

May 18, 2017



Mayor Javier M. Gonzales
City Councilor Michael Harris
City Councilor Renee Villarreal
City Councilor Carmichael Dominguez
City Councilor Peter Ives
City Councilor Christopher Rivera
City Councilor Ronald Trujillo
City Councilor Signe I. Lindell
City Councilor Joseph M. Maestas
City of Santa Fe Constituents
City Manager Brian Snyder

City of Santa Fe
200 Lincoln Avenue
Santa Fe, New Mexico 87501

I appreciated the opportunity to meet with the finance group from City of Santa Fe on May 17. I was asked to provide a summary of the information that I covered as it relates to Wells Fargo's involvement in the Dakota Access Pipeline (DAPL) project and to provide context concerning the steps Wells Fargo has taken to ensure that the project is developed in an environmentally and socially responsible manner. I also spent some time addressing the CRA rating and will provide some additional facts. I hope this helps in conversations with City leaders and Council.

We recognize and respect the differing opinions being expressed about the DAPL project, and we understand the concerns that you and some Santa Fe citizens have regarding the project.

Wells Fargo is just one of 17 financial institutions involved in financing DAPL. We provided less than five percent of the total financing for this project. Our role is limited to the obligations we have under the credit agreement. While assessing the pipeline project for a loan, as with all similar projects, Wells Fargo did extensive due diligence. The bank worked with legal counsel representing the lending syndicate as well as our own independent counsel to ensure that the project complied with all local, state, and federal laws.

To assess any potential cultural and environmental pipeline impacts, the due diligence process included reviewing the report of the independent engineer who verified that the project complied with the Equator Principles, a global framework designed to determine, assess, and manage social and environmental risks and impacts of projects like the Dakota Access Pipeline. Wells Fargo adopted and signed on to the Equator Principles in 2005 to ensure that Wells Fargo provides loans and advisory services only to those projects whose borrowers can demonstrate the ability and willingness to comply with the Equator Principles' requirements for categorizing, assessing and managing environmental and social risks.

Unfortunately, there has been quite a bit of inaccurate information disseminated about the pipeline itself, and we'd like to set the record straight about a few facts. The pipeline does not enter or cross the Standing Rock Sioux reservation. The entire pipeline is buried underground. It follows a right of way of an existing pipeline. In fact, eight other pipelines already cross underneath Lake Oahe, including one that has safely operated for more than 30 years. The site where the Dakota Access Pipeline crosses the Missouri River is 70 miles from the new water supply inlet for the Standing Rock Sioux. The DAPL runs 1,172 miles across North Dakota, South Dakota, Iowa and Illinois. The project is designed to move crude oil that is currently delivered by truck, train or other older pipes to refineries on the Gulf or East Coast. The pipeline is expected to transport approximately 470,000 to 570,000 barrels of crude oil per day.

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This would translate into approximately 8.9 to 10.8 million gallons of gasoline. Americans used about 385 million gallons of gasoline daily in 2015.

You can find more supporting information here:

- <http://www.nwo.usace.army.mil/Missions/Civil-Works/Planning/Project-Reports/Article/633496/dakota-access-pipeline-environmental-assessment/>
- <http://www.earthjustice.org/sites/default/files/files/order-denying-PI.pdf>

Wells Fargo is one of the largest lenders to the nation's energy sector, supporting responsible development of all forms of energy. Our bank has a 40-year history financing traditional energy projects and makes sizable investments in renewable energy and clean technology through our Clean Tech and Environmental Finance businesses. Since 2012, we have invested more than \$70 billion in environmentally sustainable businesses. In 2015, projects we were involved in produced 10 percent of all solar photovoltaic and wind energy generated in the U.S.

As a result of issues that have arisen about the DAPL, we have enhanced our due diligence in sectors subject to our Environmental and Social Risk Management (ESRM) policy to include more focused research into whether or not indigenous communities are impacted and/or have been properly consulted. Our ESRM policy applies a consistent approach to understanding, assessing and considering environmental and social risks in our decision making.

