

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008015651901**

TO: Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

RE: Wells Fargo Investments, LLC, Respondent
CRD No. 10582

Pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure, Wells Fargo Investments, LLC (“Respondent,” “WFI,” or the “Firm”) submits this Letter of Acceptance, Waiver and Consent (“AWC”) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. WFI hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

In March 2011, WFI became Wells Fargo Advisors, LLC (“WFA”) as part of its merger with Wachovia Securities, LLC. WFA is a registered broker-dealer based in St. Louis, Missouri, and has been a FINRA member since 1987. The firm has 6,727 active branches and 27,379 registered personnel and provides a full range of brokerage services to its customers.

RELEVANT DISCIPLINARY HISTORY

On October 30, 2009, pursuant to Letter of Acceptance, Waiver and Consent No. 2005002244301, FINRA found that WFI violated NASD Rules 3010 and 2110 by failing to establish and maintain an adequate supervisory system, including written supervisory procedures (WSPs), to supervise its sales of variable annuities; ensure proper variable annuity training for brokers and principals; and adequately investigate patterns of potentially unsuitable variable annuity sales. WFI agreed to a censure and a \$275,000 fine. The firm also agreed to retain an

independent consultant to review the firm's policies, systems, and procedures relating to the supervision of its variable annuities sales, and to adopt and implement the independent consultant's recommendations.

OVERVIEW

Between January 2006 and July 2008, WFI, through its registered representative AC, effected hundreds of unsuitable reverse convertible transactions in the accounts of 21 customers. Reverse convertibles are complex structured products that combine a debt instrument and put option into one product, and during the review period, AC devoted an unsuitable portion of these clients' accounts, and total assets, to reverse convertibles. Most of these customers were elderly, with 15 over 80 years old, including four over 90 years old. As of May 2008, each of the 21 customer accounts held over 50% of investible assets in reverse convertibles.

AC's recommendations were unsuitable given the 21 customers' risk tolerance, investment objectives, and limited investment experience. WFI approved each of the transactions and failed to respond to red flags indicating that AC's sales practices were questionable and that the transactions were unsuitable.

WFI also recommended and sold Unit Investment Trusts ("UITs") to customers. As with other investments, such as mutual funds, UITs offer sales charge discounts on purchases that exceed certain thresholds ("breakpoints") or involve redemption or termination proceeds from another UIT during the initial offering period. Between January 2006 and July 2008, WFI failed to provide certain eligible customers with the "breakpoint" and "rollover and exchange" discount to which they were entitled, in violation of NASD Rule 2110.

WFI's reverse convertible and UIT violations reflected deficiencies in the firm's supervisory systems and procedures relating to those products. Between January 2006 and July 2009, WFI had insufficient systems and procedures in place for supervisors to effectively monitor customer accounts for potentially unsuitable sales and levels of concentration in reverse convertibles. WFI also failed to establish, maintain, and enforce a supervisory system and written supervisory procedures reasonably designed to identify and ensure that customers received sales charge discounts on eligible UIT purchases between April 2004 and December 2009. Based on these supervisory failures, WFI violated NASD Rules 3010 and 2110, and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. Background

Reverse Convertibles

Reverse convertibles are interest-bearing notes in which repayment of principal is linked to the performance of an underlying asset, often a stock, a basket of stocks, or an index. The

underlying asset is generally unrelated to the issuer of the note. At maturity, if the value of the underlying asset has fallen below a certain level, the investor may receive less than a full return of principal. The reduced principal repayment could be in the form of shares of the underlying asset put to the investor, similar to a put option. Reverse convertibles expose investors not only to the risks traditionally associated with fixed income products, such as issuer risk, but also to the risks traditionally associated with equity securities, including a decline in value in the underlying asset, which can lead to loss of principal. Reverse convertibles tend to have limited liquidity and complex pay-out structures that can make it difficult for registered representatives and their customers to assess their risks, costs, and potential benefits.

