PINAL • COUNTY
wide open opportunity

OFFER AND ACCEPTANCE

OFFER AND ACCEPTANCE FORM

TO PINAL COUNTY:

The undersigned hereby offers and agrees to furnish the material, service, or construction in compliance with all terms, conditions, specifications, and amendments in the Solicitation.

Jeff Sundheimer	Vice President
Authorized Signature	**Title**
Jeff Sundheimer	February 29, 2012
Printed Name	**Date**
Wells Fargo Bank, N.A.	602-378-2175
Company Name	**Telephone**
100 W. Washington St., Fl. 25	Phoenix, AZ 85003
Address	**City, State, Zip**

For clarification of this offer, contact:

Name: Jeff Sundheimer **Phone:** 602-378-2175 **E-Mail:** jeffrey.j.sundheimer@wellsfargo.com

ACCEPTANCE OF OFFER
(For Pinal County Use Only)

The offer is hereby accepted and the Responder is now bound to sell or provide the materials, services, or construction as indicated by the Purchase Order or Notice of Award and based upon the solicitation, including all terms, conditions, specifications, amendments, etc. and the Offer as accepted by Pinal County.

The contract is for: Banking Services

This contract shall henceforth be referenced to as Contract No. PC 111517. The Offeror is cautioned not to commence any billable work or to provide any material or service under this contract until Offeror receives an executed purchase order or notice to proceed.

Awarded this 9th day of May 2012.

Pete Rios	Chairman	
Name (Print)	Title	Signature

Approved as to form: 4/24/12
Pinal County Attorney's Office

WELLS FARGO

Government Banking
100 W. Washington St.
Mac: S4101-251
Phoenix, AZ 85003

wellsfargo.com

April 10, 2012

Pinal County Procurement
Ms. Brenda Widugiris
31 N. Pinal St, Bldg. A
Florence, AZ 85132

Ms. Widugiris,
Please accept this letter as the Change Log for Request for Proposal PC-111517 Banking Services. Wells Fargo made one change to the original proposal which is outlined below.

1) **Price Sheet: Replaced Price Sheet with the Revised Price Sheet which was emailed on 4/5/2012 in Excel format.**

I made all efforts to translate each pricing element from the original Price Sheet as well as from our Additional Pages supplement. If you find any discrepancies between the same elements please know that I will honor the lowest price.

The Revised Price Sheet follows this letter.

Please let me know if you have any questions!

Respectfully,

Jeff Sundheimer
Relationship Manager
Government & Institutional Banking

ELEMENT	AFP CODE	DESCRIPTION	UNIT PRICE
DDAODACT	00 0210	DAILY USE OF UNCOLL FUNDS-ACCT LVL	Prime + 0%
DDAFDIC	00 0230	DEP INSURANCE ASSESSMENT MTHLY	0.1275 (Per $1,000)
DDACK900	00 0321	ACCOUNT ANALYSIS-DEBIT ADJUSTMENT	Passthrough
DDACK905	00 0321	ACCOUNT ANALYSIS-CREDIT ADJUSTMENT	Passthrough
DDA22814	01 9999	PAYEE VALID NON ACCT HLDER-CHK CASH	0.00000
DDA15007	01 0101	DESKTOP DEPOSIT CREDIT POSTED	0.50000
DDADS510	01 0020	ZERO BALANCE MASTER ACCOUNT MAINT	10.00000
DDA22051	01 0000	ACCOUNT MAINTENANCE-CHEXSTOR	5.00000
DDACK001	01 0000	ACCOUNT MAINTENANCE W/ CHK RETURN	7.00000
DDAZBABC	01 0021	ZERO BALANCE MONTHLY BASE	10.00000
DDACK021	01 0100	DEBITS POSTED	0.05000
DDACK011	01 0101	CREDITS POSTED	0.05000
DDACK049	01 0310	DDA STATEMENT - PAPER	0.00000
DDACK183	01 0320	DDA STATEMENT - SPECIAL INSTRUCTION	2.50000
DDA21507	01 0101	CONT DISB CREDIT POSTED-OH	0.50000
DDA41910	07 9999	PMT GATEWAY MONTHLY BASE	25.00000
DDACEORI	10 0410	CEO RETN ITEM SUBSCRIPTION PER ACCT	20.00000
DDA34235	10 0410	CEO RETN ITEM SUBSCRIPTION PER ACCT	0.00000
DDA34237	10 0410	CEO RETN ITEM SUBSCRIPTION PER ITEM	0.25000
DDA34239	10 0410	CEO RETN ITEM SUBSCRIPTION OPT DETL	0.15000
DDA34236	10 0410	CEO RETURN DECISIONING PER ITEM	0.50000
DDA70025	10 9999	SMART DECISION ELEC CHK ACH TRANSIT	0.03000
DDA70029	10 9999	SMART DECISION ELEC CHECK ACH ONUS	0.03000
DDACVBSE	10 0100	CASH VAULT MONTHLY BASE	0.00000
DDA08182	10 0141	CASH VAULT CASH ORDERS-CEO	1.00000
DDA08290	10 0199	CASH VAULT CURRENCY/COIN DEPOSITED	0.00080
DDA08416	10 0199	CASH VAULT CURRENCY FURNISHED	0.00080
DDA12707	10 0610	DEPOSIT LOCATION REPORTING - ITEM	0.04000
DDA001	10 0220	DEPOSITED CHECKS - ON US	0.02500
DDA085	10 0222	DEPOSITED CHECKS - LOCAL CLEARING	0.03500
DDA003	10 0225	DEPOSITED CHECKS - REGIONAL	0.03500
DDA006	10 0224	DEPOSITED CHECKS - TRANSIT	0.06000
DDA201	10 0220	DEPOSITED CHECKS CASH VAULT - ON US	0.02500
DDA207	10 0222	DEPOSITED CHECKS CASH VLT-LOCAL CLR	0.03500
DDA701	10 0220	DESKTOP DEPOSIT-WFARGO DEPOSIT ITEM	0.05000
DDA706	10 0224	DESKTOP DEPOSIT-NON WFARGO DEP ITEM	0.06000
DDA741	10 0220	ELECTRONIC DEPOSIT - CHECK WFB	0.03000
DDA746	10 0224	ELECTRONIC DEPOSIT - CHECK NON WFB	0.06000
DDACK161	10 0015	CASH DEP/$1 VER AT TELLER WINDOW	0.00080
DDACK061	10 0400	RETURN ITEM - CHARGEBACK	1.00000
DDACK062	10 0414	CEO RETURN ITEM RETRIEVAL-IMAGE	0.50000
DDACK064	10 0414	CEO RETURN ITEM SERVICE MTHLY BASE	0.00000
DDACK069	10 0400	RETURN ITEM SPECIAL INSTRUCTIONS	0.25000
DDACK081	10 0401	RETURN ITEM SPECIAL INST MTHLY BASE	0.00000
DDACK075	10 0402	RETURN ITEM REDEPOSITED	1.00000
DDA34336	15 0723	POSITIVE PAY EXCEPTION - CEO IMAGE	0.50000
DDAPABSE	15 0240	PYMT AUTH MAX CHECK MTHLY BASE	1.00000
DDA12670	15 0410	STOP PAYMENT - ONLINE	2.00000
DDA12816	15 1352	DESKTOP DEPOSIT IMAGES RETRIEVED	0.10000
DDA12215	15 0100	ARP CHECKS PAID - PARTIAL RECON	0.07000
DDA12505	15 0129	POSITIVE PAY EXCEPTION CHECKS RETND	5.00000
DDA12812	15 1352	ONLINE IMAGE VIEW < 90 DAYS - ITEM	0.00000
DDA12907	15 0030	POSITIVE PAY MONTHLY BASE	0.00000
DDA12217	15 0100	ARP CHECKS PAID - FULL RECON	0.07000
DDA34210	15 0700	CEO CONT DISB SUBSCRIPTION BASE	0.00000
DDA22202	15 0100	DDA CHECKS PAID	0.07000
DDACEOCD	15 0700	CEO CONT DISB SUBSCRIPTION BASE	20.00000
DDA27707	15 0400	CEO SEARCH	0.50000
DDADS191	15 0299	PAYEE VALIDATION STANDARD-ITEM	0.01000

ELEMENT	AFP CODE	DESCRIPTION	UNIT PRICE
DDADS501	15 1199	DDA SERIAL SORT MONTHLY BASE	10.00000
DDA22030	15 0412	STOP PAYMENT - AUTO RENEWAL	3.00000
DDA21501	15 0000	CONT DISB ACCT MAINT W/CHEXSTOR-OH	25.00000
DDA21509	15 0110	CONT DISB IMAGE CHECKS PAID - OH	0.02500
DDA21550	15 0300	CONT DISB PERFECT-POS-PAY EXCEPT-OH	1.50000
DDA21551	15 0030	CONT DISB PERFECT PRESENT BASE-OH	0.00000
DDA34337	20 0200	ARP REGISTER INPUT CEO - ITEM	0.03000
DDA34350	20 0305	ARP STATEMENT MONTHLY BASE CEO	0.00000
DDA12061	20 0020	ARP MONTHLY BASE - PARTIAL	20.00000
DDA12379	20 0201	ARP PART POSITIVE PAY ISSUE - ITEM	0.01000
DDA12609	20 0329	ARP PAPER STATEMENT DELIVERY	0.00000
DDA12684	20 0310	ARP PAPER STMT/REPORT MONTHLY BASE	10.00000
DDA12687	20 9999	ARP AGED ISSUE RECORDS ON FILE-ITEM	0.00300
DDA12903	20 0399	POSITIVE PAY EXCEPTIONS - ITEM	1.50000
DDA12060	20 0010	ARP MONTHLY BASE - FULL	40.00000
DDA12377	20 0201	ARP FULL RECON-ITEM	0.03000
DDA12604	20 0310	ARP OPTIONAL REPORTS	2.00000
DDADS322	20 0310	ARP PARTIAL RECONCILIATION - ITEM	0.03000
DDA34330	25 0703	ACH CEO SUBSCRIPTION - ACCOUNT	0.00000
DDA34332	25 0703	ACH CEO SUBSCRIPTION - ITEM	0.25000
DDACEOAR	25 0400	ACH CEO RETURN SUBSCRIPTION-ACCOUNT	5.00000
DDACEOAS	25 0703	ACH CEO SUBSCRIPTION - ACCOUNT	80.00000
DDACK018	25 0201	ELECTRONIC CREDITS POSTED	0.05000
DDAACHBS	25 0000	ACH MONTHLY BASE	10.00000
DDA34340	25 0400	ACH CEO RETURN SUBSCRIPTION-ACCOUNT	0.00000
DDAES283	25 0000	ACH VENDOR MONTHLY BASE	10.00000
DDAES211	25 0102	ACH ONE DAY ITEM	0.04000
DDAES210	25 0102	ACH TWO DAY ITEM	0.03000
DDAES206	25 0120	ACH ORIGINATED - ADDENDA REC	0.02000
DDAES344	25 0202	ACH RECEIVED ITEM	0.05000
DDAES251	25 0302	ACH RETURN ITEM - FAX ADVICE	1.50000
DDAES323	25 0501	ACH TRANSMISSION CHARGE	5.00000
DDAES237	25 0710	ACH FAX SERVICE	1.50000
DDAES250	25 0302	ACH RETURN ITEM-TRANSMISSION ADVICE	0.50000
DDAES361	25 0642	ACH REVERSAL - ITEM	5.00000
DDAACH2D	25 0102	INTERNET ACH TWO DAY ITEM	0.07000
DDA34377	25 0000	INTERNET ACH BASE FEE	15.00000
DDA34378	25 0500	INTERNET ACH BATCH RELEASE	0.00000
DDACEOAB	25 1050	ACH CEO FRAUD FILTER STOP MTHLYBASE	7.50000
DDACEOAF	25 1050	ACH CEO FRAUD FILTER REVIEW MO BASE	7.50000
DDA34334	25 1050	ACH CEO FRAUD FILTER STOP MTHLYBASE	0.00000
DDA34333	25 1050	ACH CEO FRAUD FILTER REVIEW MO BASE	0.00000
DDA34335	25 1053	ACH CEO FRAUD FILTER REVIEW - ITEM	2.50000
DDAES363	25 0302	ACH NOC - TRANSMISSION ADVICE	0.50000
DDAES480	25 1070	ACH NOC - FAX ADVICE	0.50000
DDAES371	25 1070	ACH WELLS FARGO NOC - TRANS ADVICE	0.50000
DDACEOED	30 0524	CEO TREAS INFO RPT EDI SUBSC MOBASE	90.00000
DDA34240	30 0524	CEO TREAS INFO RPT EDI SUBSC MOBASE	0.00000
DDA34242	30 0524	CEO TREASURY INFO REPTING-EDI ITEM	0.35000
DDA34245	30 0524	CEO TREAS INFO RPT EDI ADDENDA	0.08000
DDAWNWRB	35 0402	WIRE DETAIL RPT SUBSCRIPTION-ACCT	25.00000
DDA34205	35 0402	WIRE DETAIL RPT SUBSCRIPTION-ACCT	0.00000
DDAES030	35 0300	WIRE IN DOMESTIC	2.50000
DDAES139	35 0104	WIRE-OUTGOING DOMESTIC-CEO	5.00000
DDAES141	35 0124	WIRE - BOOK TRANSFER - CEO	1.00000
DDA22990	40 1001	PHOTOCOPY CUSTOMER SERVICE - ITEM	15.00000
DDA15002	40 0003	DESKTOP DEPOSIT REPORT MTHLY BASE	20.00000
DDA15003	40 0231	DESKTOP DEPOSIT REPORT PER ITEM	0.05000
DDA15008	40 9999	DESKTOP DEPOSIT DISCRETIONARY DATA	0.02500

ELEMENT	APP CODE	DESCRIPTION	UNIT PRICE
DDAWNIDB	40 0003	CEO INTRADAY SUBSCRIPTION MTHLYBASE	20.00000
DDAWNPDB	40 0000	CEO PREV DAY SUBSCRIPTION MTHLYBASE	20.00000
DDA34100	40 0000	CEO PREV DAY SUBSCRIPTION MTHLYBASE	0.00000
DDA34115	40 0001	CEO PREV DAY SUBSCRIPTION DETL ITEM	0.04000
DDA34120	40 0003	CEO INTRADAY SUBSCRIPTION MTHLYBASE	0.00000
DDA34121	40 0224	CEO INTRADAY SUBSCRIPTION - ITEM	0.10000
DDA34123	40 02ZZ	CEO EVENT MESSAGING SERVICE - EMAIL	0.25000
DDA34252	40 0800	ELECTRONIC WINDOW EXTENDED STOR 90	0.02000
DDA46100	40 0002	CEO BASIC BANKING - MONTHLY BASE	10.00000
DDA46102	40 0002	CEO BASIC BANKING ADDL ACCT-MO BASE	5.00000
DDA45001	55 9999	CEO CREDIT MANAGEMENT MTHLY BASE	25.00000
DDAIL152	60 9999	DEPOSITED CHECK CANADIAN	1.00000
DDA64101	99 9999	IFI PAID CHECKS - IMAGE	0.03000
DDA64104	99 9999	IFI MAINTENANCE PER PRODUCT	50.00000
DDA08400	10 0148	CASH VAULT CURRENCY FURN-NONSTD	0.00080
DDA203	10 0225	DEPOSITED CHECKS CASH VAULT-REGION	0.03500
DDA206	10 0224	DEPOSITED CHECKS CASH VAULT-TRANSIT	0.06000
DDA12671	15 0420	STOP PAYMENT - OPERATOR ASSISTED	2.00000
DDA12815	15 1352	ONLINE IMAGE VIEW > 90 DAYS - ITEM	0.00000
DDA24250	15 0340	OVERDRAFT CHARGE-PAID ITEM	0.00000
DDA21553	15 0129	CONT DISB PERFECT PRESNT CHK RTN-OH	5.00000
DDAES252	25 0302	ACH RET ITEM-INFO REPORTING ADVICE	3.50000
DDAACH1D	25 0102	INTERNET ACH ONE DAY ITEM	0.07000
DDAES391	25 1070	ACH WELLS FARGO NOC - FAX ADVICE	3.75000
DDA34207	35 0402	WIRE DETAIL RPT SUBSCRIPTION-ITEM	1.00000
DDACK464	10 0400	RETURN ITEM CONVERTED CHK CHGBK IRD	1.00000
DDACK066	10 0400	ADMIN RETURN ITEM-REPAIRED ACH ITEM	1.00000
DDACK068	10 0400	ADMIN RETURN ITEM-REPAIRED AS CHECK	1.00000
DDACK101	15 0511	OFFICIAL BANK CHECK	5.00000
DDA34338	25 1052	ACH CEO FRAUD FILTER STOP - ITEM	2.50000
DDAES216	25 0102	ACH SAME DAY	0.15500
DDA18030	35 9999	WIRE IN REPAIR SURCHARGE	6.00000
DDAES342	25 0720	ACH CUSTOMER REPORTS	1.00000
DDAES191	35 0320	WIRE INTL BOOK TRANSFER CREDIT	3.00000
DDA46106	01 0102	CEO BASIC BANKING - TRANSFER	1.00000
DDA08110	10 0144	CASH VAULT COIN FURNISHED - ROLLED	0.10000
DDA08116	10 0145	CASH VAULT COIN FURN-STD HALF BOX	0.00080
DDA12674	15 0410	STOP PAYMENT - TRANSMISSION	5.00000
DDA41201	99 9999	VENDOR FEES	309.62 (Includes Armored Car)
DDA08160	10 0501	CASH VAULT DEPOSIT ADJUSTMENT	5.00000
DDA790	10 0230	ELECTRONIC DEPOSIT - DEP ADJUSTMENT	1.50000
DDAES346	25 0622	ACH EXCEPTION PROCESS-DUPLICAT FILE	20.00000
DDAES339	25 1010	ACH SPECIAL INVESTIGATION	35.00000
DDAED500	05 0030	E-BOX MONTHLY MAINT (W/CROSS REF)	125.00000
DDA28042	05 0030	E-BOX POSITIVE FILE MONTHLY BASE	75.00000
DDA28043	05 0031	E-BOX SET UP	0.00000
DDA28044	05 0031	E-BOX POSITIVE FILE SET UP	0.00000
DDA406	10 0214	ENCODED CHECKS - TRANSIT	0.06000
DDACK065	10 0400	ADMIN RETURN ITEM - CHARGEBACK	4.00000
DDACK880	10 0000	CHECK/DEPOSIT TICKET PRINTING CHRG	Passthrough
DDAES235	25 0710	ACH MAIL SERVICE	7.00000
DDA70033	25 0102	SMART DECISION VAULT ACH TRANSIT	0.10000
DDAES231	25 0620	ACH DELETE/REVERSE - BATCH/FILE	5.00000
DDA28006	30 0200	RECEIVABLES MANAGER OUTGOING TRANS	5.00000
DDA28017	30 0320	RECEIVABLES MANAGER SET UP	0.00000
DDA28019	30 0010	RECEIVABLES MANAGER MONTHLY BASE	25.00000
DDAED470	30 0099	E-BOX PAYMENT	0.12000
DDAES076	35 0310	WIRE IN - INTERNATIONAL	5.00000
DDAED515	99 9999	E-BOX PAYMENT RETURN	0.25000

ELEMENT	AFP CODE	DESCRIPTION	UNIT PRICE
DDAED524	99 9999	E-BOX REVERSAL REPORTING MTHLY BASE	25.00000
DDA452	10 0212	ENCODED CHECKS - LOCAL CLEARING	0.05500
DDA499	10 0230	ENCODED CHECKS - EXCESS REJECTS	0.05500
DDA08173	10 0100	CASH VLT BAG DEP PROCESSING	0.00000
DDACK197	10 0140	CHANGE ORDER CHARGE-BRANCH/STORE	5.00000
DDACK141	10 0048	CURRENCY ORDERED/$1 - BRANCH/STORE	0.00080
DDA28226	30 0599	EC BILLPAY ON US ITEMS	0.05000
DDACK672	01 0630	BANK CONFIRMATION AUDIT REQUEST	65.00000
DDA401	10 0210	ENCODED CHECKS - ON US	0.05500

FDIC
Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990
Executive Secretary

C E R T I F I C A T I O N

I, Robert E. Feldman, Executive Secretary of the Federal Deposit Insurance Corporation, hereby certify that according to the official records of the Federal Deposit Insurance Corporation, of which I have custody, **Wells Fargo Bank, National Association, Sioux Falls, South Dakota,** is an insured depository institution under the provisions of the Federal Deposit Insurance Act, 12 U.S.C. 1811-1831y; and that, after diligent search, no record or entry in the official records of the Federal Deposit Insurance Corporation is found to exist which terminated the status of **Wells Fargo Bank, National Association,** as an insured depository institution under the provisions of section 8 of the Federal Deposit Insurance Act, 12 U.S.C. 1818.

DATED: May 13, 2010

(SEAL)

Robert E. Feldman
Executive Secretary
FEDERAL DEPOSIT INSURANCE CORPORATION

WELLS FARGO

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Pinal County
Response to RFP PC-111517
For Banking Services

February 29, 2012

Submitted by:

Jeffrey J. Sundheimer
Senior Relationship Manager
(602) 378-2175
jeffrey.j.sundheimer@wellsfargo.com

Kathryn C. Kendrick
Treasury Management Sales Consultant
(303) 863-6079
kathryn.kendrick@wellsfargo.com

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Commercial Card ..... Tab D

Legal agreements ..... Tab E

Executive summary

Wells Fargo Bank, N.A. is pleased to present our proposal for Banking Services to Pinal County. We are honored to have served as your provider for the last five years and believe that this proposal indicates our commitment to continue that service. Pinal County has made it clear that there are several initiatives that are very important to the County in terms of banking strategy. One of those initiatives is the ongoing movement from paper to electronic processing. Over the past five years, Wells Fargo has been proud to have been able to assist the County with a phase one approach to electronic processing with the implementation of Desktop Deposit, Wells Fargo Electronic Deposit, and Smart Decision.

We are well positioned to help the County make further strides into electronic processing with our Payment Manager suite of services as well as a possible longer term strategy of using lockbox to collect tax payments.

In addition to working with a bank that can provide technological enhancements and a proven ability to transition to electronic processing, the County is looking for a bank that can meet its day to day needs, is a strong supporter of the County, and is financially stable in today's environment.

Service, Expertise and Satisfaction

We understand that quality customer service and operating knowledge of Arizona county government is of paramount importance when selecting a banking services provider.

- If selected, the County will continue to have Jeff Sundheimer and Raelene Syro as their dedicated relationship team
- We are proud to count seven Arizona counties as contracted banking clients of Wells Fargo

Wells Fargo has also been presented with the following accolades that seem to match the County's objectives:

- American Customer Satisfaction Index (ACSI): America's #1 Large Bank for Customer Satisfaction (2011)
- *Bank Technology News / American Banker:* Top Innovator for Wells Fargo Mobile and ATM services (2011)
- *CIO:* Among the Top 100 Companies for Technology Innovations that Advance Business Results (2011)
- *Global Finance Magazine:* Best Consumer and Corporate/Institutional Internet Banks in the United States (2011)
- Office of the Comptroller of the Currency: Rated "Outstanding" for Community Reinvestment Act performance (2009)

Solutions

In today's business environment automation helps optimize working capital and overall expense management. Specifically, electronic payment solutions have proven their ability to reduce the cost and inefficiencies associated with paper procure-to-pay transactions. Methods that automate the entire process, including the integration of accounts payable and accounts receivable systems, hold tremendous potential.

Paper to Electronic Processing

How can Pinal County benefit from electronic payments?

- E-payments cost less. Electronic payments, including ACH and commercial card payments are significantly less expensive than paper checks
- Improved cash forecasting. ACH payments, for example, post directly to accounts and settle within one to two business days, so neither you nor your suppliers need to speculate about when paper checks will clear
- Early payment discounts. Electronic payments make it easier to take advantage of vendor early-pay discounts, while avoiding late payments and related fees
- E-payments are more secure. Checks are the number one target for criminals committing payments fraud. Electronic payments are more secure because they offer more sophisticated fraud control and they typically provide fewer opportunities for fraud

Lockbox Processing

Wells Fargo's Lockbox services deliver comprehensive, flexible remittance processing that can substantially streamline the County's tax collection function. With our secure Phoenix lockbox site and innovative electronic receivables products, we help cut hours – *even days* – out of collections process by automating the receivables posting. In addition, our Lockbox service is designed to:

- Decrease the potential for theft, fraud and error by reducing the number of employee "touches" on each transaction
- Access decision-critical account information easily and conveniently from a County desktop
- Improve staff productivity by automating manual processes.
- Speed remittances and improve overall cash flow

Commitment to Pinal County (as of 12/31/2010)

Wells Fargo is proud to invest in the communities where our employees live and where we do business. Our presence in Pinal County supports the local economy by providing jobs, paying taxes, occupying commercial space, and extending credit.

- 205 Team Members at 13 banking stores
- $33,226 in employee donations to Pinal County based nonprofits and schools through corporate and foundation giving
- $13,159 in employee contributions through the annual team member Community Support and United Way Campaign

- $3,900 in contributions to match team member gifts to accredited educational institutions, foundations, and Habitat for Humanity
- 39 volunteer hours contributed by team members throughout the Pinal County Community.
- 2,538 mortgage loans totaling $341.6MM in credit
- 1,055 small business loans extending 28.9MM in credit
- 41 small farm loans extending 5.3MM in credit

Cost Offsets

If awarded the full RFP for an initial three year period, Wells Fargo will provide the following cost offsets:

1. No price increase on any current treasury management services
2. Decrease in price on selected treasury management elements which are outlined fully in the Pricing Sheet
3. An Earnings Credit Rate set at the higher of 0.25% or the 91-day T-bill for all non – interest bearing balances
4. Five Desktop Deposit Scanners provided at no cost to any interested County department or political subdivision with a need to remit payment to the County Treasurer
5. Waive all set up costs for new treasury management services related to the County's goal of moving from paper to electronic processing
6. An annual rebate equal to four weeks of the previous year's net cost, payable to each analysis billing account managed by the Government & Institutional Banking group in Phoenix. The annual analysis credit will be payable each July 1 that Pinal County is contracted with Wells Fargo to provide the full scope of Banking Services.

   *Calculation: (Total Prior Years' Net Costs / 52 Weeks)*4 = Annual Rebate*

We appreciate the opportunity to respond to this Request for Proposal and look forward to discussing our proposal with you in the near future.

Sincerely,

Jeffrey Sundheimer, Vice President
Relationship Manager

Section one

- Title Page
- Offer and Acceptance Form
- Addendum Acknowledgement Form
- Non-Collusion Form
- W-9 Form
- Responder's Checklist

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Pinal County
Response to RFP PC-111517
For Banking Services

February 29, 2012

Submitted by:

Jeffrey J. Sundheimer
Senior Relationship Manager
(602) 378-2175
jeffrey.j.sundheimer@wellsfargo.com

Kathryn C. Kendrick
Treasury Management Sales Consultant
(303) 863-6079
kathryn.kendrick@wellsfargo.com

PINAL • COUNTY
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OFFER AND ACCEPTANCE

OFFER AND ACCEPTANCE FORM

TO PINAL COUNTY:

The undersigned hereby offers and agrees to furnish the material, service, or construction in compliance with all terms, conditions, specifications, and amendments in the Solicitation.

Jeff Sundheimer	Vice President
Authorized Signature	**Title**
Jeff Sundheimer	February 29, 2012
Printed Name	**Date**
Wells Fargo Bank, N.A.	602-378-2175
Company Name	**Telephone**
100 W. Washington St., Fl. 25	Phoenix, AZ 85003
Address	**City, State, Zip**

For clarification of this offer, contact:

Name: Jeff Sundheimer **Phone:** 602-378-2175 **E-Mail:** jeffrey.j.sundheimer@wellsfargo.com

ACCEPTANCE OF OFFER
(For Pinal County Use Only)

The offer is hereby accepted and the Responder is now bound to sell or provide the materials, services, or construction as indicated by the Purchase Order or Notice of Award and based upon the solicitation, including all terms, conditions, specifications, amendments, etc. and the Offer as accepted by Pinal County.

The contract is for: Banking Services

This contract shall henceforth be referenced to as Contract No. _____. The Offeror is cautioned not to commence any billable work or to provide any material or service under this contract until Offeror receives an executed purchase order or notice to proceed.

Awarded this _____ day of _____ 2012.

