
Auction practices and procedures for auction-rate securities

Practices and procedures of Wells Fargo Advisors

The following disclosure provides important information concerning Wells Fargo Advisors' practices and procedures for conducting auctions of auction-rate securities (ARS). The disclosure below uses terms and descriptions that reflect typical auction terms, practices, and procedures; however, the specific terms used and descriptions of auction practices contained in specific offering documents may vary from security to security. Accordingly, investors should review the offering documentation for the specific ARS they wish to purchase. In addition, investors should review the disclosures of the auction agent and other broker-dealers participating in the auction for the specific ARS in which they wish to invest. Customers may obtain printed copies of offering documents including this disclosure and general, educational information concerning ARS from their financial advisor. Additional auction-rate information, including auction results, may be found online at wellsfargo.com/advisors/auctionrates. Investors are also encouraged to read "Auction-Rate Securities: Overview, Features and Risks," also available from their Financial Advisor.

No assurances regarding auction outcomes

Wells Fargo Advisors provides no assurance as to the outcome of any auction. Nor does Wells Fargo Advisors provide any assurance that any bid will be successful, in whole or in part, or that the auction will clear at a rate that a bidder considers acceptable. Bids may be partially filled, or not filled at all, and the rate established in an auction may be lower than expected.

Bidding in auctions

Wells Fargo Advisors is permitted, but not obligated, to submit orders in auctions for its own account, either as a bidder or a seller, and may do so in its sole discretion. Investors in ARS should not assume Wells Fargo Advisors will bid in any particular fashion or for any particular purpose. If Wells Fargo Advisors submits an order for its own account, it would likely have an advantage over

Investment and Insurance Products are:

- Not Insured by the FDIC or Any Federal Government Agency
- Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate
- Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested

other bidders because Wells Fargo Advisors would have knowledge of some or all of the other orders placed through Wells Fargo Advisors in that auction and, thus, could determine the rate and size of its order so as to ensure that its order is likely to be accepted in the auction and that the auction is likely to clear at a particular rate. In the event that other broker-dealers are involved pursuant to a broker-dealer agreement, Wells Fargo Advisors would not have knowledge of their orders submitted to the auction agent. For this reason, and because Wells Fargo Advisors and other broker-dealers are or may be appointed and paid by the issuer to serve as a broker-dealer in an auction, Wells Fargo Advisors and other broker-dealer interests in conducting an auction may differ from those of existing holders and potential holders who participate in auctions. See “Auction Dealer Fees.”

Wells Fargo Advisors may place one or more bids in an auction and acquire the securities for its own account to prevent a failed auction (which would result in the auction rate being set at the maximum rate) or an auction from clearing at a rate that Wells Fargo Advisors believes does not reflect the market for a given security. Wells Fargo Advisors may place such bids even after obtaining knowledge of some or all of the other orders submitted through it. When bidding for its own account, Wells Fargo Advisors may also bid inside or outside the range that it posts in its price talk. See “Price Talk.” Where Wells Fargo Advisors is the only broker-dealer appointed by the issuer to serve as a broker-dealer for auctions in the given security, it can discern the clearing rate before orders are submitted to the auction agent and set the clearing rate of the auction with its own order.

Wells Fargo Advisors also may encourage bidding by others in auctions, including to prevent a failed auction or an auction from clearing at a rate that Wells Fargo Advisors believes does not reflect the market for a given security. Wells Fargo Advisors may encourage such bids even after obtaining knowledge of some or all of the other orders submitted through it.

Bids by Wells Fargo Advisors or by those it may encourage to place bids are likely to affect (1) the rate set at an auction — including preventing the auction rate from being set at the maximum rate or otherwise causing bidders to receive a higher or lower rate than they might have received had Wells Fargo Advisors not bid or not encouraged others to bid — and (2) the allocation of securities being auctioned — including displacing some bidders who may have their bids rejected or receive fewer securities than they would have received if Wells Fargo Advisors had not bid or encouraged others to bid. Because of these practices, the fact that an auction clears successfully does not mean that an investment in the security involves no significant liquidity or credit risk. Wells Fargo Advisors is not obligated to continue to place such bids or encourage other bidders to do so in any particular auction to prevent an auction from failing or clearing at a rate Wells Fargo Advisors believes does not reflect the market for the securities. Investors should not assume that Wells Fargo Advisors will bid in any particular fashion or for any particular purpose or that a failed auction will not occur. Investors should also be aware that bids by Wells Fargo Advisors or by those it may encourage to place bids may cause lower rates to be established in an auction.

