

# Guide to investing in Market Linked Certificates of Deposit

What you should know before you buy

Before you buy an investment, it is important to review your financial situation, investment objectives, risk tolerance, time horizon, diversification needs, and liquidity needs with your financial advisor. This guide will help explain the features, risks, rewards, and costs associated with an investment in a Market Linked Certificate of Deposit, as well as how your financial advisor and Wells Fargo Advisors are compensated when you invest in a Market Linked Certificate of Deposit. Refer to the applicable terms supplement and disclosure statement for the details of a particular Market Linked Certificate of Deposit offering.

## What are Market Linked CDs?

Market Linked Certificates of Deposit are a particular type of structured investment issued by Wells Fargo Bank, N.A. and other third-party issuers. A Market Linked Certificate of Deposit should not be confused with a conventional certificate of deposit (CD). Unlike conventional CDs that offer a fixed coupon, a Market Linked CD typically offers no fixed coupon but provides a return linked to the future performance of an underlying market measure. Market measures may include major domestic or international equity indexes, commodity indexes or a basket of commodities, a basket of currencies, an inflation benchmark, or any number of other investment instruments or indexes. The return of a Market Linked CD may be more or less than an equivalent deposit that earns a fixed rate of interest. Accordingly, Market Linked CDs have investment characteristics that are different from, and involve risks that are not associated with, conventional deposits.

Market Linked CDs are a type of hybrid product that has two hypothetical components:

1. A non-interest bearing time deposit that will return the full deposit amount to you at maturity
2. One or more derivatives on a specified market measure that offer a potential interest amount based on the performance of the market measure

If you sell a Market Linked CD before maturity, you may receive substantially less in sale proceeds than the deposit amount. At maturity, you will be entitled to receive your deposit amount but there is generally no assurance of any return above the deposit amount.

Market Linked CDs are not appropriate for all investors. Before investing in a Market Linked CD, you should discuss your investment goals and objectives with your financial advisor and make sure you review and understand the terms supplement and disclosure statement for the offering.

**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

We have a responsibility to consider reasonably available alternatives in making a recommendation. We do not need to evaluate every possible alternative either within our products or outside the firm in making a recommendation. We are not required to offer the “best” or lowest cost product. While cost is a factor that we take into consideration in making a recommendation, it is not the only factor.

You should consider factors such as those below prior to accepting a recommendation:

- The potential risks, rewards, and costs in purchasing and in the future selling of an investment.
- Your age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, and risk tolerance.
- The investment’s investment objectives, characteristics (including any special or unusual features), liquidity, volatility, and likely performance in a variety of market and economic conditions.
- For complex products, you should consider whether less complex or costly products achieve the same objectives.

By accepting a recommendation, you acknowledge that you have considered the above factors to your satisfaction.

## Features and characteristics

Market Linked CDs provide potential benefits beyond that of conventional CDs, as well as risks due to their market component. These products are designed to meet specific investment objectives or views that often may not be met by traditional investment products available in the market. Therefore, Market Linked CDs can be used as an alternative to a direct investment in a market measure, part of an overall asset allocation strategy, or a risk-reduction strategy in a portfolio.

Some key characteristics of Market Linked CDs include:

**Return of Deposit**—Market Linked CDs provide for the return of the original deposit amount if held to maturity, subject to the ability of the issuer to make payments when due. In case of insolvency of an issuing bank, it is important to note that the deposit amount of a Market Linked CD is insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable FDIC insurance limits. Regardless of the performance of the underlying market measure, at maturity, you will receive the original deposit amount invested. If you choose to sell your Market Linked CD prior to maturity, the deposit amount of your investment is not protected and your Market Linked CD may be worth less than the original deposit amount.

**Growth potential**—All or part of the return on a Market Linked CD is based on the performance of an underlying market measure. The manner of determining the market-based return will vary from issue to issue, so it is important that you carefully review the applicable terms supplement and disclosure statement before deciding to invest in the Market Linked CD.

