

**Wells Fargo Advisors Financial Network  
Wrap Fee Brochure  
for Advisory Program Services**



801-57434

**Investment Advisory Services of Wells Fargo Advisors Financial Network, LLC**

Revised October 2017

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company.

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This wrap fee brochure provides information about the qualifications and business practices of Wells Fargo Advisors Financial Network, LLC and the Masters Program, Allocation Advisors, Diversified Managed Allocations, Private Advisor Network, Private Investment Management, Fundamental Choice, Quantitative Choice, Wells Fargo Compass Advisory Program, FundSource®, CustomChoice, Customized Portfolios, and Asset Advisor (the “Programs”). This information should be considered before becoming a Client of one of these Programs. If you have any questions about the Programs or the contents of this brochure, please contact us at the telephone number above.

This information has not been approved or verified by United States Securities and Exchange Commission or by any state securities authority. Additional information about Wells Fargo Advisors also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The advisory services described in this brochure are not insured or otherwise protected by the U.S. Government, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other government agency and involve risk, including the possible loss of principal.

## **Summary of Material Changes**

Please refer to the Wells Fargo Advisors Wrap Fee Brochures for details on any material changes to the Programs offered.

Material Changes to the Wrap Fee Brochure for Advisory Program Services since March 31, 2017:

- Effective June 9, 2017, the fee schedules for all Programs have been changed. This change impacts Accounts opened on or after this date only.

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Wells Fargo Advisors Financial Network, LLC ("WFAFN"), is a broker-dealer and investment advisory Firm providing investment and other financial services to individual, corporate, and institutional Clients through a network of independent contractor representatives. It is a non-bank affiliate of Wells Fargo & Company ("Wells Fargo"), a financial holding company and bank holding company founded in 1852 and publicly held company (NYSE: WFC). Wells Fargo and its Affiliates are engaged in a number of financial businesses, including retail brokerage and investment advisory services.

WFAFN is affiliated with Wells Fargo Clearing Services, LLC ("WFCS"), a broker-dealer and investment adviser that also provides advisory and brokerage services as well as securities-execution and brokerage-clearance services to WFAFN, and other retail securities firms throughout the United States. WFCS operates under the trade name Wells Fargo Advisors ("WFA") in providing advisory and brokerage services.

WFAFN has entered into an agreement with WFA, a non-bank affiliate of WFAFN, pursuant to which WFA will act as sub-adviser and/or service provider to WFAFN with respect to the advisory Programs and services offered by the Firm. WFA is a member of the New York Stock Exchange, Inc. ("NYSE") and the principal stock exchanges in the nation, as well as FINRA and SIPC.

References are made herein to the Program Wrap Fee Brochures. The services provided under the Programs are the same in all material respects as the services provided under the Programs with the same names described in the WFA Wrap Fee Brochures, except that WFAFN will be acting as the investment adviser under the Programs rather than WFA, and WFAFN's fee structure may vary from those described in WFA's Wrap Fee Brochures. Clients should refer to this Wrap Fee Brochure rather than WFA's Wrap Fee Brochure for Program-specific information regarding the minimum Account size and fee structure that applies to Wells Fargo Advisors Financial Network, LLC Client Accounts.

The terms "Client," "you," and "your" are used throughout this document to refer to the person(s) or organization(s) who contract with us for the services described here. "WFAFN," "we," "our," and "us" refer to WFAFN together with our Affiliates, including but not limited to, Wells Fargo & Company and its agents with respect to any services provided by those agents. "Affiliate" means any entity that is controlled by, controls or is under common control with WFAFN. Each Affiliate is a separate legal entity, none of which is responsible for the obligations of the other.

"Account" means collectively or individually any brokerage Account and/or any Advisory Program Account you have with us, including any and all funds, money, securities and/or other property you have deposited with us. "Securities and/or Other Property" means, but is not limited to, money, securities, financial instruments and commodities of every kind and nature and related contracts and options, distributions, proceeds, products and accessions of all property.