In any particular auction, if all outstanding securities are the subject of submitted hold orders, the auction rate for the next auction period will be the minimum rate (such a situation is called an “all-hold auction”). When an all-hold auction is likely, Wells Fargo Advisors may, but is not obligated to, advise its customers who are existing holders of that fact. This could facilitate the submission of bids of existing holders that would avoid the occurrence of an all-hold auction. If Wells Fargo Advisors decides to inform its customers who are existing holders of the likelihood of an all-hold auction, it will endeavor to make that information available to all customers who are existing holders in a manner similar to that which it uses to communicate price talk. See “Price Talk.”

If Wells Fargo Advisors holds any securities for its own account on an auction date, Wells Fargo Advisors may submit a sell order into the auction with respect to all or a portion of such securities, which would prevent that auction from being an all-hold auction. Wells Fargo Advisors may, but is not obligated to, submit orders for its own account in that same auction, as set forth above.

Auction dealer fees

For many ARS, Wells Fargo Advisors has been appointed by the issuers of the securities to serve as a dealer for the related auctions and is paid by those issuers for its services. With respect to the securities in which Wells Fargo Advisors has been appointed to serve as a broker-dealer in the auctions pursuant to a broker-dealer agreement, that agreement provides that Wells Fargo Advisors will receive auction dealer fees from the issuer based on the principal amount of the securities sold or successfully placed through Wells Fargo Advisors. As a result, Wells Fargo Advisors’ interests in conducting auctions may differ from those of investors who participate in auctions.

In addition, Wells Fargo Advisors may share a portion of the auction dealer fees it receives from an issuer with other broker-dealers that submit orders through Wells Fargo Advisors. Similarly, broker-dealers who serve as dealers in those auctions may share auction dealer fees with Wells Fargo Advisors for orders that Wells Fargo Advisors submits through those broker-dealers.

Wells Fargo Advisors (WFA) and Wells Fargo Securities, LLC (WFS) may have acted and may continue to act as underwriter and/or auction broker-dealer and may directly or indirectly share the fees earned in these capacities.

Price talk

Before an auction, Wells Fargo Advisors may, but is not obligated to, make a good faith judgment of the likely range of clearing rates available to customers that are existing or potential holders of ARS through a process referred to as a “price talk.” Price talk is provided by the firm’s financial advisors to customers who are existing or potential holders and who wish to receive this information.

Price-talk estimates do not assure that the rate produced by an auction will fall within the range, and existing and potential holders are free to use or ignore the information. If price talk is made available, Wells Fargo Advisors will make the price talk available to all customers who are existing and prospective holders

who wish to receive this information. Wells Fargo Advisors may revise its price-talk estimates to reflect factors such as a change in issuer credit quality or due to macroeconomic conditions that will likely influence the interest-rate environment, such as a change in the Federal Open Market Committee's target federal-funds rate or the release of employment data from the Bureau of Labor Statistics. Wells Fargo Advisors will attempt to distribute any revised price talk in a manner similar to that used to deliver the initial price-talk estimates, but cannot assure that price talk or updates to price talk will be received by customers in a timely fashion.

All-or-nothing bids

Wells Fargo Advisors does not accept "all-or-nothing" bids (i.e., bids where the bidder proposes to reject an allocation smaller than the entire quantity bid) or any other type of bid that allows the bidder to avoid auction procedures that require the pro-rata allocation of securities if there are not sufficient sell orders to fill all bids at the clearing rate.

Auction order deadlines

Each auction has a formal time called the "submission deadline" by which all orders must be submitted from Wells Fargo Advisors to the auction agent. Wells Fargo Advisors also imposes an earlier deadline — called the "internal submission deadline" — by which existing or potential holders must submit orders to Wells Fargo Advisors so that the firm has sufficient time to process and enter orders in compliance with the submission deadline. The internal submission deadline is subject to change by Wells Fargo Advisors. Wells Fargo Advisors may allow for correction of clerical errors after the internal submission deadline and prior to the submission deadline. Some auction agents allow for the correction of clerical errors for a specified period of time after the submission deadline. To the extent permitted by an auction agent, Wells Fargo Advisors may seek the correction of a clerical error after the submission deadline. Wells Fargo Advisors may submit orders for its own account at any time until the submission deadline.

Wells Fargo Advisors, within its sole and exclusive discretion, may aggregate orders of the same type and at the same rate when submitting orders to auction agents prior to the submission deadline. When customer orders are aggregated and an auction agent reports a transaction resulting from the auction that is less than the total amount of firm and aggregated customer orders submitted, Wells Fargo Advisors must allocate the reported auction transaction among the orders submitted. In these cases, Wells Fargo Advisors allocates auction transactions randomly among orders for its own account and customers participating in an aggregated order. While under no obligation to do so, Wells Fargo Advisors may choose to defer a random allocation to its own account in favor of allocating to aggregated customer orders, within its sole and exclusive discretion. These allocation procedures apply whenever customer orders are aggregated and whether an auction fails or successfully establishes a clearing rate.

