

Wells Fargo Securities, LLC

Regulation Best Interest Disclosure (for Retail Customers Under 17 CFR 240.15l-1)

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Table of contents

Retail Brokerage Business and Regulation Best Interest	3
Brokerage Fees and Costs	5
Important Disclosures Related to Conflicts of Interest Associated with Recommendations	7
Additional resources	8

Retail Brokerage Business and Regulation Best Interest

Firm Description

Wells Fargo Securities, LLC (“WFS”) is registered with the U.S. Securities and Exchange Commission (“SEC”) as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”). WFS is not registered with the SEC as an investment adviser under the Investment Advisers Act of 1940. It is a non-bank affiliate of Wells Fargo & Company (“Wells Fargo”), a financial company founded in 1852 with its shares publicly traded on the New York Stock Exchange (NYSE: WFC). WFS does not provide investment advisory services, and any recommendations will be made in a broker-dealer capacity.

Regulation Best Interest imposes certain obligations on us when, in our capacity as a broker-dealer, we and our associated persons (each a “Representative” and collectively, the “Representatives”) make recommendations to retail customers about securities transactions or investment strategies involving securities. One of these obligations requires us to disclose important information about the scope and terms of our relationship with retail customers, including conflicts of interest associated with our recommendations.

WFS provides a limited number of brokerage services to retail customers through the WFS Markets Division and its Fixed Income Middle Market Sales, Special Equities, Equities, and Equity Capital Markets groups. From time to time, we may make a recommendation to you in connection with those services. Accordingly, you are receiving this document because you have been identified as a retail customer to whom Representatives in certain designated business units may recommend securities transactions or investment strategies involving securities, as described in more detail below.

This document should be read in conjunction with our Form CRS Relationship Summary, which has also been provided to you, and which is available at: <https://www.wellsfargo.com/com/securities/regulatory/>. The information contained in this document is also subject to the terms and conditions of our brokerage agreements, if any, with you. You should review those documents

carefully together with any additional agreements, documents, and other disclosures you receive from us, including prospectuses and other product disclosures, trade confirmations, and account statements.

We may amend this document from time to time, including as a result of business changes or events.

Please contact us promptly if you do not fully understand or have questions about the disclosures in this document – or other disclosure documents you receive from us – on the essential facts of our customer relationships and conflicts of interest we face. You may contact us at (800) 645-3751, Option 5 or wfscustomerservice@wellsfargo.com.

The terms “Customer,” “you,” and “your” are used throughout this document to refer to the person(s) who contract with us for the services described herein. “WFS,” “we,” “our,” and “us” refer to WFS with respect to any services provided by those agents. “Affiliate” means any entity that is controlled by, controls or is under common control with WFS. Each Affiliate is a separate legal entity, none of which is responsible for the obligations of the other.

Regulation Best Interest Overview

Under the SEC’s Regulation Best Interest (and certain state laws), WFS and our Representatives, including your financial advisor, are required to act in a retail customer’s “best interest” at the time they make a recommendation to that retail customer of any securities transaction or investment strategy involving securities (including account-type recommendations), without placing WFS’s financial or other interest ahead of the interest of the retail customer. The term “best interest” is not defined in Regulation Best Interest; rather the regulation codifies four elements necessary to satisfy the best interest standard under the rule, as follows: a duty of full and fair disclosure, duty of care, conflicts management, and a formalized compliance program. If these four elements are satisfied, the best interest standard of care is deemed to be met.

The requirement under Regulation Best Interest that we act in the best interest of the retail customer is limited to when we make a recommendation of a security or investment strategy involving securities to a retail customer. If WFS or its Representatives are not making

recommendations to you, Regulation Best Interest does not apply. Recommendations do not include, without limitation: a communication that conveys general financial and investment information; educational materials for retirement; and asset allocation modeling.