## **Services, Fees and Compensation**

### **Types of Advisory Services**

The Masters Program ("Masters"), Allocation Advisors, Diversified Managed Allocations ("DMA"), Private Advisor Network ("Network"), Private Investment Management ("PIM"), Fundamental Choice ("FC"), Quantitative Choice ("QC"), Wells Fargo Compass Advisory, FundSource Consulting ("FundSource"), CustomChoice, Customized Portfolios ("Customized Portfolios"), and Asset Advisor Programs (collectively, the "Programs") are investment advisory Programs offered by WFAFN, as the investment adviser. Other advisory services include Financial Planning, Institutional Consulting and Retirement Plan Consulting Services. Please contact a Financial Advisor for information regarding these services.

### **Advisory Programs**

As stated earlier, however, WFAFN has entered into an agreement with WFA, pursuant to which WFA will act as sub-adviser and/or service provider to WFAFN with respect to the Programs. The agreement provides, among other things, that: (i) in the case of Network, WFA will provide WFAFN with a universe of investment advisers which are periodically evaluated by our affiliate, WFII, and have met WFII's minimum quantitative and qualitative criteria; (ii) in the case of Masters and DMA, WFA will provide to WFAFN a universe of investment advisers that are evaluated by WFII and meet WFII's quantitative and qualitative research criteria; (iii) in the case of FundSource and CustomChoice, WFA will provide WFAFN with a universe of Recommended, Pathways and Allowable mutual funds offered at net asset value, and the Recommended list of mutual funds will meet WFII's minimum quantitative and qualitative research criteria; and (iv) in the case Allocation Advisors, Wells Fargo Compass Advisory, and the Completion Sleeve portion of the DMA Program, WFA will provide WFAFN with model investment portfolios designed for a specific investor.

Regardless of which Program you select, you will retain the right to: (1) withdraw securities or cash; (2) vote on shareholder proposals of beneficially owned security issues, or delegate the authority to vote on shareholder proposals to another person; (3) be provided in a timely manner with a written confirmation or other notification of each securities transaction, and all other documents required by law to be provided to security holders; and (4) proceed directly as a security holder against the issuer of any security in your Account and not be obligated to join any person involved in the operation of the applicable Program, or any other Client of the applicable Program, as a condition precedent to initiating such proceeding.

Our Program services encompass: exchange listed securities; over the counter and foreign securities; rights and warrants; corporate, municipal and U.S. Government debt securities; securities options and futures; partnership interests involving real estate, oil and gas investments; real estate investment trusts ("REITS"), mortgage backed securities; certificates of deposit; commodities and related option and futures contracts including financial futures; commercial paper; variable annuities;

exchange-traded fund shares; closed-end mutual funds shares; open-end mutual fund shares, including load-waived mutual funds, money market funds and, with respect to the Asset Advisor Program, certain wrap class alternative investments, such as hedge funds and managed futures funds.

As a minimum criterion for providing advisory services, we typically require a college degree or satisfactory past business experience, plus the required industry examinations and registrations, if any. Unless they possess equivalent satisfactory portfolio management experience, PIM, QC and FC Financial Advisors must attain established firm or industry experience levels, and complete an independent specialized portfolio management class.

As described below in the "Other Financial Industry Activities and Affiliations" section, we are engaged in a wide range of securities services. We may also give advice and take action in the performance of our duties to other Clients that differ from the advice we give you, or the timing and nature of actions we may take for any of these Programs. Additionally, we may be limited in our ability to divulge or act upon certain information we possess as a result of investment banking activities or other confidential sources.

## **Fees and Compensation**

### **Allocation Advisors**

Please see the WFA Program Wrap Fee Brochure for a description of the services and additional fee information applicable to Allocation Advisors Accounts. The current WFAFN fee schedule for this Program, which is negotiable, is shown below. These fees may differ from those described in the WFA Program Wrap Fee Brochure. Accounts opened prior to June 9, 2017 are subject to a different fee schedule. Please consult your Client Agreement.

| <b>Account Asset Value</b> | <b><i>Annual Fee</i></b> |
|----------------------------|--------------------------|
| Your Account Value         | 2.25%                    |

### **Masters Program**

Please see the WFA Program Wrap Fee Brochure for a description of the services and additional fee information applicable to Masters Accounts. The current WFAFN fee schedule for this Program, which is negotiable, is shown below. These fees may differ from those described in the WFA Program Wrap Fee Brochure. Accounts opened prior to June 9, 2017 are subject to a different fee schedule. Please consult your Client Agreement.

