

# **Wrap Fee Brochure for Mutual Fund Advisory Programs:**

**CustomChoice  
FundSource®**

801 - 37967

Investment Advisory Services of Wells Fargo Advisors

Revised March 2020

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 and our Mutual Fund Advisory Programs (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**

Material Changes to the Wrap Fee Brochure for Mutual Fund Advisory Programs since March 31, 2019:

- In 2018, Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC elected to participate in the Securities and Exchange Commission's Mutual Fund Share Class Selection Disclosure Initiative ("SCSD Initiative"). The SCSD Initiative provided investment advisers with the opportunity to voluntarily self-report to the SEC's Division of Enforcement possible securities law violations related to the adequacy of their disclosures concerning mutual fund share class selection and fees received pursuant to Rule 12b-1 under the Investment Company Act of 1940. As part of the SCSD Initiative, the Firms reviewed disclosures and activities related to mutual fund share class selection within advisory programs. At the conclusion of the SCSD Initiative, the Firms jointly and severally consented to a settlement agreement alleging violations of Sections 206(2) and Section 207 of the Investment Advisers Act of 1940 and entry of an order under which the Firms were censured, agreed to cease and desist from committing further violations, and agreed to pay disgorgement and prejudgment interest totaling \$17,363,847.29. The SEC did not impose a fine or civil monetary penalty in recognition of the fact that the Firms self-reported.
- The Pathways Tax Managed Optimal Blends have been added to the FundSource Program.
- The FundSource Global Opportunities Blends are now Closed to New Investors.
- The "Risk in the Use of Margin" and "Additional Considerations Associated with Pledging Advisory Accounts" sections of this document have been replaced with a new section called "Margin Loans and Securities-Based Loan Programs."
- Updates have been made to the "Client Referrals and Other Compensation" section of this document.
- The "Cash Sweep Program" section of this document has been updated.
- Updates have been made throughout this document to provide more concise disclosure language.

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Wells Fargo Advisors ("WFA") is a trade name used by Wells Fargo Clearing Services, LLC ("WFCS"). WFA, whose predecessors span more than 150 years, is a leading national securities firm providing investment and other financial services to individual, corporate, and institutional Clients. It is a non-bank affiliate of Wells Fargo & Company ("Wells Fargo"), a publicly held company (NYSE: WFC), and financial holding company and bank holding company founded in 1852. Wells Fargo and its affiliates are engaged in a number of financial businesses, including retail brokerage and investment advisory services.

WFCS is affiliated with Wells Fargo Advisors Financial Network ("WFAFN"), a broker-dealer also providing advisory and brokerage services. Information about the advisory and brokerage services offered by WFAFN is available by contacting them directly. WFA is also affiliated with Wells Fargo Investment Institute, Inc. ("WFII"), a registered investment adviser that provides advisory services and research to WFA.

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. "WFA," "WFCS," "we," "our," and "us" refer to WFA 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 WFA. 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**

We sponsor a number of wrap fee advisory programs that are designed to help you meet your investment objectives and goals. They include Separately Managed Account Programs, Mutual Fund Advisory Programs, Financial Advisor ("FA") Directed Programs and Non-Discretionary, Client Directed Advisory Programs. We also offer Consulting and Financial Planning advisory services. This Disclosure Document is being provided pursuant to Section 204 of the Investment Advisers Act of 1940 and deals solely with our Mutual Fund Advisory Programs: CustomChoice and FundSource (collectively referred to as "the Programs"). Descriptions of the services and fees for the other programs and services we offer can be found in separate disclosure documents, copies of which are available upon request.

### **Mutual Fund Advisory Programs**

The CustomChoice and FundSource Programs include investments in certain select mutual fund shares from our Recommended, Allowable and Pathways<sup>SM</sup> Funds Lists. The Recommended List is based on due diligence provided by our affiliate, WFII. These Lists include only open-end mutual funds that offer shares at net asset value through advisory programs, such as those described in this Disclosure Document. On the basis of research we reasonably deem to be reliable, we will give you recommendations for mutual funds or a blend of funds that are consistent with your investment objectives, financial circumstances and risk tolerance.

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 such 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. We will provide you with periodic monitoring and reporting of your portfolio's performance.

A Client request to establish program services is not considered a market order due to the administrative processing time needed to establish your advisory Account. However, we will make every effort to process Client requests promptly.

As described below in the "Other Financial Industry Activities and Affiliations" section, we are engaged in a wide range of securities services. The advice given and action taken in the performance of our duties to you will differ 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, there are times that we are limited in our ability to divulge or act upon certain information we possess as a result of investment banking activities or other confidential sources.

## **The CustomChoice Program**

CustomChoice is a non-discretionary investment advisory Program designed to help you allocate your assets among open-end mutual funds in accordance with your individual investment goals, objectives, and expectations. Based on your investment objectives and risk tolerance, your Financial Advisor will recommend an appropriate mix of affiliated or unaffiliated open-end mutual funds and money market funds and target allocation percentages. Funds on the Recommended List, Allowable List and Pathways List (described more fully below in the "Portfolio Manager Selection and Evaluation" section) can be included. Program eligible mutual funds include, at any given time, asset allocation funds, alternative strategy mutual funds or other select funds that utilize derivatives, short-selling, leverage and other strategies to meet stated investment objectives, enhance diversification, hedge risks, accentuate returns or facilitate certain market exposures or more dynamic allocation changes.

You have the option of accepting any of our recommendations, or selecting an alternative combination of funds. We will implement your investment decisions, but will not have investment discretion over your Account, except for the limited discretion to rebalance your target asset allocation, if you authorize us to do so. Over time, as changes occur in the financial markets and/or your investment objectives and circumstances, we may recommend changes in your portfolio. In making these recommendations, we will take the updated information into consideration. You are advised that your decisions relating to investments in mutual funds may have tax consequences that should be discussed with your tax advisor.

In order to maintain your portfolio in conformance with your target asset allocation, you may authorize us to rebalance your Account using our automated Rebalance Trading System. See the description of the Rebalance Trading System below. You may select a quarterly, semi-annual or annual rebalance option.

## **The FundSource® Program**

FundSource is a discretionary investment advisory Program that offers a broad array of mutual funds that invest in and across different investment asset classes and employ varied approaches to investment management. We have created a number of "Optimal Blends" that offer managed portfolios of recommended funds, based on due diligence and asset allocation guidance provided by our affiliate, WFII, and market exposures and fund combinations that we believe are appropriate for a number of different investment objectives. See the detailed description of the various Optimal Blends in the "Methods of Analysis, Investment Strategies and Risk of Loss" section. Based on your investment objectives, financial circumstances and risk tolerance, your Financial Advisor will recommend either an Optimal Blend or a Customized Blend, created in consultation with you, which you may select as the target allocation for your Account. Once you choose an Optimal or Customized Blend, the assets in your Account will be invested by your Financial Advisor on a discretionary basis.

The combination and allocation strategy of the selected mutual funds in an Optimal Blend is based on our determination of the appropriate target asset allocation and/or risk/return profile for your investment objective and risk tolerance. The funds and allocations are modified from time to time based upon changes in asset allocation guidance or our assessment of factors impacting individual funds or particular combinations. The target allocation for Customized Blends is determined at the time your Account is established in the FundSource Program. WFA may make discretionary fund replacements to your Customized Blend if a fund is removed from our recommended list. Other changes to your asset allocation or target allocations will be confirmed with a written notification. Additions to and withdrawals from your Account will generally be allocated based on the target allocation you established for the Customized Blend.

Fluctuations in the market value of assets, as well as other factors, will affect the actual fund allocation at any given time. In order to maintain the Account in conformance with your targeted fund allocations, we will automatically rebalance it periodically if actual allocations vary by more than certain established percentages from the target allocation. We will generally rebalance the Account annually, unless market conditions indicate we should do so more frequently. You also have the ability to request a rebalance of your Account. If your Account is managed pursuant to a Customized Blend, you have the ability to opt out of automatic rebalancing.

## **Pathways<sup>SM</sup> Optimal Blends**

Pathways Optimal Blends is a model portfolio series within the FundSource® Program that allows you to select an Optimal Blend constructed by the Russell Investment Management Company ("Russell"), using Russell multi-manager mutual funds. Russell, which is registered under the Investment Company Act of 1940, evaluates and retains one or more investment management organizations to manage the Russell funds used in the Pathways Optimal Blends. The portfolio series offers Clients access to various diversified risk-based allocations to meet specific investment objectives. Russell Investments is acting as a model provider to WFA.

Russell has created multiple Optimal Blends that contain various risk-based asset allocations of Pathways List funds designed to meet a broad range of investment objectives. When you select a Pathways Optimal Blend, you appoint WFA to manage your portfolio on discretionary basis. When Russell recommends changes to specific model portfolio, or we remove a fund from Pathways Roster of available funds, we will act as your attorney-in-fact with full power and authority to buy, exchange, sell or otherwise effect transactions in your name in shares of mutual funds in your Pathways portfolio. You can create a customized allocation of Russell funds selected from WFA's Pathways List or Recommended List funds using the Customized Blend form. If a mutual fund is removed from either the Pathways List or Recommended List of mutual funds, we will act as your attorney-in-fact with full power and authority to buy, exchange, sell or otherwise effect transactions in your name in shares of mutual funds in your FundSource® Account.

Fund sub-advisors are terminated or replaced by Russell generally due to changes in senior investment personnel and/or a deviation from the desired investment discipline. Such changes to fund investments are made without prior notice to you. We will rebalance your Pathways portfolio periodically should the values of the funds vary by more than certain established percentages from the target allocation you selected. Customized Blend Clients have the ability to opt out of the rebalancing feature.

## **Rebalance Trading System**

The Rebalance Trading System reviews the actual allocation of funds in your mutual fund portfolios versus the target allocation established for your Account. Generally, subject to certain minimum constraints, if any of the funds in your Account vary by more than established percentages from your Target Allocation on a cycle rebalance date, we will rebalance the Account by initiating sell and buy transactions. We have the ability to change these tolerance percentages without notice. You are aware that any transactions initiated to rebalance these assets will cause you to incur tax consequences.

We will conduct periodic reviews, and you can request that a review be done on demand. We generally conduct reviews in FundSource and Pathways Accounts on an annual basis. In addition, you can select to have annual, semi-annual or quarterly rebalance reviews conducted for FundSource, CustomChoice and Pathways Accounts. You also have the option to direct us not to rebalance CustomChoice, FundSource Customized Blends and Pathways Customized Blends periodically. Finally, if you direct us to, we can use the Rebalance Trading System to allocate any contributions to or withdrawals from the Account based on the fund targets specified for the Account. The Rebalance Trading System will not rebalance any assets that are not offered through the Programs (i.e., "Non-Program Assets").

## **Market Timing in Mutual Funds**

Market timing is defined as excessive short-term purchase and sale transactions or exchanges with the intention of capturing short-term profits in violation of the terms of the fund's prospectus. We will not support market timing strategies or activities for mutual funds or any extreme trading activity that we deem, at our sole discretion or by direction of the fund company, detrimental

to the interest of average mutual fund shareholders, or contrary to the policies or interest of mutual fund companies with whom we maintain relationships. We, at our sole discretion or by direction of the fund company, reserve the right to reject any transactions or to assess a redemption fee for any partial or full liquidation executed in which the Account trading appears to be inconsistent with the fund's prospectus as mandated by the fund company. Furthermore, when asked by a fund company, we will cooperate and aid in its attempt to identify and impede the efforts of anyone engaged in market timing or extreme trading activity. If the fund company notifies us to reject or cancel a trade for any reason, we reserve the right to cancel it without prior notice to you or any other Client. We will not be held accountable for any losses resulting from market timing activities or any action taken under our market timing policies. Finally, the frequency of mutual fund transactions and exchanges is subject to any limits established by the applicable mutual funds and us.