Name (Print)	Title	Signature

Approved as to form:

Pinal County Attorney's Office 4/23/12

OFFER AND ACCEPTANCE

OFFER AND ACCEPTANCE FORM – Page 2

By signing the previous page of the Offer and Acceptance Form, Responder certifies:

A. The submission of the bid did not involve collusion or other anti-competitive practices.
B. The Responder shall not discriminate against any employee or applicant for employment in violation of Federal Executive Order 11246.
C. The Responder has not given, offered to give, nor intends to give at any time hereafter, any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the Submittal.
D. The Responder certifies that it complies with Executive Order 12549 related to Federal Government Debarment and Suspension (see 4-7)
E. The Responder certifies that the individual signing the bid is an authorized agent for the Responder and has the authority to bind them to the contract.

Wells Fargo Bank, N.A.
Firm

February 29, 2012
Authorized Signature and Date

END OF SOLICITATION RFP PC-111517 FOR BANKING SERVICES

PINAL • COUNTY
wide open opportunity

OFFER AND ACCEPTANCE

OFFER AND ACCEPTANCE FORM

TO PINAL COUNTY:

The undersigned hereby offers and agrees to furnish the material, service, or construction in compliance with all terms, conditions, specifications, and amendments in the Solicitation.

	General Manager
Authorized Signature	**Title**
Joseph Pisciotta	
Printed Name	**Date**
Wells Fargo Merchant Services, LLC	631-683-6693
Company Name	**Telephone**
1200 Montego Way	Walnut Creek, CA 94598
Address	**City, State, Zip**

For clarification of this offer, contact:

Name: Bill Coward **Phone:** 602-378-5373 **E-Mail:** william.l.coward@wellsfargo.com

ACCEPTANCE OF OFFER
(For Pinal County Use Only)

The offer is hereby accepted and the Responder is now bound to sell or provide the materials, services, or construction as indicated by the Purchase Order or Notice of Award and based upon the solicitation, including all terms, conditions, specifications, amendments, etc. and the Offer as accepted by Pinal County.

The contract is for: Banking Services

This contract shall henceforth be referenced to as Contract No. _____. The Offeror is cautioned not to commence any billable work or to provide any material or service under this contract until Offeror receives an executed purchase order or notice to proceed.

Awarded this _____ day of _____ 2012.

Name (Print)	Title	Signature

Approved as to form:

_____
Pinal County Attorney's Office

OFFER AND ACCEPTANCE

OFFER AND ACCEPTANCE FORM – Page 2

By signing the previous page of the Offer and Acceptance Form, Responder certifies:

A. The submission of the bid did not involve collusion or other anti-competitive practices.
B. The Responder shall not discriminate against any employee or applicant for employment in violation of Federal Executive Order 11246.
C. The Responder has not given, offered to give, nor intends to give at any time hereafter, any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the Submittal.
D. The Responder certifies that it complies with Executive Order 12549 related to Federal Government Debarment and Suspension (see 4-7)
E. The Responder certifies that the individual signing the bid is an authorized agent for the Responder and has the authority to bind them to the contract.

Wells Fargo Merchant Services, LLC
Firm

Authorized Signature and Date

END OF SOLICITATION RFP PC-111517 FOR BANKING SERVICES

ADDENDUM ACKNOWLEDGEMENT FORM

This page is used to acknowledge any and all addendums that might be issued. Any addendum issued within five days of the solicitation due date, will include a new due date to allow for addressing the addendum issues. Your signature indicates that you took the information provided in the addendums into consideration when providing your complete response.

Please sign and date:

ADDENDUM NO. 1 Acknowledgement _____
Signature Date

ADDENDUM NO. 2 Acknowledgement _____
Signature Date

ADDENDUM NO. 3 Acknowledgement _____
Signature Date

If no addendums were issued, indicate below, sign the form and return with your response.

Wells Fargo Bank, N.A.
Firm

February 29, 2012 (No addendums issued)
Authorized Signature

PINAL • COUNTY *wide open opportunity*	Non-Collusion Statement	Pinal County Finance Department 31 N. Pinal St. Bldg. A P.O. Box 1348 Florence, AZ 85132

NON-COLLUSION STATEMENT

State of Arizona)
) ss.
County of Maricopa)

Jeff Sundheimer, affiant,
(Name)

the Vice President
(Title)

Wells Fargo Bank, N.A.
(Contractor/Offeror)

the persons, corporation, or company who makes the accompanying Offer, having first been duly sworn, deposes and says:

That such Offer is genuine and not sham or collusive, nor made in the interest of, or behalf of, any persons not herein named, and that the Responder has not directly or indirectly induced or solicited any other Responder to put in a sham Offer, or any other person, firm or corporation to refrain from offering, and that the Responder has not in any manner sought by collusion to secure for itself an advantage over any other Responder.

Jeff Sundheimer
(Name)

Vice President
(Title)

Subscribed and sworn to before me

this 8 day of February, ~~2011~~ 2012

Signature of Notary Public in and for the

State of Arizona

County of Maricopa

OFFICIAL SEAL
TERRY REEVES
NOTARY PUBLIC - State of Arizona
MARICOPA COUNTY
My Comm. Expires Nov. 14, 2014

NAME AND ADDRESS OF CERTIFICATE HOLDER:	DATE ISSUED 2/8/2012
Pinal County 31 N. Pinal St., Bldg. A. Florence, AZ 85132	AUTHORIZED REPRESENTATIVE

PINAL • COUNTY
wide open opportunity

Non-Collusion Statement

Pinal County
Finance Department
31 N. Pinal St.
Bldg. A
P.O. Box 1348
Florence, AZ 85132

NON-COLLUSION STATEMENT

State of Arizona)
) ss.
County of)

Joseph Pisciotta (Name), affiant,

the General Manager (Title)

Wells Fargo Merchant Services, LLC (Contractor/Offeror)

the persons, corporation, or company who makes the accompanying Offer, having first been duly sworn, deposes and says:

That such Offer is genuine and not sham or collusive, nor made in the interest of, or behalf of, any persons not herein named, and that the Responder has not directly or indirectly induced or solicited any other Responder to put in a sham Offer, or any other person, firm or corporation to refrain from offering, and that the Responder has not in any manner sought by collusion to secure for itself an advantage over any other Responder.

(Name)

General Manager
(Title)

Subscribed and sworn to before me

this 23rd day of February, 2011 2012

Signature of Notary Public in and for the

State of New York

County of Suffolk

CATHY MARIE BENNETT
Notary Public - State of New York
NO. 01BE6146670
Qualified in Suffolk County
My Commission Expires May 22, 2014

NAME AND ADDRESS OF CERTIFICATE HOLDER:	DATE ISSUED_____ AUTHORIZED REPRESENTATIVE

RESPONDERS CHECKLIST

	Yes/No
Did you **sign** your Offer sheet?	Yes
Did you sign and notarize the Non-collusion statement?	Yes
Did you acknowledge all addendums, if any?	Yes
Did you complete all required Response Forms?	Yes
Did you include your W-9 Form?	Yes
Did you include any necessary attachments?	Yes
Is the outside of your submittal marked with the Solicitation #, Due Date and Time?	Yes
Did you include one original and the required number of copies?	Yes
Did you follow the order for submissions of documents?	Yes
Did you include proof of insurance(s) if requested?	Yes

Section two

- Solicitation PC-111517 Minimum Qualifications Verification Requirements Form
- Wells Fargo Economic Outlook

PINAL • COUNTY *wide open opportunity*	RFP PC-111517 Minimum Qualifications Verification Requirements	Pinal County Finance Department 31 N. Pinal St. Bldg. A P.O. Box 1348 Florence, AZ 85132

MINIMUM QUALIFICATIONS VERIFICATION REQUIREMENTS

ITEM NO.	MINIMUM QUALIFICATIONS	COMPLIANCE YES/NO	DOCUMENT TITLE AND NUMBER OF PAGES SUBMITTED FOR EACH DOCUMENT
1	Responder must comply with Arizona Revised Statutes Title 35 Article 2.1 section 325 (A) or offer institutional banking services via charter from either the United States Federal Government or the State of Arizona.	(Yes)/No	Latest Audited Financial Statements
2	Responder shall be a member of the Federal Reserve System. Responder must submit a copy of their Federal Reserve Member Certificate.	(Yes)/No	Copy of Federal Reserve Member Certificate
3	Responder must have experience as the servicing bank for at least one County Treasurer.	(Yes)/No	Reference
4	Responder must have a minimum credit rating of "BBB" as assigned by Standard & Poor's (or equivalent from Fitch, Moody's, etc).	(Yes)/No	Copy of Credit Rating
5	Responder must be able to complete transition from current provider and provide all required banking services to Pinal County by July 1, 2012 or provide a timeline of the Contractor's transition period.	(Yes)/No	Certification of Compliance Signature – Jeff Sundheimer Print Name

Submitted by (signature) _____ Date February 29, 2012

Jeff Sundheimer, Vice President Ph: 602-378-2175, jeffrey.j.sundheimer@wellsfargo.com
(Bank officer printed Name, Title, Phone, Email address)

Eligible Bank Name: Wells Fargo Bank, N.A.

END OF MINIMUM QUALIFICATIONS VERIFICATION REQUIREMENTS

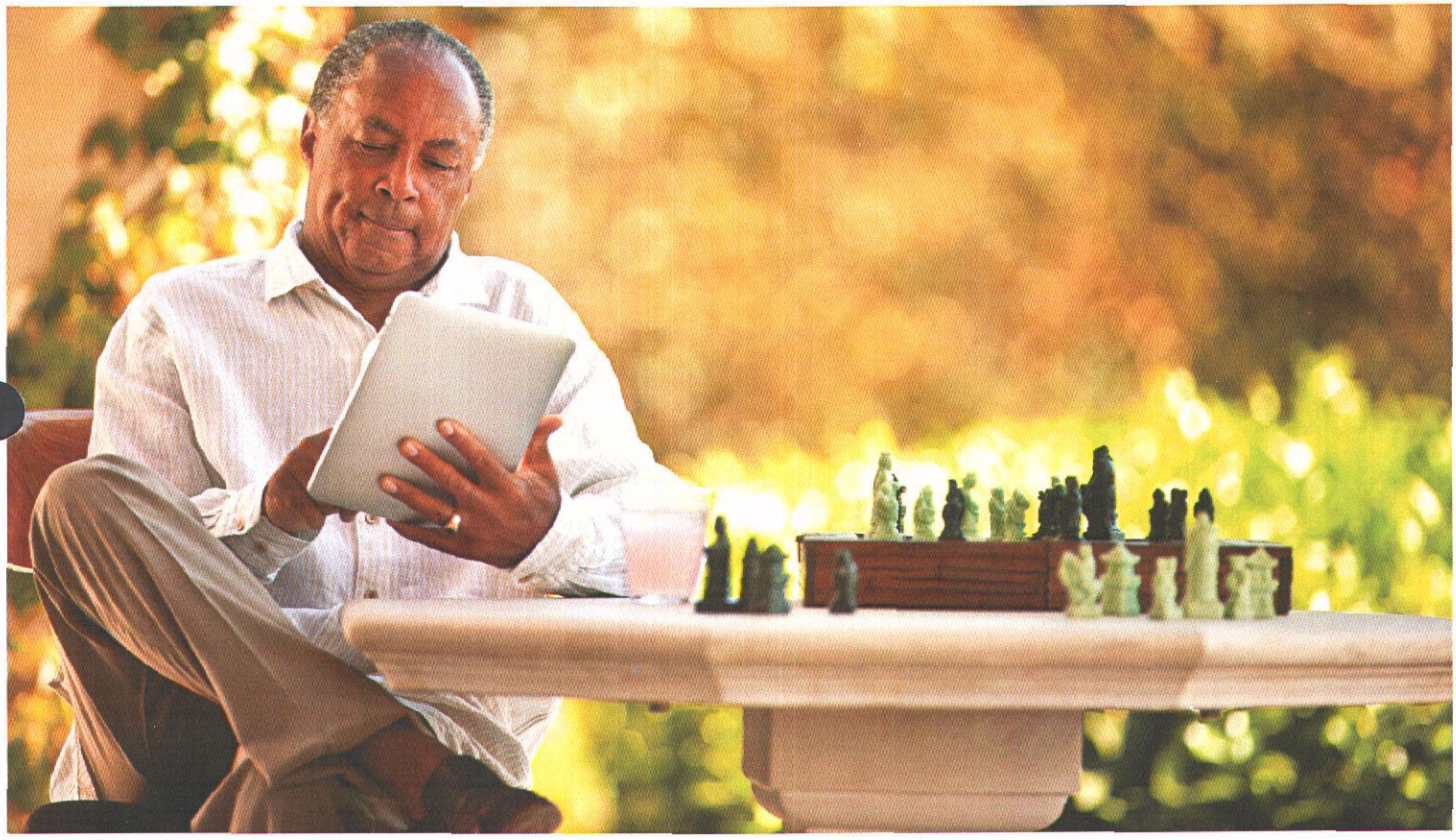
December 7, 2011

WELLS FARGO SECURITIES

Economics Group

2012 Economic Outlook

The Game Has Changed: Transitioning to a Post-Leveraged World



Despite many challenges, we believe U.S. and global economic growth is poised to continue over the course of next year. However, businesses will need to remain cognizant of the evolving economic and policy landscape that will prove to be a game changer in 2012.

Together we'll go far

This report is available on wellsfargo.com/research and on Bloomberg WFEC

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Executive Summary and Outlook

*"Happy **economic recoveries** are all alike;*
*every unhappy **recovery** is unhappy in its own way."*
— With thanks—or perhaps apologies—to Leo Tolstoy

Current economic difficulties call for a re-examination of the business and policy fundamentals that underlie the recovery.

Over the past year, we have often been greeted by friends and colleagues with the comment that "your job must be really interesting," or "you economists are very much in demand." Indeed, economics does give the appearance to be a countercyclical business where the more problems in the economy, the greater the demand for our views. However, after the polite greetings, the real story is that current economic difficulties call for a re-examination of the business and policy fundamentals that underlie the recovery, and that re-examination has been very uncomfortable to many. Therefore, when in doubt, call in the economists for this economic recovery has truly been an unhappy one, with the outward evidence of disappointing growth, high unemployment and a seemingly unending stagnation in the housing sector.

We continue to view this economy as threading a thin needle between below-historical growth rates associated with the idealized economic recovery and the decline in growth associated with the non-idealized recession. There is no easy economic policy that will quickly resolve problems that have been developing for more than 40 years. So, what are we facing?

We expect the economy to expand 2.0 percent for the year ahead.

Our key theme in the second half of this year was one of moderate, subpar economic growth accompanied by modest inflation pressures, and no change in the Federal Funds target rate. As we transition into 2012, our growth outlook reflects more of the same for the year ahead. We expect the economy to expand 2.0 percent for the year ahead, with small gains from many sectors of the economy as opposed to a major contribution from any one segment (Figure 1).

We build our outlook upon the idea that consumer spending will continue to add to economic growth. However, the slow pace of job gains, marginal improvement in personal income and modest inflation pressures in the first half of the year will keep consumer spending in check. We expect approximately 1.5 million jobs to be added over next year, for an average of 123,000 jobs per month. The pace of job growth will be disappointing as structural challenges in the labor market persist. The disconnect between the skills among the American labor force and the skills in demand by firms remains the biggest challenge to stability in the labor market.

The sluggish pace of job gains should result in only a marginal improvement in personal income. Inflation is likely to remain somewhat elevated in the first half of the year at 2.3 percent but should moderate in the second half of 2012 (Figure 2). The inflation environment in light of only marginal personal income gains will restrain personal consumption to 1.5 percent in the first half of the year before giving way to somewhat stronger growth in the second half of the year.

Figure 1

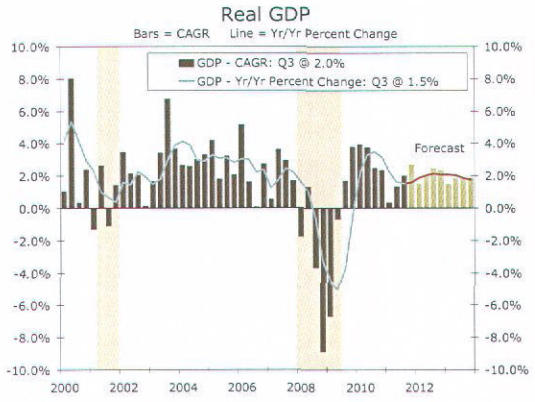
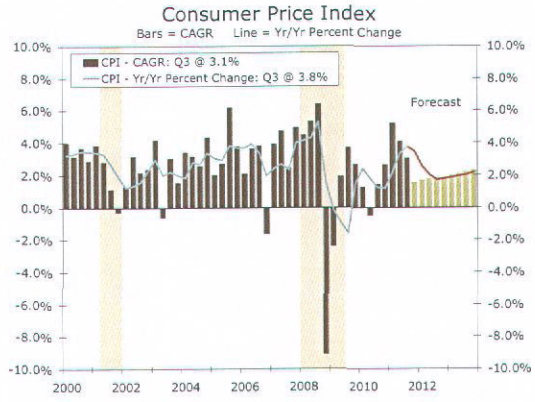


Figure 2



Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities, LLC

Business fixed investment will remain a strong support to growth over the next year.

Reiterating our view of "more of the same" in 2012, business fixed investment will remain a strong support to growth over the next year. The main driver of business investment over the past year—investments in capital equipment—should remain strong, but will not reach the double-digit gains observed in 2011. The composition of business fixed investment should shift toward structures as stability in the commercial real estate market begins to slowly return. Short-term interest rates should remain low for most of the year, while longer-term borrowing rates should begin to rise in the latter half of 2012. As promised, the Fed should remain on hold for the duration of year.

We expect the government sector to remain a drag on economic growth in the year ahead. State and local governments will continue the process of aligning spending with the slower pace of revenue growth. Local governments will likely continue to aggressively reduce spending over the next 12 months in light of falling property tax collections and fewer resources from the federal and state governments.

Federal spending will likely detract from economic growth in the second half of the year.

At the federal level, the process of reigning in spending will begin as a result of the first $900 billion federal budget cuts from the Budget Control Act passed earlier this year. The first wave of cuts are spread out over the next 10 years, thus the impact will likely be minimal in the year ahead. However, the more aggressive $1.2 trillion in cuts set to begin in 2013 have the potential to weigh heavily on growth the following year. Continued stalemate in Washington will likely do the same. Nonetheless, federal spending will likely remain more restrained than in years past and should detract from economic growth in the second half of the year.

On the trade front, we expect to see the pace of export growth pull back slightly in light of a modest recession in Europe. However, exports to emerging market economies should continue to help support domestic global producers and, in turn, a moderate pace of corporate profit growth. Import growth will likely remain constrained with the slower pace of consumer spending. Imports should begin to pick up in the latter part of 2012 as employment growth and consumer spending continue to improve. In the year ahead, we expect net exports to subtract a modest 0.1 percent from headline GDP growth as the trade balance begins to widen in the second half of the year.

A discussion of our forecast for next year would not be complete without addressing the risks to our outlook, which mostly come in the form of policy risks. On the fiscal policy front, we expect unemployment benefits and the Social Security payroll tax reduction to be continued in 2012. However, the recent failure of the Deficit Reduction Committee in Congress reflects the underlying theme of policymakers' inability to make tough fiscal policy choices. In light of the additional costs of these payroll extensions after the collapse of the deficit reduction talks, there is a moderate risk that these policies will not be extended, which would put slight downward pressure on personal consumption and, in turn, headline GDP growth next year.

On the monetary policy front, discussions of additional quantitative easing (QE) have emerged in recent weeks. Given our inflation forecast for the first half of the year, we believe that another QE program is unlikely. However, if such a program were implemented, our outlook for interest rates would be adjusted downward in the short run, but, depending on the size of the program, another round of QE would not likely affect our outlook for economic growth.

Our base-case scenario assumes that the sovereign debt crisis in Europe does not "blow up."

Our outlook also calls for continued global growth in 2012, though at a below-average pace. Growth in Asia will likely remain intact as receding inflation has lowered the probability of excessive central bank tightening in the near term. We look for the expansion in Latin America to also proceed, although growth will likely slow over the next year. Our base-case scenario assumes that the sovereign debt crisis in Europe does not "blow up" and that the Eurozone experiences only a mild recession through early 2012. That said, there is a significant risk that the sovereign debt situation could incite another global financial crisis, which would downgrade our outlook for both U.S. and global growth in 2012.

- Wells Fargo Economics Group

Three Game Changers to the Old Framework

The failure to deliver economic success within the old framework suggests that we are playing a very different game.

What appears to be generating the interest in economics is the search for a framework to explain our current environment. Clearly, the old framework of stimulus to economic boom, modeled on the experience of the early 1960s and, then again, the early 1980s, did not deliver in this recovery. In addition, the failure to deliver economic success within the old framework suggests that we are playing a very different game with the underlying socioeconomic structure of both the American consumer and the European welfare state. Traditional policy actions within the inherited institutional structure have not provided the expected economic results. This indicates that the conventional macroeconomic model no longer serves as a meaningful working framework for policy analysis.

From our viewpoint, three structural challenges in the domestic economy have limited the pace of economic growth in 2011 and are also likely to limit growth in the year ahead. In each case, the experience of this cycle is significantly different than in prior cycles, implying that decision makers must adjust to the new rules of the game.

First, the Great Recession exposed the credit dependency for the American consumer, the U.S. federal government and European sovereigns. Over the past 30 years, the broadening of credit availability provided the means for many households to spend beyond their income earnings in the hope of paying off those debts out of future income. This ended with the Great Recession.

Second, expectations for continued home price appreciation, built upon the experiences of the post-WWII period, set the tone for the strategy to buy a home today in anticipation of capital gains down the road. This ended with the Great Recession.

Finally, state and local governments had also anticipated that future retiree benefits and health care, woefully underfunded in many states and localities, could be paid out of future tax revenues. Well, we know how this ended.

A Game Changer to Households: Credit Constraint

Persistent employment and income growth below the perceived long-term trend has forced many households to reevaluate their expected income and spending patterns. During the Great Recession, two major shocks affected households' perceptions of wealth. First, both real estate and financial assets declined more quickly and significantly than households had anticipated (Figure 3). Second, while the value of financial and housing wealth dropped quickly, the value of the outstanding debt accumulated over the prior years did not. As a result, debt quickly exceeded the wealth—particularly in housing—such that the net worth position for many households was negative on their real estate.

Figure 3

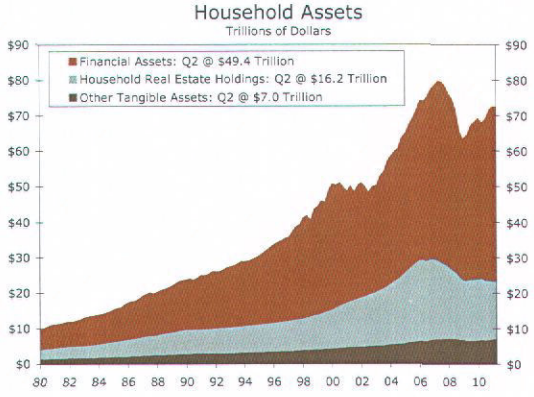
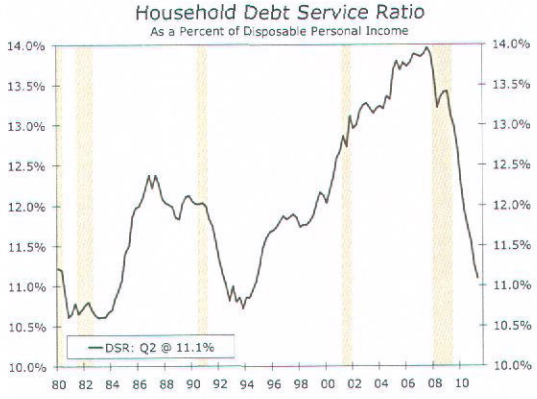


Figure 4



Source: Federal Reserve Board and Wells Fargo Securities, LLC

From the viewpoint of economics, the rapid drop in wealth and the associated recession gave rise to a credit or liquidity constraint for households. Under these conditions, households are unable to borrow due to their lack of liquidity, and moreover, their current income is below what they formerly perceived as their permanent income. As a result, households quickly adjust their current consumption to reflect their current income, despite their previously held beliefs about their lifetime income expectations. At least in the short run, households would reduce their consumption and increase their savings—a result clearly visible in the 2008-2010 experience of the American household.

The chance of a period of low income sometime in the future will lead some households to cut spending today.

In addition, for many households, concerns about job and income stability suggest that the liquidity/credit constraint may also be binding in the future; therefore, households will reduce current consumption even if they had retained the same job at the same income. Simply put, the chance of a period of low income (associated with unemployment) sometime in the future will lead some households to cut spending today.

With the liquidity constraint, households need savings today to get through the tough patch tomorrow. Therefore, households boost savings, or pay down debt, for insurance against the impact of a potential future decline in income. Moreover, when households anticipate that credit has become less available and there will be a possible lower borrowing constraint in the future, households will reduce current consumption even if not credit constrained today.

This credit constraint helps explain the weakness of consumer spending in the current expansion relative to prior recoveries. As illustrated in Figure 4, households have rapidly reduced their debt service by paying down debt and deleveraging the household balance sheet. Effectively, the Great Recession has altered expectations for future income and employment for many households. Therefore, these households will attempt to restore balance to their long-run consumption and saving patterns commensurate with future earning power.[1] Households will also overcompensate in the short run to increase saving to protect against unforeseen future events.

The economy cannot rely on the consumer to fuel growth in the same way the consumer has in prior economic expansions.

Events in this cycle have weighed heavily on consumer and business confidence. From the viewpoint of lenders, the weaker balance sheets and income prospects have also increased the perceived credit risk for many potential borrowers. Volatility leads to risk aversion and makes it more difficult for both borrowers and lenders to gauge permanent income. As a result, the credit constraint has become a long-term structural issue for the balance sheets of households to an extent not typical of an economic recovery. Further complicating the consumer situation is the altering of the labor market framework, where long-term unemployment has been more persistent than many had expected and has changed the long-run view of expected lifetime earnings of many workers. Moreover, at least a modest amount of this long-term unemployment represents a depreciation of workers' skills, thereby creating further downward pressure on lifetime earnings. Taken together, the economy cannot rely on the consumer to fuel growth in the same way the consumer has in prior economic expansions.

A Game Changer to Economic Growth: Housing

Several years of declining home prices across many metropolitan markets is the change that has led to a revaluation of the role of residential construction in the classic business cycle recovery and even the long-term trend of the economy. The feedback effects of the these price declines were felt on both the demand and supply sides of the housing marketplace, leading to a deep and prolonged lull in residential building (Figure 5). On the demand side, sharp and significant price declines brought into question the intrinsic value of homes and certainly the investment aspect of homes as part of retirement planning. Households have made the choice to back away from the housing market, thereby reducing demand as reflected in the demographics of Figure 6. On the supply side, the rapid decline in prices has made it difficult for builders, who are often small entrepreneurs with very small cash cushions, to compete with large inventories of discounted homes. For mortgage lenders, the rapid decline in the value of the housing collateral suggested that credit standards were too lenient and would have to be raised in the future. This choice to tighten credit standards by lenders, plus the diminished liquidity in the follow-on mortgage-

[1] Franco Modigliani's life-cycle hypothesis

backed-security market, reduced the ability of households to obtain financing and consequently further weakened home demand.

Housing had been a significant driver of recoveries after most recessions in the United States since WWII. However, the overhang of distressed and foreclosed properties and underwater mortgages suggest that the simple game of supply and demand has changed. A new framework appears to be in place. Demand has downshifted in response to the new reality that home prices have a downside. There is now risk to wealth from poorly timed home purchases, which may limit mobility. On the supply side, building depends on credit availability. With the risks of lending now relearned, the supply of credit directed to housing is also more limited, as well as more expensive for buyers given stricter down-payment requirements.

Given the large multiplier effect of new home construction, the current sluggish pace of housing market activity has continued to weigh on growth. Employment in the construction sector has declined dramatically since the housing bust. Even with some recovery in the housing market, many of the construction jobs lost will not return. This leaves a large portion of the labor force without the skills needed to compete in a more service-oriented economy. Furthermore, home price declines and negative equity have harmed labor mobility. This has prevented some workers from taking advantage of job opportunities in other parts of the country, which has typically been a strength of the U.S. labor market and has supported previous recoveries.

Demand has downshifted in response to the new reality that home prices have a downside.