**Investor protection**—The deposit amount of a Market Linked CD is insured by the FDIC up to applicable limits. The FDIC standard maximum deposit insurance amount (the “MDIA”) is \$250,000 per investor per FDIC-insured institution. The MDIA refers to all deposits held by an investor in the same account ownership category at a single FDIC insured institution. There is no maximum limit on the amount that may be invested in Market Linked CDs, but the FDIC deposit insurance only covers Market Linked CDs up to the insurance limit, including the aggregate of the deposit amount of the Market Linked CD and any interest that has been finally determined and become due, through the date of the insured bank’s closing. The FDIC has taken the position that any interest that has not yet been ascertained and become due and any secondary market premiums paid by an investor above the deposit amount of the CD are not insured by the FDIC. Please consider this when evaluating specific CDs.

*Wells Fargo Advisors recommends that you monitor the amount of your deposits in order to determine the extent of FDIC insurance coverage available and to stay within the FDIC insurance coverage limits. To fully understand the rules and regulations of FDIC insurance, you should contact the FDIC directly. You may obtain information by contacting the FDIC by letter (550 17th Street N.W., Washington, D.C. 20429), by phone (1-877-275-3342 or 1-800-925-4618 [TDD]), or by accessing the FDIC website at [fdic.gov](http://fdic.gov).*

**Diversification**—Market Linked CDs may potentially complement a portfolio by providing exposure to a variety of market measures, including domestic and international equities, commodities, foreign currencies, and fixed income.

**Access to investment strategies**—Some Market Linked CDs can provide investors with access to investment strategies that may not be readily available to investors through traditional investments, such as rule-based dynamic strategies or asset allocation strategies. Investors may be unable or reluctant to implement these investment strategies directly due to the overall complexity or time-consuming nature of doing so.

**Estate feature**—A Market Linked CD offering may include an estate feature as part of the terms of the offering. For a Market Linked CD offering that includes an estate feature, if at any time the beneficial owner of a Market Linked CD passes away, the estate can redeem the Market Linked CD, subject to any applicable issuer limitations, for the full deposit amount subject to the ability of the issuer to make payments when due. Otherwise, the estate may choose not to exercise the estate feature and hold the Market Linked CD to maturity, subject to the offering terms defined in the disclosure statement and terms supplement. To determine if a particular Market Linked CD offering includes an estate feature, investors should review the offering terms supplement and disclosure statement.

**Return calculations and features**—For a particular Market Linked CD, the return calculation method and features differ depending on market conditions and goals of the offering. Typically, a return is calculated as price return, not total return. The following are some of the more commonly used return calculations and features for Market Linked CDs. Since there are many other ways an issuer can calculate returns and apply product features, investors should always read the applicable terms supplement and disclosure statement when considering a Market Linked CD, and make sure they understand the calculations involved.

- **Point-to-point calculation**—The point-to-point return calculation is the percentage change of the underlying market measure from one point in time to another, typically from the pricing date to the final valuation date, and may be subject to a cap.
- **Averaging calculation**—The averaging return calculation is based on the average level of the underlying market measure observed on a specified number of valuation dates throughout the life of the Market Linked CD. On predetermined dates (e.g., annually, quarterly, monthly, etc.), the level of the underlying market measure is recorded and those observations are used to calculate an average. That calculated average is compared to the initial level of the underlying market measure to determine the percentage change. The averaging return calculation may result in a return that is less than a return based on the point to point performance of the underlying.
- **Sum of periodic returns feature**—The sum of periodic returns feature is typically based on the sum of the returns measured over multiple discrete periods of time. These discrete periods may be of any length (e.g., annual, quarterly, monthly, etc.), but will always be specified and fixed for a particular offering. The discrete period returns are often subject to a cap and/or a floor, where the floor on the downside may be significantly lower than the cap on the upside or where there may be no floor on the downside. As a result, the sum of periodic returns feature generally provides less opportunity for appreciation than a point-to-point return calculation.
- **Contingent periodic interest feature**—The contingent periodic interest feature pays periodic interest payments contingent on the performance of the components of a basket. The contingent periodic interest payments, if any, are based on the sum of the weighted component returns of each of the basket components. Typically, the basket components are equally weighted and there are limits to the positive and negative component returns for each applicable valuation period. In most cases, the limit for negative component returns is significantly lower than the limit for positive component returns. As a result, if the return of one or more of the basket components is negative during a valuation period, such negative component returns could offset entirely any positive component returns generated by the other basket components during the same period, and the periodic interest would be equal to zero.
- **Upside participation rate feature**—The participation rate determines how much of the gain in the underlying market measure will be credited to the Market Linked CD. Participation rates can be more or less than 100%. For example, assuming a point to point return calculation, if the participation rate is 125%, then a 10% increase in the underlying market measure at maturity would lead to a 12.5% return on the investment. In a second example, if the participation rate on a similar investment were 75%, a 10% increase in the underlying market measure at maturity would lead to a 7.5% return on the investment.

