A guide to securities-based borrowing

**Before you borrow against your securities, it is important to review your financial situation, investment objectives, risk tolerance, time horizon, diversification needs and liquidity objectives with your Financial Advisor. This guide will help you better understand the features, risks and costs associated with margin and non-purpose loans as well as how your Financial Advisor and Wells Fargo Advisors are compensated when you borrow. As always, if you have any questions about margin or non-purpose loans, please contact your Financial Advisor.**

**As a client of Wells Fargo Advisors, or Wells Fargo Advisors Financial Network, LLC (hereinafter collectively referred to as “Wells Fargo Advisors” or “WFA”), you may have access to margin and non-purpose loans—securities-based lending products that allow you to borrow against the value of eligible securities in your brokerage account at Wells Fargo Advisors. Both margin and non-purpose loans can be used to provide liquidity for personal or business borrowing. In addition, margin can be used to purchase eligible securities, or to facilitate certain trading strategies.**

**What is margin?**
Margin is a loan from Wells Fargo Clearing Services, LLC (WFCS), WFA’s clearing broker-dealer, collateralized by eligible stocks, mutual funds, bonds and other securities in your Wells Fargo Advisors brokerage account. You can use margin to finance securities purchases or to borrow against securities already held in your account. A margin account is also required when trading certain option strategies, short-selling securities and for other types of securities transactions. When using margin, you will be charged interest on the amount of money you borrow.

**What is a non-purpose loan?**
A non-purpose loan offered by WFA, such as a Priority Credit Line, is a type of margin loan that cannot be used to purchase, carry, or trade securities. A non-purpose loan may offer greater borrowing power than margin against stocks, mutual funds and ETFs. Further, certain securities not eligible for margin may be eligible collateral for a non-purpose loan.

**What should you know before you borrow against securities?**
Borrowing against securities involves risk and may not be suitable for all investors. You need to understand and carefully consider these risks before opening a margin or non-purpose loan account, trading on margin or borrowing against your securities. Although margin and non-purpose loans may allow you to enhance investment returns or to meet a borrowing or liquidity need without having to sell your securities, it is possible you can lose more funds than you initially deposited in your account. A decline in the value of securities that are collateralizing your loan may require you to provide additional funds or securities to WFA to avoid a forced sale of your securities in your account(s).
Using a margin or non-purpose loan account

You can use margin for a variety of investment, personal or business needs. Non-purpose loans (e.g. Priority Credit Line) can be used for any personal or business need except to purchase, carry or trade securities or to pay down or pay off a margin account.

Borrowing for personal or business needs

You can borrow against securities in a margin account or through a non-purpose loan to meet personal or business liquidity and borrowing needs. You can use a line of credit and withdraw or borrow funds from your account against the value of your securities held as collateral. If you use margin through a Wells Fargo Advisors Brokerage Cash Services Account, margin can be accessed automatically via checks, debit cards, ACH or wire transfers. If you use a Priority Credit Line, your non-purpose loan can be accessed automatically via checks, ACH or wire transfers.

Margin and non-purpose loans can be used for a wide variety of non-investment needs

When used prudently, borrowing against your securities can be an alternative to other credit products and can be used to meet a wide variety of liquidity and capital needs including:

- Unplanned expenses
- Real estate
- Debt consolidation
- Education expenses
- Business financing
- Taxes

Potential benefits of borrowing instead of selling securities

- Allows you to remain invested in the market so you don’t forego potential market gains
- Avoids triggering capital gains and associated taxes that may result if you sell appreciated securities
- May give you more control over when to sell securities
- Avoids transaction costs often associated with selling and buying securities (you will be charged interest on any margin and non-purpose loans)

Potential risks of borrowing instead of selling securities

- You can lose more funds than you deposit in the margin account.
- WFA can force the sale of securities or other assets in your account(s).
- WFA can sell your securities or other assets without contacting you.
- You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a maintenance margin call.
- WFA can increase its “house” maintenance margin requirements at any time and is not required to provide you advance written notice.
- An increase in interest rates will increase the overall cost of borrowing.
Margin can also be used to purchase and trade securities. When you purchase securities on margin, you can use a combination of your own funds as well as funds borrowed from Wells Fargo Advisors. The amount you can borrow will depend on the type of securities being purchased as well as other securities held in your account.