Figure 5

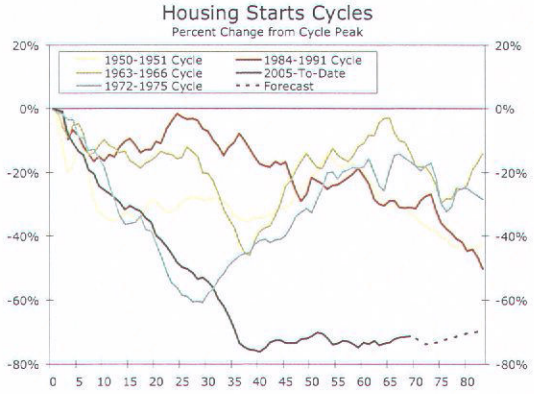
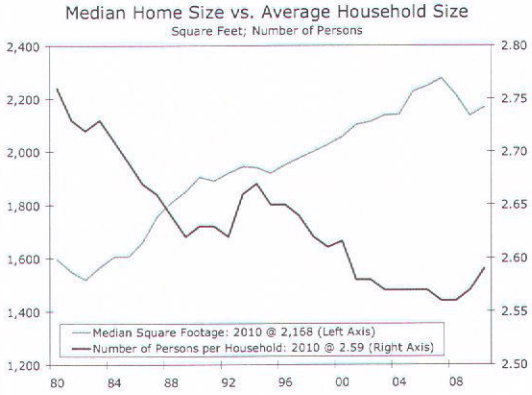


Figure 6



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

A Game Changer to State and Local Government: Subpar Growth, Subpar Revenues

The thoughtful observer will recognize that the old models of state and local government decision making must face the new realities of slower revenue growth, and that the new pace of revenue growth will fall short in covering the spending promises of prior generations. Over the past year, state governments have cut back considerably on outlays and increased revenues to rebalance their spending with the new slower pace of revenue growth. These policy changes played an important role in creating sustainable and balanced budgets among some state governments. However, these policy changes have come with side effects that have been felt more acutely in some states than others. Budget cuts at the state level affected everything from employment and local funding to education and healthcare funding. Given that many of the economic forces which led to states having to rebalance their budgets remain in place—namely, slow revenue growth and increasing pension liabilities—the reduced level of state and local spending is likely to continue. We suspect that the state and local government sector will become less of a drag to growth over the next year; however, this sector will not significantly add to economic growth either.

The old models of state and local government decision making must face the new realities of slower revenue growth.

Early estimates of state budget shortfalls indicate that budget gaps for the fiscal year ending in June will be much lower than in previous years (Figure 7). While state and local budgets are

showing signs of improvement, the potential for revenue shortfalls still exist in light of federal spending cuts and a slow pace of economic growth.

Slower future revenue growth among state and local governments, combined with large budget gaps left over from revenue declines during the recession, have prompted the dramatic budget reductions that took place over the past year. Another, less publicized, reason for the large budget cuts on the part of state governments lies in the fact that many state legislatures around the nation decided to also reduce taxes (Figure 8). These tax policy changes were in part expirations of existing taxes that were implemented as a means to reduce the large budget shortfalls in prior years along with some additional reductions in business taxes.

Now that many states are achieving fiscal balance, our concern has shifted to local governments and municipalities.

Now that many states are achieving fiscal balance, our concern has shifted to local governments and municipalities. Historically, municipalities are heavily dependent on two sources of revenues—state and federal government transfers and local property taxes. The federal budget cuts will likely minimally affect municipalities. The main concern, however, is the ongoing decline in home prices around the country, which will lower the assessed value of local properties and, in turn, lower local revenues. As assessments lag changes in market prices by about three years, the effects of these declines will continue to weigh on local revenues for years to come.[2]

Figure 7

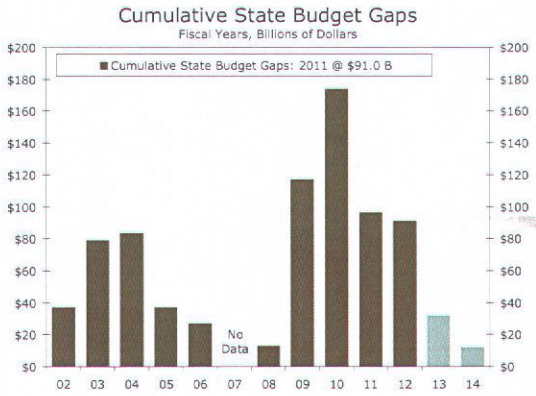
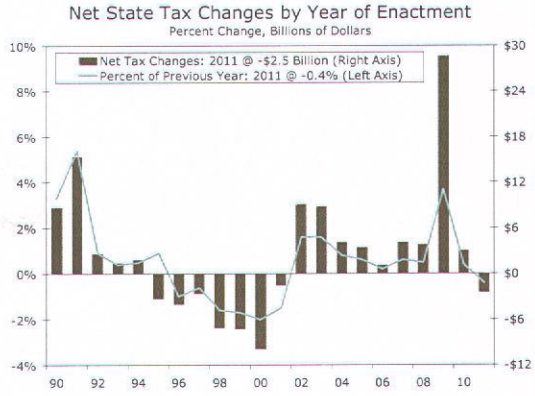


Figure 8



Source: National Conference of State Legislatures and Wells Fargo Securities, LLC

Fiscal restraint enacted by many states and local governments has detracted from both job and economic growth over the past year. Job losses have been particularly hard on areas with a high dependence on public sector employment or government contractors. Many of the government job losses have been concentrated in public education at a time when future American workers need to be better educated than ever to compete successfully in today's global economy. In addition, cuts to Medicaid and Medicare repayments should adversely affect job gains in the health care industry, which has been one of the few bright spots in the employment picture since the Great Recession ended.

Another issue facing the state and local government sector in the second half of the year is the prospect of $1.2 trillion in spending cuts triggered by the failure of the Deficit Reduction Committee. These federal cuts may put some pressure on state and local governments, as many discretionary federal grant programs will likely be adversely affected. However, we expect the cuts to these programs to be minimal in 2012 and thus not a major impediment to state budgeting in the next year.

The new rules of the game call for spending growth that is balanced with the new, slower pace of revenue growth.

Our outlook for the state and local government sector is for a moderation in the size of budget gaps over the next year. Revenue growth at the state level will continue to slowly recover as the U.S. economic recovery continues. Given the slow pace of economic growth, combined with revenue collections that remain below their prerecession levels for many states, it will take years

[2] **Lutz, B. (2008) The Connection Between House Price Appreciation and Property Tax Revenues. Federal Reserve Board FEDS Papers 2008-48.**

before the scale of many state and local governments return to prerecession levels. Job growth will be very limited over the next year in the government sector with the ongoing restructuring in this segment of the economy. The new rules of the game call for spending growth that is more in line with the new, slower pace of revenue growth, a formula that ensures that the state and local government sector of the economy will not meaningfully add to economic growth in the year ahead.

Housing Outlook: Another Tough Year for Homebuilders

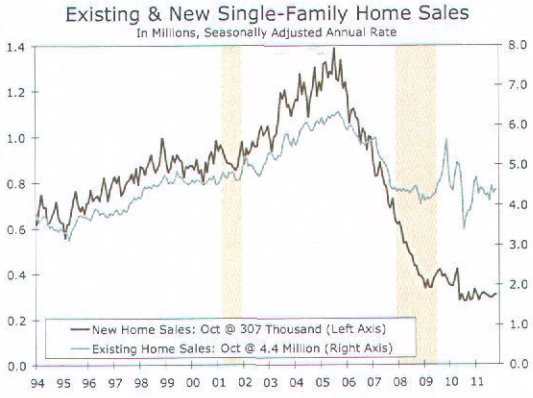
Residential construction continues to struggle across much of the country amid a glut of excess single-family homes and condominiums. Starts of single-family homes are expected to hit a modern-era low of 420,000 units in 2011 and improve only modestly during the coming year, rising around 8 percent to 455,000 units (Figure 9). Overall starts were down less dramatically in 2011, thanks largely to a 35 percent rise in multifamily starts. Most of that increase was in apartments. Apartment construction should increase further in 2012, helping to push multifamily starts up 25 percent.

Starts of single-family homes are expected to hit a modern-era low in 2011 and improve only modestly during the coming year.

Single-family construction is essentially dead in the water, with the exception of a few infill developments in some better performing metro areas. New single-family construction continues to be weighed down by the oversupply of existing homes, which has been bloated by the backlog of foreclosures and bank-owned properties (Figure 10). The latest data place the inventory of existing homes at around 2.86 million units. We conservatively estimate that the shadow inventory totals an additional 2.0 million units, made up of homes either already in the foreclosure process or homes where the mortgage is currently 90 days or more past due.

Figure 9

Figure 10



Source: U.S. Department of Commerce, National Association of Realtors and Wells Fargo Securities, LLC

With so much supply on the market, home prices have continued to drift lower. The S&P/Case-Shiller Home Price Index has fallen every month since April and is expected to slide an additional 6 percent by the middle of 2012 as distressed transactions account for a larger proportion of overall sales. The prospect of so much additional supply coming onto the market is also weighing on appraisals, which has led to a spike in contract cancelations and also discouraged many would-be home sellers from putting their home on the market.

The competition from foreclosures has severely limited the pricing power of new homebuilders, which has reduced their ability and incentive to build. Inventories of new homes are at a modern-era low of just 163,000 units, and builders are limiting new construction to niche markets, such as infill locations or partially built-out developments where lot prices have fallen substantially.

Amid the gloom, there are a few bright spots. The Northeast continues to do relatively well, particularly Boston and New York. The Washington, D.C., region has been strong for quite some time and seems to be weathering concerns about a slowdown in government spending. Activity also remains strong in most of the Texas markets, particularly Austin, San Antonio and Houston.

Even California is looking a little bit better, particularly Los Angeles and San Francisco, which are benefitting from growth in international trade and the entertainment and technology sectors.

We are still a long way off from a true recovery in homebuilding.

While there will likely be a few positive developments in 2012, for the most part the year is likely to look like a rerun of 2011. Sales will likely languish during the early part of the year and pick up modestly in the spring and summer, but we are still a long way off from a true recovery in homebuilding. Conditions will not improve on a sustained basis until the backlog of distressed properties is cleared, which will enable the price discovery process to play out. From there appraisals and underwriting standards will normalize, which should set the stage for a sustainable recovery. There are other issues to be decided as well, including the issue of what the federal government's role in financing homeownership should be and what to do with Fannie Mae, Freddie Mac and the Federal Housing Administration (FHA).

Apartment construction remains the lone, unambiguous bright spot, and the recovery in that market still has quite a ways to go. Vacancy rates for apartments have fallen 1.5 percentage points to 5.6 percent over the past year and rents have increased 2.1 percent. Construction activity began to rev back up during the second half of the year and is expected to rise further in 2012. Development activity is still being constrained by concerns about sluggish job growth and credit availability. Sales remain strong, however, and the relatively high prices apartment communities are fetching should keep the development pipeline growing.

Residential improvements are also taking on renewed significance, having risen to 23 percent of private residential construction spending this year from around 16 percent at the height of the housing boom. Some of this increase reflects investor purchases of foreclosed properties, which are being repaired and remarketed either as for-sale properties or rentals. Homeowners are also likely spending a bit more refreshing their homes now that their time horizon for selling their current home has lengthened. This year's rash of violent storms also contributed to the rise in renovation spending. Most of these trends can be expected to remain in place in 2012.

Consumer Outlook: Spending to Remain Constrained

Consumer spending remains constrained by a lack of real income growth and continued deleveraging.

Consumer spending remains constrained by a lack of real income growth and continued deleveraging. Real after-tax income grew just 0.9 percent in 2011 and is expected to rise 1.0 percent in 2012. Income growth has been restrained by sluggish job growth and higher inflation, particularly for necessities, such as food and gasoline. Despite only tepid income gains, consumers managed to boost their spending by 2.3 percent in 2011 (Figure 11). That modest gain came at the cost of a 1.8 percentage point drop in the saving rate (Figure 12). Moreover, consumers benefitted from a temporary two percentage point reduction in Social Security taxes that may or may not be renewed for 2012.

Figure 11

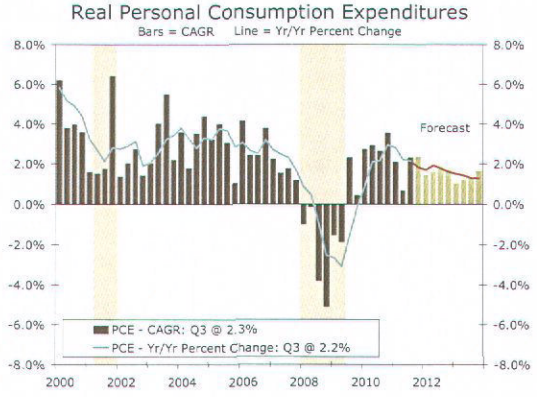
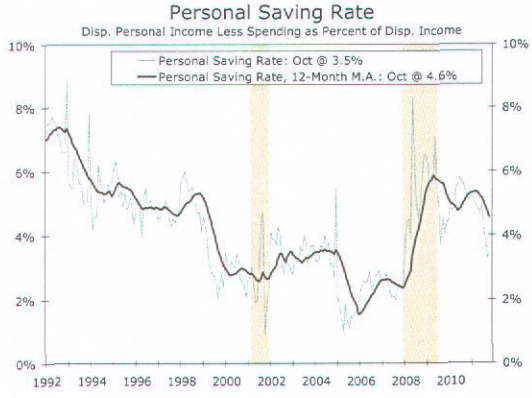


Figure 12



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Our forecast assumes the temporary payroll tax cut is extended another year. The initial tax cut provided little immediate relief, as it was more than offset by the surge in energy prices that occurred early last spring. Failure to extend the temporary tax break, however, would likely have a more immediate negative effect and result in much weaker income gains during the early part of the year. Even if the payroll tax cut is extended, consumer spending is expected to slow following the 2011 holiday shopping season. Sales during the holiday season are off to a surprisingly strong start and look to be in line with our forecast of a 5.2 percent gain. Holiday spending was led by purchases of highly popular, and relatively high-priced, tablet computers and smart phones. Once this euphoria dies down, spending should quickly fall back in line with real after-tax income growth, which, unfortunately, is expected to rise just 1.0 percent in 2012.

The sluggish pace of income growth incorporates a modest improvement in job growth and slightly lower inflation rate during the coming year. Businesses are expected to add an average of 123,000 workers per month in 2012, while state and local governments continue to trim payrolls. Inflation is expected to moderate, as energy prices subside amid a slowing global economy.

Consumers' view of current economic conditions is fairly dire and expectations for the future have been scaled back.

Even with slightly stronger job growth, consumers hardly appear to be won over. The Consumer Confidence index ended the year at a level more typical at the depths of a recession than two and half years into recovery. Consumers' view of current economic conditions is fairly dire and expectations for the future have been scaled back. One of the more disturbing aspects of the consumer confidence data published by the Conference Board is that for most of the second half of this year, more consumers expected their income to fall over the next six months than expected it to increase. The difference between these two responses has been a fairly reliable indicator of consumer spending in recent years, although the most recent data show a sharp deviation in the two series, with spending rising despite renewed worries about slower income growth.

Consumers' worries about the economy appear to be well placed and are the key reasons we see consumer spending slowing right after the holiday season. Consumers simply lack the wherewithal to increase spending more than a 2 percent annual rate on a sustained basis. With the saving rate already drawn down and many consumers apparently putting their holiday purchases on credit, some payback appears to be in order for early 2012. Hiring should gain momentum over the course of the year, however, providing a bit more income growth in the second half of the year.

Global Outlook: Assuming Europe Does Not Blow Up...

We project that the global expansion will continue, albeit at a below-average pace, in 2012.

After posting its first outright contraction in at least 40 years, global GDP has rebounded sharply over the past two years (Figure 13). This rebound has been paced, in large part, by strong growth in the developing world. Under the assumption that Europe does not "blow up," we project that the global expansion will continue, albeit at a below-average pace, in 2012. However, the debt crisis in the Eurozone is very fluid at present, and the probability of another global financial crisis that emanates this time from Europe is not insignificant. We will return below to discuss, in more detail, the European debt crisis and the effect it could have on the global economy.

Modest Expansion Should Continue in North America

Let's start with good news. The economic recovery that has been under way in North America for the past two years remains intact. As we previously discussed the U.S. economic outlook earlier in this report, we will not elaborate here other than to repeat our forecast of continued subpar U.S. economic growth in both 2012 and 2013. The United States is by far the largest export destination for both Canada and Mexico, and sluggish U.S. growth will exert headwinds on economic growth in the other two North American economies.

That said, real GDP growth in Canada generally has been stronger than in the United States over the past two years, and we project this relative outperformance should continue in both 2012 and 2013.[3] The resource-rich Canadian economy has benefitted from strong economic growth in Asia

[3] **As shown in our global forecast on page 27, we project that U.S. GDP will grow 2.0 percent in 2012 and 1.9 percent in 2013. For Canada, we forecast growth rates of 2.3 percent and 3.0 percent, respectively.**

over the past two years, and the continued expansion that we project for Asia should help to support Canadian export growth. In addition, Canada never had a housing bubble in the past decade, at least not to the same extent as the United States did. Therefore, growth in real consumer spending north of the border should be stronger than in the United States over the next two years.

The Mexican economy has grown faster during the current recovery than its colossal neighbor to the north, and we look for this relative outperformance to continue over our forecast period. There really are no major imbalances now in the Mexican economy that would likely trigger a stand-alone Mexican recession. That is, inflation is under control, interest rates are low and the current account is more or less in balance. As long as the American, and more broadly the global, economy continues to expand, which is our base-case scenario, then Mexico should continue to experience a modest pace of real GDP growth.[4]

Figure 13

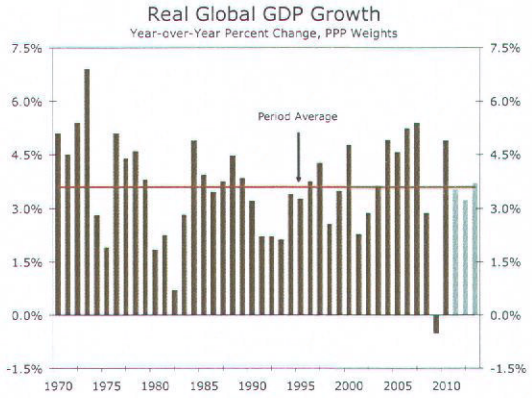
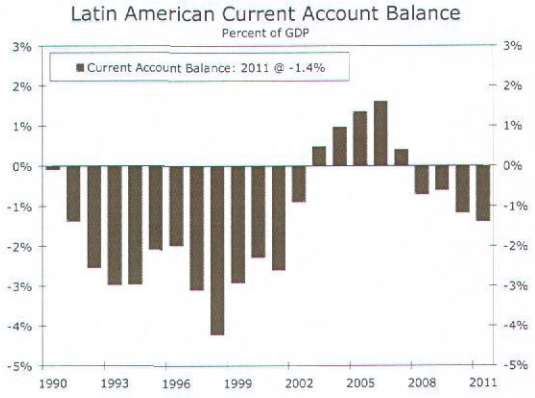


Figure 14



Source: International Monetary Fund and Wells Fargo Securities, LLC

South America: Absence of Serious Macroeconomic Imbalances

Speaking of balance, there generally are no serious macroeconomic imbalances in most South American economies at present. Yes, the region is incurring a current account deficit at present, but the size of the deficit is modest compared to the amount of red ink that was racked up more than a decade ago (Figure 14). Brazil has experienced a bit of run-up in CPI inflation over the past year or so, but the overall inflation rate is low relative to the rates that prevailed a decade or more ago. Moreover, it appears that Brazilian CPI inflation is beginning to recede, and we look for further modest disinflation over the next two years. Production of commodities is important to many Latin economies, and the continued global expansion that we project for the next two years should continue to support growth in Latin America. That said, most Latin economies probably will grow at a slower pace in 2012 and 2013 than they have over the past two years.[5]

We look for the economic expansion in Asia to remain intact over our forecast period.

Asia Should Continue to Experience Solid Growth

Due to their extensive trade ties with the rest of the world, most Asian economies experienced sharp downturns when the rest of the global economy imploded in the immediate aftermath of the 2008 financial crisis. However, Asia has bounced back sharply over the past two years. For example, real GDP in China rose more than 10 percent in 2010 and is on pace to add another 9 percent or so this year (Figure 15). Most other economies in the region have posted solid growth rates as well over the past two years, and we look for the economic expansion in Asia to remain intact over our forecast period.

[4] We look for Mexican real GDP to increase 4.3 percent in 2012 and 4.5 percent in 2013.

[5] For example, real GDP in Brazil grew 7.5 percent in 2010 and we estimate it expanded 3.0 percent this year. Our forecast calls for 3.3 percent GDP growth in 2012 and 4.0 percent growth in 2013.

Outside of the possibility that the European sovereign debt crisis morphs into a generalized global financial crisis, there are two main risks facing Asia at present. First, inflation has risen across the region this year, and most Asian central banks have responded by tightening policy. If inflation continues to rise, central banks could tighten aggressively, potentially leading to recession. That said, overall inflation rates in Asia appear to be receding (Figure 16). Not only have food and energy prices trended lower over the past two quarters, but "core" rates of inflation have stabilized in many countries as economic growth has slowed. Consequently, the risk that central banks in the region would tighten too much has diminished considerably in recent months.

Figure 15

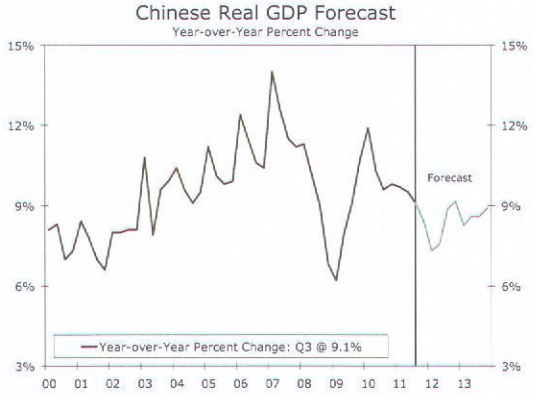
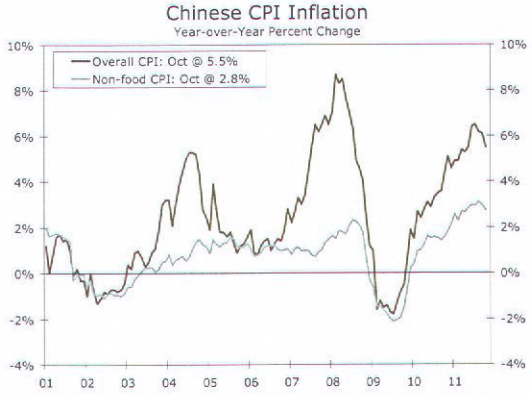


Figure 16



Source: Bloomberg LP, CEIC and Wells Fargo Securities, LLC

The second major Asian-specific risk relates to the possibility of housing bubbles in some economies, especially in China. Whether there is a housing bubble in China is open to question. But, would the Chinese economy be brought to its knees if house prices in that country fall significantly over the next year or so? Probably not, because China is not an overly leveraged economy at present. For example, household debt as a percentage of GDP currently stands around 90 percent in the United States. In China, this ratio is 30 percent. The loan-to-deposit ratio, a measure of bank leverage, is currently around 80 percent in the United States, whereas it is less than 70 percent in China. The collapse of a Chinese housing bubble, should it in fact occur, probably would lead to slower economic growth in China that would exert a dampening effect on many other Asian economies as well. Due to the unleveraged nature of the Chinese economy at present, however, a significant house price decline in China probably would not have the same global ramifications as the collapse of the U.S. housing bubble did.

Should We Worry About Europe?

Recent monthly indicators suggest that the overall euro area is sliding back into recession.

After contracting more than 5 percent between early 2008 and mid-2009, the Eurozone has experienced a modest recovery (Figure 17). Unfortunately, recent monthly indicators suggest that the overall euro area is sliding back into recession. Industrial production dropped 2.0 percent in September relative to the previous month, and the purchasing managers' indices for both the manufacturing and service sectors have remained below the demarcation line separating expansion from contraction since September. In our base-case scenario, we project that real GDP in the Eurozone will contract about 1 percent over the next two quarters, and economic weakness in Europe will exert a modest slowing effect on the overall global economy. We look for the European Central Bank (ECB), which reduced its policy rate from 1.50 percent to 1.25 percent in November, to cut rates further by 75 bps by the end of the first quarter.

As noted earlier, however, our rather benign base-case forecast of continued global growth in 2012 and 2013 is predicated on the assumption that Europe does not "blow up." The crisis that started in Greece, Portugal and Ireland has now spread to the much larger economies of Spain and Italy. Greek government debt totals nearly €400 billion, which is a manageable problem for the Eurozone. In Spain and Italy, however, the respective amounts of outstanding government debt are more than €800 billion and €2 trillion, making those countries too big to bail out.

Unfortunately, yields on Italian government bonds have risen into unsustainable territory in recent weeks, and Spanish yields have shot up sharply as well. If the governments of Spain and Italy are unable to roll over their maturing debt at less onerous rates, they too will face solvency issues at some point over the next few months.

In our view, the sovereign debt crisis could potentially lead to a generalized banking crisis in Europe.

In our view, the sovereign debt crisis could potentially lead to a generalized banking crisis in Europe. Because Italian and Spanish banks hold significant amounts of their country's government debt, the insolvency of the Italian and Spanish governments, should that occur, could lead to the collapse of those banking systems.[6] Banking crises in Spain and Italy would quickly spread to other European countries due to extensive financial ties in the continent. For example, French banking exposure to Italy alone totals about $400 billion, equivalent to roughly 15 percent of French GDP.[7] Banking systems in other major European countries, including Belgium, Germany and the Netherlands, also have large exposures to Italy and Spain (Figure 18). Restructuring of Italian and Spanish government debt could lead to hundreds of billions of euros worth of writedowns among European banks. In our view, a restructuring of Italian government debt would be a "Lehman-like" event that would have profound global ramifications.

Figure 17

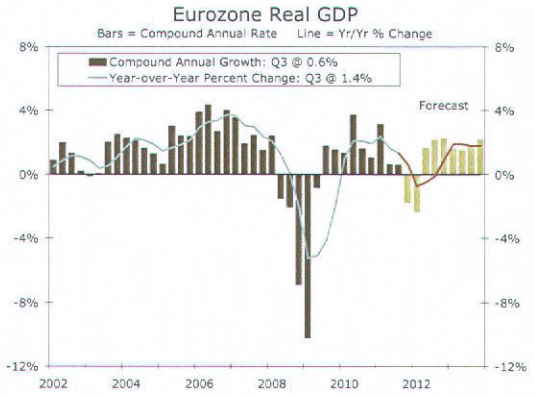
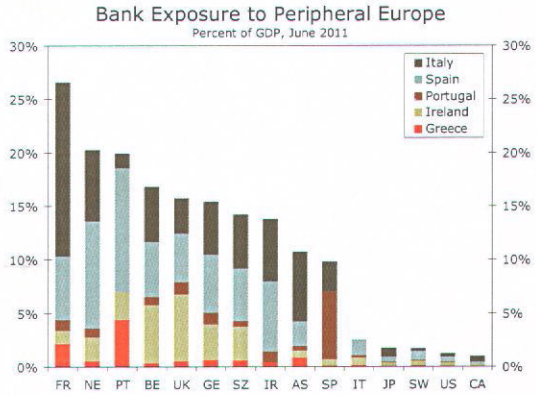


Figure 18



Source: IHS Global Insight, Bank for International Settlements and Wells Fargo Securities, LLC

We are becoming increasingly convinced that the only institution large enough to stop the meltdown that is occurring in the European sovereign bond market is the ECB.

How does this crisis end? We think one of two things needs to happen. First, we are becoming increasingly convinced that the only institution large enough to stop the meltdown that is occurring in the European sovereign bond market is the ECB. In our view, the ECB will need to eventually commit to unlimited purchases of Italian government bonds, either directly or indirectly. ECB intervention would be politically unpopular in Germany. The alternative, however, is the default of the Italian government, which would lead to large losses for German banks, and the potential breakup of the European Monetary Union (EMU). Trying to forecast political decisions is fraught with peril, but we think that faced with the unpalatable choice between unlimited ECB purchases of Italian government bonds and the dissolution of the EMU, which is the culmination of six decades of European economic and political integration, Germany will reluctantly agree to ECB intervention.

Even if the ECB steps in to buy unlimited quantities of Italian government bonds, the crisis likely will not truly be solved, however. To truly "solve" the crisis, Italy needs to take steps to improve its long-run growth prospects. As we showed in a special report this summer, it will be very difficult for Italy to stabilize its debt-to-GDP ratio if the economy remains stagnant in the long term.[8] In our view, Italy needs to move ahead with an aggressive agenda of structural reforms, especially reforms that are aimed at liberalizing its ossified labor market. Mario Monti, the newly installed

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[6] About 40 percent of Italian and Spanish government debt is held domestically.

[7] The $400 billion figure includes French bank holdings of Italian government debt as well as bank loans to Italian financial and nonfinancial enterprises.