## **Fees and Compensation**

### **The Program Fee**

The current standard Program Fee for Mutual Fund Advisory Programs, which is negotiable, is shown below. Some Accounts opened prior to June 9, 2017 are subject to a different fee schedule. Please consult the Program Features and Fee Schedule of your Client Agreement.

<b>Program Fee</b> (annualized, calculated on your account value)
2.00%

There is a minimum Program Fee of \$75 per quarter, with the exception of the Foundations model series, which will be charged a minimum Program Fee of \$37.50 per quarter due to the lower initial investment minimum. You should be aware that the imposition of the minimum Program Fee could cause your Program Fee (expressed as a percentage) to be greater than the standard Program Fee stated above or the Program Fee stated in your Client Agreement. At our discretion, we can choose to waive the minimum fee.

In certain limited instances, we negotiate a customized Program Fee schedule with Clients that is different than the Program Fee described herein. In these instances, Clients will be required to sign an additional addendum that will detail their Program Fee schedule.

The initial Program Fee is calculated as of the date that the Account is accepted by us into the Program and covers the remainder of the calendar quarter. There is typically a short delay between Account inception and initial investment transactions. Subsequent Program Fees will be determined for calendar quarter periods and shall be calculated on the basis of the Account Value on the last business day of the prior calendar quarter.

No fee adjustment will be made to the Program Fee during any fee period for appreciation or depreciation in the value of the assets in your Account during that period. The Account will be charged or refunded a prorated quarterly Program Fee on any net additions or net withdrawals in the Account during a month. Program Fees will be charged or refunded if the net addition or net withdrawal would generate a fee or refund of at least \$40 for that quarter. Program Fees will be assessed in the month following the net addition or net withdrawal. Fees are based on the value of the assets in your Account on the date stated and other than those fees we will not otherwise be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of your funds (i.e., performance fee).

### **The Platform Fee**

A Platform Fee of 0.059% will also apply to certain Program Accounts ("Participating Accounts").

- ERISA plans, SEPs, SIMPLE IRAs, Accounts of unaffiliated introducing firms that clear their transactions through us, but for or which we do not act as adviser, and Accounts held at a third party custodian to which WFA agrees to act as broker for you in the purchase and sale of securities on a delivery versus payment/receipt versus payment ("DVP/RVP") basis are not subject to the Platform Fee and are not considered Participating Accounts.
- All other Program Accounts are considered Participating Accounts.

The Platform Fee applies only to the first \$50 million of Account Value (defined below) and does not apply to Participating Accounts of unaffiliated introducing firms for which we act as adviser, or to Participating Accounts that have not been invested in a Program for a full calendar quarter and accounts that are not open on the date that the Platform Fee is assessed to Accounts.

The Platform Fee supports the administrative services we provide to maintain the platform on which the Program Accounts reside, including, for example, shareholder and omnibus recordkeeping services provided to mutual funds available through the Programs. The Platform Fee is in addition to the Program Fee and is non-negotiable.

The Platform Fee is assessed quarterly in arrears to such Participating Accounts that are open as of the date the Platform Fee is assessed, which will generally be within 10 business days after the end of the calendar quarter, and is calculated based on your Account Value as of the last business day of such quarter.

### **General Information About Fees for Program Services**

We act as service provider for the advisory Programs offered by our affiliate, Wells Fargo Advisors Financial Network, LLC, as well as certain fully disclosed firms that clear their transactions through us. The fees charged by these firms could differ from those charged and required by us as stated in this Disclosure Document.

You should be aware that fees charged for the Program could be higher or lower than those otherwise available if you were to select a separate brokerage service and negotiate commissions in the absence of the extra advisory service provided. Advisory Programs typically assume a normal amount of trading activity and, therefore, under particular circumstances, prolonged periods of inactivity will result in higher fees than if commissions were paid separately for each transaction. The overall costs associated with your relationship with us (and the compensation we receive) vary depending on several factors, including:

- Your particular investment advice requirements and product preferences
- The value of your Account or household relations with us and our affiliates
- The frequency of trades and other account activity
- The type, scope, and frequency of services provided

The Program Fee is negotiable based upon these and other subjective factors, as well as our point-in-time views of the prevailing market prices for similar investment services. As a result of negotiated Program Fees, certain Clients have a lower Program Fee for their accounts than other Clients.

If you liquidate securities prior to initiating or after terminating Program services, you will be subject to customary brokerage charges with respect to that transaction, in addition to any fees for Program Services that are applicable during the period. For eligible securities purchased previously in a brokerage Account and subsequently moved into an advisory Account, these securities will be included in the calculation of fees for Program services, in addition to any previous brokerage charges paid.

A portion of the Program Fee (but not the Platform Fee) will be paid to our Financial Advisors in connection with the introduction of Accounts as well as for providing Client-related services within the Programs. This compensation could be more or less than a Financial Advisor would receive if you paid separately for investment advice, brokerage, and other services. If a Financial Advisor wishes to discount the Program Fee below certain levels, they have the ability to do so under certain circumstances. Financial Advisers generally will earn reduced compensation resulting from the discount. This creates an incentive for Financial Advisors to not discount.

In an advisory Account, you pay fees based on the percentage of assets in your Account in accordance with an investment advisory Program agreement. Certain advisory Programs have higher total fees than other advisory Programs based on a number of factors including, but not limited to, management fees, and administrative fees. A conflict of interest exists to the extent that we have a financial incentive to recommend a particular advisory Program that results in additional or greater compensation to us.

Unless agreed to otherwise, you authorize us to deduct fees at the rates indicated in the Fee Schedule for your Program quarterly from your Account(s). The Program Fee will generally be applied in advance, while the Platform Fee will be applied in arrears. For the purposes of calculating fees, "Account Value" shall mean the sum of the long market value of all Program eligible mutual funds, including accrued income. To the extent margin is used in your Account, you should be aware that the margin debit balance does not reduce the Account Value. In valuing the Account, we will use the fund's most current net asset value, as computed by the fund company. In so doing, we will utilize information provided by quotation services believed to be reliable. If any such prices are unavailable or believed to be unreliable, we will determine prices in good faith so as to reflect our understanding of fair market value. The Program Fee and the Platform Fee will be applied to cash alternatives (i.e., money market funds) held inside the Account. Clients may pay more in fees with respect to money market and sweep vehicle holdings than the interest earnings that may be generated by these cash and cash alternative assets. Due to trade date or settlement date accounting, the treatment of accrued income and other factors, the Account Value used in the calculation of fees may differ from that shown on your monthly account statement and/or performance report.

Whenever there are changes to your fee schedule, the schedule charges previously in effect shall continue until the next billing cycle. We have the ability to amend your Client Agreement at any time. Any changes we make to your Client Agreement will be effective after 15 days written notice to you. Your continued use of the services indicates your agreement to the modified terms.

### **Advisory Account Credit**

We will apply a credit (an "Advisory Account Credit") to all Participating Accounts that were charged the Platform Fee during the relevant calendar quarter. Program Accounts that are not charged the Platform Fee during any calendar quarter are not eligible to receive an Advisory Account Credit for that calendar quarter.

The application of the Advisory Account Credit is designed to address conflicts of interest associated with certain payments we receive from mutual funds (and their affiliates) that are based on investments held in Participating Accounts. Such payments are limited to amounts paid for networking and omnibus platform services and revenue sharing attributable to these accounts (collectively, "Platform Support"). See "Mutual Funds and Exchange Traded Funds in Advisory Programs" below for a description of payments and expense reimbursements from mutual funds (and their affiliates) not considered Platform Support for purposes of calculating the Advisory Account Credit.

The Advisory Account Credit is calculated based on the Platform Support accrued or collected attributable to eligible assets in Participating Accounts, as adjusted for amounts carried over from a prior period not previously credited and amounts credited in a prior period but not actually received. The calculation of the Advisory Account Credit will also be adjusted for the costs of third-party administrative expenses, if any, directly associated with the collection, calculation, and distribution of the Platform Support and application of the Advisory Account Credit.

The Advisory Account Credit for each Participating Account that is charged a Platform Fee will be based on the Account Value of the Participating Account calculated as a percentage of the aggregate value (determined as of the last day of such quarter) of all Participating Accounts (up to \$50 million per Account) charged the Platform Fee. The Advisory Account Credit will be credited quarterly and will generally be calculated and applied on the same day that the Platform Fee is applied.

The amount of the Advisory Account Credit will vary quarterly, will be equal too, less than or more than the Platform Fee, and could be \$0. The amount of the Advisory Account Credit is dependent on the amount of the Platform Support, if any, that is collected as described herein. This amount varies based on factors such as changes in the allocation or value of mutual fund assets in Program Accounts and changes in our agreements with mutual fund companies, as well as market forces.

For taxable accounts, to the extent your Advisory Account Credit exceeds the total amount of fees for Program services charged in any given year, the difference is treated as miscellaneous income for tax reporting purposes, and you will receive IRS Form 1099-Misc from Wells Fargo Clearing Services, LLC in the event your aggregate, annual miscellaneous income is \$600 or greater.

We reserve the right to stop collecting the Platform Support at any time and, if we do not receive Platform Support, the Advisory Account Credit will be \$0. We have no obligation to attempt to maximize Platform Support during the time in which we are collecting it.

### **Important Information about the Advisory Account Credit**

Although the Advisory Account Credit is intended to address our direct financial interests in, and conflicts with respect to, our receipt of Platform Support from the mutual funds, the structure of the Advisory Account Credit nevertheless results in other potential conflicts that you should understand.

In calculating the Advisory Account Credit, Platform Support generated by mutual fund holdings in Participating Accounts will be credited on a pro rata basis (based on Account assets of up to \$50 million) to all Participating Accounts that are charged the Platform Fee. As a result, Participating Accounts that are charged the Platform Fee will receive an Advisory Account Credit regardless of whether, and the extent to which, such Accounts invest in mutual funds that contribute to the Platform Support. The amount of the Advisory Account Credit a Participating Account receives will be equal too, more than or less than the amount of Platform Support generated by its actual mutual fund holdings, if any. Thus, this creates a conflict of interest as certain Participating Accounts will benefit from the Platform Support attributable to the investments of other Participating Accounts.

The mutual fund holdings in Participating Accounts for which we are not charging the Platform Fee (Participating Accounts of unaffiliated introducing firms for which we act as adviser and Participating Accounts that have not been invested in a Program for a full calendar quarter, as well as with respect to the portion of the Account Value of Participating Accounts in excess of \$50 million) will generate Platform Support, but will not receive an Advisory Account Credit. This creates a conflict of interest because the amount of Platform Support attributable to mutual fund holdings in these Participating Accounts (which are not subject to the Platform Fee) will be used for the benefit the other Participating Accounts that were charged the Platform Fee.

This is particularly the case for Participating Accounts of unaffiliated introducing firms for which we act as adviser, which we expect to generate Platform Support. As a result, it is expected that the mutual fund investments of unaffiliated introducing firms' Participating Accounts will increase the Advisory Account Credit available and applied to Wells Fargo Participating Accounts.

We seek to address these conflicts of interest through a combination of disclosing it to you, and through our policies and procedures and related controls designed to ensure that we make investment decisions relating to mutual funds available in advisory Program Accounts independent of any considerations that impact the amount of any such Advisory Account Credit.