# Investor characteristics

Market Linked CDs are not appropriate for all investors. Purchasers of a Market Linked CD should be buy-and-hold investors seeking to participate in the performance of the underlying market measure while retaining protection against loss of the original deposit amount if the Market Linked CD is held to maturity, subject to the ability of the issuer to make payments when due.

Because of limited liquidity, Market Linked CDs are not appropriate for short-term trading. There is typically no established secondary market for a Market Linked CD and none of Wells Fargo Advisors, the issuer or any of their affiliates have any obligation to repurchase a Market Linked CD. Further, you should not purchase Market Linked CDs unless you are able to understand and bear the associated market, liquidity, and yield risks. Investors should also understand the credit risk associated with the issuer of the Market Linked CDs. Investors in Market Linked CDs should have the financial knowledge and experience in financial and business matters needed to evaluate the merits and risks of an investment in a Market Linked CD in light of their particular circumstances.

**Diversification**—It is recommended that investors observe an asset-allocation strategy and not overweight their overall portfolio in any one class of investment, including Market Linked CDs. Although asset-allocation can be an effective investment strategy, it cannot eliminate the risk of fluctuating prices, uncertain returns, and credit risk. Market Linked CD returns may be based on two or more underlying market measures, which may add to the complexity of the Market Linked CD.

## Risks

Investors need to be aware of the risks associated with Market Linked CDs, including limited liquidity, market risk, and tax implications. In addition to the risk considerations outlined below, investors in Market Linked CDs are subject to the credit risk of the issuer for deposits above the applicable FDIC insurance limits. Investors who purchase Market Linked CDs should be willing and able to hold the investment until maturity.

For a more complete description of the risks associated with an investment in a particular Market Linked CD, investors should review the applicable terms supplement and disclosure statement. You should also contact your financial advisor for a more complete discussion of the risks and characteristics of a particular Market Linked CD.

**Performance risk**—You may lose money investing in Market Linked CDs. Market Linked CDs are usually medium-term investments that have typical maturities ranging from three to seven years. At the time of purchase, you should be willing to hold the Market Linked CD to maturity. While Market Linked CDs provide for a return of the deposit amount at maturity subject to the ability of the issuer to make payments when due, there is generally no assurance of any return above the deposit amount. You may experience an “opportunity cost” if the market-based return is less than the return you could have earned in a conventional interest-bearing instrument with a similar maturity or in another alternative investment. In addition, the potential return of certain

Market Linked CDs may be limited by a predetermined maximum return, a participation rate of less than 100%, or other structure-specific features.

**Liquidity risk**—At the time of purchase, you should be willing to hold the Market Linked CD to maturity. Although Wells Fargo Advisors or one of its affiliates may purchase the Market Linked CDs from an investor prior to maturity, they are not obligated to do so. Wells Fargo Advisors and its affiliates are not required to, and do not intend to, make a market for the Market Linked CDs. There is no assurance that a secondary market for a Market Linked CD will develop and it is likely that no such secondary market will develop. Therefore, investors should be prepared to hold the Market Linked CDs until maturity. Except in limited circumstances, holders of a Market Linked CD will have no right to early termination of their Market Linked CD prior to its scheduled maturity. Investors should take into account their future liquidity needs (such as required minimum distributions in an IRA) when considering the purchase of a Market Linked CD.