Below are some examples:

---

**Using leverage can enhance your returns and magnify your losses**

You may be interested in using margin as a means to enhance your investment returns. Let’s explore an example where you buy $20,000 worth of a stock by putting up $10,000 in cash and borrowing $10,000 on margin.

Suppose the stock price increases 50% in value to $30,000 and you sell your shares. The $30,000 sale will pay back the $10,000 borrowed, leaving $20,000 in the account for a $10,000 profit. You have made a 100% return on the initial $10,000 investment, even though the stock price rose only 50%. (Does not include fees and interest charges.)

Conversely, using margin can also magnify losses. If the stock price drops 25% from $20,000 to $15,000 and you sell your shares, the $15,000 less the $10,000 borrowed leaves you with $5,000 in equity. This represents a 50% loss on your initial $10,000 cash investment.

If the value of the shares declines further to $10,000, your loss would be 100% of your original $10,000 cash investment and $0 in equity.

Lastly, if the value of the shares declines further to $8,000, your loss would exceed 100% of your original $10,000 and therefore would present a net deficit of $2,000 in equity. You would owe WFA the net deficit of $2,000 and be required to immediately pay WFA $2,000.

---
The illustration below provides basic differences between using a cash account and margin account to purchase securities. Although similar amounts are invested, the results differ dramatically. For simplicity, commissions, fees and interest charges are not included in the following examples.

<table>
<thead>
<tr>
<th>Cash Account</th>
<th>Margin Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buys 1,000 shares of XYZ for $20.</td>
<td>You use $10,000 in cash as equity to purchase $20,000 in securities and borrow another $10,000, 50%, on margin to buy XYZ.</td>
</tr>
<tr>
<td>Account value</td>
<td>Long market value</td>
</tr>
<tr>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td></td>
<td>Margin loan/Debit</td>
</tr>
<tr>
<td></td>
<td>-$10,000</td>
</tr>
<tr>
<td></td>
<td>Your Equity/Account value</td>
</tr>
<tr>
<td></td>
<td>$10,000 or 50%</td>
</tr>
</tbody>
</table>

XYZ increases in value from $20 to $30 and you sell at $30. | You realize a $10,000 return, 50% on your initial $20,000 investment. |
| | Original investment |
| | $20,000 |
| | New market value |
| | $30,000 |
| | Realized gain |
| | $10,000 |

| XYZ increases in value from $20 to $30 and you sell at $30. | You realize a $10,000 return, 100% of your initial cash investment. |
| | Original investment |
| | $10,000 |
| | Market value |
| | $30,000 |
| | Margin loan (repaid) |
| | -$10,000 |
| | Realized Gain |
| | $10,000 |

XYZ decreases in value from $20 to $13 and you continue to hold. | Your unrealized loss is $7,000, 35% of your initial $20,000 investment. |
| | Original investment |
| | $20,000 |
| | New market value |
| | $13,000 |
| | Unrealized loss |
| | $7,000 |

XYZ decreases in value from $20 to $13 and you continue to hold. | Your unrealized loss is $7,000, 70% of your initial $10,000 cash investment. The equity in the account has dropped to 23% and a maintenance call would be issued requiring you to pay down your margin debit or deposit additional securities. |
| | New Long market value |
| | $13,000 |
| | Margin loan/Debit |
| | -$10,000 |
| | Your Equity/Account value |
| | $3,000 or 23% |

XYZ decreases in value from $20 to $10 and you continue to hold. | Your unrealized loss is $10,000, 50% of your initial $20,000 investment. |
| | Original investment |
| | $20,000 |
| | New market value |
| | $10,000 |
| | Unrealized loss |
| | $10,000 |

