



City of Villa Park
17855 Santiago Boulevard
Villa Park, California 92861
(714) 998-1500

INVESTMENT ADVISORY COMMITTEE

October 22, 2014

7:40 a.m.

The Investment Advisory Committee of the City of Villa Park welcomes you to this meeting. We encourage your participation. This agenda contains a brief description of each item to be considered.

If you wish to speak on an item contained on the agenda, please approach the podium at the time the item is being considered. Upon recognition by the Chair, state your name and address for the record prior to providing your comments. Speakers will be limited to a time period set by the presiding officer.

All supporting information is available for public review in the City Hall offices.

Please Note: In compliance with the Americans with Disabilities Act, the City of Villa Park will make every reasonable attempt to accommodate attendees or participants at this meeting who need special assistance beyond what is normally provided. Please contact the City Hall at (714) 998-1500 at least 48 hours prior to this meeting to inform us of particular needs and to determine if accommodation is feasible. Please advise us at the time of your call if special assistance is required to attend or participate in meetings on a regular basis.

ORDER OF BUSINESS

1. CALL TO ORDER
2. ROLL CALL
 - William Nelson, Chair, Investment Advisory Committee
 - William Underwood, Vice-Chair
 - Dan Carlberg, Member
 - James Rheins, Member
 - Steven Pollack, Member
 - Rick Barnett, Mayor, Chair, City Council Finance Committee
 - Brad Reese, Councilmember, City Council Finance Committee
 - Dennis Kuli, City Treasurer
3. PLEDGE OF ALLEGIANCE
4. PUBLIC COMMENT
5. DISCUSSION ITEMS
 - a) Review of August Special Minutes.
 - b) Review and discuss current investment activities.
 - c) Finance Director to provide an update on Market Linked CDs.
 - d) Review and sign IAC policy.
6. ADJOURNMENT
 - Next regular meeting date is January 22, 2015 at 7:40 AM.



INVESTMENT ADVISORY COMMITTEE

Summary Minutes

August 13, 2014

1. CALL TO ORDER

The meeting was called to order at 7:35 a.m. by Chair Nelson.

2. ROLL CALL

The following members and attendees were present:

Brad Reese, Councilmember, City Council Finance Committee
Bill Nelson, Chair, Investment Advisory Committee
Bill Underwood, Vice-Chair, Resident Member
Dan Carlberg, Resident Member
James Rheins, Resident Member
Steven Pollack, Resident Member
Michelle Danaher, Finance Director
Dennis Kuli, City Treasurer

The following members and attendees were absent:

Rick Barnett, Councilmember, Chair, City Council Finance Committee

3. PLEDGE OF ALLEGIANCE

4. PUBLIC COMMENT

None

5. DISCUSSION ITEMS

a. Review of July Regular Minutes.

- Resident Member Pollack moved approval, seconded by Resident Member Carlberg. Motion carried.

b. Discuss and Revise Investment Policy

- At the July 22, 2014 City Council meeting, staff was directed to meet with the Investment Advisory Committee (IAC) and discuss the following potential revisions:
 - 1) Under section 8.0 (page 5), the reference to residency of the IAC members:

- QUESTION:

This question was brought up by Councilwoman Fascenelli as she recently became aware that there was an IAC member that does not reside in the City of Villa Park. Councilwoman Fascenelli did not feel that the Policy clearly stated if it was a requirement or not. The concern of a "non-resident

member" is that they may not have vested interest in the City's financial well being.

- **RECOMMENDATION:**

The IAC discussed the pros and cons about a resident versus a non-resident member and how it would affect the IAC's recommendations to the City Council. The IAC unanimously agreed that residency does not equate to a concerned interest in the financial stability of the City. The IAC currently has five members (and two Council members) that have used their expertise to make both prudent and beneficial impacting recommendations to City Council that has extremely enhanced the financial stability of the City. Each member is appointed by **City Council** for a two-year term. If City Council believed that an IAC member was not recommending sound financial advice, City Council has the authority to not reappoint that individual or deny the IAC's investment recommendation. Resident Member Carlberg moved approval, seconded by Resident Member Rheins. Resident Member Pollack abstained, motioned carried.

2) Under section 11 (pages 8 and 16), the reference to "bonds issued by the city":

- **QUESTION:**

This question was brought up by Councilwoman Pauly, because the current wording in the Investment Policy allows the opportunity for the City to pursue any sort of bonded indebtedness as a viable alternative for raising capital in the City of Villa Park. Councilwoman Pauly believes this wording directly conflicts with the City's stated Debt Policy in the Adopted Budget (page 22) that states that the City embraces a "pay-as-you-go" approach.

- **RECOMMENDATION:**

The IAC had a lengthy discussion about the prudence of removing this "allowable" investment option. The IAC concluded that this instrument should remain in the document as an allowable investment (similar to a reverse repurchase agreement) even though it is not an investment the City is currently investing in. Alternatively, the IAC recommends that in the table provided on page 8 of the Policy of the permitted investments, to change the allowable percentage of the bonds to 0% in the column delineated "Villa Park % Funds Authorized". This retains the viable investment opportunity and gives all future City Councils the authority to change investment percentages, and to investment differently if the City's economic status change, when they annually review the Investment Policy. Vice-Chair Underwood moved approval, seconded by City Council Member Reese. Resident Member Carlberg – Nay as he believes it should be left in at 20%. Motion carried.