### **Margin Loans and Securities-Based Loan Programs**

You may be eligible to use margin in your non-retirement Accounts or pledge your non-retirement Account assets as collateral for margin loans ("Margin Loans"). You may also be able to pledge your non-retirement Account assets as collateral for loans obtained through certain affiliated and unaffiliated loan programs ("Securities-Based Loan Programs"). It is important that you fully understand the costs, risks, and conflicts of interest involved in pledging your Account assets for a Margin Loan or Securities-Based Loan.

#### **Margin Loans**

Certain Advisory Programs may permit margin borrowing and trading. We will not extend margin in an advisory account unless authorized by you through a separate margin agreement. You are responsible for notifying us if you decide that you no longer want to use margin in your Account. You may also discontinue use of margin in your Account according to the terms of the Client Agreement. We are not responsible for any losses resulting from our failure or delay in implementing such instructions.

- **Margin Loans Are Subject to Separate Terms and Conditions.** If you take out a Margin Loan, the terms and conditions applicable to the Margin Loan are governed by the Margin Disclosure Statement and the Client Agreement. You should review carefully the terms, conditions, and risk disclosures for Margin Loans and understand that such risks are heightened in the event you hold a concentrated position in your pledged Account or if your pledged Account makes up all, or substantially all, of your overall net worth or investable assets. Certain eligibility requirements must be met, and documentation in the form of a separate margin agreement must be completed prior to using margin.
- **Costs Are in Addition to Advisory Fees.** As discussed above, if you use margin to purchase additional securities, your Account Value increases and therefore the amount of fees you pay will increase. You will also be charged margin interest on the debit balance in your Account, which is in addition to the Program Fee and Platform Fee. This results in additional compensation to us. The interest charged on a Margin Loan is higher than the interest charged on affiliated Securities-Based Loans, including Priority Credit Line.



- We Have an Incentive to Recommend the Use of Margin. The increased asset-based fee and interest that you pay on a Margin Loan provides an incentive for your Financial Advisor to recommend the use of margin. Your Financial Advisor also has an incentive to use margin to purchase additional securities and other assets instead of selling existing securities or other assets. We address these conflicts by disclosing them to you.
- Margin Loans May Not Be Suitable for You. Using margin is not suitable for all investors. As described in the next paragraph, the use of margin increases leverage in your Account and therefore increases risk to a portfolio. We generally believe the use of margin is most appropriate when short in duration. Before deciding to use margin, you should consider the intended duration and total cost of the Margin Loan, as well as other options available to you, such as alternative loan options or liquidating your Account assets.
- Using Margin Involves Higher Risks. Generally, we believe that the use of margin adds risk to a portfolio that you should not assume unless you are prepared to experience significant losses. Losses in the value of an asset purchased on margin will be magnified because of the use of borrowed money. You can lose more funds than amounts deposited in margin accounts. In addition, you generally will not benefit from using margin unless the performance of your Account exceeds interest expenses on the Margin Loan plus advisory fees incurred. You should also understand that the use of margin can negatively impact our ability to rebalance your account. You should carefully consider whether the additional risks are appropriate prior to using margin due to the increased potential for significantly greater losses associated with using margin. You assume full responsibility for the use of margin in your Account. **Please see the Margin Disclosure Statement and the Client Agreement for more details on the risks of margin use. You should read this documentation carefully.**

## Securities-Based Loan Programs

You may pledge your Account assets as collateral for Securities-Based Loan Programs with our consent and where you are eligible under the programs. The Securities-Based Loan Programs include, but are not limited to, the Priority Credit Line ("PCL") from Wells Fargo Advisors and various loan programs from our affiliate Wells Fargo Bank, N.A. ("Wells Fargo Bank"). The Secured PrimeLine program is available only in limited circumstances. In order for your Account to be eligible to serve as collateral for a Securities-Based Loan, your Account may not also serve as collateral for a Margin Loan. If you wish to use your Account as collateral for a Securities-Based Loan, we will automatically discontinue the availability of margin for your Account.

There are risks, costs, and conflicts of interests associated with Securities-Based Loan Programs. You are encouraged to speak with your Financial Advisor to the extent you have questions about how your Account may be used in connection with a Securities-Based Loan Program and how such arrangement should be taken into consideration when discussing the management of your Account.

- Securities-Based Loan Programs Are Subject to Separate Terms and Conditions. If you have elected to participate in a Securities-Based Loan Program, the terms and conditions applicable to that Securities-Based Loan Program are governed by the applicable Securities-Based Loan documents and other service agreements and are not included or described further in this brochure. You should review carefully the terms, conditions and any related risk disclosures for the Securities-Based Loan Program and understand that risks are heightened in the event you hold a concentrated position in your pledged Account or if your pledged Account makes up all, or substantially all, of your overall net worth or investable assets. You should understand that PCL provides more favorable protection for us in the event of your bankruptcy than loan programs through Wells Fargo Bank. Certain eligibility requirements must be met and documentation must be completed prior to obtaining Securities-Based Loans.
- Interest Rates for Securities-Based Loan Programs Differ. In certain circumstances, more than one Securities-Based Loan Program product may be available to you. The interest rate charged for PCL may be higher than interest rates available through other loan programs from Wells Fargo Bank and unaffiliated lenders. PCL is generally more profitable for us than other loan programs from Wells Fargo Bank, and gives us an incentive to recommend PCL over Securities-Based Loan Programs at Wells Fargo Bank.
- Costs Are in Addition to Advisory Fees. The costs, including interest, associated with a Securities-Based Loan Program are not included in the Program Fee or Platform Fee and will result in additional compensation to us, our affiliate, and our Financial Advisors. The interest charges on your Securities-Based Loan Program, combined with the Program Fee and Platform Fee, may exceed the income generated by your pledged Account assets and, as a result, the value of your Account may decrease. You are encouraged to consider carefully the total cost of taking out a Securities-Based Loan, and any additional compensation that WFA and your Financial Advisor will receive, when determining to take out and/or maintain a Securities-Based Loan against your Account assets.
- Financial Advisors Receive Compensation on Securities-Based Loans. In addition to receiving a portion of the Program Fee, Financial Advisors also receive compensation based on the outstanding loan balances of PCL and Securities-Based Loan Programs from Wells Fargo Bank. The Financial Advisor's compensation is reduced if the interest rate on PCL or a Securities-Based Loan from Wells Fargo Bank is discounted below a certain level, which creates an incentive for the Financial Advisor to not request for you or to discourage interest rate discounts below a certain level.
- We Have an Incentive to Recommend the Use of Securities-Based Loan Programs. Since WFA and your Financial Advisor are compensated through asset-based advisory fees paid on your Account, we benefit if you draw down on your Securities-Based Loan, which preserves asset-based advisory fee revenue and generates additional loan-related compensation, rather than sell securities or other investments in your Account, which would reduce the assets in your Account and our asset-based advisory fee revenue. This presents a conflict of interest for your Financial Advisor when addressing your liquidity needs. In addition, where a Securities-Based Loan is secured by both brokerage and advisory assets, a Financial Advisor will benefit if your brokerage assets are liquidated prior to or instead of your advisory assets because the Financial Advisor would be able to maintain advisory Account assets subject to the Program Fee and Platform Fee. We address these conflicts by disclosing them to you.

- Securities-Based Loan Programs May Not Be Suitable for You. There are other lending products that may be suitable for you and for which we and your Financial Advisor would receive different or no compensation. You are responsible for independently evaluating if a Securities-Based Loan is appropriate for your needs, if the lending terms are acceptable, and whether the Securities-Based Loan will have potential adverse tax or other consequences for you.
- There Are Limitations on the Use of Securities-Based Loan Proceeds. Except for margin accounts, where the loan proceeds can be used to purchase, carry, or trade securities, the proceeds of PCL may not be used to (a) purchase, carry, or trade securities or (b) reduce or retire any indebtedness incurred to purchase, carry, or trade securities. If your Account is used as collateral for a Securities-Based Loan, the Account is pledged to support the Securities-Based Loan and you are not permitted to withdraw funds or other assets from your Account unless sufficient amounts of collateral remain to continue supporting the Securities-Based Loan (as determined under the applicable Securities-Based Loan Program). Although you are required to satisfy such collateral requirements, you can terminate your advisory relationship with WFA, at which time the funds and assets in your account will be treated as a brokerage account at WFA and the collateral requirements for the Securities-Based Loan will continue to apply.

### **Additional Considerations Associated with Pledging Advisory Account Assets for Margin Loans and Securities-Based Loans**

In addition to the risks mentioned above, if your Account assets are pledged or otherwise used as collateral for Margin Loans or Securities-Based Loans, the exercise of our rights and powers over your Account assets, including the disposition and sale of any and all assets pledged as collateral, may be contrary to your interests and the investment objective of your Account.

- There Are Collateral Maintenance Requirements. When you use margin to purchase securities or draw down on a Securities-Based Loan, your Account assets serve as collateral. We can increase our "house" maintenance requirements or call your Margin Loan or PCL at any time and for any reason, and are not required to provide you with advance written notice (although these approaches will be different for loan programs from Wells Fargo Bank, and may be different for loans from unaffiliated lenders). If your Account assets decline in value, so does the value of the collateral. If the required collateral is not maintained, you may need to deposit additional cash or securities as collateral or repay a partial or entire amount of the funds borrowed on short notice. You are not entitled to an extension of time on a margin call. The lender may refuse to fund any advance request due to insufficient collateral. Where the lender assigns different release rates to different asset types, you may be able to satisfy collateral maintenance requirements by selling securities with a low release rate and investing and/or holding the proceeds in assets that have a higher release rate for the loan.
- Liquidation of Securities in a Maintenance Call. Failure to promptly meet requests for additional collateral or repayment, or other circumstances including but not limited to a rapidly declining market, will cause the liquidation of some or all of the collateral supporting any Margin Loans or Securities-Based Loans in order to meet the maintenance requirements. We can sell your Account assets without contacting you. We are not required to notify you of a maintenance call. These approaches will be different for loan programs from Wells Fargo Bank, and may be different for loans from unaffiliated lenders. You will be responsible for any shortfall if your Account assets are insufficient to cover the maintenance deficiency. Even if we have notified you and provided a specific date by which you can meet a maintenance call, we can still take necessary steps to protect our financial interests, including immediately selling your Account assets without notice to you. You should understand that because your Account assets are collateral for the Margin Loans or Securities-Based Loans, in selling such assets, we will seek to protect or advance our interests (and/or those of our affiliated lender if you selected an affiliated Securities-Based Loan Program) over your interests. You should expect that our interests will not be aligned with - and will be adverse to - your interests when we sell assets during a maintenance call, and that we may sell assets that you desire to keep or sell them at prices that may be less than the value that we or you believe the assets are worth. You are not entitled to choose which Account assets are liquidated or sold to meet a maintenance call. If there are Account assets that you desire to own during the term of your Margin Loan or Securities-Based Loan, you should not pledge them as collateral. Depending on market circumstances, the prices obtained for your Account assets may be less favorable and may be less than the value that we or you believe the assets are worth. If a margin or maintenance call cannot be fully satisfied from your Account assets, you remain liable for the outstanding debt.
- Impact of Margin and Maintenance Calls on Management of Your Account. In a maintenance call, we might liquidate Account assets that you, your Financial Advisor, or your Manager otherwise would not sell, and that might not otherwise be in your best interests to sell, and you might not get to choose the assets that are liquidated. We or a third-party Manager will seek to manage your Account as agreed under your advisory Client Agreement and applicable Program Features and Fee Schedule, provided that, if a maintenance call takes place, you should expect that we or your Manager will not be able to manage your Account consistent with our or the Manager's overall strategy. In addition, in order to preserve sufficient collateral value to support the loan and avoid a maintenance call, depending on your leverage, a Financial Advisor may be inclined to invest your Account in more conservative investments, which may result in lower investment performance than more aggressive investments (depending on market conditions). We mitigate this risk by requiring and monitoring to ensure that your Account is managed consistent with your respective investment strategies.
- No Legal or Tax Advice. WFA and your Financial Advisor do not provide legal or tax advice. You should consult with your own legal counsel and independent tax advisor before using securities as collateral for loans in order to fully understand the tax implications associated with pledging your Account as loan collateral and the potential liquidation of pledged assets.