| <b>Account Asset Value</b> | <b>Equity &amp; Balanced<br/>Accounts<br/><i>Annual Fee</i></b> | <b>Fixed Income<br/>Accounts<br/><i>Annual Fee</i></b> |
|----------------------------|---|--|
| Your Account Value         | 2.50%   | 2.30%  |

### **Diversified Managed Allocations Program**

Please see the WFA Program Wrap Fee Brochure for a description of the services and additional fee information applicable to DMA Accounts. The current WFAFN fee schedule for this Program, which is negotiable, is shown below. These fees may differ from those described in the WFA Program Wrap Fee Brochure. Accounts opened prior to June 9, 2017 are subject to a different fee schedule. Please consult your Client Agreement.

| <b>Account Asset Value</b> | <b><i>Annual Fee</i></b> |
|----------------------------|--------------------------|
| Your Account Value         | 2.55%                    |

As a result of the different fees associated with the different investments available in the DMA Program, your fee rate may vary quarter to quarter based on the current value of assets in each strategy at the end of each quarter. However, your actual fee rate will never exceed the maximum Program fee rate of 2.55%.

### **Private Advisor Network Program**

Please see the WFA Program Wrap Fee Brochure for a description of the services and additional fee information applicable to Network Accounts. For this Program, the Client either compensates WFAFN for its services by selecting an Execution Schedule (the Client pays a commission or markup/markdown for each trade executed in his/her Account) or a Fee Schedule (the Client pays a fee in lieu of commissions). In addition to the Private Advisor Network charges, Clients pay for the services of the investment adviser separately. The current WFAFN fee schedule for this Program, which is negotiable, is shown below. These fees may differ from those described in the WFA Program Wrap Fee Brochure. Accounts opened prior to June 9, 2017 are subject to a different fee schedule. Please consult your Client Agreement.

| <b>Account Asset Value</b> | <b>Equity &amp; Balanced Accounts*<br/>Annual Fee</b> | <b>Fixed Income Accounts<br/>Annual Fee</b> |
|----------------------------|---|---|
| Your Account Value         | 2.00%   | 2.00%                                       |

\* For Accounts invested in an Advanced Option Strategy, the advisory fee is calculated based on a target notional value as detailed in the Advanced Option Strategy Addendum to the Client Agreement. The target notional value is the agreed upon value of broad-based equity market index exposure that the underlying option contracts in the portfolio should represent. The target notional value does not change over time unless a new value is agreed upon in writing. The actual value of the index exposure in your Account may be significantly higher or lower than the target notional value.

Certain Clients may wish to utilize the selection or evaluation monitoring services of Network without any execution service. Fees for such Accounts, payment schedules and refunds thereof are negotiated on a case-by-case basis and may be determined as a percentage of assets under management, an annual fee, or a consideration of other factors.

#### **Private Investment Management, Fundamental Choice and Quantitative Choice Programs**

Please see the WFA Program Wrap Fee Brochure for a description of the services applicable to PIM, Fundamental Choice and Quantitative Choice Programs. The current WFAFN fee schedule for this Program, which is negotiable, is shown below. These fees may differ from those described in the WFA Program Wrap Fee Brochure. Accounts opened prior to June 9, 2017 are subject to a different fee schedule. Please consult your Client Agreement.

| <b>Account Asset Value</b> | <b>Annual Fee</b> |
|----------------------------|-------------------|
| Your Account Value         | 2.00%             |

#### **Wells Fargo Compass Advisory Program**

Please see the WFA Program Wrap Fee Brochure for a description of the services and additional fee information applicable to Wells Fargo Compass Advisory Accounts. The current WFAFN fee schedule for this Program, which is negotiable, is shown below. These fees may differ from those described in the WFA Program Wrap Fee Brochure. Accounts opened prior to June 9, 2017 are subject to a different fee schedule. Please consult your Client Agreement.