[8] See "With Greece 'Stabilized,' Will the Fire Spread?" (July 27, 2011), which is available upon request.

technocratic prime minister of Italy, has promised to introduce reform legislation in the Italian parliament. Even if Italian politicians approve the legislation, it will take some time to ascertain whether the measures are working to eventually lead to stronger growth in the Italian economy. In the meantime, financial markets likely will remain volatile and the global economic outlook clouded. Stay tuned to this station for further developments.

BIICs as the World Growth Engine in 2012?

As the developed countries continue to struggle with their debt crises, the question everybody asks is whether emerging market economies—such as Brazil, India, Indonesia and China—have the wherewithal to carry the world economy into the next stage of economic growth, even in the face of little contribution from the developed world. In fact, recent speculation has indicated that Europe is looking for China to step up to the plate and give a helping hand to solve the European debt crisis. At the same time, it is said that the IMF chief, Christine Lagarde, is seeking support from the Latin American economies to "help contain Europe's mounting debt crisis."[9]

So far these economies, and perhaps China most prominently, have been able to deliver enough economic growth to help pull commodity prices out of the slump they were immersed in during the 1990s and into the first years of this millennium. Furthermore, China's massive economic stimulus during the 2008 and 2009 worldwide economic crisis showed the political determination to keep the Chinese economy growing no matter what happened to the rest of the world. It is clear that China and Chinese politicians have what it takes, i.e., plenty of resources and political determination, to continue to keep the economy going for some time to come, even without the help of anybody else. Economic growth north of 5 percent per year is needed to avoid any serious social disruptions across the country. Thus, the world probably expects China to have the same determination that it had in 2008 and 2009 to intervene and to prevent a further slowdown of the Chinese economy if the European sovereign crisis finally comes to bear.

It is clear that China and Chinese politicians have what it takes to continue to keep the economy going for some time to come, even without the help of anybody else.

However, the situation in Brazil, India and Indonesia is very different as those countries do not have the resources or the political will of China to help themselves and thus help the rest of the world economy. But, what China does not have, which is a nascent domestic consumer market and rising middle class, some of these countries do have, and this could help support global growth even if the developed world falters. A rebalancing toward consumer spending is something China will probably need if it wants to continue to grow at current rates.

Recent signs of an economic slowdown across the emerging markets are calling into question whether this new world order is here to stay and if the emerging market economies can deliver the growth necessary to keep the rest of the world economy afloat, even in the face of a shock stemming from the developed world.

Chinese Growth Model: Export-Led Growth

Let us return to discuss the Chinese growth model. This model is very similar to the economic development model used by Japan after the Second World War and by the East Asian Tigers during the 1970s and 1980s. It has consisted of a highly competitive exchange rate as well as highly subsidized interest rates for productive investment in these countries. However, the Chinese experiment is of such magnitude that the Chinese development model has rendered the Japanese and East Asian Tigers' models as an anecdote in the annals of export-led economic growth theory. The size of the Chinese government involvement, in terms of influence and might, has given China a degree of economic power that neither of these other countries had during their own rise to the top of the worldwide production ladder. Thus, the Chinese economic experiment has been more intense and more government-involved.

Until the worldwide financial crisis triggered by the collapse of Lehman Brothers and the ensuing U.S. housing crisis, Chinese economic growth was based on two basic objectives. First, China sought to secure a strong consumer market in the United States and in other developed countries

[9] **Colitt, R. and Rastello, S. (2011, November 28). IMF's Lagarde Seeks Latin America Help for Europe in "Historic About-Turn."** ***Bloomberg News.***

through a policy of committing to a very cheap yuan exchange rate versus the U.S. dollar.[10] Why? Because China continues to lack a strong domestic consumer market to justify the impressive expansion of its production capacity, and this means that China needs to count on foreign markets to absorb this increase in production over consumption. Furthermore, this excess production over consumption allows the economy as a whole to "save" a large percentage of its income. This accumulation of income is then used by the government to continue to grow its economy and buy U.S. Treasury securities to keep the yuan undervalued. The accumulation of reserves provides extra liquidity to inject into the economy if the economy starts to slow down and to invest in other countries to secure access to important natural resources.

In the end, the appreciation/ depreciation of the Latin American currencies will ultimately depend on the strength of Chinese economic growth.

At the same time, the overvaluation of the U.S. dollar to the yuan has added other benefits for Chinese producers and exporters. One of these benefits was that the countries in the sphere of influence of the U.S. dollar, including some very large economies such as Mexico, Brazil, Argentina, experienced a strong appreciation of their currencies vis-à-vis the U.S. dollar and thus against the Chinese currency during the period. This made Chinese exports to these countries very cheap and helped boost the share of Chinese exports headed to the region (Figure 19). This benefit is not something that Chinese exporters will probably be able to count on forever as there have been recent moves by these currencies to depreciate against the U.S. dollar due to the weakening of their economies and of commodity prices. Thus, we should expect some further weakening of Chinese exports to these countries as their currencies continue to readjust versus the U.S. dollar. However, in the end, the appreciation/depreciation of the Latin American currencies will ultimately depend on the strength of Chinese economic growth, as this will be fundamental in keeping commodity prices high.

Figure 19

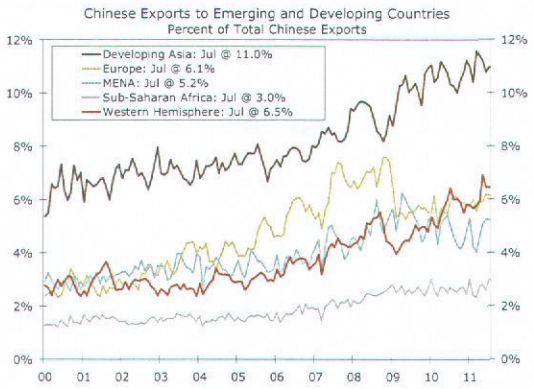
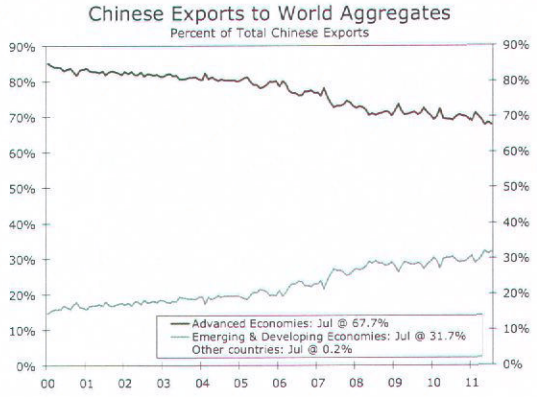


Figure 20



Source: IHS Global Insight and Wells Fargo Securities, LLC

Also benefitting these economies was the sharp increase in commodity prices as a consequence of the strong growth in the Chinese economy. China has become a major importer of commodities over the past several decades as its population transitions from subsistence agriculture to an industrialized society. At the same time, the need to secure important sources of inputs for production—basically natural resources—has also put pressure on commodity prices. Thus, commodity prices are being pulled up by several simultaneous effects: first, as direct demand from Chinese consumers; second, as indirect demand as input for increased Chinese production; and third, as a consequence of the depreciation of the U.S. dollar during the past decade or so.

The second objective for Chinese growth was based on Chinese entrepreneurs securing scarce resources all across the globe, with resource-rich countries being the targets of Chinese

[10] **This objective has been achieved, partially, through the massive purchase of U.S. Treasury debt instruments.**

investments.[11] These Chinese investments in resource-rich countries have deepened the links between these countries and the Chinese economy as well as further strengthened developed countries' currencies through an important inflow of capital from China.

The strong push for export-led growth has made Chinese economic growth highly reliant on foreign consumers. Thus, Chinese exports are highly dependent on developed economies even though developing economies have increased their share of Chinese exports and their importance during the past decades. Chinese exports to developed countries still account for close to 70 percent of total Chinese exports but have been slowly losing share to emerging and developing countries (Figure 20). If the trend continues, the developing countries will become more important for Chinese exporters in approximately 15 years. In the meantime, however, China still relies on the developed world. Thus, while the growth rate of developing economies is more important to China today than the growth rate of the developed economies, sales to the developed world are still more important for China and for world economic growth.

The strong push for export-led growth has made Chinese economic growth highly reliant on foreign consumers.

The Head Count Is There, the Income Is Not...Yet

Most analysts agree that emerging markets have a great future ahead of them. However, the size of their economies is still small compared to the size of their populations, or at least in terms of market exchange rates. This means that while the future is bright, emerging markets' role as drivers of worldwide economic growth is still in its infancy or, perhaps, in its teenage years.

These countries represent an enormous potential for the world economy in terms of population and in terms of income (Figures 21 and 22). Just by looking at the sheer size of the population, a very small increase in the size of the middle classes in emerging markets could mean a lot for world producers and for world resource markets. China will need a rebalancing toward its own consumer sector at some point to be able to sustain economic growth, as every modernizing country has had to do through history. This would mean that Chinese incomes will start to increase and that every country in the world would have an opportunity to produce for this massive consumer market. A similar process will be true for other large economies of the world, such as India and Indonesia. However, the global economy will remain unbalanced for the foreseeable future as current Chinese policy is still concentrated in growing the country through exports rather than through the domestic market. That said, further appreciation of the yuan relative to the dollar could have a strong effect on Chinese income per capita in U.S. dollar terms and on worldwide consumption growth.

Emerging market countries represent an enormous potential for the world economy in terms of population and in terms of income.

Figure 21

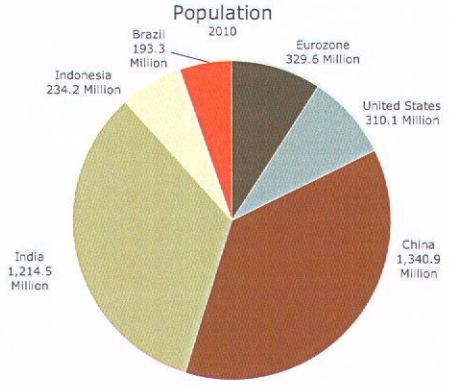
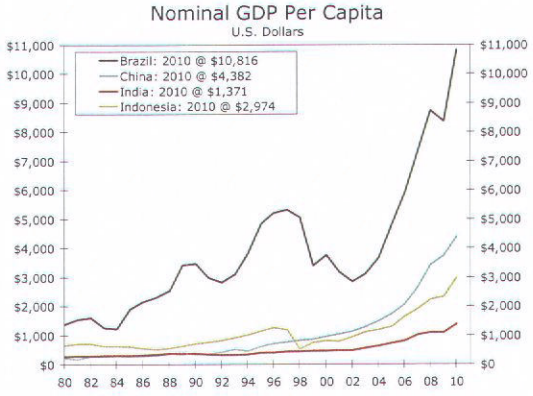


Figure 22



Source: IHS Global Insight, International Monetary Fund and Wells Fargo Securities, LLC

For resource producers, the inclusion of new and growing populations into the world middle classes should mean that commodity prices will remain high for the foreseeable future. As an

[11] **Chinese efforts have also gone to buying resource companies across the world. This trend has been such that the Brazilian government has limited the ability of Chinese investors from buying Brazilian land in an effort to stop what they see as a threat to their national sovereignty.**

example, it is illustrative to review the case of Brazil. According to Brazilian officials at the finance ministry and central bank, almost 40 million Brazilians have moved from the lower income classes to the middle class during the past 20 years. This new middle class is asking for more participation, not only at the political level, but also in terms of consumption. Over the next several decades, a similar situation will occur in many other emerging market economies, such as India, Indonesia and China. To get an idea of this potential, let us assume that only 5 percent of the poor populations of India, Indonesia and China join the middle classes during the next decade. How much would that represent in terms of new consumers into the world economy? The addition of 5 percent of these country's populations into the middle classes will represent almost 140 million new consumers into the world economy; that is, 140 million new consumers putting pressure on resources, on prices and on production.

This process will have an important effect on worldwide economic growth and on commodity prices for the foreseeable future. However, until that time has come for developing and emerging economies, the world will have to count on the developed countries' consumption if it wants the emerging economies to deliver on their promises in the future.

Why Do Capital Flows Matter?

The red ink in the nation's trade accounts means that America is still reliant on the savings of foreigners.

When a country incurs a current account deficit, its spending exceeds its output. Individuals who spend more than they earn must either borrow or sell assets to finance their excess spending. Likewise, a country with a current account deficit must finance its deficit via net capital inflows. Although the current account deficits that the United States racks up today are smaller than a few years ago, the red ink in the nation's trade accounts means that America is still reliant on the savings of foreigners (Figure 23). Not only is the United States potentially vulnerable to the whims of foreign investors, but the composition of the capital inflows can affect rates of return on various asset classes. For example, foreigners own roughly one-half of the outstanding marketable stock of U.S. Treasury securities. Clearly, yields on Treasury securities would be higher, which would jack up the borrowing costs of the U.S. government, if foreigners were not such willing buyers of Treasury debt. In a worst-case scenario, long-term U.S. interest rates could shoot significantly higher if foreigners decided to "dump" all their holdings of U.S. Treasury securities. Other asset classes could also be negatively affected by significant foreign redemptions of U.S. government bonds.

Figure 23

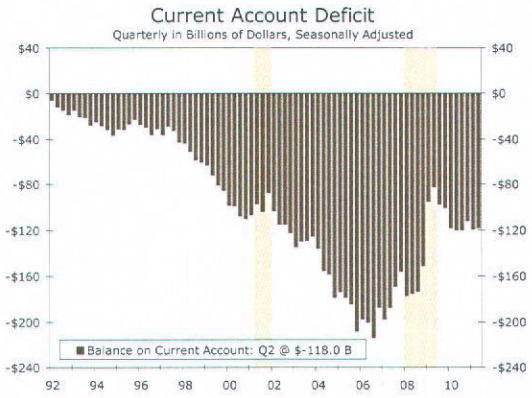
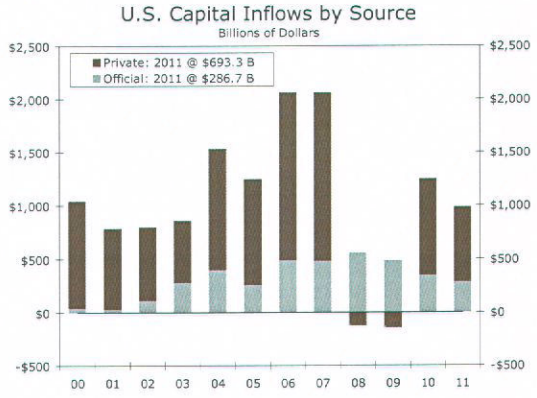


Figure 24



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Could Foreign Central Banks "Dump" Treasury Securities?

There is a perception among some individuals that the U.S. current account deficit is financed almost completely by purchases of Treasury securities by the Chinese government. Contrary to these perceptions, however, the reality is that the U.S. current account deficit is financed largely

by the foreign private sector rather than by the foreign "official" sector (Figure 24).[12] Although the absolute amount of overall capital inflows are smaller today than they were at their height in 2006 and 2007—the U.S. current account deficit is smaller today than it was in those years—private inflows account for nearly three-quarters of overall inflows, little changed from the percentages of a few years ago.

Although private sector foreign investors account for the majority of overall capital inflows, let us start by analyzing the composition of official inflows of capital. Attracted by higher rates of return and the perceived guarantee by the U.S. federal government, foreign official investors bought significant amounts of agency securities in the past decade and this inflow of foreign capital played a role in financing the housing boom (Figure 25). However, foreign official investors have largely eschewed new purchases of agency securities since Fannie Mae and Freddie Mac were placed into conservatorship in 2008.

Since the global financial crisis, foreign official purchases of U.S. assets have been concentrated almost exclusively in U.S. Treasury securities, reflecting the underlying conservative investment philosophy of most central banks. Because almost 40 percent of marketable U.S. Treasury debt is held by the foreign official sector, some analysts worry that a move by foreign central banks to offload their Treasury holdings could have a profound effect on yields. However, any mass exodus from Treasury securities by foreign central banks appears to be more of an abstract possibility rather than a realistic risk, at least at this point. Indeed, the yield on the benchmark 10-year Treasury security is down almost 100 bps since the downgrade of U.S. debt in August. The $39 billion worth of Treasury notes and bonds that the foreign official sector purchased in September is the second-highest monthly total since records began in 1978. As long as concerns about the sovereign debt situation in Europe remain foremost in investors' minds, foreign central banks likely will remain willing buyers of U.S. Treasury securities. In other words, a significant increase in long-term interest rates caused by mass dumping of Treasury securities does not seem very likely, at least not in the foreseeable future.

As long as concerns about the sovereign debt situation in Europe remain foremost in investors' minds, foreign central banks likely will remain willing buyers of U.S. Treasury securities.

Figure 25

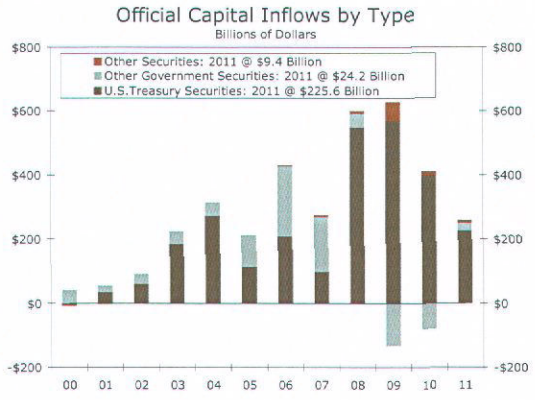
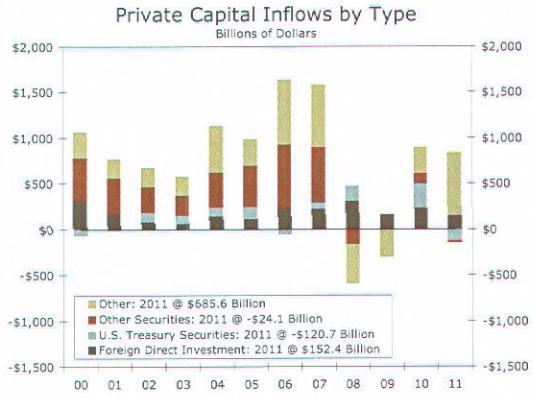


Figure 26



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Private Capital Inflows Are Broad Based

Whereas the foreign official sector concentrates most of its asset purchases in U.S. Treasury securities, the buying preferences of foreign private investors are much more diverse. For starters, foreign purchases of real assets, that is foreign direct investment (FDI), totaled $236 billion in 2010, and it is on pace to exceed $150 billion this year (Figure 26). There are a number of reasons for foreigners to invest directly in the United States, including the large market size and the high productivity of American workers. By the end of 2011, the outstanding stock of foreign capital in

[12] Institutions like central banks comprise the foreign "official" sector. As of this writing, data on overall capital inflows are complete only through the second quarter of 2011. The data points for 2011 that are shown in the charts in this section reflect annualized rates for the first two quarters of the year.

the United States should total about $2.8 trillion, which represents about 16 percent of the $17 trillion private nonresidential capital stock in the country today. The facilities that are owned directly by foreigners clearly employ millions of Americans.

But capital inflows from the foreign private sector are not limited to FDI only. Historically, inflows of portfolio capital, especially non-Treasury securities, have been strong. Prior to the global financial crisis of 2008, foreign investors snapped up agency debt as well as "corporate" bonds, which include most types of structured fixed-income securities, such as private-label mortgage-backed securities (MBS), commercial mortgage-backed securities (CMBS) and collaterized debt obligations (CDOs). Massive inflows of foreign portfolio capital in the middle years of the past decade were helping to underwrite the credit boom during that time.

If private investors were piling into Treasury securities like their official counterparts, Treasury yields would be even lower than they already are.

However, fixed-income investment in securities other than the "safest" Treasury securities completely fell out of favor during the global financial crisis, and purchases of agency securities and "corporate" bonds by foreign investors quickly collapsed (Figure 27). Although foreign purchases of U.S. equities have rebounded somewhat over the past few years, purchases of agency securities and "corporate" bonds remain very weak. Lack of foreign interest helps to explain weak issuance in structured finance since the global financial crisis. Interestingly, purchases of U.S. Treasury securities by private sector foreign investors have also weakened somewhat this year. If private investors were piling into Treasury securities like their official counterparts, Treasury yields would be even lower than they already are. Outside of FDI, the only significant category of private sector capital inflows at present is "other," which tends to be short-term capital inflows related to bank deposits and intercompany loans.

Figure 27

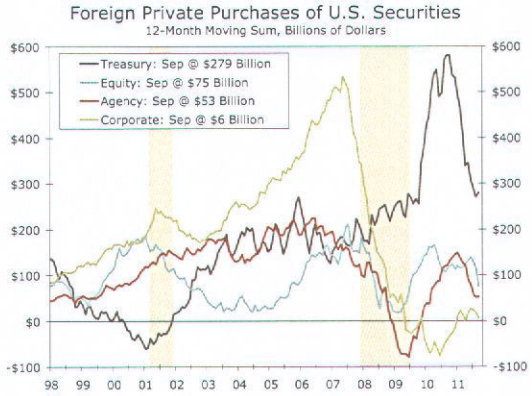
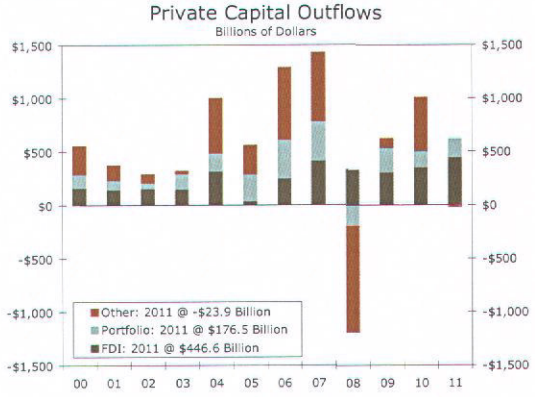


Figure 28



Source: U.S. Dept. of the Treasury, U. S. Dept. of Commerce and Wells Fargo Securities, LLC

Capital Can Flow the Other Way as Well

Although the current account deficit makes the United States a net capital importer by definition, there are also some gross capital outflows from the country. U.S. firms have historically exported capital via direct investment flows, and this behavior continues today. Indeed, direct investment abroad is on pace to hit an all-time high of nearly $450 billion this year (Figure 28). Anyone who has ever traveled abroad can attest to the significant presence of American businesses in foreign countries. In addition, outflows of portfolio capital have been stronger this year than in 2010, although they are not yet back at the levels that prevailed from 2005 through 2007 when the developing world was booming and money was pouring into those countries in search of high returns. A significant surge in American investment abroad, should that occur, would raise the cost of capital for American businesses. That said, for reasons to which we turn to now, a significant outflow of American capital does not seem very likely in the foreseeable future.

How Might Capital Flows Evolve Going Forward?

Our outlook assumes that the global economic expansion that has been in place over the past two years will continue. However, we project that the pace of global growth will be subpar in both

2012 and 2013.[13] The Eurozone appears to be sliding back into a modest recession, and economic growth in some of the major developing countries of the world probably will be slower in 2012 than in 2011. Under a scenario of sluggish global growth, risk aversion likely will remain elevated. What will capital flows look like under this projected scenario, and what are the implications for this composition of capital flows?

In times of slow global growth, FDI flows tend to weaken as profit growth slows and financing is less readily available.

Despite a subpar pace of global economic growth, FDI into the United States should remain positive, because there has never been a year since records began in 1960 in which FDI has turned negative. Although slow economic growth usually means weaker profit growth, the long-term strategic rationale for foreign businesses for greenfield investment or expansion of existing facilities within the United States will remain in place. That said, in times of slow global growth, FDI flows tend to weaken as profit growth slows and financing is less readily available. The European Union accounted for 60 percent of total FDI in the past decade, and the incipient renewed downturn in the Eurozone probably will lead to weaker direct investment flows in 2012. Foreign companies will continue to create new jobs in the United States, albeit probably at a slower pace than this year.

Foreign investors made sizable purchases of structured fixed-income securities in the middle of the past decade that helped to fuel the credit boom of those years. In the current environment of elevated risk aversion, however, it is difficult to envision significant investor appetite for structured fixed-income securities. Even if investment banks were willing to supply significant amounts of new structured finance, the demand for these fixed-income products, from domestic as well as foreign investors, likely will remain constrained for the foreseeable future. Therefore, another credit bubble that is fueled in part by the willing participation of foreign investors does not seem likely anytime soon. In terms of other flows of portfolio capital, foreign investors will probably continue to make limited purchases of U.S. equities. In an environment of elevated risk aversion, foreign investors will probably continue to find the safety of U.S. Treasury securities relatively attractive.

Official purchases of U.S. Treasury securities have been very strong since the global financial crisis of 2008, and we believe this trend will continue for the foreseeable future. Foreign central banks are conservative by nature. They may have been willing to buy higher-yielding agency securities during the housing boom, but they have largely eschewed these securities since boom turned to bust. Moreover, the exchange rate policies of many Asian countries probably will not change significantly. These countries generally incur large current account surpluses. To keep their exchange rates more or less fixed, Asian central banks need to buy large quantities of dollars in the foreign exchange market, and most of these dollars end up financing purchases of Treasury securities. Since the beginning of 2008, foreign holdings of U.S. Treasury securities have risen by roughly $2 trillion, and Asia has accounted for about 60 percent of this increase. The upshot is that yields on U.S. Treasury securities are not likely to snap higher in the foreseeable future.

Could the political gridlock in Washington that has prevented the U.S. government from enacting a significant deficit reduction plan cause foreign investors, from both the private and official sectors, to shy away from U.S. Treasury securities? Maybe. However, since the 112th Congress was seated in January 2011 and gridlock set in on Pennsylvania Avenue, the yield on the 10-year U.S. government bond has declined by more than 100 bps. As noted above, as long as investors have concerns about the sovereign debt situation in Europe, which we do not see abating soon, Treasury securities likely will find more willing buyers.

As we wrote in the section on the foreign economic outlook, the probability of another global financial crisis emanating this time from the Eurozone is not insignificant. What would happen to capital flows if another global financial crisis were to ensue? As witnessed during the financial crisis of 2008, foreign purchases of U.S. Treasury securities surged. When investors become extremely risk averse, they seek safety and liquidity, and the market for Treasury securities is the

[13] Measured at market exchange rates, global GDP growth averaged 2.8 percent per annum between 1980 and 2010. As shown in our forecast table on page 27 we project that global GDP will rise 3.2 percent in 2012 and 3.7 percent in 2013, respectively.

deepest, most liquid financial market in the world. If another financial crisis were to envelop the global economy, foreign investors likely would flock to U.S. Treasury securities, causing yields on these securities to drop even further.

Lessons for the United States from Japan's Lost Decade

There have been many comparisons between the United States since the financial crisis and the lost decade Japan experienced in the 1990s. In this section, we explore some of the similarities, differences and lessons that can be drawn from Japan. We find there are some striking similarities, several key differences and quite a few lessons that can be drawn from the Japanese experience.

First, let us explore some of the similarities. Both Japan and the United States experienced huge bubbles in their residential real estate markets and, to a lesser extent, in their stock markets and commercial real estate markets. When these bubbles eventually popped, they led to large asset price declines and prolonged recessions. In real terms, nationwide prices for land in Japan peaked in early 1991 after running up 53 percent over the prior 10 years. In the United States, the bubble in real land prices was nearly twice as big, with prices rising 103 percent over the same time span before peaking in early 2006 (Figure 29).[14]

In addition to real estate, both Japan's economy during the 1980s and the U.S. economy over the past decade experienced sizable increases in equity prices, which rapidly declined when the real estate bubble collapsed (Figure 30). While the Japanese stock market bubble was larger, the stock market declines in the United States hit consumer spending beginning in 2008 just as Japan's stock market collapse clearly added to the negative wealth effect on Japanese consumers.

Figure 29

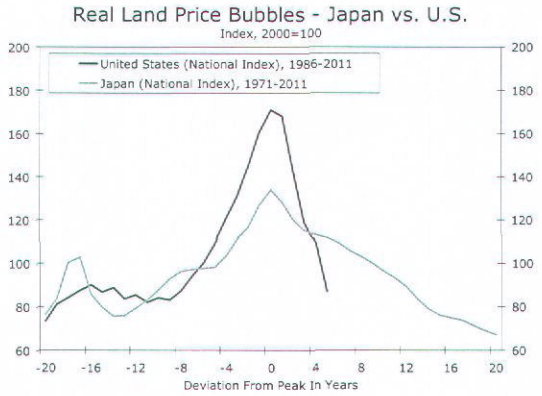
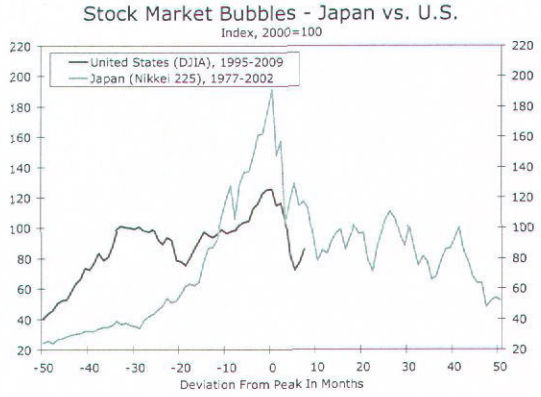


Figure 30



Source: Japan Real Estate Institute, Japan Statistics Bureau, FHFA, Bloomberg LP and Wells Fargo Securities, LLC

Long-term interest rates in both countries fell instead of rose in response to the higher levels of debt.

