Statement of Tom Steyer, January 22, 2013

To the Middlebury College Board of Trustees

I'd like to thank President Liebowitz for inviting me to speak at tonight's panel, and I'm sorry I can't be there in person. I was very grateful for the chance to address the college community on Sunday night in Mead Chapel. Since everyone involved in the climate fight knows about Middlebury from its connection with 350.org, it was great fun to meet many of your students in person.I was especially impressed by the intellect, passion and commitment to addressing climate change reflected in the students and faculty I met.

As Middlebury considers whether to divest the college's portfolio from fossil fuels, I would offer three comments for your consideration:

1) It can be done. There's a tendency to say 'we can't do this,' or 'this will be very hard,' because funds are commingled, because there are many managers, and so forth. But in fact the request put forward by Bill McKibben and others is very do-able. It asks you to make a statement of principle now, stop investing new money in this area, and then spend a number of years winding down positions. I can tell you, from my experience building one of the country's larger hedge funds, that this is entirely possible, and well within the skills of your expert advisors whom I know and respect.

2) I believe a fossil fuel free portfolio is a good investment strategy. While there's always a concern that any decision will impact returns, there is a strong argument that a portfolio free of fossil fuels free is a smart investment. The available research, looking backward, shows that the return penalty would be tiny—but in any event good investors rarely look backward. Looking to the future, the data on climate change makes it clear that something has changed, and as the rest of the world realizes this, fossil fuel stocks will come under increasing pressure. At the moment, other investors have not fully realized the risk that carbon reserves will become a stranded asset; if you acknowledge what your own science departments are telling you, this gives you an edge relative to those investors. I can tell you that in my own investments, I have directed my financial team to divest my holdings of fossil fuel investments so that I will have a fossil fuel free portfolio myself - in part because I am convinced it will outperform the market.

3) It does matter. There's a tendency, stemming from the normal preference for the status quo, to say "divestment will make no difference." But in fact this is the way to make yourselves heard, to make a statement about your values far beyond the money involved. Your chance to be heard depends on your willingness to speak clearly, straightforwardly and as a leader. If you settle for some mild measure like 'voting your proxies,' let me assure you that the leverage

of your economic power, the $38 million in question, will be *de minimis*, a small peep that will be easily drowned out.

It matters particularly on divestment for Middlebury to be a leader. This is a college known worldwide for its leadership on environmental issues, from the country's first ES department to the birth of 350.org. It also matters particularly to Middlebury to maintain its position as a leader on climate change. Your decision, one way or another on this matter, is a statement of who you are as a college, what your mission is. A strong and well-defined mission is an incredibly valuable thing for a college or any institution. As my wife, CEO of a community development bank, often says: Your mission is your advantage.

Middlebury's leadership would be a reflection of the urgency with which we must move. Last year the Arctic melted, last year Sandy devastated the Atlantic seaboard, last year we saw the highest temperature in American history. It's time, now, to move, and let me assure you that many of the rest of us will be very grateful for Middlebury's leadership.

After working at Morgan Stanley and Goldman Sachs, Tom Steyer founded Farallon Capital Management, a $20 billion hedge fund, which he left last year to devote himself fulltime to public sector work. He was among the first American billionaires to pledge, alongside Warren Buffett, to give away at least half his fortune. To that end, he has given large gifts for environmental research and stewardship to Stanford, where he is on the board of trustees. He also gave $22.5 million to fund the founding of OneCalifornia Bank, which his wife Kat Taylor now runs. A "community development bank," it provides banking services to underserved communities and nonprofits on the Pacific coast.