Upon a secondary review of the entire document, the following are the IAC's additional recommended changes to the Investment Policy:

- Cover page, replace adoption date with "August 26".
- Page 2 of 28, paragraph 3.1; add government code section "6509.7".
- Page 3 of 28, paragraph 4.3, revise last sentence to read "...and related employees, and the members of the Investment Advisory Committee...".

- Page 4 of 28, paragraph 7.3, revise the first sentence to read "...Director, City Treasurer, City Manager and City Council;...".
 - Page 5 of 28, paragraph 8.0, the first sentence add bold and italics to "...**Council-appointed**...".
 - Page 6 of 28, paragraph 10.3 (B), add a "." at the end of the sentence.
 - Page 7 of 28, paragraph 10.6, replace the words "Appendix B" with "Attachment A" and replace "Appendix C" with "Attachment B".
 - Page 8 of 28, in the table 11.2, under the "Villa Park % Funds Authorized" column, replace "20% and 5% of a single issuer" with "0%".
 - Page 13 of 28, paragraph 11.15.1, replace "80%" with "35%".
 - Page 13 of 28, move paragraph 11.15.2 right after subsection 11.15.1.1 (a), and renumber subsets "(b-h)" to "(a-g)".
 - Page 16 of 28, paragraph 17.0, add "Finance Director" and "(IAC)" to first sentence. Revise second sentence to read, "The IAC will then recommend the policy to the City Council who...". Lastly revise the final sentence to include, "...Finance Director...".
 - Page 16 of 28, paragraph 18.0, second paragraph, third sentence, replace "No in certain..." to "Certain...".
 - Page 17 of 28, paragraph 18.0, section 2, replace the wording on the first sentence from "...Manager and the Assistant City Manager..." to "...Manager, or designee".
 - Page 17 of 28, change adoption date to August 26, 2014.
 - Page 17 of 28, eliminate "Resident" after each member's signature name, so it will read "Member" only.
- Vice-Chair Underwood moved approval, seconded by Resident Member Rheins. Motion carried.

c. Discuss and Direct Formalizing IAC policy and procedures.

- Finance Director Danaher was directed to bring back to the October 22, 2014 meeting an IAC policy that clearly states the roles and responsibilities of the IAC members and the makeup of the IAC.

6. ADJOURNMENT

The meeting was adjourned at 8:23 am. The next regular meeting of the IAC will be held on Wednesday, October 22, 2014, at 7:30 a.m.

**Monthly Cash Analysis
As of 8/31/14**

Month	Fiscal Year												10 Year Cash Average
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15			
July	1,834,829.33	1,629,419.01	2,330,513.12	2,325,293.53	3,029,682.15	2,006,211.19	1,933,776.44	2,588,568.48	3,557,808.01	3,367,987.84	2,460,408.97		
August	1,661,497.43	1,688,323.60	2,006,854.03	2,137,123.97	2,810,920.66	1,888,897.72	1,618,443.56	2,323,671.37	3,293,502.96	3,229,762.63	2,265,899.79		
September	1,524,362.96	1,552,077.91	2,112,212.18	2,069,801.14	2,483,578.08	1,785,904.42	1,313,022.91	2,222,111.12	3,210,626.08		2,030,410.76		
October	1,425,308.42	1,553,442.48	1,860,605.69	1,881,990.85	2,237,848.70	1,985,405.16	1,185,310.29	2,136,980.26	2,923,692.83		1,910,064.96		
November	1,352,085.37	1,667,959.78	1,781,284.82	1,904,807.90	2,253,193.98	1,868,025.15	1,101,568.31	2,472,712.20	2,931,866.45		1,925,944.88		
December	1,526,656.42	2,082,728.18	2,410,563.28	2,547,409.95	2,758,043.85	2,487,206.79	1,894,916.49	3,086,150.28	3,722,548.41		2,501,802.63		
January	1,773,732.82	2,499,839.82	2,613,254.94	2,875,714.27	2,923,242.01	2,890,699.40	2,516,180.19	3,262,010.64	3,923,459.95		2,809,681.56		
February	1,553,595.44	2,474,449.42	2,231,402.31	2,435,405.46	2,681,111.97	2,784,580.53	2,410,102.49	3,168,162.41	2,869,885.93		2,512,077.33		
March	1,413,897.33	1,979,322.37	2,318,919.12	2,322,817.69	2,567,271.14	2,357,432.87	2,310,234.28	3,159,503.30	2,914,380.73		2,371,530.98		
April	1,630,189.95	2,509,767.67	2,863,404.74	2,968,242.86	3,150,989.50	2,857,509.34	2,846,132.94	3,811,275.50	3,513,289.54		2,905,644.67		
May	1,922,273.76	2,641,566.75	2,959,817.97	2,879,334.88	2,897,592.84	2,919,015.94	2,999,588.08	3,989,842.47	3,668,536.65		2,986,396.59		
June	1,760,053.86	2,434,198.80	2,636,786.88	2,800,449.29	2,599,847.08	2,228,838.30	3,118,081.63	3,748,863.45	3,485,634.26		2,756,372.62		
Annual Average	1,614,873.64	2,059,424.65	2,343,801.59	2,429,032.65	2,699,443.50	2,338,310.57	2,103,946.47	2,997,487.62	3,334,602.65	3,298,875.24	2,719,170.03		
Less Laddered CDs					(500,000.00)	(500,000.00)	(500,000.00)	(599,999.00)	(500,002.50)	(600,002.50)	(640,000.80)		
Less Laddered Agencies						(498,625.55)	(301,652.13)	(200,072.50)	(400,084.50)	(400,078.50)	(450,128.30)		
Less Laddered MTN								(199,081.07)	(197,837.93)	(299,607.93)	(348,263.47)		
Annual Liquid Average	1,614,873.64	2,059,424.65	2,343,801.59	2,429,032.65	2,449,443.50	1,838,310.57	1,603,946.47	1,998,335.05	2,236,677.72	1,999,186.31	1,280,777.47		
	Represents the lowest cash balance of the fiscal year.												