**Liquidations prior to maturity**—While investors should be prepared to hold Market Linked CD to maturity, it may be appropriate given market conditions and certain other factors (such as a change in investment strategy, an unanticipated change in liquidity needs, or other unforeseen events, etc.) to sell your Market Linked CD prior to maturity. Investors should understand that selling a Market Linked CD prior to maturity will result in the loss of any features that require you hold the product to maturity, such as the return of the original deposit amount.

Additional considerations should be made if an investor sells a Market Linked CD prior to maturity and chooses to reinvest the proceeds into another Market Linked CD. Investors should carefully consider the new product features, fees associated with the new Market Linked CD, and differences in the underlying market measure when making a decision to reinvest.

**Market risk**—Market Linked CDs provide for the return of the original deposit amount if held to maturity, subject to the ability of the issuer to make payments when due. If an investor must sell a Market Linked CD before maturity, the amount received upon any sale, assuming a buyer is available, will be subject to market risk. The value of a Market Linked CD is subject to a number of variables, including changes in the underlying market measure, interest-rate fluctuations, and issuer credit quality, as well as market volatility during the term of the investment. If you sell a Market Linked CD before maturity, you may receive less in sale proceeds than the deposit amount. Furthermore, such secondary-market trading losses are not FDIC-insured.

In addition, it is important to note that the value of a Market Linked CD will not necessarily directly reflect changes in the value of the underlying market measure. For example, an increase or decrease in the market measure by any given percentage will generally not result in an increase or decrease in the value of the Market Linked CD by the same percentage. A change in one factor may be offset by a change in another factor that affects the valuation of a Market Linked CD.

**Credit risk**—Although the deposit amount of the Market Linked CDs are FDIC-insured, any investment in a Market Linked CD that exceeds the applicable FDIC insurance limits is subject to the credit risk of the issuer. Changes in the credit quality of the issuer could impact the value of your investment. For specific information about FDIC insurance and aggregation rules, you should contact the FDIC directly.

**Call risk**—A Market Linked CD may be callable at the option of the issuer. If the issuer exercises its call right, it will pay the call price on the call date. The issuer has no obligation to call a callable Market Linked CD and any decision to call a callable Market Linked CD will be made in the issuer's sole discretion when it is most advantageous for the issuer to do so. If a Market Linked CD is called, it is possible that you may not be able to reinvest the proceeds at the same or greater yield, which is described as reinvestment risk.

**Limited pricing**—There is no secondary market or major data provider that disseminates a current market value for Market Linked CDs. Market Linked CDs are only priced weekly for client statements.

**Potential conflicts of interest**—Potential conflicts of interest may exist between you and Wells Fargo Bank, a bank affiliate of Wells Fargo Advisors, or the third-party issuer with respect to a Market Linked CD. Wells Fargo Bank or the third party issuer or one of their affiliates will be responsible for calculating the amount payable at maturity of a Market Linked CD. These responsibilities could give rise to conflicts of interest. These conflicts could occur, for instance, in connection with the determination as to whether the level of the underlying market measure can be calculated on a particular trading day, or in connection with judgments that it would be required to make in the event of the discontinuance of a market measure to which a Market Linked CD is linked or if the method for calculating a market measure is changed in any material respect.

In addition, the applicable issuer, Wells Fargo Advisors, or one of their respective affiliates may engage in business with companies whose securities are included in a market measure, or may publish research on such companies or a market measure. Finally, the estimated value of a Market Linked CD may be determined by the issuer or a broker for the offering, which broker may be an affiliate or bank affiliate of the issuer (see estimated value on page 8). Any such conflicts are disclosed in the applicable offering documents for the Market Linked CD. Wells Fargo Bank, National Association, or Wells Fargo Securities may act as calculation agent and hedging counterparty for certain Market Linked CDs. Wells Fargo Bank is a subsidiary of Wells Fargo & Company. Wells Fargo Securities is an affiliate of Wells Fargo Advisors.