Other similarities are found when looking at fiscal policy in the aftermath of each country's financial crises. The debt-to-GDP ratios in Japan and the United States increased at comparable rates (Figure 31). Japan embarked on ambitious fiscal stimulus packages, much as the United States did in the early days following the financial crisis. Japan's fiscal stimulus also initially centered around building new infrastructure, including roads, bridges and railways to replace the lost private sector demand. In addition, government debt increased in both countries as the depth of the economic downturn led to an increase in social safety net spending. At the same time, long-term interest rates in both countries fell instead of rose in response to the higher levels of debt (Figure 32).

[14] We consider land prices because home price data for Japan are not readily available. In general, land prices and home prices move in tandem. Both series are deflated using each country's respective consumer price index.

Figure 31

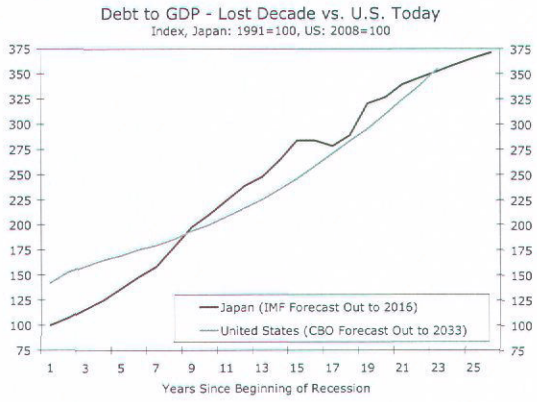
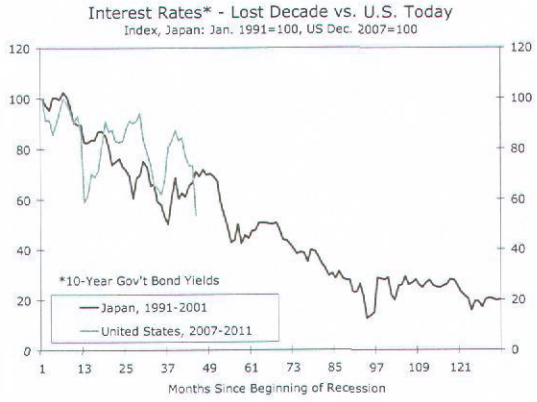


Figure 32



Source: International Monetary Fund, Congressional Budget Office, IHS Global Insight, Federal Reserve Board and Wells Fargo Securities, LLC

At first blush, the fact that interest rates fell in both Japan and the United States appears curious. Japan's financial problems are among the worst in the developed world. Since the early 1990s, Japan's net public debt has risen from 20 percent of GDP to 110 percent of GDP in 2010. Public debt in gross terms is even worse at around 225 percent of GDP in 2010. However, Japan's policymakers have been able to ignore this growing problem over the past 20 years due to a number of special factors that have limited the consequences of chronic deficit spending on interest rates, inflation and the yen. A recent study out of the International Monetary Fund noted that despite a rapid increase in public debt and large fiscal deficits, Japanese real government bond yields have remained fairly stable and, in nominal terms, have steadily declined. Ten-year Japanese government bond yields have declined from 7.0 percent in the early 1990s to just over 1.0 percent today.[15]

Standard economic theory suggests that fiscal deficits or a rising stock of government debt should have a positive relation to government bond yields. The crowding-out of private capital by public debt is a factor often cited in economic literature. Cross-country empirical studies around this question find that a 1 percent increase in the fiscal deficit as a percentage of GDP can increase long-term government bond yields by between 10 bps-60 bps, all else held equal.[16] Other studies that look at the stock of debt find that a 1 percent increase in the stock of debt as a percentage of GDP raises government bond yields by around 10 bps.[17] For Japan, however, the size of the primary deficit appears insignificant, and, for gross and net debt, the estimated coefficients from the IMF study are negative—not the sign expected by economic theory.

Different factors have led to the United States and Japan bucking the economic theory on government borrowing rates.

However, different factors have led to the United States and Japan bucking the economic theory on government borrowing rates. The IMF study finds that a growing pool of household savings, the presence of large and stable institutional investors and a strong home bias have all helped Japan avoid the upward pressure on government bond yields expected by economic theory. According to the Ministry of Finance, some 93.0 percent of Japanese government bonds were domestically held in 2008. While these special factors are likely to persist for awhile longer, the Japanese market's ability to absorb debt is likely to diminish in the years ahead. An aging Japanese population will reduce saving inflows, and financial reforms could enhance the risk appetite of investors. As these structural changes affect the marketplace for Japanese bonds, fiscal consolidation will be increasingly important for maintaining market stability.

For the United States, even a sovereign debt downgrade by S&P and skyrocketing deficits as a share of GDP have not been enough to push nominal interest rates higher. But for the United

[15] **Tokuoka, K. (2010) The Outlook for Financing Japan's Public Debt. IMF working paper WP/10/19.**
[16] **Recent work that estimates the impact of fiscal deficits include Baldacci, Gupta and Mati (2008), Hauner and Kumar (2006) and Ardagna, Caselli, and Lane (2004).**
[17] **Recent empirical work includes Kinoshita (2006), Engen and Hubbard (2004) and Laubach (2003).**

States, the reasons for the decline in government bond yields has more to do with Federal Reserve purchases, flight to safety flows coming from Europe and the Middle East and relatively benign inflation expectations. Less than 50 percent of marketable U.S. Treasury debt is domestically held. So we should not take too much comfort in the fact that U.S. interest rates are declining in line with Japan's in the 1990s, as the factors holding down U.S. yields are likely more transitory and could reverse much more quickly when economic conditions improve.

Another key difference between the United States and Japan is the role of households in each country's bubbles. The U.S. asset bubble was driven more by household debt than was the bubble in Japan. Consumer and mortgage debt among U.S. households more than doubled in the 10 years prior to the Great Recession, while in Japan, household debt remained relatively constant in comparison. It is the need for U.S. consumers to deleverage their debt before they have the ability to spend freely again that has been a major stumbling block against stronger U.S. economic growth.

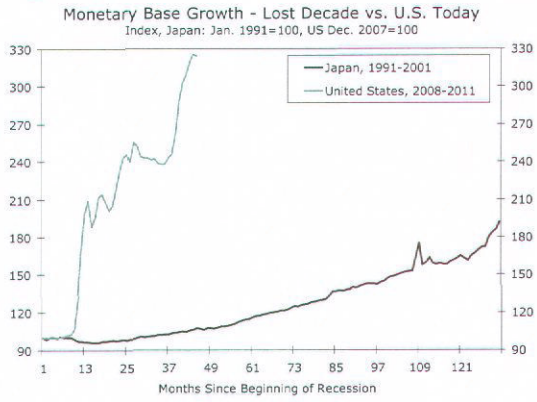
This is evident in the relative economic performance of the United States and Japan following the asset bubble collapse. The economic performance from the U.S. economy in the aftermath of the asset bubble has so far been somewhat worse than Japan's during the lost decade on a number of metrics, including GDP, employment and the unemployment rate. The economic downturn in the United States from late 2007 to mid-2009 was much more devastating than the initial recession that Japan's economy experienced in 1991. Real GDP in the United States dropped about 5.0 percent, while GDP in Japan just stalled out (Figure 33). The U.S. employment drop was an even more severe 6.0 percent drop, while employment in Japan continued to rise at a modest pace.

Japan's demographic and population growth trends are much worse than those facing the United States.

However, there are some positive differences between where the U.S. economy is today and where the Japanese economy was at this time following each bubble collapse. Japan's demographic and population growth trends are much worse than those facing the United States as a declining fertility rate and aging population will soon cause Japan's total population to begin shrinking. These negative demographic trends helped contribute to Japan's drop in demand and inability to exit its deflationary spiral.

Figure 33

Figure 34



Source: IHS Global Insight, U.S. Department of Commerce and Wells Fargo Securities, LLC

Moreover, Japan's monetary policy response was much less aggressive than the Federal Reserve's actions to overcome the financial crisis. This helped deflation take hold in Japan, while in the United States the Fed has managed to keep deflation at bay. Policymakers at the Federal Reserve responded swiftly to the U.S. financial crisis in 2008, expanding the U.S. monetary base at an unprecedented rate. This, in turn, soaked the U.S. economy and its crippled financial system with enough liquidity to avoid deflationary pressures during the worst of the crisis. Monetary policymakers in Japan, on the other hand, were notoriously slow to address falling aggregate prices in the 1990s. In fact, in a span of just one year, Federal Reserve policymakers expanded the U.S. monetary base by more than what Bank of Japan policymakers expanded the Japanese

Wells Fargo U.S. Economic Forecast

	Actual								Forecast								Actual		Forecast		
	2010				2011				2012				2013				2009	2010	2011	2012	2013
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q					
Real Gross Domestic Product (a)	3.9	3.8	2.5	2.3	0.4	1.3	2.0	2.7	1.5	2.0	2.4	2.4	1.5	1.9	1.8	1.9	-3.6	3.0	1.7	2.0	1.9
Personal Consumption	2.7	2.9	2.6	3.6	2.1	0.7	2.3	2.3	1.4	1.6	1.7	1.7	1.0	1.2	1.3	1.6	-2.0	2.0	2.3	1.8	1.4
Business Fixed Investment	6.0	18.6	11.3	8.7	2.1	10.3	14.8	14.8	6.1	7.6	7.9	8.6	3.9	5.8	6.3	6.9	-18.0	4.4	9.3	9.7	6.3
Equipment and Software	21.7	23.2	14.1	8.1	8.7	6.2	15.6	6.3	5.5	7.5	8.0	8.9	3.6	5.6	6.1	6.6	-16.3	14.6	10.3	7.8	6.2
Structures	-24.7	7.5	4.2	10.5	-14.3	22.6	12.6	9.0	8.5	8.0	7.5	7.5	5.0	6.5	7.0	8.0	-21.2	-15.8	5.0	9.6	6.7
Residential Construction	-15.3	22.8	-27.7	2.5	-2.5	4.2	1.6	4.5	4.0	4.5	5.0	5.5	5.0	5.5	6.0	6.5	-22.3	-4.3	-1.7	4.1	5.4
Government Purchases	-1.2	3.7	1.0	-2.8	-5.9	-0.9	-0.1	-0.8	-1.7	-1.5	-1.1	-1.0	-1.1	-1.0	-0.7	-0.7	1.7	0.7	-1.9	-1.1	-1.0
Net Exports	-376.8	-437.4	-458.7	-414.2	-424.4	-416.4	-400.7	-419.0	-439.1	-445.6	-443.7	-446.0	-439.1	-426.3	-421.1	-426.0	-358.8	-421.8	-415.1	-443.6	-428.1
Pct. Point Contribution to GDP	-1.0	-1.9	-0.7	1.4	-0.3	0.2	0.5	-0.5	-0.6	-0.2	0.1	-0.1	0.2	0.4	0.1	-0.1	1.0	-0.5	0.1	-0.2	0.1
Inventory Change	39.9	64.6	92.3	38.3	49.1	39.1	-8.5	-11.0	10.0	23.0	35.0	44.0	50.0	50.0	50.0	50.0	-145.0	58.8	17.2	28.0	50.0
Pct. Point Contribution to GDP	3.1	0.8	0.9	-1.8	0.3	-0.3	-1.6	-0.1	0.6	0.4	0.4	0.3	0.2	0.0	0.0	0.0	-0.8	1.6	-0.3	0.1	0.2
Nominal GDP	5.5	5.4	3.9	4.2	3.1	4.0	4.6	5.0	3.7	4.1	4.5	4.4	3.5	4.0	4.1	4.1	-2.6	4.2	4.0	4.3	4.0
Real Final Sales	0.8	3.0	1.7	4.2	0.0	1.6	3.6	2.5	0.9	1.6	2.1	2.1	1.3	1.9	1.8	1.9	-2.8	1.4	2.1	1.9	1.8
Retail Sales (b)	5.3	6.9	5.6	7.6	8.2	7.8	8.0	6.9	5.1	4.9	4.7	3.9	3.7	3.6	3.9	4.2	-7.0	6.4	7.7	4.7	3.8
Inflation Indicators (b)																					
"Core" PCE Deflator	1.7	1.5	1.3	1.0	1.1	1.3	1.6	1.7	1.7	1.5	1.4	1.6	1.5	1.6	1.6	1.7	1.5	1.4	1.4	1.6	1.6
Consumer Price Index	2.4	1.8	1.2	1.2	2.2	3.3	3.8	3.5	2.6	2.0	1.7	1.8	1.9	1.9	2.0	2.2	-0.3	1.6	3.2	2.0	2.0
"Core" Consumer Price Index	1.3	1.0	0.9	0.6	1.1	1.5	1.9	2.2	2.1	1.8	1.5	1.5	1.5	1.6	1.7	1.7	1.7	1.0	1.7	1.7	1.6
Producer Price Index	5.1	4.3	3.7	3.8	5.0	6.7	6.9	5.7	3.2	2.0	2.2	2.5	2.8	2.9	2.9	2.9	-2.6	4.2	6.1	2.5	2.8
Employment Cost Index	1.7	1.9	1.9	2.0	2.0	2.2	2.0	2.0	2.2	2.0	2.0	2.1	2.3	2.1	2.2	2.2	1.7	1.3	2.1	2.1	2.2
Real Disposable Income (a)	4.9	5.6	2.3	1.5	1.2	-0.5	-2.1	1.2	1.5	1.6	1.8	2.0	-0.6	1.3	1.8	2.1	-2.1	1.8	0.9	1.0	1.1
Nominal Personal Income (b)	1.4	3.2	4.9	5.4	5.8	5.1	4.2	3.6	1.9	1.8	2.5	2.9	2.1	2.1	2.1	2.3	-4.0	3.7	4.7	2.3	2.2
Industrial Production (a)	8.1	7.1	6.7	3.1	4.8	0.6	5.2	2.6	2.9	3.6	3.0	2.2	-1.9	3.3	4.0	4.2	-11.1	5.3	4.0	3.1	1.9
Capacity Utilization	72.3	74.0	75.5	76.1	76.8	76.7	77.4	77.3	77.0	77.2	77.2	77.3	77.4	77.6	77.8	78.1	69.2	74.5	77.0	77.2	77.7
Corporate Profits Before Taxes (b)	46.7	41.5	27.4	18.2	8.8	8.5	7.9	6.4	6.2	6.0	6.4	6.6	6.7	6.9	7.1	7.2	7.9	32.2	7.9	6.3	7.0
Corporate Profits After Taxes	36.0	36.2	23.3	17.4	10.6	9.4	11.4	7.0	7.4	7.2	7.4	7.4	7.6	7.8	8.0	8.2	14.2	27.5	9.6	7.4	7.9
Federal Budget Balance (c)	-328.9	-287.0	-290.2	-369.0	-460.5	-141.1	-325.1	-263.5	-350.0	-146.0	-197.0	-190.0	-160.0	-130.0	-170.0	-185.0	-1415.7	-1294.2	-1295.6	-956.5	-650.0
Current Account Balance (d)	-118.3	-120.3	-120.1	-112.2	-119.6	-118.0	-110.0	-125.0	-145.0	-160.0	-165.0	-165.0	-160.0	-150.0	-145.0	-150.0	-376.6	-470.9	-472.6	-635.0	-605.0
Trade Weighted Dollar Index (e)	76.1	78.8	73.6	73.2	70.6	69.4	72.8	72.0	72.5	73.0	74.0	75.0	76.0	77.0	78.0	79.0	77.7	75.6	71.2	73.6	77.5
Nonfarm Payroll Change (f)	39.3	181.0	-45.7	138.7	165.7	96.7	147.0	113.3	110.0	120.0	130.0	130.0	110.0	125.0	130.0	130.0	-421.9	78.3	130.7	122.5	123.8
Unemployment Rate	9.7	9.6	9.6	9.6	8.9	9.1	9.1	8.8	9.0	9.1	9.0	8.9	9.0	8.9	8.8	8.8	9.3	9.6	9.0	9.0	8.9
Housing Starts (g)	0.61	0.60	0.58	0.54	0.58	0.57	0.61	0.61	0.61	0.64	0.67	0.68	0.70	0.73	0.77	0.80	0.55	0.58	0.59	0.65	0.75
Light Vehicle Sales (h)	11.0	11.4	11.6	12.3	13.0	12.1	12.4	13.5	13.4	13.5	13.7	13.9	13.5	13.7	14.1	14.4	10.4	11.6	12.8	13.6	13.9
Crude Oil - WTI - Front Contract (i)	78.72	78.03	76.20	85.17	94.10	102.56	89.76	92.86	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	61.80	79.53	94.82	95.00	95.0
Quarter-End Interest Rates (j)																					
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3 Month LIBOR	0.29	0.53	0.29	0.30	0.30	0.25	0.37	0.50	0.50	0.50	0.50	0.50	0.45	0.45	0.45	0.45	0.69	0.34	0.36	0.50	0.45
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Conventional Mortgage Rate	4.97	4.74	4.35	4.71	4.84	4.51	4.11	4.10	4.20	4.20	4.20	4.30	4.40	4.50	4.50	4.60	5.04	4.69	4.39	4.23	4.50
3 Month Bill	0.16	0.18	0.16	0.12	0.09	0.03	0.02	0.03	0.10	0.15	0.20	0.20	0.20	0.20	0.25	0.30	0.15	0.14	0.04	0.16	0.24
2 Year Note	1.02	0.61	0.42	0.61	0.80	0.45	0.25	0.30	0.50	0.50	0.50	0.60	0.60	0.70	0.80	0.90	0.96	0.70	0.45	0.53	0.75
5 Year Note	2.55	1.79	1.27	2.01	2.24	1.76	0.96	1.00	1.20	1.20	1.30	1.40	1.40	1.50	1.50	1.60	2.20	1.93	1.49	1.28	1.50
10 Year Note	3.84	2.97	2.53	3.30	3.47	3.18	1.92	2.10	2.30	2.40	2.40	2.50	2.60	2.70	2.70	2.80	3.26	3.22	2.67	2.40	2.70
30 Year Bond	4.72	3.91	3.69	4.34	4.51	4.38	2.90	3.10	3.30	3.30	3.40	3.50	3.60	3.70	3.70	3.80	4.08	4.25	3.72	3.38	3.70

Forecast as of: December 7, 2011

Notes: (a) Compound Annual Growth Rate Quarter-over-Quarter
(b) Year-over-Year Percentage Change
(c) Quarterly Sum - Billions USD; Annual Data Represents Fiscal Yr.
(d) Quarterly Sum - Billions USD
(e) Federal Reserve Major Currency Index, 1973=100 - Quarter End
(f) Average Monthly Change
(g) Millions of Units
(h) Quarterly Data - Average Monthly SAAR; Annual Data - Actual Total Vehicles Sold
(i) Quarterly Average of Daily Close
(j) Annual Numbers Represent Averages

monetary base by over an entire decade (Figure 34). More recently, the U.S. monetary base has grown even further—an outcome largely tied to the Federal Reserve's second round of quantitative easing, which occurred from November 2010 to June 2011.

Since the Great Recession ended, profit growth at U.S. corporations has vastly outperformed the sluggish pace of growth that Japanese corporations experienced in the 1990s. Much of that outperformance has been tied to a weakening dollar and a V-shaped recovery in U.S. exports, especially exports of capital goods. As long as growth remains strong in developing countries around the world, U.S. corporations will continue to fare better than Japanese corporations during the lost decade. However, the potential for another global recession if the European sovereign debt crisis "blows up" poses certain risks to this forecast.

In addition, the Fed's actions to stabilize the banking system since the financial crisis have helped banks and consumers accelerate the deleveraging process. Deleveraging has been occurring much faster in the United States than what was the case in Japan. In just five years, home prices in the United States have already fallen back to more realistic fundamental levels. It took Japan nearly 12 years to achieve the same level of adjustment. U.S. banks have been much faster in repairing their balance sheets than those in Japan as U.S. banks have been more aggressive at writing down bad loans. This means that U.S. asset values could resume their appreciation much sooner than Japanese assets did in Japan, and U.S. banks will be better able to support economic growth with new lending in the years ahead.

The Fed's actions to stabilize the banking system have helped banks and consumers accelerate the deleveraging process.

The United States also has some structural advantages over Japan. The U.S. labor market is much more flexible than the Japanese labor market, and the saving rate in the United States has risen much faster than it did in Japan, which puts businesses and consumers in a better position to drive renewed economic growth over the medium term. The saving rate in the United States jumped 6.6 percentage points to 8.3 percent in a span of only nine months during the worst of the financial crisis. This compares to only a modest rise in the Japanese saving rate in the early 1990s, when Japan's asset bubble initially burst, which was followed by a gradual fall in the Japanese saving rate through the rest of the decade.

Concluding Lessons from Japan's Asset Bubble

Both the U.S. and Japanese economies went through horrific asset bubble collapses that laid waste to their economic performance and standing in the world. So far, it has been difficult to argue that U.S. policymakers have had much more success in fighting the after effects of the bubble collapse than did Japanese policymakers, but under the surface, the U.S. economy has achieved some important milestones that could lead to a better performance over the medium term. The Fed has been much more aggressive in fighting deflationary pressures than the Bank of Japan was in the 1990s, and the impact on the monetary base and inflationary expectations is far more constructive than what happened to Japan in the 1990s. Furthermore, U.S. banks are cleaning up their balance sheets at a rapid pace, which will put them in a better position to increase lending, while asset prices are already back to more sustainable levels that can be supported by fundamentals, such as income and rents. The churn of the labor market is making businesses more productive and more profitable than ever, laying the ground work for more balanced and sustainable U.S. growth ahead. Yet, the lessons from Japan suggest that economic recovery from an asset bubble collapse is not easy, and it will still take many more years for the U.S. economy to fully recover.

Wells Fargo International Economic Forecast

(Year-over-Year Percent Change)

	GDP			CPI		
	2011	2012	2013	2011	2012	2013
Global (PPP weights)	3.5%	3.2%	3.7%	5.4%	4.2%	4.1%
Global (Market Exchange Rates)	2.4%	2.0%	2.5%	n/a	n/a	n/a
Advanced Economies[1]	1.5%	1.5%	2.1%	2.9%	1.7%	1.5%
United States	1.7%	2.0%	1.9%	3.2%	2.0%	2.0%
Eurozone	1.5%	-0.1%	1.8%	2.7%	1.7%	1.2%
United Kingdom	0.9%	0.8%	1.7%	4.5%	2.1%	1.6%
Japan	-0.2%	2.0%	1.5%	-0.2%	-0.1%	0.1%
Korea	3.6%	3.7%	3.7%	4.0%	3.4%	3.1%
Canada	2.3%	2.3%	3.0%	2.9%	2.2%	2.1%
Developing Economies[1]	5.9%	5.3%	5.7%	8.3%	7.0%	7.1%
China	9.2%	8.2%	8.6%	5.5%	3.6%	3.7%
India	7.3%	7.1%	7.7%	9.0%	7.7%	7.9%
Mexico	4.1%	4.3%	4.5%	3.3%	4.9%	5.3%
Brazil	3.0%	3.3%	4.0%	6.6%	5.5%	5.2%
Russia	4.1%	3.2%	3.0%	8.6%	6.7%	6.6%

Forecast as of: December 7, 2011

[1]Aggregated Using PPP Weights

Wells Fargo International Interest Rate Forecast

(End of Quarter Rates)

	3-Month LIBOR						10-Year Bond					
	2011	2012				2013	2011	2012				2013
	Q4	Q1	Q2	Q3	Q4	Q1	Q4	Q1	Q2	Q3	Q4	Q1
U.S.	0.50%	0.50%	0.50%	0.50%	0.50%	0.45%	2.10%	2.30%	2.40%	2.40%	2.50%	2.60%
Japan	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	1.05%	1.09%	1.11%	1.13%	1.15%	1.16%
Euroland*	1.20%	0.65%	0.65%	0.65%	0.65%	0.65%	2.20%	2.25%	2.35%	2.50%	2.60%	2.80%
U.K.	1.00%	0.75%	0.70%	0.70%	0.70%	0.70%	2.40%	2.50%	2.60%	2.70%	2.80%	3.00%
Canada	1.30%	1.15%	1.15%	1.15%	1.20%	1.50%	2.20%	2.30%	2.60%	3.00%	3.20%	3.40%

Forecast as of: December 7, 2011

*10-year German Government Bond Yield

Wells Fargo Securities, LLC Economics Group

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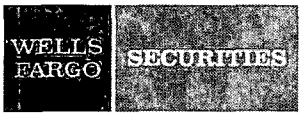
SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE



Section three

- Solicitation PC-111517 Response Form 1

PINAL • COUNTY *wide open opportunity*	RFP PC-111517 Response Form 1	Pinal County Finance Department 31 N. Pinal St. Bldg. A P.O. Box 1348 Florence, AZ 85132

Responder Name: ***Wells Fargo Bank, N.A.***

Responders shall complete the following Response Form, indicating their responses in the spaces provided. Additional pages may be added so long as they are clearly referenced in the spaces provided.

Please note: Any exception and the total number of exceptions taken will negatively affect your evaluation score. Compliance to Terms and Conditions has been identified as an evaluation criterion for this solicitation.

Any exception not contained within this section of the solicitation will be deemed invalid and will not be considered.

Acceptability of Responses

Offers that do not include this completed Response Form or that do include an incomplete Response Form or that include a completed Response Form with unacceptable responses may cause the entire offer to be deemed unacceptable and therefore non-responsive.

1 Capacity of Responder

1.1 Responder shall provide the name of the company; location of its headquarters and major office near Florence, Arizona; how long the Company has been in business; the name and contact information of the principal contact person; and any other information that the Responder deems appropriate for this solicitation.

Wells Fargo Bank, N.A.

420 Montgomery Street
San Francisco, CA 94104

The nearest store located in Florence, AZ is:

Hunt Highway & Merrill Ranch Parkway Store
3273 N. Hunt Highway
Florence, AZ 85232

Your primary contact will continue to be:

Jeff Sundheimer
100 West Washington, 25th Floor
Phoenix, AZ 85003

About Wells Fargo

Wells Fargo & Company was founded in 1852, incorporated in the State of Delaware (as were most corporations at that time). The original charter date of Wells Fargo Bank, N.A. is November 30, 1870.

Wells Fargo & Company is a diversified financial services company providing banking, insurance, investments, mortgage, and consumer and commercial finance through more than 9,000 stores, more than 12,000 ATMs, and the internet (wellsfargo.com and wachovia.com) across North America and internationally.

We're headquartered in San Francisco, but we're decentralized so every local Wells Fargo store is a headquarters for satisfying all our customers' financial needs and helping them succeed financially. One in three households in America does business with Wells Fargo.

Wells Fargo has $1.3 trillion in assets and more than 270,000 team members across our 80+ businesses. We rank fourth in assets and first in market value of our stock among our U.S. peers.

Our vision: We want to satisfy all our customers' financial needs, help them succeed financially, be the premier provider of financial services in every one of our markets, and be known as one of America's great companies.

Our year-end key performance measures are as follows:

Key performance measure	2008	2009	2010
Total assets	$1.3 trillion	$1.2 trillion	$1.3 trillion
Net income	$2.6 billion	$12.3 billion	$12.4 billion
ROA	0.44%	0.97%	1.01%
ROE	4.79%	9.88%	10.33%
Equity/assets	7.81%	9.20%	10.16%

To review the full Wells Fargo & Company Annual Report, please use the following link: https://www.wellsfargo.com/invest_relations/annual.

1.2 Responder shall provide a minimum of three references from clients who are government entities. At least one reference shall be from a County Treasurer in the United States with similar services and volume as defined in this solicitation.