You should understand that, as a broker-dealer, we have conflicts of interest when we make a recommendation of a securities transaction or investment strategy involving securities, including that we may be compensated based on the sale of securities to you and recommend securities for which we act as underwriter, that we own in our inventory, that are sponsored or managed by our affiliates, and that may pay additional compensation to us.

Regulation Best Interest may apply when WFS makes a recommendation to a retail customer in an instance where the retail customer has entered into a brokerage agreement, or in instances where WFS makes a recommendation to the retail customer without the existence of a contractual arrangement between WFS and the retail customer. Notwithstanding the lack of a contractual relationship, any recommendation will be made in your best interest in light of the information provided by you to WFS at the time of the recommendation and consistent with Regulation Best Interest.

Types of Brokerage Services

As discussed above, recommendations that we make to retail customers are made through the WFS Markets Division and its Fixed Income Middle Market Sales, Special Equities, Equities, and Equity Capital Markets groups, as described below.

Fixed Income Middle Market Sales

Brokerage services provided by WFS through its Fixed Income Middle Markets Sales group to retail customers are described in the Customer Account Agreement (“CAA”) entered into between the retail customer and the WFS, including all attached terms, schedules, supplements, annexes, and exhibits. Please refer to your CAA for a detailed description of these services.

The Fixed Income Middle Markets Sales group recommends only the following fixed income products to retail customers consistent with the terms of the relevant CAA¹:

- U.S Treasury Securities
 - Government and agency securities, including treasury bills, notes, bonds, STRIPS and Treasury Inflation Protected Securities (TIPS), as well as discount note, bullet, and callable agency debt.
- Agency Securities
 - All major agencies including Fannie Mae (FNMA), Freddie Mac, (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB).
- Corporate Bonds
- Municipal Bonds
- Short Duration Fixed Income Mutual Funds
- Money Market Mutual Funds
 - Taxable and Tax-Exempt Products
- Brokered Certificates of Deposit

The list of products that WFS makes available to retail customers is more limited than the products available to WFS’s non-retail customers. Prior to making any product available to a retail customer, WFS will determine that such product may be in the best interests of some retail customers. In addition, WFS may offer different retail customers different levels of service, such as investment reports or analyses, the offering of educational opportunities, or varying access to our affiliates’ investment and other personnel to discuss current investment trends or themes. We make decisions about the level of service offered to any retail customer based on a review of their circumstances and needs and our business considerations, and consistent with the terms of the applicable CAA.

When making a brokerage recommendation, the Representatives in Fixed Income Middle Market Sales will consider the information in your investment profile which includes your age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information you share with us. WFS does not provide account monitoring services to its

¹ Fixed income products available to retail customers are offered in accordance with all our obligations under federal securities laws and applicable FINRA rules. This may mean that not all of these products are available to all customers. Please consult with your Representative for further information.

brokerage customers. It is your responsibility to notify us if any of the information in your investor profile changes. Your investor profile information provides us with a framework for evaluating which of the securities and investment strategies to recommend to you based on the risks, rewards, and costs of the security or investment strategy. While we consider reasonably available alternatives based upon your investment profile information where appropriate when making a recommendation to you, we do not evaluate every possible alternative available at our firm or in the marketplace. You make the ultimate decision whether to accept or reject our recommendations. Additionally, WFS will consider each recommendation in light of any series of recommendations made to the retail customer.

Equity Capital Markets - Equity Origination and Equity Syndicate

Equity Capital Markets includes the Equity Origination Desk and the Equity Syndicate Desk. In situations where WFS acts as an underwriter or placement agent for an issuer of securities, the Equity Origination and Equity Syndicate Desks may provide a recommendation to you with respect to, among other things, the structure, the proposed price, price range or other terms for the equity and equity-linked securities to be sold in public and private offerings. In certain of these transactions, we may assist you in opening an individual brokerage account at Wells Fargo Clearing Services, LLC, (“WFCS”) an Affiliate of WFS. WFCS uses the trade name “Wells Fargo Advisors.” Wells Fargo Advisors will forward to you all account statements and trade confirmations. In such circumstances, there will be no direct contractual relationship between WFS and the retail customer. Notwithstanding the lack of a contractual relationship, any recommendation will be made in your best interests in light of the information provided by you to WFS at the time.