In September 2005 and in response to concerns that broker-dealers were not meeting their sales practice obligations when selling structured products, such as reverse convertibles, to retail customers, FINRA¹ issued Notice to Members 05-59. The Notice advised that some structured products present risks similar to that of options, and that firms should develop procedures to ensure that the structured products sold to investors matched those investors' appetite for risk. FINRA also reminded firms to perform a reasonable basis suitability determination on a structured product before recommending the product, as well as a customer-specific suitability determination. FINRA also instructed firms that they must train brokers and their supervisors about each type of structured product before the brokers sell the product to investors.

Unit Investment Trusts

A UIT is a type of Investment Company that issues securities, typically called "units," representing undivided interests in a portfolio of securities that typically remains fixed for the term of the UIT. UITs are generally issued by a sponsor that assembles the UIT's portfolio securities, deposits the securities in a trust, and sells units of the UIT in a public offering. UIT units are redeemable securities that are issued for a specific term, and entitle investors to receive their proportionate shares of the UIT's net assets on redemption or at termination.

A UIT sales charge is typically made up of a combination of (i) a fee which is calculated from the public offering price, often called the initial sales charge, and (ii) fees in fixed dollar amounts, which generally include a creation and development fee and a deferred sales charge. UIT sponsors typically set a maximum sales charge, expressed as a percentage of the public offering price, and comprised of the initial sales charge and the fixed dollar fees.

UIT sponsors offer investors a variety of ways to reduce the maximum sales fee charged on a purchase. The two most common sales charge reductions allow investors to reduce the sales fee by increasing the size of their UIT investments or through buying units of a trust using redemption or termination proceeds from another unit trust during the initial offering period.

These options are disclosed in prospectuses and are generally known, respectively, as "breakpoints," and "rollover and exchanges."

¹ As of July 30, 2007, NASD and New York Stock Exchange Regulation, Inc., consolidated their member regulation functions and began operating under a new corporate name, the Financial Industry Regulatory Authority ("FINRA"). References in this document to FINRA include, when appropriate, NASD.

UIT breakpoints generally function as a sliding reduction in the sales charge percentage available for purchases, typically beginning at \$25,000 or \$50,000 (or the corresponding number of units). Investors may aggregate same-day purchases from a sponsor in their own and related accounts to reach a breakpoint.

UIT rollover and exchange discounts are generally offered to investors who use the redemption or termination proceeds from one UIT to purchase another UIT, either from the same UIT series (a rollover) or a different UIT (an exchange). Generally, in order to receive the rollover or exchange discount, proceeds used to purchase the UIT must have come from a UIT transaction that occurred within the previous 30 days. In both rollovers and exchanges, the customer generally receives a discount of 1% of the public offering price.

Since customers can receive breakpoint or rollover discounts for purchases made in related accounts, it is important for firms to be able to “household” accounts – identify and combine purchases in accounts that are related to the customers.

On March 31, 2004, FINRA issued Notice to Members 04-26 titled, *Unit Investment Trust Sales*. The Notice reminded broker-dealers that they should develop and implement procedures to ensure customers receive appropriate sales charge discounts for UITs. It further stated that UIT transactions must take place:

on the most advantageous terms available to the customer. It is the responsibility of firms to take appropriate steps to ensure that they and their employees understand, inform customers about, and apply correctly any applicable price breaks available to customers in connection with UITs.

2. Wells Fargo Effected Unsuitable Reverse Convertible Transactions

WFI, through its former registered representative AC, recommended hundreds of unsuitable reverse convertible transactions between January 2006 and July 2008 to 21 customers, 15 of whom were over 80 years old, including four of whom were over 90 years old. The transactions exposed those customers to a risk of loss that was inconsistent with their investment profiles and resulted in overly concentrated positions. The customers did not have the appropriate investment experience or sophistication to render the reverse convertible transactions suitable. Many of these 21 customers had limited their prior investments to CDs or other conservative investments and did not have experience with individual equities or options.

Moreover, many of the customers had investment objectives of “Conservative Income” or “Preservation of Capital,” which were consistent with their prior purchases of conservative investments, but inconsistent with a purchase of reverse convertibles.