| <b>Account Asset Value</b> | <b>Individual, Multi-Asset and Asset Allocation Growth Strategies<br/>Annual Fee</b> | <b>Asset Allocation Growth and Income Strategies<br/>Annual Fee</b> |
|----------------------------|--|---|
| Your Account Value         | 2.25%  | 2.25%   |

#### **FundSource® Program**

Please see the WFA Program Wrap Fee Brochure for a description of the services and additional fee information applicable to FundSource Program Accounts. The current WFAFN fee schedule for this Program, which is negotiable, is shown below. These fees may differ from those described in the WFA Program Wrap Fee Brochure. Accounts opened prior to June 9, 2017 are subject to a different fee schedule. Please consult your Client Agreement.

| <b>Account Asset Value</b> | <b>Annual Fee</b> |
|----------------------------|-------------------|
| Your Account Value         | 2.00%             |

#### **CustomChoice Program**

Please see the WFA Program Wrap Fee Brochure for a description of the services and additional fee information applicable to CustomChoice Program Accounts. The current WFAFN fee schedule for this Program, which is negotiable, is shown below. These fees may differ from those described in the WFA Program Wrap Fee Brochure. Accounts opened prior to June 9, 2017 are subject to a different fee schedule. Please consult your Client Agreement.

| <b>Account Asset Value</b> | <b>Annual Fee</b> |
|----------------------------|-------------------|
| Your Account Value         | 2.00%             |

## Customized Portfolios

Please see the WFA Program Wrap Fee Brochure for a description of the services and additional fee information applicable to Customized Portfolios Accounts. The current WFAFN fee schedule for this Program, which is negotiable, is shown below. These fees may differ from those described in the WFA Program Wrap Fee Brochure. Accounts opened prior to June 9, 2017 are subject to a different fee schedule. Please consult your Client Agreement.

| <b>Account Asset Value</b> | <b>Fixed Income Strategies<br/>(Bank Managed Portfolios)<br/><i>Annual Fee</i></b> | <b>Equity Portfolios (Bank Model<br/>Portfolios) &amp; Option Portfolios*<br/>(WFII Managed Portfolios)<br/><i>Annual Fee</i></b> |
|----------------------------|--|---|
| Your Account Value         | 2.28%  | 2.50%   |

\* As detailed in the Advanced Option Strategy Addendum to the Client Agreement, the Option Premium Income Strategy's advisory fees are calculated based on a target notional value. The target notional value is the agreed upon value of broad-based equity market index exposure that the underlying option contracts in the portfolio should represent. The target notional value does not change over time unless a new value is agreed upon in writing. The actual value of the index exposure in your Account may be significantly higher or lower than the target notional value.

## Asset Advisor Program

Please see the WFA Program Wrap Fee Brochure for a description of the services and additional fee information applicable to Asset Advisor Accounts. The current WFAFN fee schedule for this Program, which is negotiable, is shown below. These fees may differ from those described in the WFA Program Wrap Fee Brochure. Accounts opened prior to June 9, 2017 are subject to a different fee schedule. Please consult your Client Agreement.

| <b>Account Asset Value</b> | <b><i>Annual Fee</i></b> |
|----------------------------|--------------------------|
| Your Account Value         | 2.00%                    |

## Account Termination

Client Agreements may be terminated by either party at any time upon written notice. If you terminate your Agreement, a pro rata refund will be made, less reasonable start-up costs. In the event of cancellation of Client Agreements, fees previously paid pursuant to the Fee Schedule will be refunded on a pro rata basis, as of the date notice of such cancellation is received by the non-canceling party, less reasonable start-up costs.

If you choose to terminate your Agreement with any of our investment advisory Programs, we can liquidate your Account if you instruct us to do so. If so instructed we will liquidate your Account in an orderly and efficient manner. We do not charge for such redemption; however, you should be aware that certain mutual funds impose redemption fees as stated in their fund prospectus. You should also keep in mind that the decision to liquidate security issues or mutual funds may result in tax consequences that should be discussed with your tax advisor.

We will not be responsible for market fluctuations in your Account from time of written notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner. Factors that may affect the orderly and efficient liquidation of an Account might be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate an advisory Account, termination orders cannot be considered market orders. It may take several business days under normal market conditions to process your request.