CITY OF VILLA PARK
 TREASURER'S REPORT OF CASH ON DEPOSIT AND INVESTED
 31-Jul-14

	Purchase Date	Maturity Date	Callable Date	Guaranteed Rate	Market Value	Estimated Annual Yield to Maturity	Book Value	Par Value	Balance Amount	% of Total Investment
Cash on Deposit										
F&M Checking Account				0.01%	***				\$ 77,545.44	2%
F&M Parking Citation Account				0.10%	***				1,593.00	0%
F&M Money Market Account									29,786.00	1%
Petty Cash									400.00	0%
WF Cash Bank Deposit Sweep									-	0%
Investments										
State-Local Agency Investment Fund**				0.23%	**	893,831.81 +			893,564.86	1 28%
Orange County Investment Pool				0.34%	***	926,442.65 +			927,184.40	2 29%
Government Bonds:										
Federal Natl Mtg Assn Notes	7/26/2012	7/26/2017	7/26/2013	1.15%	^	99,975.00	100,067.50	100,000.00	100,086.81	#5 3%
Federal Home Ln Bank	11/9/2012	11/9/2017	5/9/2013	1.00%	^	99,134.00	100,005.00	100,000.00	99,445.11	#6 3%
Federal Farm Credit Bank	11/18/2013	11/15/2018	11/15/2014	1.70%	^	99,980.00	100,006.00	100,000.00	100,527.78	#6 3%
Federal Home Ln Mtg Corp Notes	8/20/2014	8/20/2019	11/20/2014	2.00%	^	99,997.00	100,000.00	100,000.00	100,068.11	#6 3%
<i>Subtotal of Government Bonds</i>						399,086.00	400,078.50	400,000.00		5 12%
Medium Term Notes:										
Barclays bank PLC	1/23/2013	6/24/2016		1.20%	^,7	94,518.97	99,883.87	91,000.00	95,217.59	#4 3%
Goldman Sachs Grp Inc	7/17/2013	1/22/2018		2.38%	^,7	99,588.58	97,954.06	98,000.00	99,840.73	#4 3%
JP Morgan Chase & Co	7/24/2014	1/28/2019		2.35%	^,7	100,921.00	101,770.00	100,000.00	101,136.42	#4 3%
<i>Subtotal of Medium Term Notes</i>						295,028.55	299,607.93	289,000.00		3 9%
Certificates of Deposits:										
American Express Centurion Bank	2/3/2010	2/3/2015		2.80%	^	100,781.00	100,000.00	100,000.00	101,003.47	#4 3%
State Bank India	8/12/2011	8/12/2016		2.00%	^	101,173.00	100,000.00	100,000.00	101,282.59	#4 3%
Goldman Sachs Bk USA CD	8/8/2012	8/8/2017		1.80%	^	99,601.00	100,000.00	100,000.00	99,719.36	#4 3%
Barclays bank CD	7/23/2014	7/23/2019		2.10%	^	99,114.00	100,000.00	100,000.00	99,344.13	#4 3%
GE Cap Retail Bk Draper Utah	2/14/2014	2/14/2019		1.95%	"	100,461.00	100,003.50	100,000.00	100,557.16	#4 3%
Union Bank	7/18/2012	7/18/2017		1.39%	"	99,487.33	99,999.00	99,999.00	99,664.94	#4 3%
<i>Subtotal of Certificates of Deposits</i>						600,617.33	600,002.50	599,999.00		3 19%
									\$ 3,227,957.90	100%

TOTAL CASH ON DEPOSIT & INVESTED

- ** Prior Months Annualized Interest Rate
- *** Monthly Annualized Interest Rate
- + Market Value as of June 2014.
- ^ Investments were purchased through our authorized broker dealer, Wells Fargo Advisors, LLC.
- # Investments were purchased through Union Bank.
- 1 Not to exceed 80% of total investments
- 2 Not to exceed 33% of total investments
- 3 Not to exceed 30% of total investments at time of purchase.
- 4 Not to exceed 5% of a single issuer at the time of purchase.
- 5 Not to exceed 100% of total investments at time of purchase.
- 6 Not to exceed 40% of a single issuer at the time of purchase.
- 7 Investments were rated A or above at the time of purchase.