XYZ decreases in value from $20 to $10 and you continue to hold. | Your unrealized loss is $10,000, 100% of your initial $10,000 cash investment. WFA can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts held with WFA. |
| | Long market value |
| | $10,000 |
| | Margin loan/Debit |
| | -$10,000 |
| | Your Equity/Account value |
| | $0 or 0% |

XYZ decreases in value from $20 to $8 and you continue to hold. | Your unrealized loss is $12,000, 60% of your initial $20,000 investment. |
| | Original investment |
| | $20,000 |
| | New market value |
| | $8,000 |
| | Unrealized loss |
| | $12,000 |

XYZ decreases in value from $20 to $8 and you continue to hold. | Your unrealized loss is $12,000, 120% of your initial $10,000 cash investment, leaving you with a deficit in the account. WFA will demand immediate deposit of cash and/or securities to cover the deficit. You will also be immediately responsible for any shortfall in the account after such a sale. |
| | Long market value |
| | $0 |
| | Margin loan/Debit |
| | -$2,000 |
| | Your Equity/Account value (Deficit) |
| | ($2,000) |

How do margin and non-purpose loans work?

Before opening a margin or non-purpose loan account, you should understand the account requirements and how margin or non-purpose loans work along with the characteristics and risks. When you open a margin account, you will receive the Margin Disclosure and need to sign a Margin Agreement. Likewise, when you open a Priority Credit Line or other non-purpose loan brokerage account, you will receive a risk disclosure and will need to sign a Federal Reserve Form T-4 and the single signature page, which covers the loan agreement and Priority Credit Line disclosures.

You must deposit at least $2,000 in cash or generally twice that in fully-paid eligible securities to open a margin account. Once your account is opened, you can use margin to purchase securities or borrow against securities already held in your margin account. While using margin, you must meet Wells Fargo Advisors’ equity requirements as defined below. (Equity is the market value of your securities less the outstanding margin loan or debit balance.)
Account Eligibility

Most personal, partnership and corporate-owned brokerage accounts are eligible for margin or non-purpose loans, but margin and non-purpose loans are not permitted in the following account types:

- Estate accounts
- Retirement accounts
- UGMA/UTMA accounts and 529 plans
- Banks, credit unions, trust companies, mortgage companies or insurance companies
- Accounts pledged as collateral to a creditor
- Investment clubs
- Prime brokerage accounts

Eligible Securities

Not all securities are eligible for margin or non-purpose loans, but most stocks, mutual funds and bonds are eligible. The following security classes are generally eligible:

- Exchange-listed equities, UITs and mutual funds priced above $2.00
- Investment-grade corporate and municipal bonds
- United States Government bonds, including zero coupon bonds
- Exchange-traded funds

Certain securities not eligible for margin may be eligible to collateralize non-purpose loans. Speak to your Financial Advisor for more information.

General eligibility requirements are set by the Federal Reserve, FINRA and WFA policy. Newly purchased mutual funds, UITs and new-issue securities will not be assigned a loan to value for the first 30 days after purchase and therefore would not be eligible for the first 30 days of issue. Higher requirements may apply to concentrated positions, volatile and low-priced securities. Wells Fargo Advisors reserves the right to set a higher margin requirement at the individual security or account level.

Initial margin requirements

Wells Fargo Advisors assigns an initial margin requirement to eligible securities types. The initial margin requirement is expressed as a percentage of a security’s value and is similar to a down payment requirement for other types of loans. The flip side of the initial equity requirement is the loan value or borrowing power—the amount you could borrow against fully-paid-for securities. To calculate the loan value or borrowing power (the amount you could borrow against fully-paid-for securities), subtract the initial margin requirement from 100%.

For instance, the initial margin requirement for most eligible stocks is 50%. Therefore, if you wanted to purchase $20,000 in stocks on margin, you would need to deposit at least $10,000 in cash and could borrow up to $10,000 from Wells Fargo Advisors. Alternatively, if you owned $20,000 in eligible stocks, you could borrow up to 50% or $10,000 through a margin loan.
Note, when purchasing securities, the initial margin requirement can also be met by depositing other securities into your margin account. For instance, the initial margin requirement for most eligible stocks is 50%. Again, if you wanted to purchase $20,000 in stocks on margin, you would need to deposit at least $20,000 or more of eligible, fully paid for stocks into your account, which would allow you to borrow the full $20,000 to cover the purchase. The deposited securities plus the newly purchased securities would collateralize your margin loan.