If a Program Account is terminated, but you maintain a brokerage Account with us, the money market fund used in a sweep arrangement may be changed and/or your shares may be exchanged for shares of another series of the same fund. You will bear a proportionate share of the money market fund's fees and expenses. You are subject to the customary brokerage charges for any securities positions sold in your Account after the termination of Program services.

## Account Requirements and Types of Clients

The minimum initial Account values for the Programs described in this document are listed below. We may terminate Client Accounts with written notice if they fall below minimum Account value guidelines established by us. Under certain limited circumstances, the minimum Account size may be waived.

| Program Name   | Minimum Account Size                   |
|--|--|
| <b>Allocation Advisors</b>   |  |
| • Strategic ETF, Morningstar Strategic ETF, Morningstar ETF, Laffer Global Portfolios, Laffer Dynamic U.S. Inflation Portfolio and Active/Passive Portfolios | \$25,000                               |
| • CAAP Plus and Compass ETF Portfolios   | \$50,000                               |
| <b>Masters</b>   | \$100,000 subject to Manager's minimum |
| <b>DMA</b>   |  |
| • Optimal Blends   | \$250,000 or Portfolio Minimum         |
| • Customized Blends  | \$150,000                              |
| <b>Private Advisor Network</b>   | \$100,000 subject to Manager's minimum |
| <b>Private Investment Management</b>   | \$50,000                               |
| <b>Fundamental Choice</b>  | \$50,000                               |
| <b>Quantitative Choice</b>   | \$50,000                               |
| <b>Wells Fargo Compass Advisory</b>  |  |
| <i>Individual Strategies</i>   |  |
| • Blue Chip  | \$50,000                               |
| • Small-Mid Cap  | \$50,000                               |
| • Managed DSIP - CLOSED TO NEW INVESTORS   | \$150,000                              |
| • Current Equity Income  | \$50,000                               |
| <i>Multi-Asset Strategies</i>  |  |
| • Income Multi-Asset Portfolio   | \$50,000                               |
| <i>Asset Allocation Strategies</i>   |  |
| • Conservative Growth & Income   | \$250,000                              |
| • Moderate Growth & Income   | \$250,000                              |
| • Long-Term Growth & Income  | \$250,000                              |
| • Conservative Growth  | \$250,000                              |
| • Moderate Growth  | \$250,000                              |
| • Long-Term Growth   | \$150,000                              |
| <b>FundSource</b>  | \$25,000                               |
| • FundSource Foundations® Blends   | \$10,000                               |
| <b>CustomChoice</b>  | \$25,000                               |
| <b>Customized Portfolios</b>   |  |
| • Taxable Fixed Income   | \$2,000,000                            |
| • Tax-Exempt Fixed Income (Municipals)   | \$2,000,000                            |
| • Custom Option Portfolio  | \$250,000                              |
| • Option Premium Income Strategy   | \$3,000,000                            |
| • Equity Portfolios  | \$50,000                               |
| <b>Asset Advisor</b>   | \$25,000 (effective May 2011)          |

### **Types of Clients**

We provide the advisory services described in this brochure to individuals, pension or profit sharing plans, trusts, estates or charitable organizations, corporations or other business entities, governmental entities and educational institutions, as well as banks or thrift institutions.

## Portfolio Manager Selection and Evaluation

The WFA Wrap Fee Brochures describe the Portfolio Manager Selection and Evaluation in connection with the Programs. WFAFN's practice in this area is the same as that applicable to WFA.

### Services Tailored to Individual Client Needs

All of our investment recommendations for Program Accounts are based on an analysis of your individual financial needs. They are drawn from research and analysis we believe to be reliable and appropriate to your financial circumstances. Each of the advisory services we offer is tailored to a specific type of investor and designed to meet their individual investment objectives, financial needs and tolerance of risk.



## **Client Restrictions and Instructions**

We will comply with any reasonable instructions and/or restrictions you give us when making recommendations for your Account. Reasonable instructions generally include the designation of particular securities or types of securities that should not be purchased for the Account.

If your restrictions are unreasonable or if we or your Financial Advisor believe that the restrictions are inappropriate, we will notify you that, unless they are modified, we may remove your Account from the Program. You will not be able to provide instructions that prohibit or restrict the investment advisor of an open-end or closed-end mutual fund or ETF with respect to the purchase or sale of specific securities or types of securities within the fund or ETF.

