteed, before and after the announced sale. The actual sale contract provides no working forest easement; a financial certainty of forest clearing and environmental destruction; and draft requirements to get a Dean, NCSU Vice-Chancellor, and the Walker Farms CEO to sign notarized agreements before we access the forest.

OK, the choice is yours NR Board members and NCSU executives; per NC State’s slogan, **Think and Do!** The damage to the educational reputation of professional forestry and natural resources, CNR, NCSU and the State of North Carolina will be immense if the sale occurs. Stop it now. Thank you.