In many cases, AC recommended to these customers that they liquidate their account holdings and invest the proceeds entirely in reverse convertibles. When the value of the underlying assets, which were almost always equity securities, fell below the reverse convertible’s strike price, the customer would be put the underlying stock. In those cases, AC

typically sold the equity, usually at a loss, and used the proceeds to purchase additional reverse convertibles.

AC's sales of reverse convertibles represented the substantial majority of his customer accounts' securities transactions between 2007 and 2008. During that time, AC generated over \$1 million in commissions from reverse convertible sales alone, and at the end of 2007, over 75% of his total commissions were derived from reverse convertible sales. Firm-wide, he was the firm's second highest producer of reverse convertible revenue in 2007, and the highest producer of reverse convertible revenue in 2008. The remainder of his revenue in 2008 included commissions from equity transactions resulting from the reverse convertible stock puts.

The following three accounts are representative examples of unsuitable reverse convertible purchases in his 21 customers' accounts:

- BS

BS was an 88 year-old client with minimal prior investment experience. In early 2007, AC recommended to BS that she liquidate a fixed annuity that she owned, and use the proceeds to purchase reverse convertibles, and in June 2007, BS opened an account with AC that invested her entire \$175,000 fixed annuity proceeds into 12 reverse convertibles. Over the next 13 months, BS followed AC's recommendations and purchased a total of 46 reverse convertibles. AC made the recommendation despite BS's specific instruction that she did not want to invest in equity securities, one of the primary risks of reverse convertible investing. As a result of BS's concentrated reverse convertible holdings, BS's account regularly held equity securities positions that were put to her account when the value of the reverse convertible underlying stock fell below the required strike price at the issue's final valuation date. Throughout the relevant period, substantially all of BS's account value was invested in reverse convertibles or in individual equity stocks. The investments were inconsistent with her original risk tolerance of "low" and investment objective of "conservative income/preservation of capital." At the same time that AC began recommending reverse convertibles to BS, he changed her risk tolerance and investment objectives from a conservative profile to a profile consistent with a reverse convertible purchase.

- EM

In 2007, EM was an 86 year old client with no prior investment experience. In late 2006, EM's account holdings were invested entirely in CDs and money market funds. In February 2007, following AC's recommendation, EM began investing in reverse convertibles, and by June 2007, held substantially all of her investible assets in reverse convertibles. Between February 2007 and July 2008, EM purchased 55 reverse convertibles. In June 2008, when WFI's Compliance Department raised concerns with the concentration of reverse convertibles in AC's customer accounts, EM's account held over \$105,000 in 10 reverse convertible positions, which represented 80% of EM's account value. Substantially all of the remainder of the account was invested in equity securities that had been underlying reverse convertibles and were put to EM when the value of the securities fell below the reverse convertibles' strike prices. As with BS's

account described above, AC would routinely sell the equity securities that were put to EM's account and use the proceeds to purchase additional reverse convertibles. When AC began purchasing reverse convertibles in EM's account, he changed EM's account risk tolerance and investment objectives from a conservative profile to a profile that was consistent with a reverse convertible purchase. EM's concentrated holdings in reverse convertibles exposed EM to a risk of loss that exceeded the account's original risk tolerance of "low" and was inconsistent with the original investment objective of "Conservative Income/Preservation of Capital."

- CB

In 2007 CB, a retired interior designer was 70 years old. CB and her husband, a retired painter, had been AC's clients since 2001, and after her husband passed away in August 2007, CB continued to maintain her IRA account and retail account with AC. In May 2007, AC recommended that CB and her husband sell all of their securities held at WFI and use the proceeds to purchase reverse convertibles. When CB's husband passed away, AC recommended that CB use the proceeds of her husband's fixed annuity, which was held outside WFI, to purchase more reverse convertibles. By September 2007 and throughout the remainder of the relevant period, substantially all of CB's investible assets were concentrated in reverse convertibles or equities that had been underlying reverse convertibles and been put to CB. According to CB's new account form, she had an annual income of under \$49,999 and a liquid net worth between \$100,000 and \$499,999. By September 2007, CB, following AC's recommendation, invested all of her investible assets, totaling \$409,000, in reverse convertibles, and between May 2007 and July 2008, CB purchased 97 reverse convertibles. These purchases were inconsistent with CB's investment profile and risk tolerance.