## Other Account Fees

Your Financial Advisor may suggest that you use other products and services that we offer, but that are not available through the Account ("Non-Program Assets"). Non-Program Assets are not charged a Program Fee or a Platform Fee, are not considered in determining the Advisory Account Credit, and are not considered a part of the Program or Program services. We generally recommend that you hold these Non-Program Assets in a separate brokerage Account. If a non-Program Fund is purchased or transferred into the Account and later becomes a Program-eligible Fund, the Program Fee and Platform Fee will apply to that Fund and it will become subject to the Rebalance Trading System. You will incur any usual and customary brokerage charges and fees imposed on transactions in Non-Program Assets which could include (i) any dealer markups and odd lot differentials and transfer taxes; (ii) charges imposed by broker-dealers and custodians other than us and fees for other products and services that we offer; (iii) offering discounts, commissions and related fees in connection with underwritten public offerings of securities; (iv) margin interest and operational fees and charges; (v) IRA fees; and (vi) any redemption fees, exchange fees and or similar fees imposed in connection with mutual fund transactions whereby we and your Financial Advisor receive additional compensation on these Non-Program Assets. Where these fees apply, the more transactions you enter into, the more compensation that we and your Financial Advisor receive. This compensation creates an incentive for us to recommend that you buy and sell, rather than hold, these investments. We also have an incentive to recommend that you purchase investment products that carry higher fees, than investment products that carry lower fees or no fees at all.

If you choose to use Trust services provided by our affiliate, Wells Fargo Bank, N.A., additional costs apply that are in addition to the advisory fees disclosed above. These Trust services would include custody of your account at Wells Fargo Bank, N.A. The fees for these services will be separately agreed upon and disclosed to you by the bank and compensation for those services will be paid directly to the bank separate from the advisory fee.

## Mutual Funds and Exchange-Traded Funds in Advisory Programs

When structuring our advisory Program offerings, we determine the universe of mutual funds and ETFs that will be made available to advisory Program Clients. Although mutual fund companies typically offer multiple share classes of each of their mutual funds with varying levels of fees and expenses, we generally choose a single share class of each mutual fund for our advisory Program platform.

We do not seek to offer mutual funds or share classes through our advisory Programs that are necessarily the least expensive. Investing in mutual funds will generally be more expensive than other investment options available in your advisory Account, such as ETFs. In addition to the Program Fee and the Platform Fee, you will also bear a proportionate share of each fund's expenses, including investment management fees that are paid to the fund's investment adviser, which may be an affiliate of ours, and distribution, shareholders services or other fees paid to us and our affiliates. These expenses are an additional expense to you and not covered by the fees for Program services; rather, they are embedded in the price of the fund. You should carefully consider these underlying expenses, in addition to the Program Fee and Platform Fee, when considering any advisory Program and the total compensation we receive.

Other funds and share classes may have different charges, fees, and expenses, which may be lower than the charges, fees, and expenses of the funds and share classes we make available. These funds and share classes are available through other broker-dealers and financial intermediaries, including our affiliates, and the Funds directly, including where lower-cost share classes are made available. An investor who holds a less-expensive share class of a fund will pay lower fees over time - and earn higher investment returns - than an investor who holds a more expensive share class of the same fund.

When we select a fund or fund family for our advisory Program platform, we consider a number of factors, including our costs to operate the platform and additional compensation factors. In many circumstances, we receive payments and compensation from fund companies, including where we effect transactions for, or provide services to, the funds. We generally choose the lowest cost share class for our Advisory platform that pays us an acceptable level, as determined in our discretion, of Platform Support and other compensation discussed below.

Generally, the Platform Support payments range from \$25 per year, per position or at a rate of up to 35 basis points on assets for omnibus services performed; up to \$12 per year, per Client position or at a rate of 12 basis points on assets for networking services performed; up to 20 basis points for domestic funds and up to 55 basis points for offshore fund companies on aggregate Client assets in revenue sharing payments.

Most of the mutual funds we include on our advisory Program platform do not pay us 12b-1 fees. Any 12b-1 fee payments we do receive for eligible mutual funds held in advisory Accounts are credited back to the Client. Additional compensation and support received from fund companies is described in more detail below and is available in the "Guide to Investing in Mutual Funds" at [www.wellsfargoadvisors.com](http://www.wellsfargoadvisors.com).

The additional compensation and support we receive from fund companies, which is not considered Platform Support, is for ongoing educational and training services performed by us and compensation we receive in connection with data agreements with mutual fund providers. This additional support varies between fund companies and even from fund to fund and share classes within the same fund company. As a result, to the extent that we retain these payments, we have a financial incentive to offer one fund on our advisory Program platform over a similar fund due to the compensation we retain from one fund versus another. This additional compensation poses a conflict of interest and influences the selection of funds, share classes, and fund companies that we make available on the Advisory platform.

We seek to address these conflicts of interest through a combination of disclosing it to you, implementation of the Platform Fee and Advisory Account Credit, and through our policies and procedures and related controls designed to ensure that the fees we charge are fair and reasonable, including, as applicable, the Program Fee and Platform Fee and the additional compensation we receive from funds. If we did not receive support payments and additional compensation, we might charge higher fees or other charges to you for the services we provide (or the Advisory Account Credit, where applicable, would be less or \$0). When evaluating the reasonableness of our fees and the total compensation we receive, you should consider not just the Program Fee and the Platform Fee, where applicable, but also the additional payments and compensation we receive from funds (and their affiliates) and your eligibility for, and the amount of the, Advisory Account Credit.

For a listing of all share classes that a given fund may offer, please refer to the fund's prospectus. Please call your Financial Advisor for more information about any limitations on share classes available through us.

Over time, given funds may offer share classes with lower fees. In these instances, we will determine, from time to time in our discretion, whether and in what manner to offer these share classes to our advisory Clients. This may result in shares you own of the given fund being converted to the share class with lower fees or such share class with lower fees being available only for new purchases. We review our policies, procedures and systems from time to time in our discretion to determine whether to continue to offer funds with these multiple share classes, and reserve the right to no longer offer certain share classes within our advisory Program platform.

### **Additional Payments Received from Funds**

We typically receive support payments and compensation paid by fund complexes for ongoing Account maintenance, marketing support, and education and training services we perform in support of the mutual funds. This additional compensation can be broken down into six general categories:

- Networking and omnibus platform services compensation
- Revenue sharing
- Intra-Company compensation arrangements
- Training and education support
- Other compensation for general services provided to funds
- Data Agreements

We also may receive 12b-1 fees from certain mutual funds but such fees are credited directly back to Client Accounts.

### **Networking and omnibus platform service fees**

We or our service providers typically collect from mutual funds in which you invest, compensation for recordkeeping, sub-accounting, shareholder communications, administrative, and other similar services we provide to a fund for your benefit. In addition, we generally collect other asset-based fees for the execution of fund share purchases, or the performance of clearance, settlement, custodial or other ancillary functions. We or our service providers collect such fees directly or indirectly from some or all of the mutual funds in which you invest. When providing advisory services, WFCS does not pay any portion of these fees to its FAs. The compensation paid for networking and omnibus platform services, if any, is negotiated separately with each fund company, and the amount varies depending on the fund company and share class of each individual fund. In addition, not all mutual funds pay network and omnibus platform service fees, as a result we have an incentive to include funds on our platform and recommend funds that pay networking and omnibus platform service fees. Advisory Clients are not permitted to restrict their Accounts to only mutual funds that do not pay networking and omnibus platform service fees. We do not collect networking and omnibus payments on Program Accounts for ERISA plans, SEPs, and SIMPLE IRAs. Networking and omnibus platform service fees generated based on mutual fund positions and assets under management in Participating Accounts are considered Platform Compensation and included in the Advisory Account Credit.

### **Revenue sharing**

Revenue sharing is paid by a mutual fund's investment advisor, distributor, or other fund affiliate to us for providing continuing due diligence, training, operations and systems support and marketing to Financial Advisors and Clients with respect to mutual fund companies and their funds. Revenue sharing fees are usually paid as a percentage of our aggregate value of Client assets invested in the funds. Revenue sharing rates can differ depending on the fund family, and in some cases we receive different revenue sharing rates for certain funds and share classes within a particular fund family. In addition, not all mutual funds pay revenue sharing, as a result we have an incentive to include funds on our platform and recommend funds that pay revenue sharing and/or pay a higher rate. Advisory Clients are not permitted to restrict their Accounts to only mutual funds that do not pay revenue sharing. We do not collect revenue sharing payments on Program Accounts for ERISA plans, SEPs, and SIMPLE IRAs. Revenue sharing payments generated based on mutual fund assets under management in Participating Accounts are considered Platform Support and included in the Advisory Account Credit.

### **Intra-Company compensation arrangements**

We also receive direct compensation or indirect business credits in connection with the referral of certain business among Wells Fargo & Company subsidiaries. These intra-company arrangements include payments or credits to us for financial distribution, administrative and operational service that we provide to affiliated mutual funds, their investment advisers or distributors. As a result of these arrangements, we benefit from increased sales of affiliated funds and products to a greater extent than unaffiliated funds in which we do not have a similar economic interest. This compensation and credits are not considered Platform Support and are not included in the Advisory Account Credit.

## **Training and education support**

Certain mutual fund families, ETF providers and investment managers have agreed to dedicate resources and funding to provide training and education in local branch offices or in larger group settings, including at the national level. This commitment could lead our FAs to focus on the products offered by these firms versus products offered by firms not represented during these training and education sessions. These meetings or events are held to teach Financial Advisors about the product characteristics, sales materials, suitability, customer support services and successful sales techniques as they relate to various products. We select the firms that participate in the training and education events based on a variety of qualitative and quantitative criteria and may provide supplemental sales and financial data to these firms. The subset of firms that offer this support and participate in nationally-organized training and education events changes periodically. The resources and funding for training and education are not considered Platform Support and are not included in the Advisory Account Credit.

## **Other compensation for general services provided to Funds**

Fund companies compensate us for certain business services that we provide to funds in connection with their day-to-day operation. The range of services that we provide to these investment advisers includes investment banking, research, and trading. We also have a dedicated sales force that specializes in facilitating trading for institutional investors, which may include portfolio managers of mutual funds that are sold by us. We are compensated for the services provided in connection with these relationships, and the compensation received varies between funds and advisers. Certain ETF providers pay us or our affiliate a licensing fee to create ETFs that track a Wells Fargo index. That fee is based on the assets under management of the ETF. For purposes of calculating the index licensing fee, WFA discretionary ERISA and IRA assets invested in an ETF based on a Wells Fargo index are excluded from the Calculation. This additional compensation is not considered Platform Support and is not included in the Advisory Account Credit.