I hereby certify that this report accurately reflects all the City of Villa Park investments and complies with the investment policy of the City of Villa Park as approved by the City Council. I hereby certify that sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months.

City Treasurer

U.Michelle/Treasurer's Report/Treasurers Report 2015.xls/July 14

Date Submitted to City Council
 \$ 3,229,762.63

CITY OF VILLA PARK
 TREASURER'S REPORT OF CASH ON DEPOSIT AND INVESTED
 31-Aug-14

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TOTAL CASH ON DEPOSIT & INVESTED									\$ 3,227,957.90	100%

TOTAL CASH ON DEPOSIT & INVESTED

- ** Prior Months Annualized Interest Rate
- *** Monthly Annualized Interest Rate
- + Market Value as of June 2014.
- ^ Investments were purchased through our authorized broker dealer, Wells Fargo Advisors, LLC.
- " Investments were purchased through Union Bank.
- # Market value plus accrued interest at the end of the month.
- 1 Not to exceed 80% of total investments
- 2 Not to exceed 33% of total investments
- 3 Not to exceed 30% of total investments at time of purchase.
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I hereby certify that this report accurately reflects all the City of Villa Park investments and complies with the investment policy of the City of Villa Park as approved by the City Council. I hereby certify that sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months.

Michelle Danaher

From: sandra.wheeler@wellsfargoadvisors.com
Sent: Tuesday, July 22, 2014 12:42 PM
To: Michelle Danaher
Subject: RE: Question
Attachments: MLCD Brochure.pdf

Hi Michelle,

I have attached a brochure on market linked CDs. On page one, third paragraph, explains the risks and should answer your question as to it not being an allowable investment per your IP. We do have some market linked CDs in inventory, **however minimum maturities start at 6.5 years.** Hope this helps!

Click on my business card and its tabs to learn more.

Schedule a Consultation	Are You on Track?	Investment Tools & Insights
		
Sandra Wheeler Associate Vice President - Investment Officer		
	Wells Fargo Advisors, LLC 1160 Marsh Street, Suite 200 San Luis Obispo, CA 93401 Tel 805-783-7942 Toll Free 855-999-7942 Fax 805-546-8998	
sandra.wheeler@wfadvisors.com home.wellsfargoadvisors.com/sandra.wheeler		

Click to Add My Info to your Contacts

Sandra Wheeler
Associate Vice President - Investment Officer
CA Insurance Lic. #806589

Wells Fargo Advisors, LLC | 1160 Marsh Street, Suite 200 | San Luis Obispo, CA 93401
Tel 805-783-7942 | Toll-free 855-999-7942 | Fax 805-546-8998

sandra.wheeler@wfadvisors.com | <http://home.wellsfargoadvisors.com/sandra.wheeler>

From: Michelle Danaher [mailto:mdanaher@villapark.org]
Sent: Tuesday, July 22, 2014 12:09 PM
To: Wheeler, Sandra
Subject: Question
Importance: High

We have the question again...market linked CDs...do you have any 5 year ones? Do you think it is allowable under our investment policy? Our investment policy states "...In addition, the City shall not invest any funds in any security that could result in zero interest accrual if held to maturity."

What are your thoughts?

Michelle Danaher
Finance Director, City of Villa Park
17855 Santiago Blvd.

Market Linked Certificates of Deposit



This material was prepared by Wells Fargo Securities, LLC, a registered broker-dealer and separate non-bank affiliate of Wells Fargo & Company. This material is not a product of Wells Fargo & Company research departments. Please see the relevant offering materials for complete product descriptions, including related risk and tax disclosure.

Together we'll go far



Market Linked Certificates of Deposit (CDs) have complex features and are not suitable for all investors. Before deciding to make an investment, you should read and understand the applicable Preliminary Terms Supplement and Disclosure Statement provided by the applicable issuer.

Innovative ways to pursue your investment strategy

Market Linked CDs can provide a creative solution for investors looking to gain access to an underlying market measure while reducing their downside exposure to the market measure when held to maturity.

Investors are challenged to find the optimal balance between risk and reward in their portfolios. One way to potentially achieve growth while also reducing market risk is to invest in a Market Linked CD. Investing in Market Linked CDs can be an effective strategy to participate in a portion of the appreciation of an underlying market measure while limiting downside exposure to the market measure when held to maturity.

Before making an investment decision, please work with your financial advisor to determine which investment products may be appropriate given your financial situation, investment goals, and risk profile. If you and your financial advisor determine that a Market Linked CD investment may be suitable for your portfolio, this brochure will help you better understand the potential benefits, risks, considerations, and features associated with these products.

There is no guarantee that any risk reduction strategy you seek to implement through a Market Linked CD will be successful. Market Linked CDs provide for the return of the original deposit amount only at maturity; any sale prior to maturity may result in sale proceeds that are less than the original deposit amount. Furthermore, any investment in a Market Linked CD that exceeds applicable Federal Deposit Insurance Corporation (FDIC) insurance limits is subject to the credit risk of the applicable issuer. As a result, if the issuer defaults on its payment obligations, you could lose any portion of your investment that exceeds applicable FDIC insurance limits, up to your entire investment in a Market Linked CD. You will have no ability to pursue the underlying market measure or any assets included in the underlying market measure for payment. You should read the applicable Preliminary Terms Supplement and Disclosure Statement for more information about FDIC insurance and its limits.