Through this conduct, the firm violated NASD Rules 2310 and 2110.

3. WFI Failed to Supervise AC

During the relevant time period, WFI failed to reasonably supervise AC despite numerous reasons for concern about the suitability of his reverse convertible sales practices. At the end of 2006, AC received over 60% of his total commission from UIT sales. By the end of 2007, AC shifted his product focus from UITs to reverse convertible sales and at the end of 2007, over 75% of his total commissions were derived from reverse convertible sales. He was a firm-wide top producer of reverse convertible commissions from 2007 through mid-2008. During this time, there was no adequate investigation into whether there were any suitability concerns given the large volume of sales in one product, and the large number of elderly customers in AC's book of business. Instead, during this time, AC was promoted by Wells Fargo, and was held out by WFI supervisors as a successful example of how reverse convertibles should be integrated into the representatives' sales portfolios. From 2006 through July 2008, AC generated over \$1.2 million in commissions from the sale of reverse convertibles.

AC recommended the purchase of reverse convertibles to his customers, many of whom had no individual stock or option experience, and whose investment objectives and risk tolerances were inconsistent with purchasing reverse convertibles, as described in the examples

above. Despite AC's systematic sale of positions in his customers' accounts and use of funds to purchase large concentrations of reverse convertibles, each transaction was approved without adequate inquiry into the suitability of the purchases and concentrations for these customers.

AC facilitated his customer's reverse convertibles purchases in certain instances by changing his customers' investment objectives to Growth and Income from more conservative objectives at the same time or shortly after first purchasing reverse convertibles in their accounts. In so doing, he generated red flags by the large volume of investment objective changes he was processing over a several-month time period. Despite this clear pattern, there was insufficient investigation into whether such changes were appropriate or warranted or related to unsuitable transactions.

In June 2008, WFI compliance alerted AC's supervisor of excessive concentrations of reverse convertibles in his branch's accounts and instructed the supervisor to investigate the reasons and suitability of the holdings. At the time of the report, AC had 172 accounts that held reverse convertibles. The report showed that 148 of those accounts held concentrations of reverse convertibles greater than 50% of their total account holdings, and 46 had concentrations greater than 90%. In fact, many of the accounts held less than the entire balance of the account in reverse convertibles only because they held equity securities resulting from reverse convertible investments. The customers ranged in age from 27 to 95 with 18 customers over 80 years old. Despite these red flags, the firm, through its supervisors, failed to take sufficient steps to determine whether the transactions identified on the report were suitable for AC's customers.

Based on these failures, WFI violated NASD Rules 3010 and 2110.

4. WFI Failed to Provide UIT Sales Charge Discounts to Customers

Between January 2006 and July 2008, despite WFI's awareness of the requirement to provide customers UIT sales charge discounts, some WFI customers who qualified for breakpoint discounts received no discounts, and some customers who qualified for rollover or exchange discounts instead received the less advantageous breakpoint discounts or received no discount on UIT purchases. As a result of WFI's failure to apply correctly breakpoint, rollover and exchange discounts, affected customers paid additional and excessive sales charges.

By failing to apply breakpoint, rollover, and exchange sales charge discounts on all eligible UIT purchases as detailed above, WFI violated NASD Conduct Rule 2110.

5. WFI Failed to Establish Adequate Written Supervisory Procedures and an Effective Supervisory System for Sales of Reverse Convertibles

Between June 2006 and December 2009, WFI failed to establish an adequate supervisory system and written procedures specific to its reverse convertible sales business to ensure compliance with applicable securities laws and FINRA Rules. WFI failed to provide sufficient guidance to registered representatives or supervisors to determine whether reverse convertible recommendations were suitable for the firm's clients. WFI also failed to provide adequate reports and information about customers' concentrations in reverse convertible holdings that

would have assisted supervisors in determining whether recommendations to purchase reverse convertibles were suitable.