Note that not all securities are eligible for margin, (see “Eligible Securities” section for more information.)

**Borrowing Power for Non-Purpose Loans**

Non-purpose loans must be collateralized by fully paid for securities and cash in one or more accounts pledged to back your loan. The pledged accounts may be in the same name as the loan or be accounts belonging to a different person or entity guaranteeing the loan.

Because the loan may not be used to purchase or trade securities, you may be able to borrow more against certain securities than you can through a margin account. For instance, you may be able to borrow up to 60% of the value of eligible stocks, ETFs, mutual funds and UITs. In addition, you may be able to borrow against cash, brokered CDs and offshore mutual funds not normally eligible for margin loans.

Note, accounts pledged as collateral for non-purpose loans must be “cash accounts” and may not have margin privileges. Further, pledged accounts may not use Brokerage Cash Services (formerly Command) debit features such as check writing, debit cards or ACH transfers, but your Priority Credit Line loan account does offer check writing, ACH and wire transfer capabilities.

**Maintenance requirements & account equity**

In addition to initial requirements, Wells Fargo Advisors also sets maintenance margin requirements or maintenance requirements for each security class. Maintenance requirements are the minimum equity required to support a margin or non-purpose loan. For most securities, the maintenance requirement is less than the initial equity requirement. The lower maintenance requirement allows for price declines without forcing a call for additional collateral or reduction in the loan balance.

Equity maintenance requirements are calculated at the account level. In simplest terms, account equity is the value of the securities in the account less the amount of margin debit or loan balance. Account equity is typically stated as a percentage equal to the account equity divided by the market value of securities in the account. For instance:

- If the securities in your account are worth $100,000 and
- Your margin debit (loan) balance is $20,000,
- Then your account equity would be $80,000 or 80%.

\[
\frac{100,000 - 20,000}{100,000} = \frac{80,000}{100,000} = 80\%
\]

Account maintenance requirements are calculated by adding the maintenance requirements for each individual security in your account and comparing to your overall account equity. If your account equity drops below the minimum maintenance requirement, Wells Fargo Advisors will issue a maintenance call (see page 7 for additional discussion on meeting maintenance calls).
For instance, Wells Fargo Advisors’ maintenance requirement for eligible stocks is generally 30%. Higher requirements may apply to concentrated positions, volatile and low-priced securities. Wells Fargo Advisors reserves the right to set a higher margin requirement at the individual security or account level. If you borrowed $50,000 against a portfolio of eligible stocks valued at $100,000 and you maintain the $50,000 margin debit, you would receive a margin call if the value of your portfolio declines to below $71,429 (30% equity). Account equity would equal $21,429 or 30%: $21,429 = $71,429 - $50,000. $21,429 / $71,429 = 30%.

**Changes in maintenance requirements**

Wells Fargo Advisors may increase its maintenance margin requirements at any time and is not required to provide advance notice to you. If maintenance margin requirements are increased, you will be required to promptly satisfy all maintenance calls.

**Margin and Maintenance calls**

There are two types of margin calls—Fed calls and maintenance calls. Non-purpose loans, because they are backed by fully paid for securities, are generally only subject to maintenance calls.

- **Fed calls** generally result when you purchase securities in a margin account and do not have sufficient cash or equity on trade date. Fed calls cannot be met by market appreciation.
  
  If you do not deposit the initial equity requirements on or before the settlement date, Wells Fargo Advisors reserves the right to sell your securities, and you would be responsible for any loss on the trade as well as any margin interest.

- **Maintenance calls**, also known as *House calls*, generally result when the value of your securities declines to a point where the account equity is below the minimum maintenance requirement.