## **Data Agreements**

We work with various mutual fund complexes and ETF providers to provide aggregated sales data. Data Agreements are paid by mutual fund complexes either under a 12b-1 Plan, or as a revenue sharing arrangement in which the payment is from a fund affiliate but not from fund assets. Payments for Data Agreements are not considered Platform Support and are not included in the Advisory Account Credit. Generally, the payments range from \$450,000 to \$550,000 per year for data agreements from mutual fund complexes and ETF providers.

For more information about our compensation derived from mutual funds, please see "A Guide to Investing in Mutual Funds" or the "General Account Agreement and Disclosure Document."

## **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 the Client Agreement, 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. The Platform Fee is charged in arrears and will not be refunded. Client Agreements terminated prior to the application date of any Advisory Account Credit will not be entitled to any portion of such credit (nor shall such account be subject to the Platform Fee for such quarter).

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. For taxable Accounts, you should also keep in mind that the decision to liquidate security issues or mutual funds will result in tax consequences that should be discussed with your tax advisor.

We are not responsible for market fluctuations in your Account from the time of written notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner. Factors that 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 could take several business days under normal market conditions to process your request.

Upon termination of the Account or transfer of the Advisory Share Class into a WFA retail brokerage account, you authorize us to convert, at our discretion, the Advisory Share Class to the mutual fund's primary share class, typically A shares, without incurring a commission or load without your prior consent. You understand that the primary share class generally has higher operating expenses than the Advisory Share Class, which will negatively affect your performance. Certain mutual fund shares are required to be redeemed as part of the Account termination, as stated in their prospectus.

If a Program Account is terminated, but you maintain a brokerage Account with us, the money market fund used in a "sweep" arrangement could be changed and/or your shares 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**

### **Account Requirements**

A minimum initial Account value of at least \$25,000 is required, \$10,000 for the Foundations model series. At our discretion, we can choose to waive the minimum Account size. We act as service provider for certain advisory Programs offered by our affiliate, Wells Fargo Advisors Financial Network, LLC, as well as for certain fully-disclosed firms that clear their transactions through us. The minimum and maximum Account sizes that these firms require could differ from those required by us as stated in this Disclosure Document. You should refer to the Disclosure Document of Wells Fargo Advisors Financial Network, LLC,

or the fully-disclosed brokerage firm, as appropriate, to determine the fee levels charged and the minimum and maximum Account sizes permitted by those firms. We have the right to terminate Client Accounts with written notice if they fall below minimum Account value guidelines established by the Firm.

## **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**

We classify the mutual funds used in our Mutual Fund Advisory Programs as either Recommended List, Pathways List or Allowable List rosters of funds. The Recommended List of funds is used in our FundSource Program and is determined by due diligence provided by our affiliate, WFII. WFII uses both qualitative and quantitative criteria when evaluating funds for inclusion on the Recommended List. WFII will typically meet with the fund company Portfolio Managers and research staff to discuss the underlying investment philosophy of the fund and how that philosophy is manifested in security buy and sell decisions. Our research team also seeks to understand the capabilities of the Portfolio Manager or team managing the fund, to assess how the investment process performed in different market environments. Additional factors influencing the inclusion of a mutual fund on the Recommended List funds typically includes a statistical analysis of the fund's past performance record and management style; the assessed quality of the investment process; changes in investment process or personnel; the number, personnel, continuity and experience of the investment professionals. As part of our research process, WFII maintains due diligence and database information on each of the Recommended List funds. The due diligence process is a continuing one, funds can be added or removed from the Recommended List based on these ongoing assessments.

Pathways List mutual funds are used in the Pathways Optimal Blends. Russell Investment Management is responsible for the asset allocation and selection of Russell funds used in the Pathways Optimal Blends. WFII is conducting due diligence on Russell Investment Management and their investment process used to construct the Optimal Blends and select sub-advisors used by the Russell funds. We allow Clients of our non-discretionary investment advisory service, CustomChoice, to select from a larger universe of funds consisting of Recommended List, Pathways List and Allowable List Rosters of funds. WFII analysts do not conduct qualitative and quantitative analysis on Allowable List and Pathways List mutual funds. WFA conducts a review of the mutual funds prior to making them available on the Allowable List and Pathways List of funds which includes a review of fund expenses, performance using third-party research reports provided by Morningstar®, and trading and operational capabilities of the funds. Certain mutual funds are not available to all Clients because of Account types, minimum purchase requirements, geographic availability, fund closures or other factors.

WFA and WFII use information, financial data and investment research from a variety of sources to evaluate mutual funds. We believe the information we collect on the Optimal Blend funds and Recommended Funds is reliable and accurate, but we do not necessarily independently review or verify it on all occasions.

Our Optimal Blends are built based on specified investment objectives, risk/return profiles and/or targeted asset allocations incorporating various exposures to the following major asset classes: cash alternatives, commodities, and domestic and international equity and fixed income securities. Optimal Blends, as well as Customized Blends, can also incorporate asset allocation funds, alternative strategy mutual funds or other select funds that utilize derivatives, short-selling, leverage and other strategies to meet stated investment objectives, enhance diversification, hedge risks, accentuate returns or facilitate certain market exposures or more dynamic allocation changes. The allocation targets are generally based on longer-term risk/return assumptions for varied asset classes or investment strategies and change from time to time in light of new research and analysis. The asset allocation guidelines and risk/return objectives are selected such that the Conservative Income model would be expected to generally have the lowest long-term investment risk, based on historical average risk levels, but also the lowest expected return. As an investor moves to models with higher allocations in equities or other higher-risk assets, historical averages suggest that expected investment risk and potential return increase. A description of the Optimal Blends can be found in the "Methods of Analysis, Investment Strategies and Risk of Loss" section.

The stated investment objectives and/or allocation guidelines for the Optimal Blends provide the general basis by which these portfolios will be managed. We modify the allocations and/or selected funds when we believe it is in the interests of our investors to do so. Individual mutual funds and mutual fund combinations, selected by WFII, are selected based on both quantitative and qualitative methods. Quantitative methods include examination of historical performance as well as the biases that have characterized a given manager's investment approach. Qualitative considerations include, but are not limited to, the tenure and assessed experience of the investment professionals, the perceived quality of the investment process, the risk/return expectations for individual funds, and other factors that impact the investment decision.

From time to time, one or more of the Funds held in a Program Account could experience relatively large investments or redemptions due to research and/or model recommendations that we and/or Russell make. Such transactions can adversely affect these mutual funds, since they'd have to sell portfolio securities as a result of redemptions, or invest the cash that results from additional purchases. Representing the interests of our Clients, we typically, but are not required to, take measures to minimize the impact of such transactions if consistent with your investment objectives and those of other Clients participating in the Program.

Other than in connection with our consulting responsibilities, we do not assume responsibility for the conduct of mutual funds that you or we select, including their performance or compliance with laws or regulations. You are advised and should understand that (a) a mutual fund's past performance is no guarantee of future results; (b) there is a certain market and/or interest rate risk which can adversely affect any mutual fund's objectives and strategies, and could cause a loss in a Client's Account; and (c) Client risk parameters or comparative index selections provided to us are guidelines only; there is no guarantee that they will be met or exceeded. You should also be aware that shares of any particular fund will fluctuate in value and when redeemed could be worth less than their original cost. There is no guarantee that your target allocation or FundSource fund research recommendations will protect against such loss of investment.

We reserve the right to remove a mutual fund from either a FundSource Optimal or Customized Blend and replace it with another fund with a similar management style without your consent. For taxable Accounts, fund replacements in either an Optimal Blend or a Customized Blend will have tax consequences.

Our reasons for removing a mutual fund from an Optimal Blend(s) or WFII removing a mutual fund from the Recommended List Roster includes, but is not limited to, its failure to adhere to expected investment objectives or a given management style, a material change in the professional staff managing the fund, unexplained poor performance, a change of the investment management process, or the identification of a better alternative. We will, at our sole discretion, determine whether any or all of these factors are material when deciding to make a replacement. On occasion, funds removed from the Recommended List Roster will remain in the Optimal Blend, based on trade timing, replacement fund availability or other model-specific trade considerations. You also have the ability to remove a mutual fund from your Account.

In addition to replacing a mutual fund within an Optimal Blend, we adjust the target allocation within an Optimal Blend from time to time without your consent. As mutual funds reach capacity, they are subject to closure to new contributions by existing investors and/or to new investors. In such instances, we will seek appropriate, alternative mutual funds for the affected Optimal Blend portfolio(s), or establish a new version of the model for new FundSource Clients.

We meet as necessary to make appropriate changes to the firm's current asset allocation recommendations. We will review these recommendations and apply them to the portfolios, as appropriate. We and/or our agent will review the use of any affiliated managers within an Optimal Blend strategy at least annually to ensure objective and consistent due diligence standards are applied to both affiliated and unaffiliated managers. WFII meets regularly to review the current FundSource recommendations and make appropriate changes to the current asset allocation models and/or the list of research recommended mutual funds.

The advice given and action taken in the performance of our duties to you will differ 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, there are times that we are limited in our ability to divulge or act upon certain information we possess as a result of investment banking activities or other confidential sources.

We, at our discretion, undertake share class conversions of mutual funds if an advisory or institution share class becomes available, as long as the fund company allows the conversion to be processed on a tax-free exchange basis. We reserve the right to convert mutual fund shares back to non-advisory or institutional share class shares if you leave the Program.

## **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. A detailed description of these Programs is provided in the "Services, Fees and Compensation" section.

## **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 mutual fund or types of mutual funds 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 will 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 mutual fund with respect to the purchase or sale of specific securities or types of securities within the fund.

Our policy is generally to liquidate your existing securities portfolio immediately in newly established Program Accounts and reinvest the Account in 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**

As stated above in the "Services, Fees and Compensation" section, we and/or Russell have created a number of "Optimal Blends" from the roster of Recommended Funds representing the target allocations and/or fund combinations that we believe are appropriate for a number of identified investment objectives. Additional information regarding the criteria used to select funds for the Roster and inclusion in "Optimal Blends" can be found above in the "Portfolio Manager Selection and Evaluation" section.

### **Description of FundSource® Optimal Blends and Pathways<sup>SM</sup> Optimal Blends:**

Classic, Tax Managed, Core American, Foundations, Optimal Blends with Alternatives, Global Opportunity, and Pathways

#### **Conservative Income**

Conservative Income investors seek current income and preservation of capital as primary goals. With respect to risk considerations, investors are willing to forgo capital appreciation opportunities and accept lower levels of income and total return in exchange for lower risk. To achieve the overall objective the vast majority of assets will be maintained in investment grade fixed income, with relatively moderate exposure to equities (including REITs) and high-yield and emerging market bonds for both return and diversification considerations.

### **Moderate Income**

Moderate Income investors place emphasis on income generation versus capital appreciation. While the growth of assets and the maintenance of purchasing power remain considerations and are reflected in measured risk-taking, these objectives are constrained by both the income-generation objective and a greater emphasis on maintaining safety of principal. Based on these combined goals, these investors are expected to remain predominately invested in fixed income investments, including relatively moderate allocations to high yield and emerging market bonds, complemented by a moderate allocation to broadly diversified equities.

### **Aggressive Income**

Aggressive Income investors seek higher levels of current income, and, given a long-term time horizon and the financial willingness and ability to risk investment capital to achieve their income objectives, will employ more aggressive, higher-risk strategies that seek to offer higher potential income. In seeking to achieve its income objectives, the vast majority of the blend's assets will generally remain in fixed income investments, complemented by broadly diversified and higher yielding equities, including REITs. To accentuate yield, the fixed income portion will typically maintain substantial exposures to longer maturities and high yield and emerging market bonds.