What are Market Linked Certificates of Deposit?

If held to maturity, Market Linked CDs provide for the return of your original deposit amount while also offering the potential for appreciation based on the performance of a specified market measure.

Wells Fargo Securities partners with Wells Fargo Bank and other FDIC-insured institutions (the Issuer) to issue Market Linked CDs. Unlike traditional CDs, Market Linked CDs typically offer no fixed coupon and instead provide an interest payment at maturity based on the performance of an underlying market measure. Market measures may include, but are not limited to, equity indices such as the Standard & Poor's (S&P) 500[®] Index or Russell 2000[®] Index, a basket of stocks or stock indices, a basket of commodities or commodity indices, a basket of currencies, or an inflation benchmark such as the Consumer Price Index (CPI).

Characteristics

- **Maturity.** Typically between two and 10 years.
- **Market measure.** Linked to the performance of domestic or international equities, currencies, commodities, or a combination of one or more asset classes.
- **Minimum investment.** Available in increments of \$1,000, typically with a \$1,000 minimum investment.

Advantages

Some of the potential advantages of investing in a Market Linked CD include:

- **Market risk reduction as compared to a direct investment in the underlying market measure.** Repayment of the original deposit amount, if held to maturity, subject to the ability of the Issuer to make payments when due. FDIC insurance applies up to applicable limits.
- **Convenience.** A single strategy designed to help protect against market risk losses if held to maturity, subject to the ability of the Issuer to make payments when due, while offering the opportunity to participate in a portion of the upside performance of an underlying market measure.
- **Return diversification.** Interest exposure to a variety of markets, including domestic and international equities, commodities, and currencies; however, Market Linked CDs are not equivalent to investing directly in those asset classes, and exposure to a variety of asset classes does not guarantee a gain or the prevention of a loss in declining markets.
- **Accessibility.** Participation in investment opportunities that may otherwise be difficult to replicate as an individual investor.

General risks and investment considerations

Market Linked CDs have complex features and are not suitable for all investors. They involve a variety of risks, may have a variety of different payout structures, and may be linked to a variety of different underlying market measures. Each structure and each underlying market measure will have its own unique set of risks and investment considerations. Before you invest in any Market Linked CD, you should thoroughly review the relevant Preliminary Terms Supplement and Disclosure Statement for a comprehensive discussion of the risks associated with the investment. The following are general risks and investment considerations applicable to Market Linked CDs:

- **Performance risk and opportunity costs.** Because many Market Linked CDs offer a below-market minimum return or no minimum return at all, the yield that you will receive on your Market Linked CD may be less than the return that you could earn on other investments, including a conventional interest-bearing deposit with the same maturity date of the applicable issuer or another issuer with a similar credit rating, and could be zero.
- **Limited upside.** The interest payment(s) on Market Linked CDs may be calculated in a way that results in a lower return on the Market Linked CDs than the return that could have been achieved on a direct investment, if available, in the market measure. It is not possible to invest directly in an index. You should carefully review the applicable Preliminary Terms Supplement to understand the way in which the return on the Market Linked CDs will be calculated.
- **Liquidity risk.** Market Linked CDs are generally illiquid investments. Unlike a conventional interest-bearing deposit, you generally do not have the right to withdraw the deposit amount of a Market Linked CD prior to its maturity date. In addition, neither the Issuer nor any other person is required to maintain a secondary market for any Market Linked CD. Accordingly, you may be unable to sell your Market Linked CDs prior to their maturity date. If you choose to sell a Market Linked CD prior to maturity, assuming a buyer is available, you may receive less in sale proceeds than the original deposit amount.
- **Market value uncertain.** Market Linked CDs will not maintain a stable value during the term of the investment. The value of your Market Linked CDs prior to maturity will be affected by numerous factors, such as the performance, volatility, and dividend rate, if applicable, of the underlying market measure; interest rates; the time remaining to maturity; the correlation among basket components, if applicable; and the Issuer's creditworthiness. If the Market Linked CDs are subject to a capped value, Wells Fargo Securities anticipates that their value will always be at a discount to the capped value.
- **Costs to investors.** The original deposit amount of Market Linked CDs will include certain costs that are borne by you. These costs will adversely affect the economic terms of the Market Linked CDs and will cause their estimated value on the pricing date to be less than the original deposit amount. If specified in the applicable Terms Supplement, these costs may include the placement fee, the hedging profits of the Issuer or its hedging counterparty (which may be an affiliate of the Issuer), hedging and other costs and fees associated with the offering, including the costs of FDIC insurance, and costs relating to the Issuer's funding considerations for certificates of deposit of this type. These costs will adversely affect any secondary market price for the Market Linked CDs, which may be further reduced by a bid-offer spread. As a result, unless market conditions and other relevant factors change significantly in your favor following the pricing date, any secondary market price for the Market Linked CDs is likely to be less than the original deposit amount.
- **Credit risk.** Although the deposit amount of a Market Linked CD is FDIC-insured, any investment in a Market Linked CD that exceeds applicable FDIC insurance limits is subject to the ability of the Issuer to make payments when due. You will have no ability to pursue the underlying market measure or any assets included in the market measure for payment. To the extent FDIC insurance is not available, if the Issuer defaults on its payment obligations, you could lose your entire investment. In addition, the actual or perceived creditworthiness of the Issuer may affect the value of Market Linked CDs prior to maturity.
- **Insolvency of the Issuer may result in early payment of the Market Linked CDs.** If the FDIC is appointed as conservator or receiver of the Issuer of the Market Linked CDs, the Market Linked CDs could be repudiated, requiring a holder of the Market Linked CDs to make a claim against the FDIC for the Deposit Amount, which may result in a delay in receiving payment. The FDIC as conservator or receiver could also transfer the Market Linked CDs to another insured depository institution, which would likely be permitted to offer holders of the Market Linked CDs the choice of (i) repayment of the Deposit Amount of the Market Linked CDs or (ii) less favorable terms. If a Market Linked CD of an insolvent Issuer is paid off prior to maturity no claim would likely be available for other damages you incur as a result of the Issuer's insolvency or the early payment of the Market Linked CDs.
- **No periodic interest or dividend payments.** Market Linked CDs do not typically provide periodic interest. Market Linked CDs linked to equities do not provide for a pass through of any dividend paid on the underlying equities.