  When a maintenance call occurs, you will be required to either pay down your loan or debit balance, deposit additional fully paid securities, or sell securities in the account to bring your account equity to be greater than the maintenance requirements. If you are unable to meet the maintenance call, Wells Fargo Advisors can sell securities or other assets in any of your accounts (excluding IRA and ERISA accounts) held with us to cover the maintenance deficiencies. You will also be held responsible for any shortfall in the account after such a sale.

  While we will try to notify you of your margin and maintenance calls, we are not required to do so. Wells Fargo Advisors can sell your securities or other assets without contacting you. Even if we have notified you and provided a specific date by which you can meet a margin call, we can still take the necessary steps to protect our financial interests, including immediately selling the securities without notice to you.

  You may also be charged commissions for the selling of securities.

  Furthermore, you are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call.
How do I cover a maintenance call?

You can meet a maintenance call by depositing cash to pay down the loan balance, depositing additional securities or by selling securities in your margin account.

For example, you own $20,000 of XYZ stock with a 30% margin requirement with a $10,000 margin or non-purpose loan. Subsequently, the value of your XYZ shares declines to $12,000 and you receive a maintenance call for $1,600. You could meet the maintenance call by either:

- Depositing at least $1,600 cash. $1,600 would reduce the loan balance to $8,400 and restore your account equity to 30%. ($12,000 market value less $8,400 debit balance = $3,600 account equity; $3,600 / $12,000 = 30%)
- Depositing fully paid margin eligible stocks worth at least $2,300 (the call amount divided by 70%, or 1 minus the 30% maintenance requirement). The $2,300 in securities would restore your account equity to 30%. ($14,300 market value less $10,000 debit balance = $4,300 account equity; $4,300 / $14,300 = 30%)
- Selling at least $5,334 worth of XYZ stock (3-1/3 times the call amount or the call amount divided by the maintenance requirement). Selling $5,334 would reduce your market value to $6,666 and your debit balance to $4,666, resulting in account equity of $2,000 or 30%.

It is important to know that price fluctuations in your securities can both alleviate a maintenance call should the securities rise in value but also can negatively impact the size of your maintenance call should the positions continue to decline. It is important to rectify a maintenance call immediately.

Margin computations are complex especially when your account contains multiple security types. Consult your FA regarding maintenance requirements, computations and firm margin policies.

*Examples above assume an all stock portfolio and maintenance requirements of 30%. For simplicity, commissions, fees and interest charges are not considered.*

**Collateral/security interest**

You are responsible for repaying the margin or non-purpose loan balance plus any accrued interest on the loan. All securities or other assets held in any of your accounts (excluding IRAs and ERISA accounts) at Wells Fargo Advisors can be sold to cover the maintenance deficiencies. You also will be responsible for any shortfall in the account after such sale. (Non-purpose loans could include accounts from third-party guarantors.)

Margin and non-purpose loans are demand loans, which can be called at any time without prior notice.
Cost of borrowing and interest charges

Interest will be charged to your account each month. The interest charge will be calculated on your daily loan balance, also referred to as your debit balance and your relationship (determined on a daily basis) with Wells Fargo Advisors, using Wells Fargo Advisors’ “base rate” plus or minus a spread. Your “relationship with Wells Fargo Advisors” is based on your household assets under management (AUM) with Wells Fargo Advisors. The base rate is set at Wells Fargo Advisors’ discretion depending on commercially recognized interest rates, industry conditions relating to the extension of margin credit and general credit market conditions. The spread will vary based on your margin debit balance. Interest is calculated based on a 360-day year. For more information, please see the Credit Terms & Conditions section of the Wells Fargo Advisors’ client agreement that your Financial Advisor can provide.

Risks & Other Considerations

Borrowing against securities involves risk and is not suitable for all investors. You must be able to sustain significant losses should they occur, have a high risk tolerance, and have a deep understanding of how equity and bond markets work. If you do not respond to margin calls or are not able to satisfy margin calls, your securities may be sold under unfavorable market conditions, which can create substantial losses in your account.

Before opening a margin or non-purpose loan account, you and your Financial Advisor should carefully review your investment objectives, risk tolerance and ability to absorb losses as well as the terms governing and the risk associated with your account. You are not required to open a margin account to purchase and hold securities.