### **Conservative Growth & Income**

Conservative Growth & Income investors are characterized as having the dual objectives of generating both capital appreciation and current income while maintaining risk levels that are consistent with a more conservative investment approach. Based on overall risk considerations, these investors seek growth of assets to meet financial goals and protect purchasing power, while, relative to more aggressive mandates, maintaining safety of principal. As such, they are willing to accept lower potential returns in exchange for lower risk. Based on the combined risk, return and yield objectives, the asset allocation for these investors generally maintains the majority of assets in diversified fixed income investments, but with a complementary significant allocation to broadly diversified domestic and international equities.

### **Moderate Growth & Income**

Moderate Growth & Income investors are characterized as seeking both income and capital appreciation while incurring moderate levels of risk. Investors seek to balance potential risk with their goals for current income and moderate growth of capital. Based on these combined goals and risk considerations, both diversified fixed income and equities will typically account for significant portions of the overall asset allocation.

### **Aggressive Growth & Income**

Aggressive Growth and Income investors are characterized as seeking significant growth of capital and income with a higher tolerance for risk. The dual mandate, greater risk tolerance and longer-term time horizon allow these investors to pursue higher-risk and generally more aggressive strategies that may offer higher potential returns. Diversified equities typically represent the majority of the blend. In addition to seeking income through dividend-paying equities, substantial fixed income exposure is generally maintained to enhance income yield and diversification.

### **Conservative Growth**

Conservative Growth investors are characterized as seeking capital appreciation consistent with a majority of assets being held in equities, but with broader diversification and a level of risk-reducing exposures that result in volatility levels that are substantially below an all-equity portfolio. Investors seek growth of capital over current income, but with the maintenance of a more conservative risk profile and willingness to accept lower returns in exchange for lower risk. Based on these combined objectives, the majority of the asset allocation for these investors is maintained in broadly diversified equities, but with significant exposure to fixed income and other complementary assets to reduce risk.

### **Moderate Growth**

Moderate Growth investors are characterized as primarily pursuing growth of principal and being willing to tolerate volatility consistent with the maintenance of a primarily equity portfolio in pursuit of this objective. These investors do not need their portfolios to provide current income, but will look to non-equity exposure as a means to reduce risk and further enhance diversification. Based on these objectives, the asset allocation for these investors will remain predominately in diversified domestic and international equities, while relying on fixed income securities to moderately temper the overall risk level. Within equities considerable exposure will be maintained in asset classes with relatively higher longer-term growth potential, including mid- and small-cap stocks and emerging markets.

### **Aggressive Growth**

Aggressive Growth investors are characterized as seeking long-term capital appreciation as their primary investment goal, with a long-term time horizon, little need for current income and a higher risk tolerance allowing for the potential of considerable volatility and interim periods of substantial loss of capital in exchange for potential higher longer-term returns. Risk levels are expected to be consistent with a broadly diversified all-equity portfolio. With an emphasis on long-term capital appreciation, exposures to small- to mid-cap and developed and emerging market international equities will typically represent the majority of the overall asset allocation.

### **Foundations® Optimal Blends**

We offer nine Foundations Optimal Blends. The Foundations portfolios are constructed using the firm's strategic allocation strategy framework with an overlay that allows the portfolio team to opportunistically over/under weight portfolio allocations to take advantage of Wells Fargo Investment Institute's capital market outlook over a forward looking 6-18 month period. Portfolios will typically hold 8-15 mutual funds and dynamically provide investors' with diversification across multiple asset classes, investment styles and market sectors over a market cycle. Due to the ability to over or underweight certain asset classes or investment styles, the Foundations portfolios typically experience more frequent rebalancing than standard FundSource Optimal Blends. Foundations Blends are available for a diverse range of client investment objectives that include: Conservative Income, Moderate Income, Aggressive Income, Conservative Growth & Income, Moderate Growth & Income, Aggressive Growth & Income, Conservative Growth, Moderate Growth and Aggressive Growth. The Foundations Optimal Blends are available at a \$10,000 investment minimum.



## **Tax Managed Optimal Blends**

*(Constructed the same as the portfolios above with tax sensitivity considered as stated below.)* To complement the FundSource Optimal Blends, we offer FundSource Tax Managed Optimal Blends. The Tax Managed blends are asset allocation portfolios intended for investors with tax\* sensitivity. These blends use municipal bond funds where possible within fixed income allocations. The equity funds within these blends tend to exhibit lower portfolio turnover or employ other means intended to increase tax efficiency. We generally favor funds that have a bottom-up approach to investing (focused on individual company considerations, merits and investment holding periods) as opposed to a top-down approach (more macro-economic focused) that could result in periods of substantially greater turnover. Since tax efficiency is not typically a concern in qualified accounts, the Tax Managed Optimal Blends are not recommended for IRA or ERISA accounts.

## **Core American Optimal Blends**

We offer eight Core American blends. The directive for the Core American blends is to maintain a core allocation to mutual funds from the American Funds Family of funds, but with the remaining assets (generally 50% or more) being allocated among other complementary FundSource recommended funds. The Core American blends include the Core American Conservative Growth & Income blend, Core American Moderate Growth & Income blend, Core American Aggressive Growth & Income blend, Core American Conservative Growth blend, Core American Moderate Growth blend, Core American Growth blend, Core American Aggressive Growth blend and Core American Global Moderate Growth blend.

## **Global Opportunities Blends (Closed to New Investors)**

Relative to other FundSource Optimal Blends, Global Opportunities Optimal Blends ("GO Optimal Blends") are designed to facilitate a more dynamic asset allocation framework through the use of managers with relatively flexible mandates that collectively allow for the pursuit of investment opportunities across market capitalizations, geographic regions and asset classes. The managers are intended to employ complementary investment processes that vary by style, investment approach, and risk/return profile. While most managers within the GO Optimal Blends maintain longer-term views (i.e., typically at least a three-year outlook), the inherent flexibility in their investment approaches generally provides increased opportunity to take advantage of the market's often short-term focus and corresponding herd-based overreactions. As a complement, other funds within these blends can focus on shorter-term trends or changes in market conditions based on either qualitative or quantitatively driven systematic approaches. The individual manager flexibility and varied investment approaches and timeframes generally result in more dynamic allocation changes within the context of both risk and return considerations. However, because the outlook for most managers remains multi-year in duration, changes in the blends overall allocations tend to be more incremental versus radical in nature. It is also important to note that the Optimal Blends are managed from both a risk and return perspective and, in general, should not be considered to be either continually higher risk or more return-seeking in approach versus more strategically oriented asset allocation approaches. In this context the more dynamic and opportunistic nature of these Optimal Blends is intended to be based on a combined assessment of market factors that, at times, lead to either increased portfolio concentrations/risk or increased risk avoidance based on the collective views of the blends' constituents.

The Global Opportunities Optimal Blends include Global Opportunities Income, Global Opportunities Growth & Income, Global Opportunities Asset Allocator, Global Opportunities Moderate Growth, and Global Opportunities Growth.

## **Pathways Optimal Blends**

Model portfolio series within the FundSource® Program that allows you to select an Optimal Blend constructed by the Russell Investment Management Company ("Russell"), using Russell multi-manager mutual funds. Russell, which is registered under the Investment Company Act of 1940, evaluates and retains one or more investment management organizations to manage the Russell funds used in the Pathways Optimal Blends. The portfolio series offers clients access to various diversified risk-based allocations to meet specific investment objectives for taxable and tax-managed accounts. Russell Investments is acting as a model provider to WFA. We offer nine investment objective based Pathways Optimal Blend portfolios (descriptions of these investment objectives can be found earlier in this document). We also offer the Long Term Conservative Equity Pathways Optimal Blend and the Tax Managed Optimal Blends, descriptions of which can be found below as well.

**Pathways Long Term Conservative Equity:** The Long Term Conservative Equity blend is appropriate for long-term investors seeking growth of capital with a minimum need for current income. Investors are willing to accept moderate short-term fluctuation in portfolio returns in order to achieve above-average, long-term capital appreciation. Equities are typically 100% of the allocation, with a significant allocation to large cap and domestic equities.

## **Pathways Tax Managed Optimal Blends**

To complement the Pathways Optimal Blends, we offer Pathways Tax Managed Optimal Blends. The Pathways Tax Managed blends are asset allocation portfolios intended for investors with tax\* sensitivity. These blends use Russell Investments tax-exempt bond funds to generate tax-free income and diversify portfolio risks. The Russell Tax-Managed funds utilize a multi-manager approach with a tax overlay to provide tax efficiency by attempting to minimize capital gains distributions from the funds and increase after-tax returns. Since tax efficiency is not typically a concern in qualified accounts, the Pathways Tax Managed Optimal Blends are generally not recommended for IRA or ERISA accounts.

## **Optimal Blends with Alternatives**

Optimal Blends with Alternatives are fully allocated, strategic asset allocation portfolios. These models include an allocation to Liquid Alternative mutual funds to enhance portfolio diversification and manage risk by using non-traditional investment strategies such as long-short, absolute return, managed futures, currency, global macro and risk arbitrage. Alternative investment funds can use derivatives to gain exposure to certain asset classes.

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\* WFA does not render legal, accounting, or tax advice. Please consult your tax or legal advisors before taking any action that may have tax consequences.

## **Alternative Strategies Blends**

The Alternative Strategies Model seeks to offer lower volatility, absolute-return-focused investment results that are relatively independent of those generated by long-only exposures to traditional equity and fixed income asset classes. As such, the model is ideally suited to complement portfolios of traditional long-only assets as a means to further enhance portfolio diversification, reduce overall portfolio volatility and better protect capital in periods of prolonged market distress, thereby offering the potential for enhanced risk/reward outcomes over a full market cycle. The model's lower volatility characteristics are generally expected to result in relatively attractive downside protection during sustained difficult market environments, but limit participation during pronounced upmarket moves. To achieve its objectives, the model's individual constituents frequently incorporate more sophisticated trading and portfolio management strategies, including short-selling and the use of leverage and derivative securities.

## **Multi-Strategy Blends**

### **Multi-Strategy Income**

The Multi-Strategy Income Optimal Blend is a diversified income-oriented solution that uses a multiple asset class approach to provide investors with relatively attractive current income/yield versus more traditional fixed income strategies. While current income is emphasized, the blend also seeks moderate investment/income growth to help preserve longer-term purchasing power. The strategy will allocate a significant portion its investments to managers that employ more flexible allocation strategies that include non-traditional income and alternative investments in an effort to enhance yield, increase diversification and/or improve the managers' ability to manage risk. While emphasis is placed on a full range of fixed income strategies, equity-income oriented investments will be included to help provide growth of income and capital. The blend is appropriate for investors seeking higher current income through a more dynamic and broadly diversified fixed income oriented allocation, but with the maintenance of moderate equity exposure for enhanced diversification and growth potential.

### **Multi-Strategy Balanced Income**

The Multi-Strategy Balanced Income Optimal Blend is a diversified income-oriented solution that uses a multiple asset class approach that is broadly diversified across both fixed income and income-oriented equities. While current income is emphasized, the blend also seeks to balance growth of income and capital to preserve longer-term purchasing power. The strategy will allocate a significant portion of its investments to managers that employ more flexible allocation strategies that include non-traditional income and alternative investments to enhance yield, increase diversification and/or improve managers' ability to manage risk. To achieve its current yield and growing income goals, the strategy will typically maintain a more balanced equity and fixed income allocation. The blend is appropriate for investors seeking higher current income while also maintaining the potential for moderate growth and a risk profile that is commensurate with a more balanced equity and fixed income allocation.