- **Estimated value considerations.** The estimated value of a Market Linked CD that is disclosed in the applicable Terms Supplement will be determined by the Issuer or a broker for the offering, which broker may be an affiliate of the Issuer. The estimated value will be based on the Issuer's or the broker's proprietary pricing models and assumptions and certain inputs that may be determined by the Issuer or broker in its discretion. Because other dealers may have different views on these inputs, any estimated value that is disclosed in the applicable Terms Supplement may be higher, and perhaps materially higher, than the estimated value that would be determined by other dealers in the market. Moreover, you should understand that any estimated value that is disclosed in the applicable Terms Supplement will not be an indication of the price, if any, at which the Issuer or any other person may be willing to buy the Market Linked CDs from you at any time after issuance.
- **Conflicts of interest.** Potential conflicts of interest may exist between you and the Issuer and/or Wells Fargo Securities. For example, the applicable Issuer, Wells Fargo Securities, 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. In addition, the applicable Issuer, Wells Fargo Securities, or one of their respective affiliates may be the calculation agent for the purposes of making important determinations that affect the payments on the Market Linked CDs. 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 of the Issuer.
- **Call risk.** A Market Linked CD may be callable at the option of the applicable 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 its 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.
- **Effects of trading and other transactions.** Trading and other transactions by the applicable Issuer, Wells Fargo Securities, or one of their respective affiliates, could affect the underlying market measure or the value of the Market Linked CDs.
- **Basket risk.** If the underlying market measure is a basket consisting of stocks or stock indices, commodities or commodity indices, and/or currencies, these basket components may offset each other. Any appreciation of one or more basket components may be moderated, wholly offset, or more than offset, by depreciation of one or more other basket components.
- **ETF risk.** If the underlying market measure is an exchange-traded fund (ETF), it may underperform the index it is designed to track as a result of costs and fees of the ETF and differences between the constituents of the index and the actual assets held by the ETF. In addition, an investment in Market Linked CDs linked to an ETF involves risks related to the index underlying the ETF, as discussed in the next risk consideration. If the index includes foreign securities, in addition to the risks described below, the Market Linked CDs will be subject to currency exchange rate risk, as the value of the ETF will be adversely affected if the currencies in which the foreign securities trade depreciate against the U.S. dollar.
- **Index risk.** If the underlying market measure is an index, or an ETF that tracks an index, your return on the Market Linked CDs may be adversely affected by changes that the index publisher may make to the manner in which the index is constituted or calculated. Furthermore, if the index represents foreign securities markets, you should understand that foreign securities markets tend to be less liquid and more volatile than U.S. markets and that there is generally less information available about foreign companies than about companies that file reports with the U.S. Securities and Exchange Commission. Moreover, if the index represents emerging foreign securities markets, the Market Linked CDs will be subject to the heightened political and economic risks associated with emerging markets.
- **Commodity risk.** Market Linked CDs linked to commodities will be subject to a number of significant risks associated with commodities. Commodity prices tend to be volatile and may fluctuate in ways that are unpredictable and adverse to you. Commodity markets are frequently subject to disruptions, distortions, and changes due to various factors, including the lack of liquidity in the markets, the participation of speculators and government regulation and intervention. Moreover, commodity indices may be adversely affected by a phenomenon known as "negative roll yield," which occurs when future prices of the commodity futures contracts underlying the index are higher than current prices. Negative roll yield can have a significant negative effect on the performance of a commodity index. Furthermore, for commodities that are traded in U.S. dollars, but for which market prices are driven by global demand, any strengthening of the U.S. dollar against relevant other currencies may adversely affect the demand for, and therefore the price of, those commodities. An investment in a Market Linked CD linked to a basket of commodities or commodity indices is not suitable for all investors.
- **Currency risk.** Market Linked CDs linked to currencies will be subject to a number of significant risks associated with currencies. Currency exchange rates are frequently subject to intervention by governments, which can be difficult to predict and can have a significant impact on exchange rates. Moreover, currency exchange rates are driven by complex factors relating to the economies of the relevant countries that can be difficult to understand and predict. Currencies issued by emerging market governments may be particularly volatile and will be subject to heightened risks.
- **Tax considerations.** You should review carefully the relevant Preliminary Terms Supplement and Disclosure Statement and consult your tax advisors regarding the application of the U.S. Federal income tax laws to your particular circumstances, as well as any tax consequences arising under the laws of any state, local, or foreign jurisdiction.