Some of the risks and considerations include, but are not limited to, the following:

- **Your account is subject to market risk.** The value of individual securities and mutual funds backing your loan may increase or decrease in response to market fluctuations, the prospects of individual companies or industry sectors, interest rates, and general economic conditions.

- **You can lose more money than you deposit in a margin account.** If the value of your securities declines to less than the margin debit balance, you will be responsible for any shortfall plus accrued interest.

- **Wells Fargo Advisors can change our margin and maintenance requirements without prior notice.** This means the amount of account equity you are required to maintain can increase, and / or the amount you can borrow can decrease, for certain or all securities.

- **You are responsible for meeting margin and maintenance calls.** You are required to have sufficient equity in your account on or before the settlement date to cover securities purchases. Further, a decline in the value of securities or increase in maintenance requirements may result in a maintenance call and require you to deposit cash or additional securities into your margin account.

- **Wells Fargo Advisors can force the sale of securities in your account(s).** If you do not meet a maintenance or Fed call, Wells Fargo Advisors can sell all or some of your securities to meet the call.

- **The sale of securities can create tax liabilities.** If low cost-basis securities are sold to meet a margin call, capital gains liability could be created.
• **Wells Fargo Advisors can sell your securities or other assets without contacting you.** Wells Fargo Advisors will attempt to notify you of margin or maintenance calls, but we are not required to do so. Even if we have contacted you and provided a specific date by which you must meet a call, we can still take necessary steps to protect our financial interests, including immediately selling the securities, without notice to you. This is especially true during times of volatile financial markets.

• **You are not entitled to choose which securities in your account(s) are liquidated to meet a margin or maintenance call.** Because the securities are collateral for the loan, Wells Fargo Advisors reserves the right to decide which security to sell in order to protect our interests.

• **Margin and non-purpose loan accounts are susceptible to interest rate risks.** Rising interest rates can cause your interest rate to increase without notice, therefore increasing the cost to borrow.

• **The cost of borrowing can exceed your returns.** There are no guarantees that the returns on your securities and securities account will exceed your borrowing costs. If the cost of the loan is greater than your returns, this is known as a “negative cost of carry” (see also, Margin and fee-based account considerations).

### Strategies for managing risks

There are steps you can take to help reduce the likelihood of a maintenance call. These include:

• **Borrowing in moderation** to potentially reduce the risk of a maintenance call. You should monitor your portfolio and degree of leverage, especially during fluctuating, volatile markets.

• **Leverage can increase your risk.** The greater degree of borrowing against a portfolio, the more likely calls and liquidation become.

Example of $100,000 stock portfolio:

<table>
<thead>
<tr>
<th>Original Portfolio</th>
<th>Debit Balance</th>
<th>Leverage</th>
<th>Call issued when value declines to:</th>
<th>Percentage decline before call:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000</td>
<td>$60,000</td>
<td>60%</td>
<td>$86,000</td>
<td>14%</td>
</tr>
<tr>
<td>$100,000</td>
<td>$50,000</td>
<td>50%</td>
<td>$72,000</td>
<td>28%</td>
</tr>
<tr>
<td>$100,000</td>
<td>$25,000</td>
<td>25%</td>
<td>$36,000</td>
<td>64%</td>
</tr>
<tr>
<td>$100,000</td>
<td>$10,000</td>
<td>10%</td>
<td>$15,000</td>
<td>85%</td>
</tr>
</tbody>
</table>

*Assumes 30% maintenance requirement*

• **Borrowing against a diversified portfolio** of securities and mutual funds to potentially minimize your risk should any one security decline in value. Diversification may not avoid or reduce declines during times of broad market declines.