### **Capital Stability**

The Capital Stability Optimal Blend is a diversified portfolio designed for capital stability and preservation of capital. While capital stability is the primary investment objective, the portfolio seeks a modest level of current income. The strategy will primarily invest in lower volatility investment grade fixed income and cash alternatives, but will allocate a portion of the assets to mutual funds that employ more flexible allocation strategies that include liquid alternative investments in an effort to enhance yield, increase diversification and reduce downside volatility. The blend is appropriate for investors seeking stability of capital over a short-term investment horizon (3-12 months) with current income/yield a secondary consideration.

### **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 will not be responsible for losses resulting from such trading or for any transactions that we have not recommended to you.

## **Voting Client Securities**

We vote proxies for Advisory Program Accounts over which we exercise discretion, unless otherwise instructed by you. We have adopted proxy voting policies and procedures that describe our practices. We use a third-party proxy voting service to provide independent, objective research and voting recommendations and to vote proxies on your behalf. We generally adopt a voting methodology that maximizes shareholder value, but reserve the right to recommend a different voting strategy that is consistent with your needs and constraints. In addition, we have the ability to override votes recommended by the proxy voting service. Our proxy voting policies and procedures and a record of proxies voted on your behalf are available from your Financial Advisor. We will not render any advice or take any action with respect to information related to Non-Program Asset securities, or the issuer of such securities.

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

All Clients must provide information on their investment objectives, financial circumstances, risk tolerance and any restrictions they 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 will 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, please visit:

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

Our investment advisory disciplinary history is available by going to:

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

- In 2018, Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC elected to participate in the Securities and Exchange Commission's Mutual Fund Share Class Selection Disclosure Initiative ("SCSD Initiative"). The SCSD Initiative provided investment advisers with the opportunity to voluntarily self-report to the SEC's Division of Enforcement possible securities law violations related to the adequacy of their disclosures concerning mutual fund share class selection and fees received pursuant to Rule 12b-1 under the Investment Company Act of 1940. As part of the SCSD Initiative, the Firms reviewed disclosures and activities related to mutual fund share class selection within advisory programs. At the conclusion of the SCSD Initiative, the Firms jointly and severally consented to a settlement agreement alleging violations of Sections 206(2) and Section 207 of the Investment Advisers Act of 1940 and entry of an order under which the Firms were censured, agreed to cease and desist from committing further violations, and agreed to pay disgorgement and prejudgment interest totaling \$17,363,847.29. The SEC did not impose a fine or civil monetary penalty in recognition of the fact that the Firms self-reported.
- In December 2017, Wells Fargo Advisors agreed to a settlement with the State of Illinois Securities Department regarding allegations that it received, reviewed and/or analyzed documents and information from a financial advisory firm concerning certain money manager strategies that contained information that was later found to be false and misleading. The findings stated that we included the financial advisory firm's money manager strategies in certain of our externally managed Separately Managed Account Programs, but that we did not utilize inaccurate historical performance data in connection with our decision to onboard the money manager strategies and we did not incorporate inaccurate performance data in our advertisements or Program marketing materials. Without admitting or denying the findings, the Firm agreed to a total monetary payment of \$270,000.
- 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 Firms' 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.

- On September 22, 2014, the Securities and Exchange Commission ("Commission") entered an order against Wells Fargo Advisors, LLC following the firm's offer of settlement. The order stated that the firm did not adequately establish, maintain or enforce policies and procedures to prevent the misuse of material nonpublic information, particularly concerning the risk that its associated persons could obtain material nonpublic information from its customers or advisory clients. The order also stated that during the Commission's investigation, the firm unreasonably delayed production of certain documents and produced a document that was altered by an employee. The firm admitted the Commission's findings of fact, acknowledged that its conduct violated the federal securities laws and agreed to retain an independent compliance consultant to review relevant policies and procedures, as well as the making, keeping and preserving of certain required books and records. The order censured the firm, required that the firm cease and desist from violating the federal securities laws cited in the order and imposed a civil money penalty in the amount of \$5,000,000.
- 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 exchange-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 May 2011, Wells Fargo Advisors agreed to a settlement with FINRA regarding allegations that the Firm failed to deliver prospectuses to customers on a timely basis and failed to timely file certain amendments to Uniform Applications for Securities Industry or Transfer ("Forms U4") and Uniform Termination Notices for Securities Industry Registration ("Forms U5"). Without admitting or denying the allegations, the Firm agreed to a censure and a \$1,000,000 fine. The Firm also agreed to adopt and implement systems and procedures reasonably designed to achieve compliance with the federal securities laws and FINRA rules applicable to timely filing of Forms U4 and U5.
- In 2009 and 2010, Wachovia Securities agreed to settlements with the SEC and multiple state regulatory agencies regarding allegations that the Firm misrepresented the liquidity risks of auction rate securities sold to customers. Without admitting or denying the allegations, the Firm agreed to pay \$50,000,000 in fines to state regulatory agencies. The Firm also agreed to offer to repurchase auction rate securities, not subject to current calls or redemptions in the relevant class that were the subject of unsuccessful auctions. The Firm complied with all terms of these settlements as of June 30, 2010.

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

We are a national securities firm providing qualified custodial, investment and other financial services to individual, corporate and institutional Clients. We are a registered broker-dealer and investment adviser.

WFCS is a member of all principal stock exchanges in the United States, including the New York Stock Exchange and NASDAQ. WFCS is also a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

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, WFA, or any bank or any affiliate of us; and involve investment risk including possible loss of principal. Cash balances in your Accounts, if eligible, will be held in a depository Account at a Wells Fargo entity. Deposit products, like the bank deposit sweep, 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 do not act as principal or engage 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 lends 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 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 Financial Network, LLC ("WFAFN").
- 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 are eligible to be purchased in WFA brokerage Accounts and advisory Programs. Wells Fargo Funds Management, LLC is also an advisor to certain cash 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 serve as advisers and/or sub-advisers through WFA's Separately Managed Account Program 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.

In certain of our advisory Programs we 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 in turn provides greater overall compensation to us and our affiliates.

WFII also provides research and strategy recommendations to other affiliates of WFA. While all the affiliates have similar access to the research, due to the operational differences, manner and size of the advisory programs, certain affiliates could have the ability to implement and trade on these recommendations prior to another affiliate. The ability to implement and trade on these recommendations first, gives the clients of one affiliate an advantage over clients of other affiliates.

Certain cash sweep vehicles that we offer as part of our Cash Sweep Program may also be used by our affiliates. The rate of return paid when invested in these cash sweep vehicles with our affiliate could be greater than the rate of return paid when invested in these cash sweep vehicles with WFA.

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

### **Code of Ethics**

Our Associates are subject to a Code of Ethics that is designed to ensure our business activities are performed with the highest possible standards of ethics and business conduct, and to comply with all applicable laws, rules, and regulations that govern our businesses. Key requirements of our Code of Ethics are summarized below.

- Conduct all aspects of Wells Fargo's business activities in an honest, ethical, and legal manner, and in accordance with all applicable laws, rules, and regulations and our policies and procedures.
- Provide accurate and complete information in dealings with Clients and others, including disclosure of conflicts of interest when they exist.
- Prepare and maintain accurate business records.
- Refrain from improper disclosure or misuse of confidential Client information and material, non-public information. Wells Fargo protects the private, personal, and proprietary information of Clients and others.
- Avoid conflicts of interest in personal and business activities.
- Rules specific to personal trading.

### **Participation or Interest in Client Transactions**

Under the Programs, we are generally appointed as sole and exclusive broker by you with respect to the referenced Account for the execution of transactions. Our Program Fee covers transaction costs when transactions are executed through us. On occasion, Clients designate, or the law requires, the use of other brokers. Investment advisers also elect to execute transactions with other firms as they deem appropriate, taking into account a number of factors such as best execution, research services and other qualitative factors. When transactions are executed with other firms, including transactions executed through our affiliates, the cost of execution is embedded in the price of the security. Any embedded execution costs on trades done away from us are in addition to our Program Fee and Platform Fee.

In connection with these transactions, we act as agent or, where permitted by law, principal (including instances wherein we are acting as underwriter or selling group members). We effect and execute brokerage transactions, including on a national exchange, as permitted by current provisions of Section 11(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and rules promulgated thereunder including any future amendments or changes to such statutes and rules.

With respect to cash sweep vehicles investments, you receive disclosures about our affiliates and the advisory and other fees paid to affiliates by such cash sweep vehicles. These disclosures are contained in the prospectuses for the money market funds in which you invest and in our Disclosure Documents and Client Agreements, as applicable. Additional information and disclosures are provided below under the section entitled "Cash Sweep Program."

We or our affiliates maintain investment banking or other relationships with certain publicly traded companies. From time to time, these relationships require us to restrict trading in the securities of these companies. As a result of these investment banking or other activities, our affiliates acquire confidential or material non-public information that prevents us or our affiliates, for a period of time, from purchasing, selling or recommending particular securities for your account. We and our affiliates are not permitted to divulge or to act upon this information with respect to our advisory or brokerage activities.

We have certain restrictions, internal procedures and client disclosures regarding conflicts of interest that we may have with respect to our participation or interest in client transactions. We communicate our policies and procedures related to participation in Client transactions to our Associates through compliance policies and procedure manuals and program-specific policy guidelines.

## **Personal Trading**

We maintain policies and procedures to mitigate conflicts of interest between transactions in our Associates' personal investment Accounts, including Accounts of their immediate family members and transactions in our Clients' Accounts. To ensure Associate trading requirements are observed, certain Associate trading activity is subject to pre-approval. All Associates are subject to regular review by their supervisors, independent oversight by our Compliance Department, and systemic controls that automatically restrict entry of certain orders and generate related surveillance reporting.

## **Review of Accounts**

Program services include review and monitoring of your Account by our personnel and facilities. We will provide you with an annual report of your portfolio's performance and it will also be available to you on an ad hoc basis. This will include a statistical presentation of the performance of your Account(s), based on the information on our records, and ongoing comparisons with selected industry indices or benchmarks. Normally, the periodic portfolio monitoring report is calculated based on the activity of the Account since its inception in our Program.

We will transmit the following to you: (a) trade confirmations reflecting all transactions in securities, and (b) at least a quarterly statement of your Account, if there is no activity to warrant a monthly statement. For the FundSource Program, you have the option to receive periodic statements of Account activity in lieu of transaction-by-transaction confirmations to the extent permitted by Rule 10b-10 under the Exchange Act.

When you open a Program Account, your investment objectives and strategy are reviewed for consistency with each Program's guidelines. As applicable, we examine adherence to criteria and program guidelines on security selection, concentration, diversification, activity and restrictions. Our reviews are performed by the branch office manager, and to the extent applicable, home office personnel, who are assisted by various data processing reports, as the reviews relate to their supervisory and oversight responsibilities, respectively. We review these guidelines periodically and can modify them without notice.

## **Client Referrals and Other Compensation**

From time to time, we initiate incentive programs for our Associates, including FAs. These programs may compensate them for attracting new assets and Clients, referring business to our affiliates (such as referrals for mortgages, trusts, or insurance services) or other FAs, promoting investment advisory services and promoting green initiatives (such as raising Client awareness of paperless options). We may also initiate programs that reward Financial Advisors who meet total production criteria and length of service requirements, participate in advanced training and improve Client service.

Financial Advisors who participate in these incentive programs may be rewarded with cash and/or non-cash compensation, such as deferred compensation, bonuses, training symposiums and recognition trips. Portions of these programs may be subsidized by external vendors and/or our affiliates, such as mutual fund companies, insurance carriers, or investment advisers. Therefore, Financial Advisors and other Associates have a financial incentive to recommend the programs and services included in these incentive programs over other available products and services we offer.