Market Linked Certificate of Deposit features

Terms of a Market Linked CD will vary from one offering to the next. Potential investors must read the applicable Preliminary Terms Supplement and Disclosure Statement and consider the following aspects of each Market Linked CD before investing.

Return of deposit amount at maturity. You will receive at least 100% of the original deposit amount at maturity, subject to the ability of the Issuer to make payments when due for any amounts not covered by FDIC insurance.

Supplemental interest payment calculation. There are numerous ways that the performance of the market measure can be calculated. The precise return methodology of a particular Market Linked CD and examples of calculations can be found in the Preliminary Terms Supplement.

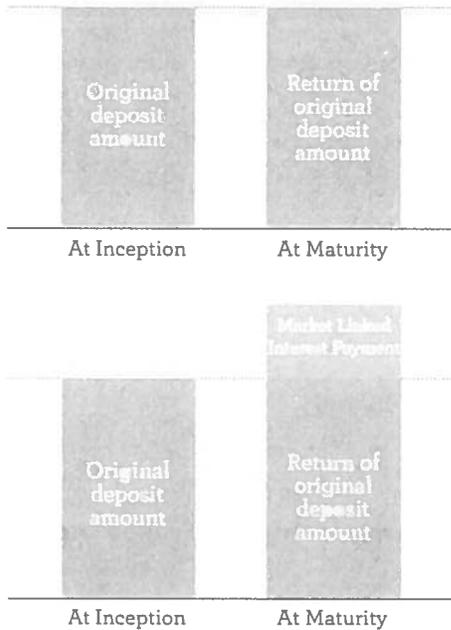
Estate feature. In the event of death of the beneficial owner of the Market Linked CD, the estate feature allows the owner's estate to withdraw the original deposit amount prior to maturity.

FDIC insurance. The FDIC standard maximum deposit insurance amount (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. There is no maximum limit on the amount that may be deposited 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 ascertained 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 premium paid by an investor above the deposit amount of the CD are not insured by the FDIC. Furthermore, FDIC insurance does not apply to secondary market trading losses. See "Deposit Insurance" in the Disclosure Statement.



Return characteristics at maturity

Unlike traditional certificates of deposit, Market Linked CDs typically do not offer a fixed rate of return. Instead, Market Linked CDs typically offer an interest payment at maturity based on the performance of an underlying market measure.



Example 1

Price of market measure falls below \$1

All Market Linked CDs provide for the return of your original deposit amount at maturity, subject to the ability of the Issuer to make payments when due, even if the market measure has decreased.

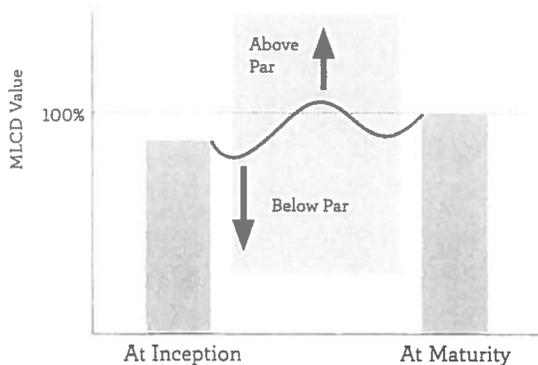
Example 2

Price of market measure rises above \$1

In addition to the deposit amount, you have the potential to receive an interest payment at maturity based on the performance of the underlying market measure.

The market linked interest payment is dependent upon the performance of the underlying market measure and the specific manner in which the return is calculated for a particular Market Linked CD. Each Market Linked CD is unique and you should thoroughly familiarize yourself with all the terms and conditions (described in the Preliminary Terms Supplement and Disclosure Statement) before making an investment decision. In particular, you should understand the circumstances in which the return as calculated for purposes of the Market Linked CD may be less than the return that you could achieve on a direct investment in the underlying market measure.

The value of a Market Linked CD will fluctuate between inception and maturity. Market Linked CDs provide for the return of the deposit amount only at maturity, subject to the ability of the Issuer to make payments when due, and selling a Market Linked CD prior to maturity may result in a loss.



The value of a Market Linked CD will depend on many factors, such as the performance, volatility, and dividend rate, if applicable, of the underlying market measure; interest rates; the time remaining to maturity; the correlation among basket components, if applicable; and the Issuer's creditworthiness. Notice that the value of a Market Linked CD is below par at inception, as described on the next page, and will fluctuate between inception and maturity. If the Market Linked CD is sold prior to maturity, you may receive substantially less in sale proceeds than the original deposit amount.