Existing holder's ability to resell auction-rate securities may be limited

Existing holders will be able to sell all of the securities that are the subject of their submitted sell order only if there are bidders willing to purchase all those securities in the auction. If sufficient clearing bids have not been made, existing holders that have submitted sell orders will not be able to sell all or a part of the securities they sought to sell in the auction. As discussed above, Wells Fargo Advisors may submit a bid in an auction to keep it from failing, but it is not obligated to do so. There may not always be enough bidders to prevent an auction from failing. Therefore, auction failures are possible, especially if the issuer or bond insurer credit were to deteriorate, a market disruption were to occur or if, for any reason, Wells Fargo Advisors was unable or unwilling to bid.

Between auctions, there can be no assurance that a market for an ARS will develop outside of the scheduled auction or, if it does develop, that it will provide existing holders the ability to resell the securities on the terms or at the times desired by an existing holder. **Wells Fargo Advisors does not make a market in ARS and is not obligated to do so.** However, Wells Fargo Advisors may, in its own discretion, decide to buy or sell ARS outside of the scheduled auction for its own account, to or from investors, at any time and at any price, including at prices equivalent to, below or above the par value. Existing holders who resell between auctions may receive less than par value, depending on market conditions.

The ability to resell the securities will depend on various factors affecting the market for the securities, including news relating to the issuer or bond insurer, the attractiveness of alternative investments, the perceived risk of owning the securities (whether related to credit, liquidity, or any other risk), the tax or accounting treatment accorded the securities, reactions of market participants to regulatory actions or press reports, financial reporting cycles, and market conditions. Demand for the securities may change without warning, and declines in demand may be short-lived or continue for longer periods.

Existing holders of ARS may not be able to enter orders into auctions or sell securities through an auction if, after originally purchasing the securities, they transfer the securities to an account with a broker-dealer that does not have a broker-dealer agreement in place for the security or does not have the ability to place auction orders through another broker-dealer that does have an agreement with the issuer. In these circumstances an existing holder's ability to resell the securities in or outside of auctions may be limited to the willingness of the broker-dealer through whom the securities were originally purchased to arrange for the submission of an auction order or to purchase the securities.

In addition, after giving certain notices, the issuer may be permitted to extend the length of time between auctions. An extended length of time between auctions may reduce the liquidity of your investment because you would be unable to sell in an auction for a correspondingly longer period of time. If you sell your securities in this longer period of time between auctions, you may receive less than the price you paid for the securities, especially when market interest rates have risen. The risks associated with extended periods between auctions increase the longer the time is extended between auctions.

Resignation of an auction agent or a broker-dealer could impact the ability to hold auctions

The auction agent's agreement with the issuer may provide that the auction agent can resign from its duties as auction agent by giving certain notices and does not require, as a condition to the effectiveness of such resignation, that a replacement auction agent be in place if its fee has not been paid. The broker-dealer agreements with issuers also may provide that the broker-dealer can resign upon certain notice, or immediately in certain circumstances, and do not require, as a condition to the effectiveness of such resignation, that a replacement broker-dealer be in place. For any auction period during which there is no duly appointed auction agent, or during which there is no duly appointed broker-dealer, it will not be possible to hold auctions, with the result that the interest rate on the securities will be determined as described in the offering documents for the security.

Regulatory matters and investigations

In the course of its banking and financial-services businesses, Wells Fargo and its affiliates, including Wells Fargo Advisors, are subject to information requests and investigations by governmental and self-regulatory authorities. For a detailed discussion regarding regulatory matters and investigations, please see Wells Fargo & Company's most recent 10-K or 10-Q form.

For a list of risk factors to consider with respect to the businesses and securities of Wells Fargo & Company, please see the most recent Form 10-K.

Obtaining more information about auction-rate securities

The above information describes the auction practices and procedures of Wells Fargo Advisors. The auction procedures for a specific auction-rate security and the practices and procedures of other broker-dealers and auction agents participating in a given auction may vary from one security to another. Before investing, investors should review the offering documentation for a specific auction-rate security and the available public disclosures of the broker-dealers and auction agents conducting the auctions for the issuer in order to understand the auction process and Wells Fargo Advisors' role in the process.

Customers may obtain printed copies of offering documents, this disclosure and other general educational information concerning auction-rate securities from their financial advisor with Wells Fargo Advisors.