We may also enter into arrangements with other persons to whom we pay compensation for referrals to our advisory Programs. This compensation is generally in the form of a percentage of the fees described in the Program contracts. The details of such arrangements and the amount of compensation will be described in a separate disclosure provided at the time of such referrals.

From time to time, we compensate Associates other than Financial Advisors for referrals of possible Clients to the Programs. Our Financial Advisors, not the referring Associate will make the actual presentation and solicitation of these services. The referral compensation takes the form of a payment to the Associate of a percentage of the fees described in the Programs contracts and results in no additional fees to you or other Clients.

Wells Fargo & Company is a full-service financial services firm with many affiliates. Wells Fargo & Company encourages its subsidiaries to use the products and services offered by affiliated firms, when appropriate. During the course of annual business planning, business with our affiliates is included in establishing our sales goals. As a result, we have an incentive to hire affiliate service providers for our advisory Programs. We recommend affiliated mutual funds to Program Clients, and hire other affiliates to provide trade execution, clearing, and platform administration services for the Programs. We intend, however, to make all recommendations independent of any such goals and based solely on our obligations to consider your objectives and needs.

## **Brokerage Practices**

If you are rolling over assets from an employer-sponsored Qualified Retirement Plan ("QRP"), such as a 401(k), to an Individual Retirement Account ("IRA") with us, you should carefully evaluate all choices which are typically available. These four options include: leaving your assets in your former employer's plan (if permitted), rolling over the assets to your new employer's plan (if permitted), rolling your assets to an IRA with us or another firm, or cashing out the account value. You should consider the following factors, among others, in deciding whether to keep assets in a QRP, roll over to an IRA or cash out: investment options, fees & expenses, ability to make penalty-free withdrawals and differences in creditor protection. We have a conflict of interest in connection with a rollover of your assets into an IRA and the investment of the assets with us as opposed to leaving the assets in your former employer's plan or electing one of the other options. The conflict arises because we will likely earn no compensation if you were to leave the assets in your former employer's plan or transfer to your new employer's plan. In addition, the costs of maintaining and investing assets in an IRA with us will generally involve higher costs than the other options available to you. While we typically offer a broader range of investment options and services than an employer-sponsored QRP, there are no guarantees that the additional investment options will outperform your employer-sponsored QRP.

We may receive additional compensation in the form of order flow payments from options trades. In addition, we may receive compensation from one or more of the firms we route equity orders to as a fee for providing execution services to those firms. However, the orders routed to these firms are not contingent on pre-existing arrangements. Please refer to the "Fees and Compensation" section for a discussion of additional fees that you may incur.

Limitations exist within Client trading systems and the Automated Customer Account Transfer Service ("ACATS") whereby only whole share positions are traded or transferred. If your advisory Account maintains fractional shares of equity securities, we will accommodate the liquidation by trading them through a Firm principal trading account, while any whole share positions will be liquidated on an agency basis. The price at which the fractional shares sell could, in some instances, differ from the price in which the whole shares trade.

If WFA is responsible for a trade processing error, it is WFA's policy to correct the issue as soon as possible and return the account to the economic position that it would be in absent the error. If correction processing generates a shortfall to the account, we make the account whole by paying the shortfall. If correction processing generates an overage (i.e., an amount in excess of what would be in the account if the error did not occur), WFA retains the overage.

We have policies and procedures in place to ensure that we execute Client orders for the purchase and sale of mutual funds in compliance with the cutoff times established by the mutual fund companies. These times vary, depending on the mutual fund company. At our discretion, we recognize the earliest mutual fund company cutoff time when determining the cutoff time for a particular Client Account. Orders received before the cutoff time will receive that day's closing price, while those after the cutoff time will receive the next day's closing price. If we are unable to obtain a closing price for your order of a mutual fund, we will not execute any trades in that mutual fund for your Account on that day.

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 you are no longer our Client.

Consistent with our privacy policies and applicable law, WFA and its affiliates provide access to Client personal information to affiliated and third party service providers throughout the world. When Client information is accessed, we maintain protective measures as described in our privacy policies and notices. For more information, please see our Privacy Statement.

For more information, please read our Privacy Statement, visit a WFA office or call your Financial Advisor. With your written permission, obtained via Client Agreement or other written communication, we have the right to provide your information electronically to your investment adviser and/or agent of such adviser. 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.

## **Cash Sweep Program**

Accounts opened must provide consent, through the general account opening agreement, to use our Cash Sweep Program. Through our Cash Sweep Program you may earn a rate of return on the uninvested cash balances in your Account by automatically placing ("sweeping") cash balances into a sweep vehicle until such balances are invested or otherwise needed to satisfy obligations arising in connection with your Account. The available cash sweep vehicles currently consist of (1) interest-bearing deposit accounts at affiliated and unaffiliated banks in our Expanded Bank Deposit Sweep program, (2) interest-bearing deposit accounts at two affiliated banks in our Standard Bank Deposit Sweep program (together with the Expanded Bank Deposit Sweep Program, the "Bank Deposit Sweep Programs"), and (3) one or more affiliated and non-affiliated stable-value Money Market Mutual Funds ("Money Market Sweep Funds"). Eligibility for each available sweep vehicle is determined by account type. You may elect not to participate in the Cash Sweep Program and/or periodically invest cash balances directly in available money market mutual funds or other products offered as direct investments outside of the Cash Sweep Program by providing instructions to your investment professional. If you choose not to participate in the Cash Sweep Program, except for retirement accounts, accruing cash balances will not earn a rate of return prior to direct investment. In addition, available cash will not be automatically swept into any money market mutual fund or other investment that you purchase outside of the Cash Sweep Program. The Cash Sweep Program is subject to the terms and conditions of the Cash Sweep Program Disclosure Statement.

As returns on the Cash Sweep, your personal financial circumstances, and other factors change, it may be in your financial interest to change your Cash Sweep (if another option is available for your account type) or invest cash balances in products offered outside of the Cash Sweep Program consistent with your investment objectives and risk tolerance. Wells Fargo Advisors does not have any duty to monitor the Cash Sweep for your account or make recommendations about, or changes to, the Cash Sweep Program that might be beneficial to you.

Prior to receipt of the general account opening documents, cash deposited in the client's account and not otherwise invested, will be held as a free credit balance and not placed in the Cash Sweep Program until written consent is provided to participate in our Cash Sweep Program. While any cash remains in free credit balance, we will retain any interest earned on assets awaiting investment or disbursement. You understand and agree that this interest (generally referred to as "float") will be retained by us as additional compensation for the provision of services with respect to the account. Such interest shall generally be a prevailing interest rate. Except for retirement accounts, while any cash remains in free credit balance, you will not earn any interest on such balance.

### **Bank Deposit Sweep Programs**

The Bank Deposit Sweep Programs consist of interest-bearing accounts at affiliated and unaffiliated banks in our Expanded Bank Deposit Sweep program, and interest-bearing deposit accounts at two or more affiliated banks in our Standard Bank Deposit Sweep program. Each unaffiliated and affiliated bank is a depository institution regulated by bank regulatory agencies under various federal banking laws and regulations.

We, along with our affiliates, including the affiliated banks, benefit financially from cash balances held in the Bank Deposit Sweep Programs. As with other depository institutions, the profitability of the banks in the Bank Deposit Sweep Programs, including affiliated banks, is determined in large part by the difference or "spread" between the interest they pay on deposit accounts, such as Bank Deposit Sweep Programs, and the interest or other income they earn on loans, investments, and other assets. The banks in the Bank Deposit Sweep Programs may pay rates of interest on the Bank Deposit Sweep Programs that are lower than prevailing market interest rates. The participation of the affiliated banks in the Bank Deposit Sweep Programs is expected to increase their respective deposits and, accordingly, overall profits.

With respect to the unaffiliated banks under the Expanded Bank Deposit Sweep Program, the financial benefits available to Wells Fargo Advisors may differ as between retirement accounts relative and non-retirement accounts. For retirement accounts (including IRAs), each unaffiliated Program Bank in the Expanded Bank Deposit Sweep program will pay Wells Fargo Advisors a uniform fee equal to 79% of the Federal Funds Effective Rate of the average daily total retirement account deposit balances at that unaffiliated Program Bank. Because each unaffiliated Program Bank will pay us the same amount on retirement accounts, we have no incentive to make deposits with any particular unaffiliated Program Bank. In the case of non-retirement accounts, each unaffiliated Program Bank in the Expanded Bank Deposit Sweep Program will pay Wells Fargo Advisors an amount not to exceed a percentage (equivalent to Federal Funds Target plus 30 basis points (0.30%)) of the average daily total nonretirement deposit balances at that unaffiliated Program Bank, however the amount of that fee may vary from one unaffiliated Program Bank to the next. This amount includes our fee and interest payable to participating accounts in the Expanded Bank Deposit Sweep.

In addition, Wells Fargo Advisors will receive compensation from the Affiliated Banks in the Bank Deposit Sweep Programs in an amount of up to a \$35 annual flat fee for each Wells Fargo Advisors account that is eligible to sweep to the Affiliated Banks in the Bank Deposit Sweep Programs. The management personnel and other employees of Wells Fargo Advisors and its affiliates receive incentive compensation based in part on assets in Affiliated Banks or the profitability of Affiliated Banks in the Bank Deposit Sweep Programs and their joint parent company, Wells Fargo & Company.

Under the Expanded Bank Deposit Sweep, we pay an unaffiliated third-party administrator a fee for its services. This fee includes an asset-based fee, which will vary based on deposit balances at the unaffiliated Program Banks. We do not pay the third-party administrator on deposits held in the Affiliated Banks. Thus, the profitability of the Expanded Bank Deposit Sweep is based in part on deposit balances, which may be greater depending on the size of the overall deposit balances in the Expanded Bank Deposit Sweep.

Wells Fargo Advisors has a conflict of interest because it influences both what you receive in interest and what it and its employees receive in compensation on the Standard Bank Deposit Sweep. This compensation is subject to change and we may waive all or any part of this fee at any time without notice. As a result of the fees and benefits described above, the Standard Bank Deposit Sweep will be more profitable to us than the Expanded Bank Deposit Sweep, which means we will receive a greater benefit if you select the Standard Bank Deposit Sweep as your Cash Sweep.

### **Money Market Sweep Funds**

Wells Fargo Advisors and its affiliates may receive distribution (Rule 12b-1), investment management, service fees and other compensation as a result of sweeping available cash into the Money Market Funds. These fees, which vary depending on the Money Market Fund (and class thereof) used, are paid directly by the Money Market Funds but ultimately borne by you as a shareholder in the fund. Mutual fund companies typically offer multiple share classes with different levels of fees and expenses. When selecting the share class for the Money Market Fund used as a Cash Sweep Vehicle, we do not, in all instances, select the share class with the lowest fees that is available from the fund company and these decisions are influenced by the additional compensation we receive in connection with your account's Money Market Fund holdings. The use of a more expensive share class of a Money Market Fund as a Cash Sweep Vehicle will negatively impact your overall investment returns.



The Cash Sweep Program should not be viewed as a long-term investment option. It is your responsibility to monitor your balances in the Cash Sweep Program, and determine whether you prefer to invest cash balances in products offered outside the Cash Sweep Program. For additional information, see the Cash Sweep Program Disclosure Statement, which we provided to you when you opened your Account. For additional information about the Cash Sweep Program, including information about how we and our affiliates benefit from the Cash Sweep Program, see the Cash Sweep Program Disclosure Statement, which we provided to you when you opened your Account.

## **Financial Information**

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