Estimated value of Market Linked CDs

The original deposit amount of each Market Linked CD will include certain costs that are borne by investors. Because of these costs, the estimated value of a Market Linked CD on the pricing date will be less than the original deposit amount. If specified in the applicable Terms Supplement, these costs may include the placement fee, the hedging profits of the Issuer or the Issuer's hedging counterparty (which may be an affiliate of the Issuer), hedging and other costs and fees associated with the offering, including the costs of FDIC insurance, and costs relating to the Issuer's funding considerations for certificates of deposit of this type. See "General risks and investment considerations" on page 5 and the applicable Terms Supplement for more details.

The Issuer will disclose the estimated value of a Market Linked CD in the applicable Terms Supplement. The estimated value of a Market Linked CD will be determined by estimating the value of the combination of hypothetical financial instruments that would replicate the payout on the Market Linked CD, 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 CD. You should read the applicable Terms Supplement for more information about the estimated value of a Market Linked CD and how it is determined.

Who should consider investing in Market Linked Certificates of Deposit?

Market Linked Certificates of Deposit (MLCDs) are a type of investment that can provide a return that is linked to the performance of a market measure. MLCDs are subject to the ability of the Issuer to make payments when due.

The volatility frequently associated with financial markets can make investors hesitant to consider a direct investment in certain asset classes. Furthermore, it may be difficult for individual investors to access particular asset classes and/or strategies directly. These issues may lead investors to favor traditional fixed income investments, which are typically less volatile than riskier asset classes. However, a portfolio that excludes these asset classes may also reduce an investor's long term growth potential.

Market Linked CDs may be an alternative for investors who are seeking growth, but want to reduce downside exposure to an underlying market measure. If held to maturity, Market Linked CDs can help investors with both of these goals by providing the opportunity to participate in a portion of market gains (equity, commodity, or foreign exchange) while protecting against a decline in the market measure at maturity, subject to the ability of the Issuer to make payments when due. In addition, in some cases, Market Linked CDs can give investors access to markets that may be difficult for individual investors to access directly. However, there is no guarantee that any growth or risk-management strategy you seek to implement through a Market Linked CD will be successful.

Market Linked CDs are not suitable for all investors, but may be an alternative for investors who at the time of purchase:

- Want to protect against the downside market risk of an underlying market measure.
- Seek an investment that provides for the return of their original deposit amount at maturity.
- Seek exposure to a market measure, but understand that a Market Linked CD will return only the deposit amount at maturity if the performance of the underlying market measure is negative, subject to the ability of the Issuer to make payments when due.
- Are willing to accept a lower return than might be achieved through a direct investment in the market measure, if applicable.
- Do not anticipate the need for liquidity from the investment prior to maturity.
- Understand that FDIC insurance is subject to limitations and that, to the extent not covered by FDIC insurance, an investment in a Market Linked CD is subject to the ability of the Issuer to make payments when due.

After reviewing your investment objectives, risk preferences, and market views, you may determine that Market Linked CDs are suitable for your portfolio. For more information on Market Linked CDs, please contact your Financial Advisor.

Always read the Preliminary Terms Supplement and Disclosure Statement

Market Linked CDs are offered with a Preliminary Terms Supplement and Disclosure Statement. Investors should read and consider these two documents carefully before investing. Prior to investing, always consult your Financial Advisor to understand the investment structure in detail.

For more information about Market Linked CDs and the structures currently available for investment, contact your Financial Advisor, who can advise you of whether or not a particular offering may meet your individual needs and investment requirements.

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Michelle Danaher

From: Bill Underwood [wfunderwood@earthlink.net]
Sent: Wednesday, October 15, 2014 7:21 AM
To: Bill Nelson; Daniel Carlberg Villa Park IAC; Steven Pollack Villa park IAC; Jim Rheins Villa Park IAC; Rick Barnett Rotary; Michelle Danaher; Jarad Hildenbrand; brad reese Rotary; Dennis Kuli
Subject: Fwd: WSJ MARKETS ALERT: U.S. 10-Year Treasury Yield Falls Below 2%; Stocks Sink

FYI for VP IAC -

No action required, just an FYI development below that you probably were already aware of.

See you 10/22.
Bill U.
Sent from iPhone

Begin forwarded message:

From: "WSJ.com Editors" <access@interactive.wsj.com>
Date: October 15, 2014 at 9:45:53 AM EDT
To: wfunderwood@earthlink.net
Subject: WSJ MARKETS ALERT: U.S. 10-Year Treasury Yield Falls Below 2%; Stocks Sink
Reply-To: access@interactive.wsj.com

THE WALL STREET JOURNAL Markets Alert

U.S. 10-Year Treasury Yield Falls Below 2%; Stocks Sink

The yield on the 10-year U.S. Treasury note fell below 2% for the first time since June 2013 as stocks opened sharply lower amid a wave of worry washing over global markets.

Investors piled into ultrasafe Treasury bonds Wednesday, as a round of U.S. data heightened worries over the global economic outlook. The 10-year note's yield traded at 1.877% early Wednesday, according to Tradeweb, representing the latest leg of a months-long slide. Yields fall as prices rise.

The Dow Jones Industrial Average opened sharply lower, shedding 345 points, or 2.1%, to 15968 in early trading.

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