Equity Capital Markets - Special Equities

Equity Capital Markets includes the Special Equities Desk. The Special Equities Desk may assist you in opening an individual brokerage account at Wells Fargo Advisors to facilitate a recommendation it has made to you in the purchase and sale of securities for issuer directed share purchase (“DSP”) plans in initial public offerings, follow-on offerings, tender offers and secondary market transactions. The Special Equities Desk also offers Rule 10b5-1 plans and may assist you in opening an individual

brokerage account at Wells Fargo Advisors so that you may purchase or sell securities under such plans. The Special Equities Desk may make a recommendation to you with respect to the general terms established for a particular 10b5-1 plan, but generally will not provide a recommendation to you with respect to a particular purchase or sale.

Understanding Risk

While we take reasonable care in developing and making recommendations to you, securities involve risk, and you may lose money. There is no guarantee that you will meet your investment goals, or that our recommended securities transaction or investment strategy will perform as anticipated. Please consult any available offering documents for any security we recommend for a discussion of risks associated with the product. We can provide those documents to you, or help you to find them.

You should also consider that some investments involve more risk than other investments. Higher-risk investments may have the potential for higher returns but also for significant losses. The lower your “risk tolerance,” meaning the amount of risk or loss you are willing and able to accept in order to achieve your investment goals, the more we encourage you to avoid higher-risk investments, as these investments pose the potential for significant losses.

Brokerage Fees and Costs

In a brokerage account, the fees that you pay and/or compensation that WFS will earn is based on the specific transaction and not the value of your account. The amount of the transaction charge for a particular transaction depends on the nature of the transaction, type of securities or product you buy or sell, how much you buy or sell, and other market factors.

You will pay fees and costs in connection with transactions whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. You may have the option to purchase investment products that we recommend through other broker-dealers, and it may cost you more or less to do so.

Fixed Income Middle Market Sales

We typically receive mark-ups/mark-downs on the purchase or sale of fixed income securities, Rule 12b-1 fees in connection with short duration fixed income and money market mutual funds, and placement fees from the sale of brokered certificates of deposit, and earn a spread on principal trades. A description of the fees and costs that we may receive as a result of a recommendation made to you are set forth below:

- **Mark-ups/Mark-downs:** A mark-up or a mark-down is a transaction-based fee that is charged for secondary market trades you decide to enter into based on our recommendation, such as the purchase or sale of securities. The amount of the mark-up or mark-down depends on numerous factors, including the underlying security, the size of the transaction, the value of your account, the frequency of your trading activity, and any available discounts or fee waivers.
- **Rule 12b-1 Fees:** 12b-1 fees, also known as “trails,” are paid by mutual fund companies and paid to us out of fund assets each year for marketing, distribution and shareholder servicing expenses, which may include compensating WFS Representatives. These payments are typically subject to a distribution and servicing arrangement or agreement between WFS and the applicable mutual fund company to cover distribution expenses and sometimes shareholder service expenses that we may provide on the fund’s behalf. These fees range up to 0.25%, but the majority of these fees are below 0.10%. These fees may be passed on to us and may in turn be passed on to our Representatives as a commission.

For unaffiliated money market mutual funds, the amount of these fees that WFS and/or its Affiliates receive may differ depending on the fund but will not exceed 0.10% calculated on an annual basis. Specific fee information is available upon request by contacting a Wells Fargo or WFS Representative.

For Wells Fargo Advantage money market mutual funds, fees payable to WFS or its Affiliates by the Wells Fargo Advantage Funds are described in the applicable Fund’s prospectus but will not exceed 0.25% calculated on an annual basis. Specific fee information is available upon request by contacting your WFS Representative.