• **Borrowing against relatively stable securities** that are less susceptible to market volatility such as investment-grade and interest-bearing bonds and blue-chip stocks.
Take time to:

- Thoroughly understand how margin and non-purpose loans work, their risks and requirements.
- Know the rate of interest you will be charged and what circumstances trigger a call.
- Reduce risk of market volatility by borrowing against more stable securities.
- Borrow less than the maximum amount allowable against your securities to decrease your exposure.
- Diversify your portfolio by purchasing securities that balance your holdings and potentially offset losses on existing securities.
- Closely monitor your account, especially during volatile market conditions to anticipate a potential decline in value.

Other considerations

When leveraging your securities to meet a liquidity or capital need, there are several factors you should consider including but not limited to:

- What is the purpose of the loan? Will the potential reward cover the cost of borrowing and risks to your portfolio?
- How much will you need to borrow—as a dollar amount and as a percentage of the securities backing the loan?
- How long you will you need to borrow the funds?
- How do you plan to repay the loan?
- How could borrowing against your securities adversely impact your investment performance?

Margin and Advisory account considerations

At Wells Fargo Advisors, certain Advisory programs may be eligible for margin lending purposes. Advisory accounts include discretionary and non-discretionary investment advisory programs for which you may be charged a fee based on the account value.

Before using margin in conjunction with advisory accounts you should consider and be aware that:

- All of the aforementioned general risks of margin also exist.
- The cost of margin can exceed the returns on your account.
- Using margin to purchase additional securities in advisory programs will increase your asset-based fee. Fees are based on the market value of the securities in the advisory program and not the net equity after consideration of the margin debit. In addition, you will be charged margin interest on the debit balance in your account.
- The increased asset-based fee that you pay may provide an incentive for your Financial Advisor to recommend the use of margin. Financial Advisors are compensated on asset-based fees and therefore will benefit when you use margin in lieu of liquidating assets in advisory programs.

The following example illustrates the effect of margin on your asset-based fee:

Your account is valued at $100,000 and your asset-based fee is 2%. If you do not use margin to purchase securities, your fee will be $2,000 annually. If you elect to use margin to purchase additional securities valued at $50,000 so that your account has total securities valued at $150,000, your fee will be $3,000 annually even though the net account value remains at $100,000. Margin interest will also be assessed on your debit balance.

<table>
<thead>
<tr>
<th></th>
<th>Fees without margin use</th>
<th>Fees with margin use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total market value of eligible securities</td>
<td>$100,000</td>
<td>$150,000</td>
</tr>
<tr>
<td>Margin debit balance</td>
<td>$0</td>
<td>$50,000</td>
</tr>
<tr>
<td>Net account value</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Asset based fees</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Annual fee</td>
<td>$2,000</td>
<td>$3,000</td>
</tr>
<tr>
<td>Approximate annual margin interest at 5%</td>
<td>0</td>
<td>$2,500</td>
</tr>
<tr>
<td>Total fees</td>
<td>$2,000</td>
<td>$5,500</td>
</tr>
</tbody>
</table>
Advisory programs are not designed for excessively traded or inactive accounts and may not be suitable for all investors. Please carefully review the Wells Fargo Advisors advisory disclosure document for a full description of our services. Minimum account sizes apply.

For more information, see the Guide to Investment Advisory and Brokerage Service on wellsfargoadvisors.com.

**How your Financial Advisor and Wells Fargo Advisors are compensated for margin and non-purpose loans**

Wells Fargo Advisors will receive interest based on your outstanding balance, or debit, of your margin or non-purpose loan. The interest rate may be individually negotiated instead of based on our standard rate. At the time any negotiated rate is established for your account, we will notify you of the expiration date, if any, to your negotiated rate. After the expiration date, if any, we may change your negotiated rate without giving you any prior notice of the change. We may charge a different interest rate based on factors determined by us in our sole discretion, including, but not limited to, account activity or your overall business relationship with us. Our standard rate is subject to change without notice.

Although Wells Fargo Advisors does not currently compensate Financial Advisors based on margin debit balances, we reserve the right to change compensation plans in the future without any prior notice to our clients. Financial Advisors will receive compensation on Priority Credit Line and other non-purpose securities-based loans from Wells Fargo Bank. Your Financial Advisor’s compensation is based on the debit balance in your account. In addition, your Financial Advisor’s compensation will be reduced if your interest rate is discounted below a certain level. This creates an incentive for Financial Advisors to recommend Priority Credit Line and other securities-based loans products, which are similar to margin, as well as an incentive to encourage you to maintain a larger debit balance and to discourage interest rate discounts below a certain level. Talk to your Financial Advisor about what other similar products may be available to you.

