

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 explain the features 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.

What are Market Linked CDs?

Market Linked Certificates of Deposit are a particular type of principal-protected structured investment product issued by Wells Fargo Bank, N.A. 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.

As explained in more detail below, the maturity payment on a Market Linked CD consists of two components:

1. a time deposit that will return the full deposit amount to you at maturity
2. a potential interest amount based on a specified 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.

There are numerous ways that the performance of the market measure can be calculated, such as an average of performance levels of the market measure on specified dates, a percentage of the point-to-point change of the market measure during the term of the Market Linked CD, or a periodic return subject to a cap.

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.

Features and characteristics

Market Linked CDs provide potential benefits beyond that of conventional CDs, as well as risks due to their unique 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, part of an overall asset allocation strategy, or a risk-reduction strategy in a portfolio.

Some key characteristics of Market Linked CDs include:

Principal protection — Market Linked CDs provide principal protection for the deposit amount if held to maturity. In case of bank insolvency, 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 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 initial amount invested.

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 offering terms, disclosure statement and any supplemental information 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. 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 and any interest that has been finally determined, through the date of the insured bank's closing. The FDIC standard maximum deposit insurance amount (the "MDIA") is \$250,000 per depositor per FDIC-insured institution. The MDIA refers to all deposits held by a depositor in the same account ownership category at a single FDIC insured institution. 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, Office of Consumer Affairs, by letter (550 17th Street, N.W., Washington, D.C. 20429), by phone (877-275-3342 or 800-925-4618 [TDD]), or by accessing the FDIC Web site at fdic.gov.

Diversification — Market Linked CDs may potentially complement a portfolio by providing exposure to a variety of markets, 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 reluctant to implement these investment strategies directly due to the high costs, overall complexity or time-consuming nature of doing so. Market Linked CDs allow individual investors to take advantage of cost efficiencies and economies of scale not typically available through traditional investments.

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 for the full deposit amount. 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.

Investor characteristics

Suitability — Market Linked CDs are not suitable 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 principal if the Market Linked CD is held to maturity.

Because of limited liquidity, Market Linked CDs are not suitable for short-term trading. 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 product.

Risks

Investors need to be aware of certain risk factors 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 Wells Fargo Bank 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 offering 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 — While Market Linked CDs provide for a return of the deposit amount at maturity, 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. 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 — Although Wells Fargo Advisors or its affiliates may purchase the Market Linked CDs from depositors 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 will develop. Therefore, depositors should be prepared to hold the Market Linked CDs until maturity. There is no right to early termination of a Market Linked CD prior to its scheduled maturity.

Market risk — Market Linked CDs provide principal protection only if held to maturity. 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 the 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 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 Wells Fargo Bank. Changes in the credit quality of Wells Fargo Bank could impact 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 Wells Fargo Bank. If Wells Fargo Bank exercises its call right, it will pay the call price on the call date. Wells Fargo Bank has no obligation to call a callable Market Linked CD and any decision to call a callable Market Linked CD will be made in its sole discretion when it is most advantageous for Wells Fargo Bank 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 active 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 with respect to the Market Linked CDs. Wells Fargo Bank is 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 its 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.

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 Wells Fargo Bank’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 of investing in Market Linked CDs

The issue price of your Market Linked CDs include the sales commission paid to your Financial Advisor in connection with the initial sale of the Market Linked CD, administrative and transaction costs, and the cost Wells Fargo Bank incurs to hedge the Market Linked CD.

Market Linked CDs may be hedged by Wells Fargo Bank or one or more of its affiliates. The cost of hedging includes the projected profit that Wells Fargo Bank or the hedging counterparty expects to realize in consideration for assuming the risks inherent in managing the hedging transactions. Since hedging entails risk and may be influenced by market forces beyond Wells Fargo Bank's or the hedging counterparty's control, it may result in a profit that is more or less than initially projected.

If you wish to sell your Market Linked CD prior to maturity, please be aware that any dealers, including affiliates of Wells Fargo Bank, willing to buy the Market Linked CDs from you will do so at a net cost, which includes their own spread, or profit, on the transaction.

How are your Financial Advisor and Wells Fargo Advisors compensated on Market Linked CDs?

For helping you invest in the most appropriate Market Linked CD, Wells Fargo Advisors and your Financial Advisor are compensated in ways that vary depending on the selected investment. Your Financial Advisor will receive compensation in the form of a commission from most transactions.

For most purchases, a Financial Advisor's compensation is based on the dollar amount purchased or sold. In certain fee-based accounts, a Financial Advisor's compensation is based on a percentage of assets in the account, rather than on the aforementioned commission. The compensation formula that determines the amount of payment to your Financial Advisor is generally the same for every Market Linked CD.

In the event that you want to sell your Market Linked CD prior to maturity, Wells Fargo Advisors may, in its discretion, purchase the Market Linked CD. The price you receive upon sale is determined solely by Wells Fargo Advisors. Wells Fargo Advisors is not in any way obligated to purchase the Market Linked CDs from you and does not intend to make a market in the Market Linked CDs. Customers purchasing Market Linked CDs should be prepared to hold them until maturity.

As previously mentioned, an affiliate of Wells Fargo Advisors may hedge Wells Fargo Bank's market exposure in connection with each Market Linked CD. Any such affiliate expects to earn a profit from its hedging activities. Customers will not participate in such profit.

Wells Fargo & Company is a full-service financial services firm with many affiliates. The Company encourages its subsidiaries to use the products and services offered by affiliated firms, when appropriate. Market Linked CDs issued by Wells Fargo Bank, N.A. are considered affiliate products of Wells Fargo Advisors. During the course of annual business planning, business with our affiliates is included in establishing our sales goals. We may recommend affiliated products and services to clients, and may hire other affiliates to provide trade execution, clearing, or platform administration services with respect to program services. We intend, however, to make all recommendations independent of any such goals and based solely on our obligations to consider the client's objectives and needs.

Additional information

To learn more about Market Linked CDs, ask your Financial Advisor or visit the following web sites:

Financial Industry Regulatory Authority (FINRA)
finra.org

U.S. Securities and Exchange Commission
sec.gov

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

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