Our policy is generally to liquidate your pre-existing securities portfolio immediately and bring the Account into conformity with your target allocations. If you wish to hold certain positions for tax or investment purposes, you should consider holding these positions in a separate Account.

## **Performance-Based Fees and Side-By-Side Management**

We do not charge performance-based fees in any of our investment advisory Programs. We do not have any side-by-side management situations.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

The advisers selected by you in Masters, DMA, and Network employ similar methods of analysis that are described to Clients both by us and in each such adviser's Disclosure Document. The Program advisers, including WFA, each employ a variety of investment strategies depending on the Client and the Client's objectives. Such strategies ordinarily include long or short-term purchase of securities and, depending on the Client objectives and adviser's style, supplemental covered option writing. However, in special circumstances the strategies may also include margin transactions, other option or trading strategies or short-sale transactions. The PIM and FC Portfolio Managers generally rely on fundamental securities analysis with some emphasis on utilizing charting or cyclical analysis. The QC and some PIM Portfolio Managers generally rely on quantitative analysis. Portfolio Managers may develop a specific investment philosophy that will detail the mix of these analysis methods. All investment recommendations for Program Clients, including Asset Advisor, are based on an analysis of the Client's individual needs, and are drawn from research and analysis we believe reliable. Investment decisions for Allocation Advisors and Wells Fargo Compass Advisory Clients are derived from disciplined model portfolios based on established guidelines as modified to satisfy the individual investment objectives and needs of each Client. Additional information can be found in the WFA Wrap Fee Brochure for each Program.

## **Risk of Loss**

All investments shall be at your risk exclusively, and you must understand that we do not guarantee any return on the investments recommended or advised upon and may not be responsible for losses resulting from such trading or for any transactions that we have not recommended to you.

## **Voting Client Securities**

The WFA Program Wrap Fee Brochure describes the proxy voting procedures used by us for Clients. Our practice in this area is the same as that applicable to WFA, except that with respect to the Compass, Allocation Advisors, FundSource, PIM, QC, FC and DMA Programs, WFA, rather than WFAFN, may vote proxies on behalf of Clients.

## **Client Information Provided to Portfolio Managers**

All Clients must provide information on their investment objectives, financial circumstances, risk tolerance and any restrictions they may wish to impose on investment activities. We will notify you in writing at least annually to update your information and indicate if there have been any changes in your financial situation, investment objectives or instructions; and you agree to inform us in writing of any material change in your financial circumstances that might affect the manner in which your assets should be invested. Your Financial Advisor will be reasonably available to you for consultation on these matters, and will act on any changes deemed to be material or appropriate as soon as practical after we become aware of the change.

## **Client Contact with Portfolio Managers**

Your contact for information and consultation regarding your Program Accounts is generally your Financial Advisor. In certain instances, your Financial Advisor may coordinate their response with the Portfolio Manager (if applicable) or arrange for you to consult directly with the Portfolio Manager.

## **Additional Information**

### **Disciplinary Information**

We are both a broker-dealer and investment advisory Firm. The disciplinary events listed below are related to the activities of the broker-dealer, investment advisor or predecessor firms.

For more information on broker/dealer related disciplinary events you may visit:

<http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/>

Our investment advisory disciplinary history is available by going to:

