

Our auction-rate-securities pricing practices

Given the continued dislocation in the ARS market, Wells Fargo Advisors (“the Firm”) would like to make sure holders understand these conditions, what they mean for statement pricing and how statement pricing may affect holders.

In general, most auctions for ARS continue to fail and the market remains almost completely illiquid. There have been only two significant sources of liquidity for ARS: (1) positions of eligible investors being repurchased by banks and brokerage firms under the terms of ARS settlements with regulators, and (2) positions being redeemed or called by issuers. There have been a small number of publicly reported transactions outside of the auctions, often at prices well below par.

The following information describes the practices Wells Fargo Advisors uses for pricing ARS on monthly account statements, changes that may occur in these practices and how changes in statement pricing may affect holders of ARS.

- Both before and since the auction failures, the prices of ARS shown on statements were obtained from unaffiliated third-party pricing services if available from such services. Wells Fargo Advisors has no control over the accuracy or completeness of the prices provided by these services.
- In the absence of prices provided by these pricing services, account-statement prices are estimates made by Wells Fargo Advisors using available information.

- From time to time, in the Firm’s sole discretion, Wells Fargo Advisors may change the method of pricing any or all ARS held in an account or stop pricing ARS without prior notice to holders. Potential changes in the Firm’s pricing methodology may include whether to continue using a pricing service, the particular pricing service or services the Firm uses, the internal model or models the Firm uses for estimating a statement price when one is not available from a pricing service, or a decision to reflect either a price of zero or no price.
- ARS on a statement also may reflect a price of zero or “not available” when there is no price from an unaffiliated pricing service available and, in the Firm’s judgment, the Firm has insufficient information to otherwise determine a price.
- The prices of ARS reflected on statements should not be considered the amount that may be realized upon sale. In the event a holder is able to sell an ARS other than in an auction, there is no assurance that the holder will receive either the full principal or par amount of the ARS investment, or the statement price.
- If ARS currently priced at par are priced below par in the future on an account statement, holders may experience material impacts including the following: (1) if a margin or other loan is secured by ARS, investors may be required to deposit additional cash or securities to avoid a default on the loan, and (2) the asset allocations and performance reporting of the client’s investment portfolio may change as a result of the decrease in value of the ARS.

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

In addition, investors should understand that Wells Fargo Advisors and its affiliates may value ARS the Firm owns at prices that are different than those shown for the same securities on customer account statements. The values for these holdings are determined in accordance with financial accounting and reporting requirements applicable to Wells Fargo Advisors or its affiliates, which are different from the pricing methodologies described above.

For further information about ARS, please see "ARS: Overview, Features and Risks" at www.wellsfargoadvisors.com/auctionrates. For information on Wells Fargo Advisors auction practices, see "Auction Practices and Procedures" at www.wellsfargoadvisors.com/auctionrates. Pricing changes do not affect the repurchase offer of ARS under the Wells Fargo Advisors ARS Regulatory Settlements.

The typical terms and descriptions of the auction practices Wells Fargo Advisors uses are crucial to understanding an investment in ARS. Because each ARS is different, investors should review the Firm's disclosures, the disclosures of the auction agent and other broker-dealers participating in the auctions for a specific ARS. Printed copies of offering documents, Wells Fargo Advisors ARS disclosures and those of other auction participants, and other general educational information concerning ARS can be obtained from a financial advisor with Wells Fargo Advisors.