All 12b-1 fees paid to Wells Fargo or WFS are a part of the fees already paid by the applicable funds’ shareholders as disclosed in the applicable prospectuses and do not represent an additional expense for investing in the funds.

- **Placement Fees:** When WFS arranges or recommends for a brokered Certificate of Deposit (“CD”) to be offered, we will receive a placement fee from the issuer in connection with your purchase of a CD. Except for the mark-up or mark-down discussed above in connection with secondary market transactions and a handling fee, if any, disclosed on your trade confirmation, you will not be charged any commissions in connection with your purchase of a CD.

In addition, for the services we provide or make available to you with respect to your brokerage account, we charge certain account maintenance and other administrative fees, including transfer, wire, or other miscellaneous fees, as described in the fee schedule provided to you on an annual basis.

For Fixed Income Middle Markets Sales, our Representatives are compensated in a variety of ways based on the percentage of revenue generated from sales of products and services to clients, including brokerage account activity. This compensation varies by the product or service associated with recommendations. In addition to upfront-transaction based compensation, some products feature on-going residual or “trail” payments. Representatives are incentivized to recommend products that have higher fees as well as those with on-going payments.

Typically, a Representative’s payout schedule (periodically adjusted by us at our discretion) varies depending on a number of factors including but not limited to product type, product complexity, issuer, credit quality, and duration to maturity.

Equity Capital Markets - Equity Origination and Equity Syndicate

The Equity Origination and Equity Syndicate Desks may occasionally interact with you in equity offerings in which you are participating as a buyer or as a seller based on a recommendation of WFS. In such offerings, when WFS acts as underwriter or initial purchaser, we typically receive compensation based on the difference between the price

paid by WFS for the securities and the price that the securities are offered to investors (the “gross spread”) or other compensation, which will be disclosed to you in the offering document for such transaction. In “bought” transactions, where we purchase the securities and then sell the securities over time at different prices, the compensation we receive is a function of market price and, as customary, our total compensation is not determined at the time we purchase the securities. For private placements, the Equity Origination and the Equity Syndicate Desks typically receive compensation based on a percentage of the proceeds paid to the issuer or other sellers from the sale of securities. When you accept a recommendation from us to participate in a private placement transaction as either buyer or seller, the specific compensation for the private placement transaction will be agreed in the private placement engagement letter between the issuer, any sellers and WFS.

Equity Capital Markets - Special Equities

When the Special Equities Desk opens accounts for retail customers to facilitate a recommendation it has made with respect to an offering of equity securities, we typically receive the gross spread. In the typical offering, the gross spread for a specific transaction will be disclosed to you in the offering document for such transaction.

In the case of transactions under Rule 10b5-1 plans or other secondary market transactions executed on the Special Equities Desk for retail customers, we typically receive commissions with respect to purchases or sales. The specific commission for a particular transaction is agreed by you in advance and documented in the associated 10b5-1 plan.

Important Disclosures Related to Conflicts of Interest Associated with Recommendations

Conflicts of interest exist when we provide recommendations to you. At WFS, our conflicts of interest are typically the result of compensation structures and other financial arrangements between us, our Representatives, our clients and third parties, as well as our and our Affiliates’ roles in the financial markets.

The range of products and services that we offer to retail customers depends on the WFS group that you engage with; therefore, the conflicts of interest may differ and may not apply in every client relationship or transaction. The compensation that we receive from you varies based upon the product or service you purchase, which creates a financial incentive to recommend investment products and services that generate greater compensation to us.

Below you will find additional information related to our conflicts of interest. These conflicts are not intended to be an all-inclusive list of our conflicts, but rather provides a description of our material conflicts of interest that are associated with recommendations to our retail customers. In addition to this disclosure, conflicts of interest are disclosed to you in your account agreement(s), prospectuses and other disclosure documents related to the specific investment products, our product guides and other information we make available to you.