References
Melissa Havatone **Treasurer** **Mohave County** 928-753-0737 melissa.havatone@co.mohave.az.us 700 W. Beale St. Kingman, AZ 86401 Services: Banking, Credit, Merchant, Safekeeping (Custody)
Jean Reynolds **Treasurer** **Graham County** 928-428-3440 jreynolds@graham.az.gov 921 Thatcher Blvd Safford, AZ 85546 Services: Banking, Credit, Safekeeping (Custody), Investments

PINAL • COUNTY *wide open opportunity*	RFP PC-111517 Response Form 1	Pinal County Finance Department 31 N. Pinal St. Bldg. A P.O. Box 1348 Florence, AZ 85132

References

Debbie Card
Treasury Manager
City of Peoria

623-773-7148
debbie.card@peoriaaz.gov

8401 W. Monroe
Peoria, AZ 85345

Services: Banking, Trust

1.3 Responder shall provide detailed resumes of key personnel that will be involved with the awarded contract for this solicitation.

Wells Fargo utilizes a team approach in managing our customer relationships. This team approach provides added value to our customers, as they are accustomed to dealing with specialists for complex products and services. Wells Fargo is dedicated to continuing to provide customer service that is responsive and knowledgeable. While Jeff Sundheimer will continue to serve as the County's primary contact, you will still have access to an entire relationship team. Each team member is thoroughly familiar with your operations enabling us to proactively serve your needs.

Jeff Sundheimer
Vice President
Relationship Manager
Government & Institutional Banking

jeffrey.j.sundheimer@wellsfargo.com
(602) 378-2175
(866) 214-0265 fax

100 West Washington, 25th Floor
Phoenix, AZ 85003

Jeff is a relationship manager responsible for state and local government business in Arizona.

Prior to joining Government & Institutional Banking, Jeff worked in the Financial Products division assisting clients with their interest rate hedging needs. He has been with Wells Fargo for approximately 15 years and has held various positions within the organization.

Jeff holds a B.S. in agriculture and resource economics from the University of Arizona, and received his MBA from Southern Methodist University in Dallas, Texas.

PINAL • COUNTY *wide open opportunity*	RFP PC-111517 Response Form 1	Pinal County Finance Department 31 N. Pinal St. Bldg. A P.O. Box 1348 Florence, AZ 85132

Kathryn C. Kendrick, CTP **Vice President** **Treasury Management Sales Consultant** **kathryn.kendrick@wellsfargo.com** **(303) 863-6079** **(303) 863-6312 Fax** **MAC C7300-081** **1700 Lincoln Street** **8th Floor** **Denver, CO 80203**	Kathy is the Treasury Management Sales Consultant responsible for providing customized treasury solutions for the County. She is dedicated to helping the County receive the most efficient and cost-effective treasury management solutions, in addition to keeping you abreast of new and enhanced treasury services and trends. Kathy has over 20years experience with Treasury Management and is a member of the Rocky Mountain Association for Financial Professionals. Kathy has the Certified Treasury Professional designation. She received the Certified Cash Manager designation in 1996 that was later converted to the CTP designation.
Raelene Syro **Government and Education Relationship Associate** **raelene.m.syro@wellsfargo.com** **(602) 378-1215** **(602) 378-1360 fax** **MAC S4101-251** **100 W. Washington, 25th Floor** **Phoenix, AZ 85003**	Raelene has primary responsibility for providing relationship support to the County. She will be the initial point of contact for customer service related issues. Raelene brings over 23 years of banking experience (10 years in Government and Education) specializing in the Treasury Management industry.
Brandon Achtenberg **Treasury Management Sales Analyst** **brandon.achtenberg@wellsfargo.com** **(612) 667-2896** **(866) 581-6261 fax** **MAC 9311-100** **625 Marquette Avenue** **10th floor** **Minneapolis, MN 55402**	Brandon supports your Treasury Management Sales Consultant, Kathy Kendrick. Brandon will assist you directly with any product related questions and will coordinate with the implementation team for the set up of services. Brandon has been specializing in Treasury Management for the last 3 years. He has in-depth knowledge implementing Treasury Management solutions. Brandon has a bachelor's degree in finance from St. Cloud State University.

1.4 Responder shall provide copies of financial statements, preferably audited or reviewed, from fiscal year 2010 and shall describe in detail their financial capacity to support the County under any subsequent contract.

We have included a copy of our most recent financial statement with our response.

1.5 Responder shall describe their economic outlook for the next five fiscal years.

Given the current economic conditions, we limit our forecasting to less than two years out. We do, however, view our outlook for growth as moderate and below historical rates. This is largely in part to the continued workout of structural issues in the economy, such as the housing market, the fiscal situation in Washington, and consumers repairing their balance sheets. Please see the Section Two Tab as well as the enclosed Annual Report for more specifics.

PINAL • COUNTY *wide open opportunity*	RFP PC-111517 Response Form 1	Pinal County Finance Department 31 N. Pinal St. Bldg. A P.O. Box 1348 Florence, AZ 85132

2 **Method of Approach – Responder shall complete Questionnaire**

Wells Fargo has completed the Questionnaire and it is included in this response.

3 **Conformance to Terms and Conditions**

Response Form Responses

Wells Fargo Bank, N.A. has read, understand, and shall comply with all Terms and Conditions. Responders that accept the County's Terms and Conditions and Instructions shall check **YES** or **NO** to clearly indicate their acceptance. Responders who take exception to the County's Terms and Conditions and Instructions shall likewise clearly indicate their exception and provide Responder's suggested language.

_____**YES**, I acknowledge that I have read and understand all Terms and Conditions and will comply in any resultant contract.

__X__**NO**, I acknowledge that I have read, understand all Terms and Conditions and will comply in any resultant contract with the exceptions listed below.

Exceptions (If checked NO)

Responders that take exception to any Terms and Conditions shall justify their exception as well as proposing any changes to the County's language with the Responder's suggested changes clearly indicated. Additional pages may be added so long as they are clearly referenced in the spaces provided. **Please note that taking exception to any Terms and Conditions may affect your evaluation score.** Both the number of exceptions and the severity of the exceptions can affect your score and may have you deemed non-responsive for this solicitation.

Cite the specific Term and Condition for which an exception is taken:

Special Terms and Conditions, page 14, #5 - Eligible Agencies.

Responder's justification for the exception:

Wells Fargo would like to make this contract open to eligible political subdivisions of Pinal County.

Responder's suggested changes:

This contract will be for the exclusive use of Pinal County. Eligible political subdivisions of Pinal County may also participate in this contract subject to approval by the Board of Supervisors.

4 **Cost**

Responder shall complete the pricing attachment titled "PC-111517 Pricing Sheet." Any response that does not include this completed Pricing Sheet or includes an incomplete Pricing Sheet may cause the entire offer to be deemed unacceptable and therefore non-responsive.

Please see the Pricing Tab for all applicable pricing.

End of Response Form 1

Questionnaire

Responder must complete the questionnaire. All questions must be answered; if a Responder does not provide the service or the question does not pertain to the Responder, the question must be answered as "N/A" meaning "not applicable". The Responder must give a reason why the service is not provided or why the question does not pertain to them.

Responder must provide all fee, cost, compensation, payment or credits-related information, and must reference the numbering scheme used in the questionnaire on the Pricing Sheet. For example, for costs associated with item 1) Deposits, respond with the following: "1-d) Costs associated with a deposit: <type in all costs associated with a deposit, including an aggregate total for this item>." This information must be included in Responder's proposal with the Pricing Sheet in addition to the information requested on the Pricing Sheet.

1. **Deposits – Describe bank's services in this category, including:**

a. **Identify any deposit procedures you require, such as a limit on the number of checks per deposit.**

A single deposit can contain no more than 299 items. If you have more than 299 items to deposit, then you will need to split them up into multiple deposits containing no more than 299 items per deposit.

For Wells Fargo Electronic Deposits:

- Bundles can be no more than 300 items
- Individual deposits (which can contain multiple bundles) can be no more than 9,750 items
- Transmission file size (which can contain multiple deposits) is recommended not exceed 1GB in size (generally that's around 45k items but varies based on actual data being transmitted).

b. **What method do you have available to allow us to identify the Pinal County department or political subdivision making the deposit?**

The County currently uses our deposit location reporting service which allows you the ability to assign unique location numbers for each of its locations as well as to map information for each location. Special deposit tickets are printed and encoded with the unique location number. Each location can then use the specially encoded deposit tickets to make deposits so that this information can be tracked and made available to a central area. Electronic deposit options include the ability to report credit and debit deposits by vendor, by location together with traditional paper-based deposits. As deposits are processed, the location number, along with the deposit date and dollar amount, are captured and stored by Wells Fargo.

A summary report of deposits by location is available at the end of the month in a paper format. Reconcilement information can also be delivered via data transmission.

c. Are there branches located throughout Pinal County that can accept deposits from various political subdivisions and Pinal County departments? If yes, identify the locations in Pinal County.

Following is a list of all branches in Pinal County that will continue to serve County departments including various political subdivisions:

Bank Name	Bank Address	City	State	Zip
Coolidge	1411 N Arizona Blvd Ste 102	Coolidge	AZ	85228
Promenade Casa Grande	758 N Mission Pkwy	Casa Grande	AZ	85194
Casa Grande	1276 E Florence Blvd	Casa Grande	AZ	85122
Hunt Hwy & Merrill Ranch Pkwy	3273 N Hunt Hwy	Florence	AZ	85232
Jasper & Kings Ranch	6607 S Kings Ranch Rd	Gold Canyon	AZ	85118
Gold Canyon	5311 S Superstition Mountain Dr	Gold Canyon	AZ	85118
Maricopa	20885 N John Wayne Pkwy	Maricopa	AZ	85139
Maricopa Fiesta	21044 N John Wayne Pkwy	Maricopa	AZ	85139
Apache Junction	231 S Phelps Dr	Apache Junction	AZ	85220
Apache Trail & Meridian	2891 W Apache Trl	Apache Junction	AZ	85120
Hunt Hwy & Gary	1731 W Hunt Hwy	Queen Creek	AZ	85243
Bellavista & Hunt	542 E Hunt Hwy	Queen Creek	AZ	85143
Gantzel & Combs	155 W Combs Rd	Queen Creek	AZ	85240

Note: The Coolidge store will close on March 16, 2012. Our closest stores to Coolidge are the Promenade Casa Grande and the Merrill Ranch store. Store hours are: Monday through Friday 9AM-6PM and Saturday 9:00AM-4:00PM.

d. Identify all costs associated with a deposit. {Fees or credits-related information shall be included on your Pricing Sheet.}

Please see the Pricing Tab for all applicable pricing related to this RFP.

e. Do you provide for image cash letter processing? If so, what fees are associated including monthly maintenance fees?

Wells Fargo's Electronic Deposit service enables Pinal County to deposit checks electronically to your Wells Fargo account regardless of whether there's a physical bank location in your geographic area.

How the County benefits:

- **Reduce days' receivables:** Receive faster access to funds by taking advantage of later deposit deadlines offering same-day ledger credit.

- **Decrease bank fees:** Save money on account maintenance, decrease courier fees, and reduce time reconciling multiple bank accounts by consolidating local bank*ing relati*onships.
- **Lower expenses and save time:** Reduce the number of employee trips to the bank, courier fees, and insurance fees associated with taking checks to the bank for deposit.
- **Save time researching payments:** Have your item images in-house and at your fingertips for your audit and research needs by electing to receive a daily transmission of your scanned items.
- **Take action on returned items sooner:** Receive faster notification of returned items, allowing you to update your negative databases and begin the collection process earlier.
- **Help the environment:** Reduce your ecological footprint by eliminating CO2 emissions caused by physically transporting checks to the bank. Please see the Pricing Tab for all applicable pricing related to this RFP.

f. Standard return and re-clear processing.

When the County deposits items at Wells Fargo, the drawee bank might return some of these items for a variety of reasons, including non-sufficient funds (NSF), uncollected funds (UCF), account closed, or stop payment. We process these returns based on instructions built on the depository account within the returned items system. If no customized instructions are in place, we use the standard return item and reclear processing instructions.

Standard Returned Item and Reclear Processing Instructions

At Wells Fargo, our standard returned item processing instructions are as follows:

- Mail all returned items (originals or image replacement documents) and standard notices by U.S. mail to the account address on the system.
- Post all return items to the depository account in one lump sum per day.
- Debit the original depository account for chargebacks.
- Automatically redeposit any non-Wells Fargo items that are returned unpaid for either NSF or UCF under $300. We cannot redeposit items returned for any other reason at any time.

Special Instructions

If special instructions or optional services are set up on the system, we process returned items based on those instructions. Additional fees may apply. Examples of special instructions include:

- Debit the account for each individual returned item instead of a lump sum.
- Receive a debit for each location that is set up at the location level within the same account.
- Automatically redeposit all returned items with an NSF or UCF reason.

- Chargeback all returns.
- Redeposit all Wells Fargo items under a defined dollar threshold.
- Return the physical items to an alternate address. You can also have additional copies of the debit advice sent to an alternate address.
- Send returned items by overnight or express mail delivery. The County must provide a courier account number that we use for charges.
- Chargeback items to an account other than the original depository account.
- Key additional data on advice such as maker name, phone number, and address.

Additional Reporting and Processing Options

- View daily online reporting using the *Commercial Electronic Office®* (*CEO®*) Treasury Information Reporting service. Reports include keyed information.
- Receive a data transmission of returned item information, including keyed information.
- Automatically convert paper returns to ACH debits using the Electronic Returns (RCK) service.
- View and change the default decision of your returned items using Returned Item Decisioning, available on the *CEO* Returned Items service.
- Receive a returned item detail fax or email report that displays paper returned items including items redeposited using RCK.

g. Deposit reconciliation services availability

As part of our Account Reconciliation service, we offer Deposit Location Reporting.

Sample Deposit Location report

The following is an example of the Deposit Location report that is part of the Account Reconciliation service.

Deposit Location. This report includes four sections:

- Deposit Detail—lists all deposit-related transactions for each location.

WELLS FARGO	ACCOUNT RECONCILEMENT	PRINTED: 06-05-08 PAGE 1
P.O. BOX 63020 SAN FRANCISCO, CA 94163	ABC CORPORATION	TREASURY MANAGEMENT CLIENT SERVICES 1-800-AT-WELLS OPTION #2
ACCOUNT: 4999 222222	DEPOSIT DETAIL REPORT	PERIOD: 5-01-08 TO 5-31-08

LOC REF	POSTED	AS OF	TYPE	AMOUNT	TRANSACTION DESCRIPTION
1	5-09-08		C	400.00	DEPOSIT FROM 0000000001 STORE #1 SUB ACCT 00000XXXXXX123
1	5-09-08		C	500.00	DEPOSIT FROM 0000000001 STORE #1 SUB ACCT 00000XXXXXX123
1	5-09-08		D	50.00	RETURN ITEM CHARGE - PAPER AZ 050909 0000000001 FROM 0000000001 STORE #1 SUB ACCT 00000XXXXXX555 ORIG SERIAL # 0000000001
1	5-12-08		C	400.00	CASH VAULT DEPOSIT FROM 0000000001 STORE #1 SUB ACCT 00000XXXXXX12
1	5-12-08		C	500.00	CASH VAULT DEPOSIT FROM 0000000001 STORE #1 SUB ACCT 00000XXXXXX12
1	5-06-08		D	1.00	MERCHANT BNKCD FEE 050902 XXXXXXXX999 STORE #11113111249 XXXXXXXX999+ ROM 0000000001 STORE #1 SUB ACCT 00000XXXXX
1	5-06-08		C	50.00	MERCHANT BNKCD DEPOSIT 050902 XXXXXXXX999 STORE #1 XXXXXXXXX XXXXXXXX99
1	5-29-08		C	5.00	AMERICAN EXPRESS SETTLEMENT 050929 XXXXXXXX99 STORE 001 XXXXXXX99XXXXXXX XXXXXXX 9+ FROM 0000000001 STORE #1 SUB ACCT 00000XXXXX

CREDITS:	6	TOTAL	1,860.00	
DEBITS:	2	TOTAL	56.00	
TOTAL:	8	TOTAL	1,804.00	FOR LOCATION: STORE #1

- Return Detail—lists only returned deposited items.

WELLS FARGO	ACCOUNT RECONCILEMENT	PRINTED: 06-05-08 PAGE 2
P.O. BOX 63020 SAN FRANCISCO, CA 94163	ABC CORPORATION	TREASURY MANAGEMENT CLIENT SERVICES 1-800-AT-WELLS OPTION #2
ACCOUNT: 4999 222222	RETURNED DETAIL REPORT	PERIOD: 5-01-08 TO 5-31-08

LOC REF	POSTED	AS OF	TYPE	AMOUNT	TRANSACTION DESCRIPTION
1	5-09-08		D	50.00	RETURN ITEM CHARGE - PAPER AZ 050909 0000000001 FROM 0000000001 STORE #1 SUB ACCT 00000XXXXXX555 ORIG SERIAL # 0000000001

TOTAL:	1	TOTAL	50.00	FOR LOCATION: STORE #1

Deposit location reporting is also available through Desktop Deposit services.

The deposit report with check details, available within the *Desktop Deposit®* service, contains deposit summary and detail information including a daily subtotal by location and a total for the completed deposit.

Sample Deposit Activity report

The following is an example of the Deposit Activity report in HTML format. The **Location ID** appears in the header information.

02/04/2007 11:23 AM ET
User Name: Kelly Kellerman

Deposit Report with Item Details

WELLS FARGO

Commercial Electronic Office®

Desktop Deposit

Effective Date: **02/03/2007** Deposit Name: - Deposit Amount: **$1,626.00**

Confirmation Number:	070203100005678	Deposited By:	Kelly Kellerman
Bag Number:	1234567	Deposit Status:	Deposit Complete
No. of Items:	4	Submission Date/Time:	02/03/2007 05:43:21 PM
Created By:	Jane Smith	Location ID:	123
Deposit Account:	1234567890	Location Name:	Anytown

Item ID	Item Type	Check Account	RTN	Check No./ Aux-On-Us	Item Status	Item Amount
Transaction 1						
020307100110520	Check	0000000000	000000012	9637546794	Deposit Complete	$100.00
020307100110522	Check	2222222222	222000333	3333	Deposit Complete	$500.00
020307100110524	Check	6665556666	654000654	4444	Deposit Complete	$600.00
020307100110526	Check	5353535353	121000121	5555	Deposit Complete	$426.00

Subtotal for Location ID 1234: $1,626.00

Total for 02/03/2007: $1,626.00

A When displaying the deposit report with check details in HTML format, you can click the item ID to display the check image.

Sample Deposit Confirmation screen

The following is an example of the Deposit Confirmation screen. The **Location ID** appears on this screen.

Your deposit has been submitted. Please follow your internal procedures for storing the original paper items, and print this page for your records. (DTD8004)

Confirmation Number:	000000000000000
Deposit Name:	
Location ID:	003
Location Name:	Mourning Dove
Deposit Amount:	$ 1421.53
Bag Number:	
Submission Date and Time:	04/11/2006 05:34:42PM
Effective Date:	05/31/2006
Deposit Account:	111111(WIDGETS INC.)
No. of Items:	4
Created By:	Bill Smith
Deposited By:	Bill Smith

Print

h. Does the bank provide any methods to detect counterfeit currency before it is accepted by the County i.e. cash verifying pens, scanners, etc?

Wells Fargo does not provide the County with counterfeit detection methods.

In the event that we discover counterfeit currency in a deposit, we call you immediately to notify you of the situation, and adjust your deposit using the same process that we use to handle all other adjustments. We then forward the counterfeit currency directly to the U.S. Secret Service.

2. Check Clearing

a. Identify all costs associated with check clearing on your Pricing Sheet.

Please see the Pricing Tab for all applicable pricing related to this RFP.

3. Warrant Clearing

a. Can Credit be provided to the Treasurer for any missing warrants?

Yes. Your relationship manager, Jeff Sundheimer, will work with the County to resolve any missing warrants.

b. What method do you have available to allow us to identify the political subdivision that issued the warrant?

High-order prefix reporting is available as a way to account for payments made by different political subdivisions.

Wells Fargo offers high order prefix reporting as part of our Account Reconciliation service. This reporting includes value date, high order prefix reference number, number of items, amount, and account number. This reporting is only available in HTML and PDF format.

The County can also customize our controlled disbursement reports so that you see only the data fields you want and the order you want them to appear when you download reports in CSV or Excel format.

c. Can you provide images of paid warrants by political subdivision?

Yes, please see our response above, question b.

d. Identify all costs associated with clearing and payment of warrants on the Pricing Sheet.

Please see the Pricing Tab for all applicable pricing related to this RFP.

4. Returned Items and Stop Payment

a. Identify all costs associated with placing a Stop Payment on a check or warrant issued by the Pinal County Treasurer or any of its political subdivisions.

Please see the Pricing Tab for all applicable pricing related to this RFP.

b. Can you provide an interface to allow the Treasurer to process stop payments directly into the bank's system? If so, describe the interface.

Wells Fargo gives you two ways to quickly submit stop payment orders: Online, or by electronic transmission (where you'll include information in your ARP issue file). Both methods let you send stop payment requests 24 hours a day, 7 days a week. We'll process them in real time without manual intervention. You can make a request as late as 7:00 p.m. MT and still receive same-day posting.

Before the system accepts a stop payment order, it automatically verifies the previous 180 days of paid check history to determine if the check has already been paid. Stop payments remain in effect for six months.

You can elect to use our Stop Renewal service. This lets you extend a stop payment for up to an additional six years (in 12-month increments), predetermine a dollar threshold for automatic stop payment renewal, and limit the number of times a stop payment is automatically renewed. You can also individually renew a stop payment on an as-needed basis through our online system.

You can place stop payments on a maximum of 20 checks at one time. To place a stop payment on more than 20 checks, you will contact your Treasury Management Client Services representative to make the necessary arrangements.

c. Identify the time before the stop-pay becomes effective.

You can make a request as late as 7:00 p.m. MT and still receive same-day posting.

d. Identify all costs associated with a deposit item that is returned on the Pricing Sheet.

Please see the Pricing Tab for all applicable pricing related to this RFP.

e. Can you provide a means for returned items to be deposited a second time before the item is returned to the Treasurer for collection?

We will continue to automatically redeposit items returned unpaid for either non-sufficient funds (NSF) or uncollected funds (UCF) using one of the means described below. We cannot redeposit items returned for any other reason.

Paper returns

If your depository account does not have special instructions in place for handling returns, we process them using our standard default instructions. We automatically redeposit return items that meet certain criteria one time. These items must be:

- Non-Wells Fargo items
- Returned for NSF or UCF
- Under $300

If a clearing bank returns an item a second time, we charge it back to the original depository account.

You can add special instructions to specify how we handle your returns. Examples of special instructions include:

- Automatically redeposit all returned items (with an NSF or UCF reason)
- Automatically redeposit items up to a certain dollar limit
- Do not redeposit any items

Our redeposit service is optional by location. For example, one location can be set up to automatically redeposit returns while another location can be set up to charge back all returns.

By mail

We mail all returned items and standard notices by U.S. mail to the account address on our system. You can instruct us to mail returned items to an alternate address* such as the depositing location or a central office.

*Additional fees may apply.

Online

Images of returned items are also available online through our Returned Item service. You can set up users with the ability to view images of returned items for specific accounts or locations; they see images online in real time.

Electronic returns (RCK)

We automatically convert eligible paper returns to RCK debit items and process them through the Automated Clearing House (ACH). This allows you to take advantage of up to two re-presentment opportunities.

If the clearing bank returns items a third time, we charge them back to the original depository account. You typically see higher collection rates with RCK because electronic items usually have priority over paper items in the posting process.

To be eligible for conversion to RCK, returned items must be:

- Consumer checks
- Under $2,500
- Returned for NSF or UCF
- Dated less than 180 days old

Features

- Eligible paper returns are converted into electronic RCK debit entries.
- Original paper returned checks are handled in one of the following ways:
  1. Mailed back to you each day we send the first RCK debit.
  2. Retained by Wells Fargo until we determine the final check disposition and then send all uncollected RCK items back to you.
  3. Warehoused by us (collected RCK items only).
- Daily reporting includes detail and status of each check we process by RCK.
- Automatic and immediate re-presentment of all eligible items is done electronically on both attempts. You have these alternative re-presentment options:
  1. Have the first re-presentment performed through the standard redeposit process. The second re-presentment must be done electronically.

2. Choose the timing of the resubmission attempt in order to have an increased chance of collecting funds successfully. The options available are: immediately, on a particular day of the week, on a particular day of the month, or after an elapsed number of days (up to nine).

National Automated Clearing House Association (NACHA) rules dictate when and under what circumstances we can convert a check into an ACH debit.. In compliance with NACHA rules, we retain images of checks that we convert into RCK debits for seven years from the settlement date. You need to post standard notification to your customers indicating your electronic check re-presentment policy. Please refer to the NACHA rules for details about the notification requirements.

Wells Fargo's Smart Decision service, which the County is currently using, will provide for faster notification of your returned items because ACH items generally clear more quickly than paper checks. The Smart Decision service can automatically redeposit your ACH returns for insufficient or uncollected funds up to two times, compared to only one time for your paper checks.

5. Wire Transfer Services- Describe the bank's process, including:

a. Ability of County to initiate and monitor wire transfers online

At Wells Fargo, we understand your need for flexible, secure wire initiation systems. Our emphasis on speed and efficiency in wire transactions ensures that we can deliver the wire transfer service products that best meet The County's needs. We offer the following wire initiation systems:

Commercial Electronic Office® (CEO®) Wire Transfer service

As part of the *CEO* portal, our Wire Transfer service will continue to allow you to make same-day and future-dated domestic wires, international U.S. dollar wires, foreign exchange wires, drawdown requests, and book transfers. In addition, our *CEO* wire transfer service offers the County the following capabilities:

- Initiate and approve multiple wires from a single screen
- Enter information into free-form wire screens for one-off wires
- Create multiple use templates for recurring wires to save time, with the option to lock all template information fields except date and amount
- Add, modify, and delete templates
- File Upload Service uploads up to 200 freeform or templated wires at a time
- Personalize each of your user's profiles to control access to accounts and wire services
- Specify single or dual approvals before wires can be sent

Available only to *CEO* portal customers, the *CEO* Wire Transfer report shows the status of wires initiated online with real-time updates.

In addition to these initiation services, the *CEO* portal offers Intraday reporting of incoming and outgoing wire transfer activity through *CEO*

Treasury Information Reporting (TIR). The TIR Wire Transfer Detail report provides current-day detail on wires grouped by type: book transfers, Federal Reserve domestic wires, and international wires. You may also set your own parameters and run reports as needed.

An optional service, our *CEO* Event Messaging service provides email notifications for transactions requiring approval, rejected transactions, incoming or outgoing wires exceeding a certain dollar threshold, and other wire transfer events.

Payment Manager® service

Available through our Electronic Commerce Services (ECS), an initiation system that uses wire transfer, ACH, and check formats, our *Payment Manager* service supports direct transmission of files from your enterprise resource planning (ERP), treasury workstation, or accounts payable system to Wells Fargo. Upon receipt of your file, we transmit acknowledgments and when payments are initiated, provide detailed transaction confirmations to the County.

We accept standard file types ANSI 820, Wells Fargo XML, and Wells Fargo flat file. We support a variety of transmission methods including secure internet protocols — HTTPS, FTP/S, SFTP, and AS2 — or Connect:Direct with Secure+.

To increase controls for customers of both *CEO* Wire Transfer and *Payment Manager* service, you can import *Payment Manager* service wire transfer instructions directly into the CEO Wire Transfer service. This enables your users to use the *CEO* Wire Transfer service to review and approve or delete wires initiated by the *Payment Manager* service. Users can also access wire templates to save time when repairing and initiating recurring wire payments.

Telephone (Voice) Wire Transfer Service

When you choose telephone (voice) wire transfer service to initiate wire transfers, you can initiate wires by calling a toll-free number and speaking directly with a wire operator. A PIN-based security system ensures the safety of your information. Our Wire Transfer system automatically verifies ABA numbers and SWIFT addresses before wires are sent. We offer optional secondary callback approval procedures.

Automatic Standing Transfer Service

When you choose our Automatic Standing Transfer Service, we'll automatically initiate wire transfers or drawdown transfers for you on the dates you specify.

b. Ability of County to create and store recurring / repetitive wire instruction and templates/

Because the *Commercial Electronic Office®* (*CEO®*) Wire Transfer service is an internet-based system, all of the data, including repetitive transfer information, are stored on dedicated *CEO* portal servers. There is no charge for this service.

Wells Fargo stores templates for telephone (voice) service on our internal wire transfer system. We may charge a minimal fee for this service.

If you use the *Commercial Electronic Office®* (*CEO®*) Wire Transfer service, you can create your own repetitive wire templates online — with no exchange of paper documents with the Bank.

You can assign your own transfer numbers or names.

c. Ability of County to create and store future dated wire instructions.

Wells Fargo accepts future-dated domestic and international wire transfers up to 60 calendar days in advance, through all of our initiation methods. Our Standing Transfer Order service allows the automatic initiation of domestic and international wires, and domestic drawdown wires, based on your predefined parameters, including date.

d. Security measures for wire initiation and approval.