Multiple Wells Fargo banking units have been serving American Indians/Alaska Natives for more than 50 years, providing capital and financial services to more than 200 tribal entities in 27 states, including New Mexico. To date, Wells Fargo has credit commitments of more than \$2 billion to tribal entities and made \$44 million in tax credit investments, including financing Low Income Housing Tax Credit projects in nine states (Arizona, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota and Wisconsin) and sponsoring Affordable Housing Plan subsidies for tribal housing projects. Additionally, to best serve our Native American customers, we currently operate 19 branches and 42 ATMs on 17 reservations in seven states including several in the Navajo Nation.

The other area of concern addressed in our meeting this week was about Wells Fargo's Community Reinvestment Act (CRA) rating. I want to summarize my comments and clarify some important facts, starting with the purpose of the CRA, what it measures, and how Wells Fargo has performed against these expectations nationally, in New Mexico and in Santa Fe.

Congress established the CRA in 1977 to encourage banks to meet the credit needs of all segments of the communities where and with whom they do business, including Low and Moderate Income (LMI) populations and individuals. Here are key facts regarding Wells Fargo's most recent CRA exam:

- CRA has three primary performance areas: Lending, Investment, and Service.
- In the most recent 2009-2012 CRA Exam, Wells Fargo had the following performance ratings
 - Lending: Outstanding
 - Investment: Outstanding
 - Service: High Satisfactory
- The final rating was changed to "Needs to Improve" due to previously issued regulatory consent orders.
- We are disappointed with this rating given Wells Fargo's strong track record of lending to, investing in, and providing service to LMI communities.
- Despite its decision to change our rating to Needs to Improve, based on non-CRA performance factors, the OCC cited Wells Fargo's work on CRA-related activities and commended the "excellent responsiveness to the credit needs in the majority of the LMI assessment areas".

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- I would like to point out that Wells Fargo received an overall Satisfactory or Outstanding in all 54 states and multi state metropolitan areas, including an Overall Outstanding rating in New Mexico. New Mexico exam results:
 - Overall: Outstanding
 - Lending: Outstanding
 - Investment: Outstanding
 - Service: High Satisfactory

Key facts regarding Wells Fargo CRA performance in New Mexico and Santa Fe include:

- \$254.2 million in credit was extended to help 4,953 New Mexico small businesses in 2015, \$14.9 million of which supported 416 Santa Fe small businesses
- \$200,000 was donated by Wells Fargo to Santa Fe nonprofits and charities last year
- An additional \$127,650 was donated to the Santa Fe nonprofits and charities in 2015, including:
 - \$49,250 for post-secondary and preK to 12th grade education needs
 - \$37,500 for community development, including housing projects
 - \$17,000 for arts and cultural causes, including museums, libraries, and performing arts
- 1,586 volunteer hours were donated by Santa Fe team members last year, who volunteered at 226 different events and assisted 152 local organizations
- Wells Fargo supports WESST Santa Fe, an organization that helps New Mexicans create and grow small businesses through training, lending and incubation.
- 49 percent of the branches in New Mexico are located in or directly border and serve LMI communities.
- Wells Fargo was ranked first in the number of mortgage loans to LMI communities in New Mexico
- Wells Fargo was ranked first in the dollar volume of loans to small businesses in LMI communities in New Mexico.

Wells Fargo's size and strength allows us to provide complex banking services that a city like Santa Fe requires. Cities choose strong, full-service banks like Wells Fargo, because we can meet all of a city's complex needs. We genuinely appreciate our long-standing business relationship with the City of Santa Fe, which originally selected Wells Fargo to provide the best services at the best prices, to the benefit of Santa Fe and its taxpayers. Wells Fargo has been a responsible corporate citizen in Santa Fe and the state of New Mexico, paying taxes that support the region's vital services for its citizens and continuing to reinvest in the communities where our team members and customers live and work.

I hope this letter provides helpful context. Thank you for allowing me and our New Mexico relationship team to meet with the finance team, and Ms. Updike this week. I look forward to continuing and growing our long standing relationship with the city.

Respectfully,

Bryan Scott

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