An investor should carefully read the applicable Terms Supplement or other offering documents for a more complete discussion of potential conflicts of interest that could arise from the various roles that Wells Fargo Advisors or any of its affiliates may play in bringing a Market Linked CD to market and which could affect the value of the Market Linked CD.

## Tax treatment

Most Market Linked CDs are subject to special regulations relating to “contingent payment debt instruments.” As a result, they will be considered to be issued with original issue discount. An investor in a Market Linked CD that is treated as a contingent payment debt instrument will be required to pay taxes on ascribed interest income at ordinary income-tax rates each year over the term of the Market Linked CD, based on the issuer’s estimated comparable yield, even though the investor will not receive any interim interest payments. In addition, any gain or loss realized upon sale, early redemption, or at maturity of a contingent payment debt instrument will generally be treated as ordinary income, based on the investor’s adjusted tax basis. This tax treatment applies unless the investor owns the Market Linked CD in a qualified tax-exempt or tax-deferred account such as an IRA.

*Neither Wells Fargo Advisors nor any of its affiliates, nor the financial advisors can offer tax, legal, or accounting advice. Investors should consult with their own tax or legal advisor for tax advice prior to investing in Market Linked CDs.*

## Costs and estimated value of Market Linked CDs

The costs of investing in a Market Linked CD may reduce the value of an investment as well as the return on the investment. An understanding of the costs and expenses associated with a Market Linked CD is essential in determining whether that product is an appropriate investment.

### **Costs and estimated value of Market Linked CDs on the pricing date—**

The issue price of each Market Linked CD includes certain costs that are borne by you. Because of these costs, the estimated value of a Market Linked CD on the pricing date is less than the original deposit amount. As specified in the applicable Terms Supplement, the costs included in the issue price relate to selling, structuring, hedging, and issuing Market Linked CDs, as well as to the issuer’s funding considerations for certificates of deposit of this type.

The costs related to selling, structuring, hedging, and issuing Market Linked CDs include: (1) the placement fee and distribution expense fees, (2) the projected profit that the issuer or its hedge counterparty (which may be one of the Issuer’s affiliates) expects to realize for assuming risks inherent in hedging the issuer’s obligations under the Market Linked CDs, and (3) hedging and other costs relating to the offering of the Market Linked CDs, including the costs of FDIC insurance.

The issuer’s funding considerations take into account the higher issuance, operational, and ongoing management costs of Market Linked CDs as compared to the issuer’s conventional debt securities of the same maturity, as well as the issuer’s liquidity needs and preferences. The issuer’s funding considerations are reflected in the fact that the issuer determines the economic terms of Market Linked CDs based on an assumed funding rate that is generally lower than the issuer’s estimated secondary market rate, which is described below and is used in determining the estimated value of the Market Linked CDs.



If the costs relating to selling, structuring, hedging, and issuing Market Linked CDs were lower, or if the assumed funding rate the issuer uses to determine the economic terms of the Market Linked CDs were higher, the economic terms of the Market Linked CDs would be more favorable to you and the estimated value would be higher.

**Determining the estimated value**—The estimated value for the Market Linked CDs will be determined by estimating the value of the combination of hypothetical financial instruments that would replicate the payout on the Market Linked CDs, which combination consists of a non-interest bearing fixed-income bond and one or more derivative instruments underlying the economic terms of the Market Linked CDs.

The estimated value of the Market Linked CDs on the pricing date that is disclosed in the applicable Terms Supplement will be determined by the issuer or a broker for the offering, which may be an affiliate of Wells Fargo Advisors (for example the issuer may be Wells Fargo Bank, National Association, and the broker may be Wells Fargo Securities which are affiliates of each other and also affiliates of Wells Fargo Advisors). The estimated value will be based on the issuer's or broker's proprietary pricing models and assumptions and certain inputs that may be determined by the issuer in its discretion. The issuer's views on these inputs may differ from other market participants' views, and the issuer's estimated value of the Market Linked CDs may be higher, and perhaps materially higher, than the estimated value of the Market Linked CDs that would be determined by other market participants.