When first offering reverse convertibles, WFI implemented a requirement that registered representatives who sold reverse convertibles complete training in reverse convertibles, but the firm did not have an adequate system in place to ensure that the registered representatives complied with the requirement. During the relevant period, a substantial number of registered representatives placed reverse convertible trades prior to passing the reverse convertible training.

From June 2006 through December 2009, the Firm failed to establish an effective supervisory system and written supervisory procedures reasonably designed to ensure that reverse convertible sales were suitable. Based on these failures, WFI violated NASD Rules 3010 and 2110, and FINRA Rule 2010.

6. WFI's Failure to Establish Adequate Written Supervisory Procedures and an Effective Supervisory System for Sales of UITs

From January 2004 through December 2009, WFI failed to establish, maintain, and enforce an effective supervisory system and written supervisory procedures reasonably designed to ensure that discounts were correctly applied on eligible UIT purchases.

Until July 2008, the Firm relied primarily on its brokers to ensure that customers received appropriate UIT sales charge discounts, but the Firm failed to appropriately inform and train brokers and their supervisors about such discounts. Registered representatives had the responsibility to ensure clients received breakpoints, and the Firm's trading desk manually reviewed UIT transactions if phoned to the desk. The firm had inadequate written procedures for supervisors concerning UIT sales charge discounts, and no automated system to review for breakpoint or rollover discounts until mid 2008. WFI's procedures lacked substantive guidelines, instructions, policies, or steps for registered representatives or supervisors to follow to determine if a customer's UIT purchase qualified for, and received, sales charge discounts.

In July 2008, the Firm implemented an automated supervisory review system for UITs and revised the firm's written supervisory procedures relating to UITs in order place greater requirements on the awarding of appropriate sales discounts. However, the firm failed to implement an effective system to ensure that customer accounts of the same household would receive UIT discounts for which they were entitled. Based on these failures, WFI violated NASD Rules 3010 and 2110, and FINRA Rule 2010.

B. The firm also consents to the imposition of the following sanctions:

1. Censure
2. A fine of \$2,000,000

WFI further agrees to the following undertakings:

3. *UIT Sales Charge Discounts*: In connection with the following undertaking, WFI

will provide remediation to customers who, from January 1, 2006 through June 30, 2008, purchased UITs and qualified for but did not receive the applicable breakpoint, rollover or exchange discount.

- a. Within 30 days of the Effective Date of the AWC, WFI will submit to FINRA a proposed plan of how it will identify and compensate customers who qualified for, but did not receive, the applicable UIT breakpoint, rollover or exchange discounts. At a minimum, the plan must include the following provisions:
 - i. WFI will review all customer UIT purchases effected from January 1, 2006 to June 30, 2008, regardless of dollar amount, to determine if a customer qualified for a rollover, exchange, or breakpoint discount.
 - ii. When determining a customer's eligibility for a rollover or exchange discount, WFI must review for UIT redemptions and terminations by a customer within 30 days of a UIT purchase.
 - iii. When determining which accounts to aggregate to determine a customer's eligibility for a rollover, exchange, or breakpoint discount, WFI must conduct its review of eligible accounts to conform with the terms of the relevant UIT prospectuses.
 - iv. For each customer who was overcharged on a UIT purchase, WFI will determine the excess sale charge paid by the customers and calculate monies owed, plus interest from the date of the purchases until the date this AWC is accepted by the NAC, at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code (26 U.S.C. § 6621(a)(2)).
- b. FINRA will review the plan submitted by WFI. If FINRA determines that the plan reasonably complies with the specific requirements set forth in this AWC, and is in keeping with the general purpose of the undertaking, FINRA will not object to the plan. The date that FINRA notifies WFI that it does not object to the plan shall be called the Notice Date.
- c. In the event FINRA does object to the plan, the firm will have an opportunity to address FINRA's objections and resubmit the plan within 30 days. FINRA will discuss its objections with WFI. However, a failure to resubmit to FINRA a plan that is reasonably designed to meet the specific requirements and general purpose of the undertaking will be a violation of the terms of this AWC.
- d. Within 150 days from the Notice Date, WFI will submit to FINRA a schedule of all customers identified during WFI's review as having not received an appropriate rollover, exchange, or breakpoint discount. The schedule shall include details of the qualifying purchases and the appropriate discount and total dollar amounts of restitution provided to each customer.
- e. WFI shall complete the remediation process within 180 days from the Notice Date.