<http://www.adviserinfo.sec.gov/>

- On December 21, 2016, Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC agreed to a settlement with FINRA regarding allegations that the Firms failed to maintain approximately one million electronic brokerage records in non-erasable and non-rewritable format, which is intended to prevent the alteration or destruction of broker-dealer records stored electronically. The findings also stated that for approximately 1.5 million accounts, the Firm failed to preserve customer account form templates containing the terms and conditions related to the opening and maintenance of accounts, failed to retain certain communications and failed to notify FINRA at least 90 days prior to using new storage media to store electronic broker-dealer records. FINRA also found that the Firms failed to implement an audit system for those records, failed to provide its third party vendors full access to the storage systems, failed to implement an adequate supervisory system and failed to enforce written procedures. Without admitting or denying the findings, the Firms agreed to a censure and fine, jointly and severally, of \$1,500,000. The Firms also consented to a review of its policies and procedures.
- On December 5, 2016, Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC agreed to a settlement with FINRA regarding allegations that the Firms failed to establish, maintain and enforce reasonable supervisory systems for the use of consolidated reports generated by their registered representatives through available applications. The findings stated that these applications allowed the Firm's representatives to manually enter information regarding customers' external accounts, assets and liabilities into a centralized table which the Firms maintained. This information would then be used to populate reports, including those that would be sent to the Firms' customers. FINRA found that the Firms did not have systems in place to review the contents of the reports, including information about customer holdings away from the Firms. In addition, the Firms supervisory systems and procedures were inadequate because there was no mechanism allowing representatives to designate which reports were actually provided to customers and the system could not distinguish between draft reports and completed reports that were sent to customers, which should have been subject to the Firms' supervisory systems designed to review customer communications. Without admitting or denying the findings, the Firms agreed to a censure and fine, jointly and severally, of \$1,000,000.
- In December 2014, Wells Fargo Advisors agreed to a settlement with FINRA regarding allegations that the Firm failed to comply fully with requirements to verify the identity of each customer opening a new account under its Customer Identification Program ("CIP"). Due to a design flaw in the Firm's CIP system, 220,000 accounts, out of the total 6.9 million accounts opened during the period from October 2003 through October 2012, were not subject to the Firm's CIP review. When considering sanctions, FINRA took into consideration that WFA discovered the system flaw through self-testing, performed remediation CIP on approximately 100,000 accounts that remained open, made system changes to prevent recurrences and reported the violations in accordance with FINRA Rule 4530(b). Without admitting or denying the allegations, the Firm agreed to a settlement that included a censure, and payment, jointly and severally with its affiliate Wells Fargo Advisors Financial Network, of a \$1,500,000 fine.
- In May 2012, Wells Fargo Advisors agreed to a settlement with FINRA regarding allegations that the Firm failed to establish and maintain supervisory systems, including written procedures, reasonably designed to achieve compliance with applicable FINRA rules in connection with the sale of leveraged, inverse and inverse-leveraged Exchanged-Traded Funds. Without admitting or denying the allegations, the Firm agreed to a settlement that included a censure, and payment, jointly and severally with its affiliate Wells Fargo Advisors Financial Network, of a \$2,100,000 fine and restitution to specified clients.
- In February 2009, WFAFN agreed to a settlement with FINRA regarding allegations that the Firm made recommendations through its registered representatives to customers to purchase Class B and Class C mutual fund shares where an equal investment in Class A shares would have been more advantageous for certain clients and failed to establish, maintain and enforce supervisory systems and procedures reasonably designed to provide consideration, on a consistent basis, of the benefits of various mutual fund classes as they applied to individual customers. Without admitting or denying the findings, the Firm consented to a censure, a fine of \$150,500 and undertakings that included remediation to certain customers.

## **Other Financial Industry Activities and Affiliations**

WFAFN is a national securities firm providing investment and other financial services to individual, corporate and institutional Clients. We are a registered broker-dealer and investment adviser. Accounts are carried by WFCS, a qualified custodian. WFCS is an affiliate owned indirectly by Wells Fargo. WFAFN and WFCS are members of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). WFCS may also route transactions through its affiliate, Wells Fargo Securities, LLC.

We are a non-bank affiliate of Wells Fargo. We are not a bank or thrift and are a separate and distinct corporate entity from our affiliated banks. **Unless otherwise stated as the case, the investment advisory services offered and the underlying stock, bonds, mutual funds and other securities bought or sold through us are not deposits of any bank and are not insured or otherwise protected by the Federal Deposit Insurance Corporation ("FDIC") or another government agency. They are not obligations of any bank or any affiliate of us; are not endorsed or guaranteed by Wells Fargo, WFAFN, or any bank or any affiliate of us; and involve investment risk including possible loss of principal. Cash balances in Client Accounts will be held in a depository product sponsored by a Wells Fargo entity. Deposit products, like the cash sweep program, are protected by FDIC insurance up to applicable limits.**

Our obligations and commitments do not extend to any affiliated bank or thrift, and any such bank or thrift is not responsible for securities we sell or purchase. As a general matter, unless otherwise stated, we may be a principal or engaged in underwriting securities for which we are providing broker, advisory or other services to our Clients. We may also purchase those securities from an affiliate or sell them to an affiliate. In addition, we or our affiliates may act as an investment adviser to issuers whose securities may be sold to you.