- In your brokerage account you pay certain fees (commissions, sales charges, markups and markdowns) in connection with the buying and selling of each investment product. Where these fees apply, the more transactions you enter into or the larger those transactions are, the more compensation we receive. This compensation creates an incentive for us to recommend that you trade more frequently and make larger purchases. We also have an incentive to recommend that you purchase investment products that carry higher fees or provide higher compensation to us, instead of products that carry lower fees or no fees at all. For example, the payout schedule for money market funds consists of rates set by fund families for each of their money funds and certain money funds pay higher rates to WFS, who in turn pays higher rates to our Representatives in the form of higher commissions based on the family of fund they recommend. Accordingly, Representatives have an incentive to provide brokerage recommendations for certain money market fund families over others.
- When you buy or sell securities in a brokerage account, and in accordance with industry regulations, we may impose a mark-up (increase) or mark-down (decrease) on the price of a security when we execute the transaction on a principal basis. We are compensated based upon the difference between the price you pay for securities purchased from us and the price we pay to purchase the securities in our inventory account (i.e.

mark-up), or the price you receive for securities sold to us and the price we receive to sell the securities from our inventory account (i.e. mark-down).

- For the services we provide or make available to you with respect to your brokerage account, we charge certain account maintenance and other administrative fees, including transfer, wire, or other miscellaneous fees, as described in the fee schedule provided to you on an annual basis. The higher the fees we charge, the more we are compensated.
- Some product sponsors offer multiple structures of the same product (e.g., money market fund share classes) with each option having a unique expense structure, and some having lower costs to you as compared to others. We are incentivized to make available those share classes or other product structures that will generate the highest compensation to us. We do not offer all share classes. For example, we do not in every instance offer the cheapest share class available. Check with the product sponsor for details.
- Brokerage recommendations can include a recommendation to invest in a product or service that is managed, issued or sponsored by us or our Affiliates. We and our Affiliates will receive additional compensation or economic benefits from investments by you in such products, including, but not limited to, management credits, service fees and similar revenue sharing arrangements. The compensation related to these may be greater than similar products provided by third parties. Thus, we have an incentive to recommend investments in proprietary/affiliated products.
- The total amount of payments we receive from third parties varies from product to product, and varies with respect to the third-party investment products we recommend. It also varies from the compensation we receive in connection with other products and services we may make available to you. We have an incentive to recommend investment products and services that generate greater payments to us. This compensation generally represents an expense embedded in the investment products and services that is borne by investors, even where it is not paid by the product sponsor and not directly from the investment product or other fees you pay. We may also receive compensation from another party on the same transaction whose interests may be different from

yours and this may present a conflict of interest. For example, in an underwritten equity offering or an equity private placement where you may be selling securities, we may have been engaged by the company who has issued your securities to act as their underwriter or placement agent, as the case may be. We may offer advice to such a company and its management in connection with respect to, among other things, the structure, the proposed price, price range or other terms for such transactions and receive compensation from such company in connection with such advice. We are incentivized to provide advice that maximizes the amount of compensation paid to us.

- We and our Affiliates offer brokerage services to a wide variety of retail and institutional clients, including product sponsors and their products/investment vehicles. This presents a conflict of interest because, depending on the particular client account, we and our Representatives can earn more or less revenue from products and investment vehicles as a result of recommending that you maintain investments through such accounts.
- In an underwritten equity offering, we typically receive compensation based on the difference between the price paid by us for the securities and the price that the securities are offered to investors (“gross spread”). The lower the price we pay to you for your equity securities or the higher price we receive from you when we sell you equity securities, the more money we make.
- In an equity private placement, we typically receive compensation based on a percentage of the proceeds paid to the issuer or other sellers from the sale of securities. The more that buyers pay for the securities we place, and the larger the total transaction size, the more money we make.

Additional resources

You can obtain information about WFS and its personnel through FINRA’s BrokerCheck, which can be accessed via its Hotline Number at (800) 289-9999 or via the web at: <https://brokercheck.finra.org>. You may also review WFS’s Form CRS here:

<https://www.wellsfargo.com/com/securities/regulatory/>.