Security safeguards for wire initiation with Wells Fargo are outlined below.

Commercial Electronic Office® (CEO®) Wire Transfer Service (internet)

- Required: Company ID, User ID, and Password for *Commercial Electronic Office* (*CEO*) portal login; RSA SecurID User PIN and pass code fob for access to the *CEO* Wire Transfer service
- Recommended: Secondary authorization, user wire limits, user account access limits

Payment Manager® Service (CPU to CPU)

- Required: Authenticated and encrypted file
- Optional: Import of *Payment Manager* service batch wire transfer instructions directly into *CEO* Wire Transfer service for secondary control; this enables your users to use *CEO* Wire Transfer to review and approve or delete wires initiated using the *Payment Manager* service

Telephone/Voice

- Required: Wire PIN (personal identification number)
- Recommended: User-specified wire limits and account limits
- Optional: Confirmation callbacks

e. Same-day credit for incoming wires.

We accept all incoming wire activity from the Federal Reserve for as long as the Fed stays open, which is until 3:30 p.m. MT. We credit the incoming wires the same day we receive them from the Fed. We process incoming SWIFT transactions until 5:00 p.m. MT.

f. Identify all costs associated with placing an outgoing wire.

Please see the Pricing Tab for all applicable pricing related to this RFP.

g. Identify all costs associated with receiving an incoming wire.

Please see the Pricing Tab for all applicable pricing related to this RFP.

h. What provisions are in place to allow the customer to initiate a priority wire transfer requiring special handling and immediate release?

Our straight through processing and the speed of our wire release procedures means we will handle all County wires as priority wires; however, if you have a concern about a specific wire, you should contact your client services officer. There is no additional charge for this service.

i. Identify the opening hours and the cut-off times in Mountain Standard Time initiating wire transfers to ensure same-day execution? List by type of transfer and method of communication.

In the table below, we have listed the opening times and cutoff times — by transfer type — for same-day execution of initiated wires. The same times apply for all of our wire transfer initiation methods, including the internet, mobile service, file transmission, and telephone (voice) service.

Wire type	Opening time (MT)	Cutoff time (MT)
Fedwire intra-district	6:30 a.m.	3:30 p.m.
Fedwire inter-district	6:30 a.m.	3:30 p.m.
Drawdown request	6:30 a.m.	3:30 p.m.
International SWIFT	6:30 a.m.	3:30 p.m.
Federal tax payments	6:30 a.m.	2:00 p.m.
Book transfer/internal	6:30 a.m.	6:00 p.m.

j. How soon after wire execution would a confirmation/sequence number (not the Fed Reference number) be available? Explain any delays.

At Wells Fargo, we pride ourselves on our straight-through processing and rapid availability of information. We provide an internal bank reference number immediately after wire initiation.

k. Will the bank look to the funding account if the debit account is a zero balance account?

Yes.

l. What steps are you taking to ensure uninterrupted service?

Wells Fargo has been processing wire transfers for well over a century. In that time, we have not experienced interruptions in wire processing due to the management of our net debit cap. We constantly monitor our cap position to ensure seamless wire processing service for our customers.

m. How can the status of wire transfers be tracked by the customer?

The County can track the status of transfers by accessing wire transfer reports, and through alerts sent by Wells Fargo.

Wires initiated or approved using the internet

If you initiate or approve wires through the *Commercial Electronic Office®* (*CEO®*) Wire Transfer service, you can track wire status through the Wire report. This intraday report indicates the status of a wire at all stages of processing: initiation, approval, and release. After the settlement network (Federal Reserve, CHIPS, or SWIFT) receives the wire, this report shows the settlement network's reference number.

In addition, our Event Messaging service saves you time by proactively sending you notifications to let you know when wire transfer information is available or when you need to take action. We notify you when a wire:

- Has been rejected
- Requires approval
- Has been processed successfully
- Has not processed successfully

Wires initiated using other methods

For all of our wire transfer initiation methods, including telephone-initiated wires, you can obtain payment confirmation information on the Wire Transfer Detail and Intraday Composite reports, available through the *CEO* Treasury Information Reporting service. If you subscribe to the Wire Transfer Detail report and the Event Messaging service, we can also notify you when an outgoing wire is sent.

n. Is a method available to allow for wire transfer and ACH payment preparation, review and release prior to the payment date? How far in advance can a wire be prepared and released?

The table below lists each payment type and our ability to warehouse payment orders.

Payment type	Ability to warehouse	Length of time
Domestic wire	Yes	60 calendar days
International wire U.S. dollar Foreign currency	 Yes Yes	 60 calendar days 45 calendar days
International request for transfer (SWIFT MT101)	Yes	60 calendar days
Domestic ACH	Yes	45 calendar days
International ACH U.S. dollar Foreign currency	 Yes Yes	 45 calendar days 45 calendar days
Checks U.S. dollar Canadian dollar	 No No	 NA NA
Commercial card Wells Fargo commercial card transactions	No	NA

o. What is the bank's policy in the event of a wire transfer failure for which receipt of instructions has been confirmed to the customer?

In our experience, it is extremely rare for a wire transfer to fail after we've confirmed receipt of instructions to the customer. However, if an originated wire transfer request has erroneous data and we cannot repair it, we will notify you directly to request further instructions.

If a wire is not sent for some other reason, including that our systems were down, we make interest compensation to the County at the average Fed Funds rate, but will not compensate for indirect, incidental, special, consequential, or punitive damages.

p. At what point does the bank assume legal liability for executing a wire transfer? How is that event identified?

We will be responsible for our performance of the funds transfer service in accordance with the terms of our Application and Agreement for Cash Management Services, Funds Transfer Agreement, Security Procedures Agreement, Funds Transfer Service Description, and Cash Management Services Disclosure Statement.

q. What are procedures and the time limits to effectively cancel a wire?

Wells Fargo knows that sometimes mistakes or revisions are made and previously initiated wires need to be cancelled. We allow the County to cancel wire transfers any time prior to their release for processing to the Federal Reserve, SWIFT, or our internal posting system. Cancellation requests should be directed to your Relationship Manager or our Wire Transfer unit by 3:30 p.m. MT and before we release the wire transfer. Our deadline for best-efforts cancellation of a wire transfer is 6:00 p.m. MT.

If the wire transfer is canceled prior to release, we have not yet debited your account, so there are no funds to be retrieved. At this time, we do not charge for the cancellation of unreleased wire transfers.

If we have processed the wire and released it, we can contact the appropriate party and request the funds be returned. However, the receiving bank is under no obligation to return the funds. If the receiving bank returns the funds, they will be immediately credited to your account.

r. Describe security measures to protect the validity of wire transfers.

Wells Fargo has instituted a variety of controls within our wire transfer system and at our physical operations centers.

Our wire transfer operations system requires complete segregation of duties for all aspects of wire transfer handling. The same operator cannot initiate and release a wire. We control this by terminal and user security. In addition, all wire repair changes require a secondary level of approval with different security and passwords. Each time a wire is "touched" by an operator, the system automatically mandates a verification step by another operator.

We carefully screen all wire transfer operations employees using a process that includes fingerprinting, federal/state/local background record checks, and insurance bonding. The wire transfer area requires proper security access for entry.

To monitor compliance with our security policies, we conduct annual internal audits of our wire transfer operations area. We're also subject to regular reviews by the Office of the Comptroller of the Currency.

We have never experienced wire fraud involving any of our employees.

In addition to our internal controls we strongly recommend that customers use dual control and secondary approval on all non-repetitive wires initiated using the *Commercial Electronic Office®* (*CEO®*) Wire Transfer service. The system can be set up to require one or two users to log on and approve the wire prior to the release of the transaction.

Wires initiated via the *Payment Manager®* service method are considered approved when received at the bank and released accordingly. We also offer a service that enables you to import *Payment Manager* service batch wire transfer instructions into *CEO* Wire Transfer service for secondary control. With this optional service, your users can use CEO Wire Transfer service to review and approve or delete wires initiated using the *Payment Manager* service.

s. What information is available to identify incoming wires? Are any of these fields available for standardization?

We provide detailed current day information on incoming and outgoing wires through the *Commercial Electronic Office®* (*CEO®*) Treasury Information Reporting service Wire Transfer Detail and Intraday Composite reports, and through our Direct BAI file transfer service.

All of these reports include the account name and number, wire amount, process date and time, receiving or originating bank, corresponding bank, Fed reference number, internal reference or confirmation number, value date, currency, wire text, and the transaction status, among other information.

The *CEO* Wire Transfer Detail report provides comprehensive current day memo-posted detail for all outgoing and incoming wires, grouped by type: book transfers, domestic wires, and international wires. The report includes field descriptions that make it easy to identify the information you're looking for. If you access this report multiple times throughout the day, you can use the "transactions since last reported" feature so that you see only the most recent wire information. You can tailor the report to show as much or as little detail as you need.

6. Reporting Services

a. Identify all costs associated with reporting.

Please see the Pricing Tab for all applicable pricing related to this RFP.

b. Provide a description of the reporting services available on-line.

Wells Fargo will continue to provide the below intraday and previous day reports through *CEO* Treasury Information Reporting and BAI file transmission. This application supports download of reports, as needed, into your accounting, treasury workstation, or spreadsheet applications. Download and viewing options include BAI, Comma Separated Variable (CSV), Excel, HTML, and PDF.

Intraday reports

- **Intraday Composite.** Shows balance, summary, and detailed transaction information, updated on a real-time basis throughout the day.
- **Intraday Position.** Shows the aggregate of balances and summary of intraday transactions of all selected accounts.
- **Wire Transfer Detail.** Shows comprehensive current-day memo-posted detail for all outgoing and incoming wires, grouped by type: book transfers, domestic wires, and international wires.
- **ACH Origination.** Provides summary information by ACH Customer ID for ACH files submitted for processing, details on transactions accepted or rejected, CNotes (file confirmations), pre-edit rejects, and end-of-day rejects.
- **ACH Receive.** Details all received ACH transactions that will post to your account at the end of the current day.
- **ACH Return/NOC.** Details information by ACH Customer ID for all ACH returns.
- **Controlled Disbursement Summary.** Shows a summary of the current day's presentment totals and adjustment activity.
- **Controlled Disbursement Detail.** Provides controlled disbursement transaction detail and location subtotals for each account selected.
- **Lockbox Availability.** Offers summary-level information for lockbox deposits, including float, on an intraday basis.
- **Lockbox Detail.** Provides remitter information about received payments within a lockbox deposit.
- **Intraday Returned Item Detail.** Offers detailed information on checks that will be charged back to a customer's account for reasons such as non-sufficient funds or stopped payment.
- **Deposit Detail.** Lists all electronically made deposits.
- **E-Box®.** Allows you to review and post payments that originate through an online bill pay service.

Previous day reports

- **ACH Customer Activity.** Complete access to all ACH activity on your account including domestic and international transactions, including settlement information, adjustment detail, and a summary of your return activity by account.
- **Express Balance.** Snapshot of previous-day balance information for your accounts, with an option to include sweep accounts, including balances, total available funds and summaries of total debits and credits for each account.

- **Month-To-Date Balance.** Daily summary of account balances, aggregate float, and total transactions posted to your accounts for the month-to-date, prior month, or a specific date range.
- **Previous Day Composite.** Comprehensive previous-day balance, transaction summary, and transaction detail information for all your Wells Fargo accounts, including sweep accounts and multicurrency accounts. In addition, this report can contain account balance and transaction detail on your accounts that you would like reported from other banks in the U.S. and around the world.
- **Sweep Account Position.** Complete sweep account information, including investment positions for the next day and end-of-day, previous-day investment balance, previous-day dividends earned, month-to-date dividend accruals, and total book value of cash for the next day. The report includes Line of Credit information.
- **Previous Day Returned Item Detail.** Detailed information on checks returned unpaid by the maker's bank due to non-sufficient funds or stopped payment.
- **Multibank Status.** Wells Fargo is able to report balance and transaction detail from other non-Wells Fargo bank accounts you own domestically and throughout the world. This report displays if each bank's information has been yet received and if so, at what time it arrived.
- **DDA Cycled Statement.** An electronic statement of DDA (checking) activity, available the next business day after your statement cycle cutoff, so you don't have to wait for statements to arrive in the mail.
- **Account Reconciliation (ARP) Statements and Reports.** Full and partial ARP statements and reports available promptly after statement/report cycle cutoffs, eliminating the need to wait for reports to arrive in the mail.

c. Required Service: Ability to download daily & monthly DDA activity

The County will continue to download daily and monthly DDA activity via the *Commercial Electronic Office®* (*CEO®*) portal.

d. Required Service: Ability to download all paid warrants in numerical order sorted by political subdivision. A total of warrants paid by each political subdivision and a grand total of all warrants paid must be provided.

Yes. Our ARP services will continue to provide the most comprehensive and flexible reporting options available in the industry today. The County can customize your account reconciliation to match your accounting needs by choosing which optional reports you need from the 14 we list below.

ARP optional reports	
Paid Checks	Deposit Location
Outstanding Checks[1]	Credits
Posted Items	Bank Originated Entries

ARP optional reports	
Stop Payments	Reversed Checks[2]
Issue Notices Not Received[2]	Matched Paid Items[2]
Voids and Cancels[1]	Prior Payments[1]
Issues This Cycle[1]	Unpaid Checks

[1]Only available with Full ARP
[2]Only available with Full ARP or Partial ARP with Positive Pay

ARP statements and reports are available by transmission or through our *Commercial Electronic Office®* (*CEO®*) internet portal. Through *CEO* Treasury Information Reporting, you can:

- Access your ARP statements and 14 off-cycle optional reports in PDF format
- Choose the data you want to see before you download your ARP statements and reports in CSV or Excel format
- Perform a query of your ARP data and download the results in CSV or Excel format
- View a summary and details of your account reconciliation activity by date, including check issues, cancels, and voids, as well as stop payment requests, releases, and renewals in PDF format through our ARP File Posting Confirmation report

e. Provide a sample of your standard reports.

Please see the Appendix, Tab A for our sample reports.

7. ACH (Automatic Clearing House) Services

a. Identify all costs associated with processing ACH transactions.

Please see the Pricing Tab for all applicable pricing related to this RFP.

b. Identify methods available to transfer ACH files, with complete descriptions and technical requirements, including but not limited to modem and FTP (File Transfer Protocol) process.

Wells Fargo offers a variety of methods for transmitting and receiving financial data files. We have provided details about each of our supported methods in the tables below.

Internet protocols

Protocol	Security and encryption
HTTPS browser	Security: ID, password and RSA SecurID® fob; access through the *Commercial Electronic Office®* (*CEO®*) portal Encryption: 128-bit SSL session-level encryption; PGP encryption available for ACH
HTTPS with automation*	Security: ID in conjunction with digital certificate issued by Wells Fargo Encryption: 128-bit SSL session-level encryption; PGP encryption available for ACH
FTP/S*	Security: ID in conjunction with digital certificate issued by Wells Fargo Encryption: 128-bit SSL session-level encryption; PGP encryption available for ACH
SFTP*	Security: ID and password Encryption: 128-bit Cypher SSH session-level encryption; PGP encryption available for ACH
AS2 HTPPS	Security: ID in conjunction with digital certificate issued by Wells Fargo Encryption: 128-bit SSL session-level encryption; PGP encryption available for ACH

*Bank-provided client software is available

Connect:Direct Secure Proxy

Platform	Security and encryption
Connect:Direct Secure+ Proxy Uses the public internet only	Requires Secure+ add-on to Connect:Direct*

*Secure+ encrypts the session with SSL; Wells Fargo provides a free license if needed

c. What services are available to protect our account from unauthorized ACH debits?

The ACH system is one of the most efficient and cost-effective ways to transfer funds, but it's critical that appropriate measures are in place to protect you against unauthorized transactions. Our ACH Fraud Filter service offers you three options that you can use to protect your checking and savings accounts.

Review transactions and decide if you want them returned

With our review option, you can preauthorize transactions to post to your account. We then notify you of all ACH transactions that you have not preauthorized. You review the transactions and notify us if you want a transaction returned. When you tell us to return a transaction, we create a reversing adjustment and return the transaction as unauthorized.

You can request that we report:

- All ACH transactions posted to your account
- All ACH transactions that exceed a predetermined dollar amount
- ACH credit transactions only, or ACH debit transactions only
- ACH credit transactions or ACH debit transactions that exceed a predetermined dollar amount

If you do not make a pay or return decision on an item by the specified deadline, the item is automatically paid or returned based on the default action you select during the implementation process.

Stop unauthorized transactions automatically

With our stop option, we automatically return transactions that you have not preauthorized, and we automatically process all ACH transactions that you have preauthorized.

With the stop option, you can request that we:

- Stop and return all ACH transactions
- Stop and return all ACH transactions that exceed a predetermined dollar amount
- Stop and return all ACH credit transactions only, or ACH debit transactions only
- Stop and return all ACH credit transactions or ACH debit transactions that exceed a predetermined dollar amount

Monitor converted check entries

Our Echeck option helps you monitor converted check entries for business-sized checks that have an auxiliary on-us field in the MICR line. This service includes Echeck Post and Echeck Stop options for accounts receivable check (ARC) and back office conversion (BOC), and point-of-purchase (POP) transactions.

When used in conjunction with our positive pay services, the Echeck Post option gives you the opportunity to see unmatched items that will post to your account, so you can decide to pay them or return them using our online Image Positive Pay service. The Echeck Stop option automatically stops all ineligible items inadvertently converted before they post to your account.

d. Can the bank selectively accept ACH debits only from originators authorized by us?

Yes, our ACH Fraud Filter service offers you an easy, inexpensive way to protect your accounts from unauthorized ACH transactions. Review and Stop options are available for all debits, all credits, or all transactions:

- **Stop Option:** All ACH transactions presented against your accounts, except those you have pre-authorized, are stopped and returned to their originators automatically.
- **Review Option:** ACH transactions are presented for your review. You have until 6:00 p.m. MT the business day after an item is presented to notify us if you want it returned unpaid. You may pre-authorize specific transactions for posting to your account.

Unlike "debit blocks" offered by some banks, our ACH Fraud Filter service reports all payment information about unauthorized transactions, so you know who the sender is. The County can be notified of unauthorized ACH transaction information by e-mail, text message, or fax through our Event Messaging service or online through our *Commercial Electronic Office* business portal.

e. Describe the bank's ACH return process. When will returned funds be posted to the County's account?

Our sophisticated ACH system includes advanced return processing options that dramatically speed and simplify the handling of ACH returned entries and notifications of change.

ACH returns

Our ACH system automatically matches each returned entry to the origination entry with a match rate of more than 99%. For transactions that the system does not automatically match to an origination entry, an ACH operator manually reviews the return and, where possible, matches it with the correct entry.

We can automatically redeposit ACH debits returned for nonsufficient or uncollected funds once or twice — depending on the option you select. You can also choose to have items redeposited based on a particular dollar range.

We can automatically dishonor duplicate returns, transaction code mismatches, and any inaccurate return that cannot be matched to an original entry. You determine your own timeframe for items that you consider tardy, within NACHA rules. We recommend an initial timeframe of three to five business days.

Notifications of change

The County can also use our optional notification of change updating process for your ACH transactions. With our *Perfect NOC®* service, we maintain a database of information from NOCs and make the necessary corrections to the transactions you originate before sending them through the ACH system.

When you originate an ACH debit, we compare the receiver's routing or transit number and account number to our database and make any corrections based on previous NOCs sent to you or other Wells Fargo ACH originators.

When you originate an ACH credit, we make corrections based only on NOCs sent to you.

If you choose not to use this service, we will notify you of all NOCs through the reporting option you select. You are required to make the changes within six banking days of receiving the NOC or before initiating another entry to the receiver, whichever is later.

Reporting options

You can access return and notification of change information through our online reporting service, by file transmission, or by fax. With transmission, we send your original transaction with the return information, enabling you to automatically post any returns to your receivables system.

f. How do you advise customers of NACHA (National Automated Clearing House Association) rule changes and their impact?

The financial service industry is complex, and regulations are changing all the time. It's important that the bank you select is able to provide you with more than just services. They should also make you aware of important rule changes that may affect your operations.

At Wells Fargo, our treasury management staff is constantly monitoring governing bodies, including NACHA, to stay informed about all issues affecting our clients. When a rule change is implemented, we typically provide written notice so you are aware and so you have time to adequately respond to the change.

g. Identify timelines for ACH transactions?

You may send files anytime, **7 days a week, 24 hours a day**. Although files may be sent at any time, deadlines for same-day action are shown in the table below.

Customer Input Method	Cut-Off Time	
	One-Day Settlement	Two-Day Settlement
Direct Transmission	7:00 p.m. MT for next day settlement	10:00 p.m. MT for two day settlement
CEO ACH Payments	7:00 p.m. MT for next day settlement	7:00 p.m. MT for two day settlement

h. Define reporting available to the County for ACH transactions and other reconciliation tools available.

The County will continue to access ACH reports through our ACH Payments and Treasury Information Reporting services, both available through the *Commercial Electronic Office®* (*CEO®*) portal.

ACH Payments

Our ACH Payments service offers several standard domestic ACH reports, including:

- Beneficiary Detail
- ACH Payment Detail
- Payment Template Detail
- Payment Summary
- Payment Template Summary
- Payment Audit
- Payment Template Audit

You can customize standard reports for reporting periods, payment types, accounts, and companies, as well as view on screen, print, or download.

Treasury Information Reporting

The Wells Fargo Treasury Information Reporting tool provides comprehensive domestic and international ACH reporting.

Standard reports available include:

- ACH Origination
- ACH Receive
- ACH Return/NOC
- ACH Customer Activity

The system also gives you the ability to download reports into your accounting, treasury workstation, or spreadsheet applications. You can download reports in a variety of the most popular formats, including BAI V2, CSV, and Excel, and view the reports in HTML and PDF formats.

i. Identify data available for incoming ACH transactions.

Online

The County will continue to access information for incoming ACH transactions via our Treasury Information Reporting service, accessible through the *Commercial Electronic Office®* (*CEO®*) portal, which provides a variety of intraday and previous day reports.

Our most commonly used report on the *CEO* portal is the ACH Receive report. This intraday report includes detail on all received ACH transactions that will post to your account at the end of the current day, including the first addenda record, if any.

We offer the following additional intraday reports that include ACH data:

- **ACH Origination:** Provides summary information by ACH company ID for ACH files that you submit for processing. Also includes detail information on accepted or rejected transactions.
- **ACH Return/NOC:** Includes detailed information by ACH company ID for all ACH returns and notifications of change (NOCs) for transactions you have originated.

- **EDI Payment Detail:** Offers both ACH and EDI payment data in a comprehensive report format, and includes all addenda records. You can access EDI-formatted payment and remittance information on the same day it posts to your account.
- **Intraday Composite:** Provides detail of intraday ACH transaction information, including company name, description, customer ID, company ID, entry class code, and discretionary data. Also includes balance and summary information.

The following previous day reports include ACH data:

- **ACH Customer Activity:** Lists all ACH activity on your account, including origination settlement information, adjustment detail, rejects, deletes and reversals, and a summary of your return activity by account.
- **Previous Day Composite:** Provides a comprehensive picture of ACH transactions from the previous business day. Includes a summary of your ACH activity, balance information, and specifics on each ACH transaction posting to your account.

Transmission

The County can receive the following ACH-specific reports by transmission:

- **ACH Origination/Reject file:** Includes all originated and rejected items from your transmitted ACH file.
- **ACH Return/NOC item file:** Includes all returned item and NOC activity.

You can also download intraday and previous day account information directly into your accounting, treasury workstation, or spreadsheet applications through our Direct BAI file transfer service. However, these files do not include detailed information about your ACH transactions.

Receivables Manager

For more detailed ACH reporting by transmission, this service allows you to receive consolidated remittance information for multiple payment types, including ACH.

We translate the data and deliver it to you in a format that's compatible with your ERP platform or other accounting system. You can choose to receive multiple files throughout the day or one file containing all of your payments.

Receivables Manager also allows you to receive email reports daily or multiple times throughout the day. They include full remittance information on ACH- and EDI-formatted payments and can be delivered in PDF, text, Excel, and CSV formats.

Fax

We offer the County several intraday and previous day reports by fax. These reports are typically bundled into packages that include detailed information on your exception items, daily activity, deletes and reversals, and return analysis. If you are interested in receiving your reports by fax, your treasury

management sales consultant is happy to discuss this option with you in detail.

j. Can the county specify required data to accept an ACH deposit?

Yes, the County can specifiy required data to accept an ACH deposit. We believe that the response to this question is similar to our response in 7 c. outlined below is a brief summary of the full response.

Review transactions and decide if you want them returned

With our review option, you can preauthorize transactions to post to your account. We then notify you of all ACH transactions that you have not preauthorized. You review the transactions and notify us if you want a transaction returned. When you tell us to return a transaction, we create a reversing adjustment and return the transaction as unauthorized.

You can request that we report:

- All ACH transactions posted to your account
- All ACH transactions that exceed a predetermined dollar amount
- ACH credit transactions only, or ACH debit transactions only
- ACH credit transactions or ACH debit transactions that exceed a predetermined dollar amount

If you do not make a pay or return decision on an item by the specified deadline, the item is automatically paid or returned based on the default action you select during the implementation process.

Stop unauthorized transactions automatically

With our stop option, we automatically return transactions that you have not preauthorized, and we automatically process all ACH transactions that you have preauthorized.

With the stop option, you can request that we:

- Stop and return all ACH transactions
- Stop and return all ACH transactions that exceed a predetermined dollar amount
- Stop and return all ACH credit transactions only, or ACH debit transactions only
- Stop and return all ACH credit transactions or ACH debit transactions that exceed a predetermined dollar amount

8. On-line Banking

a. Identify available on-line banking services.

The County will continue to have access to the *Commercial Electronic Office®* (*CEO®*) portal, designed as our one-stop shop for access to banking services:

Services available through the *CEO* portal	
Treasury Management ACH Deletes & Reversals Online ACH Fraud Filter ACH Inquiry ACH Payments ARP Register Maintenance Basic Banking Cash Vault *CEO Workstation*® Deposit Maintenance *Desktop Deposit*® Document Retrieval *E-Box*® Decisioning Electronic Document Delivery Event Messaging Image Positive Pay International ACH Payments Payment and Delivery Preferences *Payment Manager*® *Payment Manager*® File Validation Tool Retail Lockbox Image Returned Item services Reverse Positive Pay SAFE Transmission Statements & Notices Stops-Images-Search Sweep Statements and Confirmations *WellsTax*® payments Wholesale Lockbox Wire Transfer	**Credit and Loan** Credit Management Fed Funds Online Interest Rate Management WFBCI Customer Reporting **International Services** Foreign Exchange Trade Finance Online Trade Services Online **Trust and Investment** Fed Funds Online Institutional Brokerage and Sales Retirement Plan Payments Retirement Solutions Online Securities Lending Reporting Trust Information Delivery Trust Portfolio Reporting Wells Capital Management Wells Fargo Advantage Funds Wells Fargo Securities – Fixed Income Sales **Purchasing** Commercial Card Expense Reporting

You can initiate a full range of transactions, including domestic and international ACH, domestic and international wire transfers, stop payments, foreign exchange, trade, credit, and trust transactions.

b. Identify controls available with on-line banking.

The *Commercial Electronic Office* (*CEO*) portal uses two levels of authentication:

- Authentication using a Company ID, User ID, and password.
- Strong or two-factor authentication using an RSA SecurID fob: *CEO* services such as Foreign Exchange or ACH are examples of services that require strong authentication. Users of these services must possess an RSA SecurID fob and enter a passcode, which is combination of a PIN, created by the user upon first access and a six digit number which is, at that time being displayed on their token. This token code is randomly changed every 60 seconds.

User logins and all *CEO* portal session activity are conducted using 128-bit SSL encryption. During login or when upgrading from light to strong authentication, passwords or token passcodes are masked for security reasons. Additionally, all passwords are stored on our databases using one-way hashing.

Authorization: The County determines who can access protected resources and which resources are available for access. Wells Fargo can set up entitlements for each user, or County administrators can create user IDs and assign privileges using the *CEO* Self Administration service.

Unique keys, such as Company ID, are used to identify and separate each customer's data. We use application logic, in conjunction with entitlement information, to control access to the data.

Password management: To maximize password strength, Wells Fargo requires that all passwords meet the following criteria:

- Length: Passwords must be a minimum of six characters.
- Composition: Passwords must contain a combination of alpha and numeric characters.
- Expiration: Passwords expire after 60 days, per Wells Fargo default. Alternatively, the County may elect to use expiration periods of 30, 90, or 120 days.
- Reuse: Users cannot reuse the previous six passwords
- Encryption: All passwords are stored using one-way hashing, which makes it impossible to recover passwords from the hash message digest. For transmission, 128-bit SSL encryption is used.