- f. Within 200 days from the Notice Date, WFI will submit to FINRA a report that explains the results of the WFI's implementation of its plan to identify and compensate qualifying customers, including the amounts and manner of all restitution paid.
4. *Reverse Convertibles*: WFI will provide remediation to affected customers who, from January 1, 2006 through June 30, 2008 (the "remediation period"), purchased reverse convertibles in transactions that are deemed unsuitable based on the process described in this section. The firm will submit to FINRA a plan to review all reverse convertible transactions during the remediation period based on specific criteria not unacceptable to FINRA staff, to determine whether the transactions were unsuitable for each customer.
 - a. Within 60 days of the date this AWC is accepted, the Firm shall provide, in writing, the factors and methodology it intends to use to identify customers who may have made unsuitable reverse convertible purchases. In the event FINRA does object to the plan, the firm will have an opportunity to address FINRA's objections and resubmit the plan within 30 days. FINRA will discuss its objections with WFI. A failure to resubmit to FINRA a plan that is reasonably designed to meet the specific requirements and general purpose of the undertaking will be a violation of the terms of this AWC.
 - b. Within 120 days from the Notice Date, WFI will submit to FINRA a schedule of all customers identified during WFI's review as eligible for remediation. The schedule shall include details of the qualifying purchases and total dollar amounts of restitution provided to each customer. Each such customer will receive restitution plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the unsuitable purchase, until the date this AWC is accepted by the NAC.
 - c. WFI shall complete the remediation process within 150 days from the Notice Date.
 - d. Within 180 days from the Notice Date, WFI will submit to FINRA a report that explains the results of the WFI's implementation of its plan to identify and compensate qualifying customers, including the amounts and manner of all restitution paid.

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. The firm has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

WFI specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

A registered principal on behalf of Respondent firm shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to James E. Day, Chief Counsel, 1801 K St. NW, Washington DC 20006 either by letter that identifies Wells Fargo Investments, LLC, Matter No. 2008015651901 or by e-mail from a work-related account of the registered principal of Respondent firm to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 120 days after acceptance of the AWC.

If for any reason Respondent cannot locate any customer who is found to be eligible for restitution after reasonable and documented efforts within 120 days from the date the AWC is accepted, or such additional period agreed to by a FINRA staff member in writing, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. Respondent shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of forwarding the undistributed restitution and interest to the appropriate state authority.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

WFI specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of

Appeals.

Further, WFI specifically and voluntarily waives any right to claim bias or prejudice of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

WFI further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

WFI understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 1. this AWC will become part of WFI's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. WFI may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC

is without factual basis. WFI may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. WFI may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that WFI has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

9/29/2011
Date (mm/dd/yyyy)

Respondent

Wells Fargo Investments, LLC

By: Lisa Anne Amador
Lisa Anne Amador

Reviewed by:

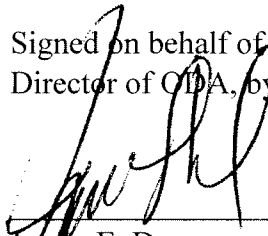


Nader H. Salehi
Counsel for Respondent
Bingham McCutchen LLP
399 Park Ave
New York, NY 10022-4689
202-715-7230

Accepted by FINRA:

12/15/11
Date

Signed on behalf of the
Director of ODA, by delegated authority



James E. Day
Assoc. Vice President and Chief Counsel
FINRA Department of Enforcement
1801 K St., N.W.
Washington, DC 20006
202-974-2917