From time to time, a bank or thrift affiliated with us may lend money to an issuer of securities underwritten or privately placed by us. The prospectus or other offering documentation provided in connection with such underwriting or private placement will disclose to the extent required by applicable securities laws: (i) the existence of any material lending relationship by any affiliate of ours with such an issuer, and (ii) whether the proceeds of an issuance of such securities will be used by the issuer to repay any outstanding indebtedness to any of our affiliates.

We have a number of related persons who may provide investment management and related financial services to our Program Clients. The advisory services these investment advisers offer are described more fully in their Disclosure Documents and/or Form ADV, Part 2A. The identity of these related persons and summary of the products and services follows.

- Wells Fargo also provides retail brokerage and investment advisory services through Wells Fargo Advisors ("WFA").
- Wells Fargo Funds Management, LLC, is a registered investment adviser and wholly owned subsidiary of Wells Fargo & Company that provides investment advisory services to the Wells Fargo Advantage Funds. These funds may be purchased in WFAFN brokerage Accounts and advisory Programs. Wells Fargo Funds Management, LLC is also an advisor to certain money market sweep vehicles available to Program Clients.
- Wells Capital Management Incorporated, First International Advisors, LLC, Metropolitan West Capital Management, LLC, Golden Capital Management, LLC, and Galliard Capital Management are all affiliates of Wells Fargo & Company and may serve as advisers and/or sub-advisers through WFAFN's Separately Managed Account Programs and to certain of the Wells Fargo Advantage Funds.
- Wells Fargo Investment Institute, Inc. ("WFII") (known prior to November 1, 2014 as Alternative Strategies Group, Inc. and before that as Wachovia Alternatives Strategies, Inc.) is a registered investment advisor and wholly owned subsidiary of Wells Fargo & Company that provides advisory services and research to WFA and WFAFN.

In certain of our advisory Programs we may offer the services of affiliated Managers and funds. A material conflict of interest exists to the extent that we have a financial incentive to recommend our affiliates' services which may provide greater overall compensation to us and our affiliates.

We and our affiliates may give advice and take action in the performance of our duties to you that differs from advice given, or the timing and nature of action taken, with respect to other Program Clients and/or Clients in other advisory Programs. Additionally, we and our affiliates, from time to time, may not be free to divulge or act upon certain information in our possession on behalf of investment banking or other Clients.

We will not sell your information to other companies for marketing purposes. We employ strict security standards and safeguards to protect your personal information and prevent fraud. In addition, we will continue to protect your privacy even if they cease being our Client.

For more information, please read our Privacy Statement, visit a Wells Fargo Advisors Financial Network, LLC office or call your Financial Advisor. With your written permission, obtained via Client Agreement or other written communication, we may provide your information electronically to your investment manager and/or agent of such manager. We reserve the right, at our discretion, to refuse to provide such requested information. Furthermore, in compliance with our Privacy Policy, we accept your instructions to discontinue providing such information.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The WFA Wrap Fee Brochures describe the Code of Ethics, Participation or Interest in Client Transactions and Personal Trading in connection with the Programs. WFAFN's practice in this area is the same as that applicable to WFA.

### **Review of Accounts**

The WFA Wrap Fee Brochures describe the review of Accounts and reports that you receive in connection with the Programs. WFAFN's practice in this area is the same as that applicable to WFA.

### **Client Referrals and Other Compensation**

The WFA Wrap Fee Brochures describe the payment of referral compensation in connection with the Programs. WFAFN's practice in this area is the same as that applicable to WFA.

### **Brokerage Practices**

The WFA Wrap Fee Brochures describe the brokerage practices in connection with the Programs. WFAFN's practice in this area is the same as that applicable to WFA.

### **Financial Information**

We have no financial condition that is likely to impair our ability to meet our contractual commitments to you.