**Valuation of the Market Linked CDs after issuance**—You should understand that any estimated value of the Market Linked CDs that is disclosed in the applicable Terms Supplement is not an indication of the price, if any, at which the issuer or any other person may be willing to buy the Market Linked CD from you at any time after issuance in the secondary market.

The price at which Wells Fargo Advisors or any of its affiliates such as Wells Fargo Bank, National Association, or Wells Fargo Securities or any other issuer may be willing to buy the Market Linked CDs from you in the secondary market will be based upon the issuer's or broker's proprietary pricing models and will fluctuate over the term of the Market Linked CDs due to changes in market conditions and other relevant factors, which may be further reduced by a bid-offer spread. Accordingly, unless market conditions and other relevant factors change significantly in your favor, any secondary market price for the Market Linked CDs is likely to be less than the original deposit amount.

You should read the applicable Terms Supplement for more information about the estimated value of a Market Linked CD and how it is determined. Moreover, the costs and estimated value are disclosed upfront in the related Terms Supplement.

# How are your financial advisor and Wells Fargo Advisors compensated on Market Linked CDs?

For helping you invest in the most appropriate Market Linked CDs, Wells Fargo Advisors and your financial advisor are compensated in ways that may vary depending on the selected investment.

**Placement fee and distribution expense fee**—For all purchases of Market Linked CDs, your financial advisor will receive compensation in the form of an upfront placement fee as a percentage of the deposit amount of the Market Linked CDs sold, which is based on a general sales concession schedule depending on factors such as the products tenor. In addition, Wells Fargo Advisors will receive a distribution expense fee for selling the Market Linked CDs. To clarify, for each Market Linked CD sold via Wells Fargo Advisors, Wells Fargo Securities will pay a portion of its placement fee to Wells Fargo Advisors in the form of a placement fee as a selling concession and a distribution expense fee.

For Market Linked CDs, the total amount of the placement fee, distribution expense fee, and any other similar fees, if any, paid to Wells Fargo Advisors are disclosed upfront in the applicable Terms Supplement.

**Advisory fee**—For Market Linked CDs that are eligible for purchase in certain advisory accounts, your financial advisor will also receive compensation (starting after one-year of holding the investment) based on a percentage of assets in the advisory account which is not related to the costs of the original purchase of the Market Linked CD on the offering pricing date.

**Licensed bankers**—Within the division that operates in Wells Fargo financial centers and some Wells Fargo branches, a licensed banker may refer you to a financial advisor, as they generally work as a team. In this case, the licensed banker will be compensated through a referral arrangement with the financial advisor which payments are not related to the costs of the original purchase of the Market Linked CD on the offering pricing date.

**Payments from issuers**—Wells Fargo Advisors may receive payments from the issuers of Market Linked CDs, which may include its bank affiliate Wells Fargo Bank, National Association. These payments may be used to pay for training, educational conferences, meetings for our financial advisors, and meetings for our clients or prospective clients, as well as for conducting due diligence on the Market Linked CDs.

### **Additional information**

*To learn more about Market Linked CDs, ask your financial advisor or visit the following websites:*

**Wells Fargo Advisors**  
wellsfargoadvisors.com

**Financial Industry Regulatory Authority (FINRA)**  
finra.org

**U.S. Securities and Exchange Commission**  
sec.gov

**Securities Industry and Financial Markets Association (SIFMA)**  
sifma.org

These types of payments are not related to the costs of the original purchase of the Market Linked CD on the offering pricing date and are not part of the compensation formula for your financial advisor. We believe that these financial arrangements do not compromise the advice your financial advisor offers you. If you have any questions about these practices, please contact your financial advisor.

Secondary market purchases. While the aforementioned information pertains to new issue investments, known as primary market issuance, Market Linked CDs bought in the secondary market will be subject to transaction costs, and the secondary market prices will typically reflect bid/offer spreads.

*Wells Fargo Securities is the trade name for the capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Securities, LLC, Member NYSE, FINRA and SIPC and Wells Fargo Bank, National Association. Wells Fargo Bank, N.A. is a bank affiliate of Wells Fargo & Company.*

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.

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