Wells Fargo Advisors and your Financial Advisor will be compensated for certain securities and investment advisory programs collateralizing your margin debit.

Industry practices will generally provide your Financial Advisor with an incentive to recommend the transfer of your account to a new firm. Before transferring your margin account, please review your choices, including portability of assets, termination charges, fees, rates and product offerings carefully to ensure that they are consistent with your investment objectives and needs.
Opening a new margin account

To open a new account or add margin to an existing eligible account, please read Wells Fargo Advisors’ General Account Agreement Disclosure Document, which includes the Margin Account Agreement, Margin Disclosure Statement and Statement of Interest Charges and Margin Policy, and sign a Margin Account Agreement.

For more information, please read our Margin Disclosure Statement, which can be found on wells Fargo.com/investing/margin/disc or requested from your Financial Advisor.

Margin borrowing may not be suitable for all investors. When you use margin, you are subject to a high degree of risk. Market conditions can magnify any potential for loss. The value of the securities you hold in your account, which will fluctuate, must be maintained above a minimum value in order for the loan to remain in good standing. If it is not, you will be required to deposit additional securities and/or cash in the account or securities in the account may be sold. Clients are not entitled to choose which securities in their accounts are sold. The sale of their pledged securities may cause clients to suffer adverse tax consequences. Clients should discuss the tax implications of pledging securities as collateral with their tax advisors. An increase in interest rates will affect the overall cost of borrowing. Wells Fargo Advisors and its affiliates are not tax or legal advisors. Margin strategies are not suitable for retirement accounts. Please carefully review the margin agreement, which explains the terms and conditions of the margin account, including how the interest on the loan is calculated.

Securities-based lending has special risks and is not suitable for everyone. If the market value of a client’s pledged securities declines below required levels, the client may be required to pay down his or her line of credit or pledge additional eligible securities in order to maintain it, or the lender may require the sale of some or all of the client’s pledged securities. Wells Fargo Advisors will attempt to notify clients of maintenance calls but is not required to do so. Clients are not entitled to choose which securities in their accounts are sold. The sale of their pledged securities may cause clients to suffer adverse tax consequences. Clients should discuss the tax implications of pledging securities as collateral with their tax advisors. An increase in interest rates will affect the overall cost of borrowing. Wells Fargo Advisors and its affiliates are not tax or legal advisors. All securities and accounts are subject to eligibility requirements. Clients should read all lines of credit documents carefully. The proceeds from securities-based lines of credit may not be used to purchase additional securities, pay down margin, or for insurance products offered by Wells Fargo and any of its affiliates. Securities held in a retirement account cannot be used as collateral to obtain a loan. Securities purchased in the pledge account must meet collateral eligibility requirements.

Wells Fargo Advisors’ margin Base Rate is set at our discretion with reference to commercially recognized interest rates, industry conditions relating to the extension of margin credit and general credit market conditions. The annual rate of interest will change without prior notice to you, in accordance with changes in our Base Rate.

Wells Fargo & Company and its affiliates do not provide tax or legal advice. Please consult your tax or legal advisors to determine how any credit may apply to your own situation. Whether any planned tax result is realized by you depends on the specific facts of your own situation at the time your taxes are prepared.

Priority Credit Line is offered by Wells Fargo Advisors and lending and margin accounts are carried by Wells Fargo Clearing Services, LLC (WFCS).

---

**Investment and Insurance Products:** ▶ NOT FDIC Insured ▶ NO Bank Guarantee ▶ MAY Lose Value

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

Wells Fargo Bank, N.A., is a separate affiliate of Wells Fargo & Company.

© 2011, 2015-2019 Wells Fargo Clearing Services, LLC. All rights reserved. IHA-6437203