Invalid password attempts are monitored during login and subsequent password entries, such as required for user profile changes. The *CEO* portal will lock out user accounts after three invalid password attempts. Once an account is locked out, the user must contact a County administrator or Treasury Management Client Services to reset the password. All password authentications are logged for audit purposes.

c. Can access to on-line services be provided to various sites and users?

Yes, the County will continue to have access to on-line services by various users at various sites.

d. Can access to on-line services be restricted to users according to an authorization hierarchy?

The County will continue to have the ability to administer, maintain and delete users without assistance from Wells Fargo. *Commercial Electronic Office (CEO)* Self Administration allows your organization to structure authorization controls and perform administrative functions to meet your specific needs and risk management requirements. Access to the Self Administration service is highly secure. Your designated administrators are required to enter a SecurID token passcode each they log in to the service. This easy to use service allows your administrators to:

- Add new users or give users access to Self Administration to share administrative responsibilities.
- Group users by assigned administrators to select groups and limit access to accounts and profiles within that group for better control.
- Reset passwords.

- Delete or disable former employees or those who are on leave or vacation.
- Add user profiles and restrict access to *CEO* portal services.
- Establish standard dual controls requiring specified transactions/functions to be reviewed and approved by a second administrator before transaction can be executed. You can also set up forced dual controls for all tasks performed through the Self Administration service.
- Run management reports showing current *CEO* portal user access levels and 90 days of administration activity history.
- Set up multiple users with similar access controls at the same time
- Reassign RSA SecurID fob to other user.

9. Technical Requirements

a. If implemented: Lockbox data must be able to be delivered electronically. Describe the method that will be used for lockbox data in a format usable by the County Treasurer on a daily basis.

Wells Fargo makes deposit and balance reporting information available in a variety of ways:

Internet access

The *Commercial Electronic Office®* (*CEO®*) business portal is our primary customer access channel. The *CEO* portal provides a secure internet gateway to a wide range of financial services, including information reporting services. Our Treasury Information Reporting service provides comprehensive intraday and previous day reporting of balance and transaction data. A Lockbox Availability report is also available through our reporting service.

The Wells Fargo Treasury Information Reporting service provides comprehensive and timely information on your lockbox activity to help you facilitate investment or borrowing decisions. Lockbox reports are available online through the Wells Fargo *Commercial Electronic Office* (*CEO*) portal.

Lockbox reports include:

Lockbox Availability report. This report offers funds availability information, including deposit and float breakdown, for all your lockbox deposit accounts on an intraday basis. All deposits received by 3:00 p.m. local time in our check clearing centers will show on this report. All deposit information after 3:00 p.m. local time is available on the Previous Day Composite report.

Lockbox Detail report. This report is an option for Wholesale Lockbox processing and provides transaction level detail information about payments received from your customers. This online report illustrates standard check MICR data and optional transaction data, such as invoice number, invoice amount, remitter name, check date, and date.

Intraday deposit details. Lockbox data is updated several times throughout the day, ensuring that your deposit information is current.

Customized reporting options.

Online delivery allows you to:

- Select and search only the accounts and dates you want to see.
- Add any of your lockbox reports to the CEO reporting panel, so you can see the information as soon as you log on to the CEO portal.
- Choose the data fi elds you want and the order you want them to appear when you download reports in CSV or Excel formats.

Images. You can view images of your lockbox deposit transactions from the Lockbox Detail report.

Report templates. After you customize your report, you can save it as a report template and reuse it any time you want. Treasury Information Reporting lets each user in your company save up to 100 customized report templates. You can also easily modify, rename, or delete report templates as your business needs change.

Technical specifications:

- View the report in HTML or PDF formats.
- Download the reports in BAI V2, CSV, or Excel formats.
- Retrieve all reports for seven days. Optional extended storage for the Lockbox reports is available for 30, 60, or 90 days.

Lockbox Detail report

10/13/20XX 09:51 AM ET
CUSTOMER ID: WELLS
OPERATOR ID: HENRY

HENRY WELLS, INC.
Lockbox Detail Report
As of 10/13/20XX

Commercial Electronic Office® — **Treasury Information Reporting**

Note: Intraday information subject to change

Currency: USD
Bank: 073000228
Account: 12344

WELLS FARGO BANK, N.A.
ABC COMPANY

Batch Summary
Lockbox: 4321

Batch Count:	1	Batch Total:	49,934.64
Item Count:	1		

Date	Batch #	# of Items	Amount
10/13/20XX	1	1	49,934.64

Transaction Detail

Lockbox: 4321 — **Batch Number: 1**

Transaction ID: 0001

Bank ID	Account #	Check #	Check Amount
000123000	11111112	1111	49,934.64

Customer Name: ACME METAL

Invoices

Invoice Number:	11112	Invoice Amount:	49,934.64
Invoice Number:	11113	Invoice Amount:	49,934.64

Batch Total	**49,934.64**	**Number of Checks:**	**1**
Total for Lockbox 4321	**49,934.64**	**Number of Batches:**	**1**
Total for Account 12344	**49,934.64**		
Total for Bank 073000228 USD	**49,934.64**		
Currency Grand Total USD	**49,934.64**		

Lockbox Availability report

01/15/20XX 04:16 PM ET
CUSTOMER ID: WELLS
OPERATOR ID: HENRY

HENRY WELLS, INC.
Lockbox Availability
As of 01/15/20XX

Commercial Electronic Office® — **Treasury Information Reporting**

Note: Intraday information subject to change

Currency: USD
Bank: 073000228
Account: 12345

WELLS FARGO BANK, N.A.
WIDGETS, INC.

Deposit Information for Lockbox 0000044620
Note: Lockbox deposits may not be reflected in the Availability Information section due to differences in processing schedules

	Deposit Amount	Item Count	Deposit Number
	417,294.45	48	N/A
	9,205.28	9	N/A
Totals:	**426,499.73**	**57**	

Availability Information for Lockbox 44620

	Deposit Amount	Item Count	Immediate	One Day Float	Two+ Day Float
	417,294.45	48	64,997.13	30,440.04	321,857.28
	9,205.28	9	3,436.25	5,511.96	257.07
Totals:	**426,499.73**	**57**	**68,433.38**	**35,952.00**	**322,114.35**
Totals for Account 12345	**426,499.73**	**57**	**68,433.38**	**35,952.00**	**322,114.35**
Currency Grand Totals USD	**426,499.73**	**57**	**68,433.38**	**35,952.00**	**322,114.35**

b. Provide the methods available to provide images of deposited and paid items, including indexes.

The County uses our online Stops-Images-Search service, available with a single sign-on, to search for images of deposit tickets and deposited checks. Images are available immediately; we store them for seven years.

Images of returned items are available through our online Returned Items service.

We also provide the County with the transmission of images of electronically deposited items and returned items through our Image File Import service.

Because we make most adjustments electronically, those images are not available — but you can access the information online through our Statements & Notices service.

An important advantage of our online check image service is that no special hardware and software is required. All you need is a computer with internet access and a browser that supports 128-bit encryption. This frees you from having to install and maintain a separate software application.

c. Provide description of your ability to support remote payment processing (the ability of the taxpayer to pay taxes, fees, etc online).

This service is available through our online payment portal, the Wells Fargo Payment Gateway® service Our *Wells Fargo Payment Gateway* service is a proprietary system specific to Wells Fargo Merchant Services and is powered by CyberSource and will allow the County to accept electronic check transactions for remote payment.

Electronic checks are ACH transactions which are a convenient payment method for your customers and can reduce processing costs. Our gateway service supports four types of ACH (e-checks) payment types:

- **WEB**: Single and recurring consumer debits initiated through the internet
- **TEL**: Single consumer debits initiated by telephone
- **CCD**: Commercial debit and credit entries
- **PPD**: Consumer credits and debits authorized by signature

Additionally, our *Wells Fargo Payment Gateway* service supports Virtual Terminal, Hosted Order Page, and API (Application Programming Interface).

When your customers submit their payment information, our service automatically checks for proper routing and transit numbers, as well as account number structures- all in real time. Further, the Wells Fargo Perfect NOC® service compares all transactions against previously received notifications of change (NOC) and automatically updates any outdated information.

d. Does the bank provide technical customer support for computer hardware, software and communications problems? If so, what are the hours of operation for technical support?

The County relies on the banking services you receive to support your operations. If you encounter a technical problem, therefore, it's important that the bank has the resources in place to quickly diagnose and resolve the issue.

Treasury Management Client Services is the primary customer service group within Wells Fargo and is responsible for front line technical support. Client Services representatives are familiar with the most common types of technical issues. In most cases, they can diagnose the problem and provide a solution on the first call. This ensures a quick response for most issues.

If there is a problem that our Client Services representatives cannot resolve, it is immediately escalated to our Technical Support group, located within the Client Services organization. Technology professionals with the hardware and software expertise to resolve even the most complex problems staff the Technical Support group.

In addition to providing general technical support, we have a dedicated support staff for customers who exchange information with Wells Fargo using our data transmission services. Our Wholesale Transmissions department focuses primarily on communication issues related to data transmission, but also offers assistance with other issues, including ACH formatting and specifications testing.

- Treasury Management Client Services representatives are available Monday through Friday from 5:00 a.m. to 8:00 p.m. MT and Saturday from 7:00 a.m. to 5:00 p.m. MT.
- Technical Support group personnel are available Monday through Friday from 6:00 a.m. to 7:00 p.m. MT.
- Wholesale Transmissions staff is available 24 hours a day, 7 days a week.

e. For file transfers between the bank and County, and between the County and the bank describe acceptable file types (i.e. CSV, Tab Delimited, Fixed Length, etc.)

We offer several ACH and wire origination options that accept text files.

ACH

You can send a NACHA-formatted file to us for processing through our direct origination service. If you are unable to create a NACHA-formatted file, our online ACH Payments service allows you to import a delimited or fixed field file with the information required to create ACH transactions.

Wire transfer

You can upload wire transfers through our online wire transfer service in CSV format.

Consolidated payables transmission

You can send a single file that includes both ACH and wire transfers through our *Payment Manager*® service in the following standard file formats:

- Wells Fargo flat file
- ANSI 820
- Wells Fargo XML
- Excel CSV
- SAP IDOC

If you require a custom format, we can work with you to identify the file layout requirements for your system and provide an estimate to process the format.

10. Lockbox Services

a. Identify all costs associated with your lockbox services including returned items.

Please see the Pricing Tab for all applicable pricing related to this RFP.

b. Where is your lockbox service provider located?

Wells Fargo offers a retail and wholesale lockbox facility in Phoenix, Arizona.

We are pleased to continue providing the County with our E-Box service, which merges your customers' online bill payments into a consolidated electronic data stream and applies additional data transformations to increase your straight-through processing rate of receivables and minimize your exceptions. Our *E-Box* solution consolidates payment information from multiple sources, validates the data to ensure your billing accounts are formatted to your specifications, and creates a single file according to your specified format. *E-Box* can also consolidate your paper receivables into one combined file with your electronic transactions.

c. Identify the relationship of your lockbox service provider.

Wells Fargo operates the lockbox internally.

d. Identify key staff responsible for our account and their qualifications.

Jeff Sundheimer **Vice President** **Relationship Manager** **Government & Institutional Banking** **jeffrey.j.sundheimer@wellsfargo.com** **(602) 378-2175** **(866) 214-0265 fax** **100 West Washington, 25th Floor** **Phoenix, AZ 85003**	Jeff is a relationship manager responsible for state and local government business in Arizona. Prior to joining Government & Institutional Banking, Jeff worked in the Financial Products division assisting clients with their interest rate hedging needs. He has been with Wells Fargo for approximately 15 years and has held various positions within the organization. Jeff holds a B.S. in agriculture and resource economics from the University of Arizona, and received his MBA from Southern Methodist University in Dallas, Texas.
Kathryn C. Kendrick, CTP **Vice President** **Treasury Management Sales Consultant** **kathryn.kendrick@wellsfargo.com** **(303) 863-6079** **(303) 863-6312 Fax** **MAC C7300-081** **1700 Lincoln Street** **8th Floor** **Denver, CO 80203**	Kathy is the Treasury Management Sales Consultant responsible for providing customized treasury solutions for the County. She is dedicated to helping the County receive the most efficient and cost-effective treasury management solutions, in addition to keeping you abreast of new and enhanced treasury services and trends. Kathy has over 20 years experience with Treasury Management and is a member of the Rocky Mountain Association for Financial Professionals. Kathy has the Certified Treasury Professional designation. She received the Certified Cash Manager designation in 1996 that was later converted to the CTP designation.
Raelene Syro **Government and Education Relationship Associate** **raelene.m.syro@wellsfargo.com** **(602) 378-1215** **(602) 378-1360 fax** **MAC S4101-251** **100 W. Washington, 25th Floor** **Phoenix, AZ 85003**	Raelene has primary responsibility for providing relationship support to the County. She will be the initial point of contact for customer service related issues. Raelene brings over 23 years of banking experience (10 years in Government and Education) specializing in the Treasury Management industry.

e. Identify the technical specifications required for wholesale processing.

For the size and complexity of Pinal County, we recommend the use of a Retail Lockbox.

During the implementation process, Wells Fargo works closely with you to verify your transmission method and review technical requirements. We perform communication testing with you to ensure you are able to retrieve your files.

Once we complete all communication testing and all other tasks in the implementation process, your implementation coordinator works with you to select a start date and move your transmission into production accordingly.

f. Describe your lockbox process and procedures.

At Wells Fargo, we employ a team processing concept at each of our lockbox sites. This allows for greater processing efficiency and staffing flexibility. Each team is comprised of associates who are familiar with the processing procedures for each account and is headed by a work leader who is responsible for training, cross training, productivity tracking, and quality control. The County's detailed processing instructions will be maintained in Wells Fargo's computer database and in hardcopy at the processing desk for reference by the team responsible for your account.

The workflow at our Phoenix retail site is as follows:

Extraction: Using an automated mail extractor, the mail is opened and batched. The batches of checks and coupons are forwarded to the processing area to be scanned and imaged.

Scanning and imaging: Batches of checks and coupons, called "work units," are automatically fed through Canon document scanners that produce high quality images. Once the images have been created, an unattended Intelligent Character Recognition (ICR) process performs a variety of image modification and data capture tasks. Data capture tasks include the following:

- Capturing scan lines, including embedded dollar amounts
- Validating coupon scan lines using the configuration settings, including check-digit algorithms, defined within the lockbox account specifications
- Using both Courtesy Amount Recognition (CAR) and Legal Amount Recognition (LAR) technologies to capture and validate the check amount and MICR line from each check image
- Identifying Change of Address (COA) coupons, which sets a COA flag for any coupon bearing a change

Coupons that cannot be validated sufficiently using ICR are routed to coupon correction for keying. Similarly, if the check amount cannot be validated using CAR/LAR technology, the check is forwarded for manual check keying.

During the scanning and imaging process, we insert batch, or "work unit," headers and Transaction Identification Documents (TIDS) to define transaction boundaries and to correctly associate coupon and check images. This helps to ensure quality in later stages of processing.

Coupon correction: If a coupon cannot be sufficiently validated using ICR, a keying operator views an image of the item, and manually keys information using an interface that is optimized for rapid scan line data entry. As data is entered, the application uses client-specific rules logic, including check-digit algorithms, to validate the data.

Check keying: The check keying function is only required for items that fail the CAR/LAR confidence-level match. Images of these items are displayed to the check-keying operator. To help ensure that check keying has a target check amount to key against when ICR is unable to capture a target, coupon correction keying will occur before check keying.

As a quality control measure, the operator must key the same amount that was captured during the extraction process. If the amounts do not match, the color of the image changes to alert the operator, who must then reverse-key the check dollar amount. The operator also corrects missing or unreadable MICR line information during this step.

Manual review keying: Items will be presented for review if the transaction includes multiple checks or multiple coupons that may require manual intervention to apply payment amounts. Using images of the checks and documents within a given transaction, a keying operator applies a payment amount to each coupon. Balanced transactions are immediately routed for encoding. Unbalanced transactions are handled based on customer-specific rules.

Encoding and processing: After all check and coupon amounts have been verified through ICR or check keying, the checks are ready for processing. The application software reviews every item prior to processing by matching the MICR line with information captured during extraction and check keying. 'Do not process' items are out-sorted. OCR coupons are also out-sorted into a separate pocket for archive or return to the customer.

Checks are then encoded, endorsed and audit trailed, and the physical items are released for processing through our Item Processing department. The deposits are posted to the County's demand deposit account.

Output generation: Output, which includes both images and data, is generated following your scheduled lockbox deposit deadline. Images are provided online through our *CEO* portal, or by transmission. Lockbox detail is available through a direct transmission in the format you specify and availability data can also be provided through the *CEO* portal. Transmission files are typically generated at the end of each business day and can be downloaded to update your receivables system. They contain information captured from coupon scanlines, check MICR lines, and information that is manually keyed into the system. We program to meet your needs and will work with you to determine the format of the file during the implementation process. In addition, based on customer instructions, we prepare packages containing unprocessed or rejected items to be delivered by US mail, overnight delivery, or courier service.

i. Identify the controls in place to ensure accurate processing per customer specifications.

Your specific processing instructions are an important part of our processing technique. To support accurate processing, we document and confirm your processing instructions during the implementation process.

We program most customer-specific instructions into our operating software, thus requiring no human intervention to process. For customer-specific instructions that involve manual functions such as data entry, we physically house the instructions in the area where we perform those functions. The processors go through both industry- and customer-specific training prior to the lockbox going live. We assign small groups of processors in these areas to process work for a select number of customers, enabling them to become processing experts for the customers housed in their groups.

To ensure that we process all payments received within 24 hours, the site tracks each item using a first in / first out color-coded tagging system.

ii. Describe any priority handling of items.

Some customers have unique needs that require priority processing. At Wells Fargo, we do our best to accommodate these needs. Our processing systems can accommodate a wide variety of priority requests. Further, our experienced lockbox employees make every effort to offer creative solutions to meet unique processing requirements. We welcome the opportunity to discuss your priority handling needs in more depth.

iii. Describe the methods to assure validity of data.

Data transmission is an integral part of retail lockbox processing. We electronically scan the coupon OCR scanline and the check MICR data on incoming payments and capture images of the front of check and remittance documents. We can image the back of the remittance documents upon request. To ensure proper electronic data capture, we compare the items against general and customer-specific edits. If the data does not match, we present the items to a processor for manual correction. The manual corrections are compared against the same edits and re-presented until the data is either correct or the item is rejected as invalid. The payment amounts require two entries, both electronic and manual, to match. These entries can come from either the remittance document amounts or the check amounts. Once all the data is reconciled, an output file is created that can consist of data, images, or both. This file is then formatted and transmitted according to County's specifications. Wells Fargo can also include other edits required by the County.

The integrity of your data is supported at the capture and transmission stages through using technology, as well as standard business practices.

- **Capture.** We compare information using optical scan technology and manual data entry. We test your scannable coupons and our optical scanning equipment prior to service implementation to ensure accurate data capture. You are also encouraged to use check digits, algorithms or other numbering logic that we can program into the lockbox system to validate data captured on your behalf. In the absence of that numeric logic, information can be double-keyed for accuracy. Once captured, we send the remittance data over a local area network (LAN) to a data controller, where we consolidate, edit, balance, and download it to the

processing location mainframe. The mainframe edits and reformats the data for transmission.

- **Transmission.** We test transmissions before the lockbox goes live. Additionally, each transmission includes a trailer that lists the number of records sent. If the trailer total doesn't match the sum of the individual records, we will not transmit the file.

Each of our retail lockbox sites is configured with a back-up system that is identical to the production system. If a production system fails, we can use the back-up system. Many sites run on the same platform network that also allows the sites to easily "cover" for each other in the event of service, data capture or transmission issues. If systems are temporarily down, we can transmit previously captured data from an alternate site. If data has not been captured, remittance documents and images can be transported to an alternate site for capture and transmission. All sites are equipped with generators to avoid down time due to power failure.

All of our sites use two servers or "disk mirroring" to provide continuous processing in the event that the primary server or disk drive should fail. We back-up all systems regularly. In addition, our sites have onsite technical support to address any issues that may arise.

We can provide a detailed document that includes guidelines and recommendations to consider when implementing a retail lockbox.

Customized scanline formats are acceptable. Our implementations group will work with you to develop and test a customized scanline.

iv. Do you retain the actual check in the lockbox department until data capture is completed or do you send the check for collection prior to data capture?

We retain the physical check in the lockbox department until we complete the data entry. This ensures that we can correct any out-of-balance conditions immediately, which helps maintain the integrity and accuracy of each deposit.

v. What back-up arrangements exist should the system fail?

All of our sites have redundant processing equipment that perform critical processes such as mail opening, check and document imaging, and data transmission. Universal power supply is in place on all equipment so that a power outage will not affect work in process. Additionally, because all of our sites use the same types of processing equipment, we can send the County's work to another site if needed. We have backup software programs for all customers, and the ability to export images to other sites for remote data entry.

vi. Describe procedures to ensure that transmissions are received successfully and contain all remittance payment detail. Describe your backup procedures in the event the transmission is not successful.

Wells Fargo takes the following steps to ensure the integrity of the files we transmit to you:

- We reconcile the amount of the deposit and the number of items deposited against the amount of the transmission and the number of items in the transmission. This simple comparison quickly identifies errors before we transmit the file.
- If the totals do not match, we analyze the files to rectify the problem.
- We confirm the integrity of the file, and then transmit it to you.
- Each transmission generates an entry in a system log. This log tracks the time we release the file and the number of records in the transmission.

vii. List the bank's schedule for post office pickups of wholesale lockbox mail for weekdays, weekends and holidays.

The following table lists post office pickup schedules for each of our wholesale lockbox locations. All times are local to each location.

Holiday schedules vary by location. During the implementation phase of this project, we can provide you with the most current holiday schedule for the location or locations you select.

Post office location	Weekdays	Saturday	Sunday
Phoenix Phoenix Main Postal Facility	**AM** 5:00, 7:30, 9:00, 10:30 **PM** No pickup	**AM** No pickup **PM** No pickup	**AM** 5:00, 7:30, 9:00, 10:30 **PM** No pickup

viii. Describe the receipt and handling of remittances delivered by private services to the lockbox for processing.

In addition to receiving mail directly from the post office, Wells Fargo has defined processes for handling remittances delivered by private mail or courier services.

Whenever we receive mail from a private courier, we log in each envelope or package. We then forward its contents to the processing area. If we receive your overnight delivery prior to 10:30 a.m. local time and it is before your deposit deadline, you will receive same-day credit for the checks included in that delivery.

ix. How will your processing, procedures and/or timelines change with our extreme peak demands for services?

Peak processing periods occur at the beginning, middle, and end of the month. Many of our customers have adopted cycle billing, which helps minimize processing peaks. We staff our retail lockbox sites with permanent full-time and part-time employees to meet volume fluctuations.

g. Do you allow for same day credit of lockbox deposits (i.e. lockbox deposits after your normal deposit cut-off times are posted as same day)?

Your deposit reporting deadline does not necessarily determine the receipt processing cut-off for same-day ledger credit. If you require final deposit

totals by a given time of day, then we have to cut off processing in advance of your deposit reporting deadline.

Alternatively, we can provide you with the amounts of your early morning deposits and continue processing for an end-of-day cut-off without affecting the deposit cut-off times.

Your treasury management sales consultant can assist you in configuring this service and determining the cut-off times that are most advantageous to your company.

h. Do you have the ability to start and stop services without additional fees?

For a fee, the County will have the ability to start and stop your lockbox service. However, we recommend that the County continue to use the lockbox year round to process incoming payments related to delinquent tax bills and tax lien sale notices.

i. Can you provide images of deposited items and provide the technical specifications of the provided images? Provide a schedule of availability of the images.

We can provide images of checks and remittance advices the following business day through the following options:

- **Internet image archive.** We offer image retrieval through our Retail Lockbox Image service, available through our *Commercial Electronic Office®* (*CEO®*) internet portal. You can view images of checks, coupons, and associated remittances — and enhance your customer research turnaround time.
- **Image transmission.** If you choose to build your own archive, we can transmit a daily file of all images in black and white TIFF format.

j. Can you determine the payment type, first half, second half or full year by the amount submitted and the coupon data?

Yes, we can work with the County to develop an OCR scanline that identifies whether a tax payment is for the first half, second half, full year or delinquent.

Transmission files are typically generated at the end of each business day and can be downloaded to update your receivables system. They contain information captured from coupon scanlines, check MICR lines, and information that is manually keyed into the system. We program to meet your needs and will work with you to determine the format of the file during the implementation process.

k. How do you handle multiple payments, single check multiple accounts or multiple checks single account?

Items will be presented for manual review if the transaction includes multiple checks or multiple coupons that may require manual intervention to apply payment amounts. Using images of the checks and documents within a given transaction, a keying operator applies a payment amount to each coupon.

Balanced transactions are immediately routed for encoding. Unbalanced transactions are handled based on customer-specific rules.

l. How do you handle errors made by lockbox in the amount of the check? For example, if the amount the taxpayer has written the check for differs from the amount of the deposit.

During scanning and imaging, we use document scanners to automatically feed batches of checks and coupons through our scanners. Once the scanner creates the images, an unattended intelligent character recognition (ICR) process performs a variety of image modification and data capture tasks.

Data capture tasks include the following:

- Capturing scan lines, including embedded dollar amounts, from coupon images
- Validating coupon scan lines using the configuration settings, including check-digit algorithms, defined within the lockbox account specifications
- Using both CAR and LAR technologies to capture and validate the check amount and MICR line from each check image
- Identifying change of address (COA) coupons, which sets a COA flag for any coupon bearing a change

If the ICR process cannot sufficiently validate the coupons, then we route them to coupon correction for keying (see step 4 in question f above). Similarly, if the system cannot validate the check amount using courtesy amount recognition / legal amount recognition (CAR/LAR) technology, then we forward the check to an operator for manual check keying (see step 5 below).

During the scanning and imaging process, we insert batch headers to correctly associate document images with the corresponding check images later in the process.

m. Can you return envelopes according to a specific schedule? For example, all envelopes must be returned for the first five business days of each month. At what cost? Can you identify the account(s) paid by the contents of the envelope? At what cost?

Yes, at our Phoenix Retail Lockbox site envelopes can be retruned for a fee according to a specific schedule. The envelopes are not able to be placed in any order and will be sent to the County in a bundled format.

11. Line-of Credit and Registered Warrants

All information regarding line of credit activity is informational only. Wells Fargo reserves the right to evaluate each request prior to making an official extension of credit.

a. Identify all costs associated with line of credit activity.

As requested, all costs have been detailed in the Pricing Sheet. Please see the Pricing Tab for all applicable pricing related to this RFP.

b. Provide a sample copy of the line of credit agreements.

Please see the Appedix, Tab C.

c. Will the bank purchase registered warrants?

Wells Fargo proposes the use of lines of credit instead of directly purchasing registered warrants.

d. If so, identify all costs associated with registered warrant activity?

Instead of purchasing registered warrants, Wells Fargo proposes the use of lines of credit. Please see the Pricing Tab for all applicable pricing related to this RFP.

e. Will the bank require each entity to have a separate line of credit?

Yes, each entity is required to have a separate line of credit. The lines of credit are managed through the CEO Credit Management service

f. What is the turnaround time to increase a line of credit?

Wells Fargo can typically increase a line of credit within 1 business day. We reserve the right to take ten business days should the requesting entity require additional analysis.

12. Compensation

a. Identify the rate the bank will use for compensation of bank fees based on account balances.

The enhanced earnings credit rate for the County will be the higher of 25 basis points or the 91 day T-bill.

b. Identify the method of calculating bank compensation, i.e. earnings credits.

The Earnings Credit Rate (ECR) Index for Wells Fargo Wholesale Banking customers is set internally on a monthly basis at our discretion. The ECR Index is calculated after evaluating a combination of factors, including the 91-Day Treasury Bill rate, the Fed Funds rate, sweep rates, and other market indicators. The index may be adjusted during the month to react to market changes.

Wells Fargo calculates your earnings credit on 100% of your average daily positive collected balances (average collected balance). We do not deduct a reserve requirement prior to calculating the ECR. Earnings credit is calculated using the following formula:

(average collected balance) × (number of calendar days in the month) × (ECR) ÷ actual number of days in the year

c. Identify the settle terms, if earnings credits are insufficient.

If earnings credits aren't enough to offset all of the County's fees, the excess fees will be debited from the County's main operating account on the 11th

calendar day of the month. The County can also continue receiving an invoice as this is the process in place today.

d. Identify any charges that would NOT be covered by account balance compensation.

All treasury management fees can be covered by account analysis earnings credit.

e. If the county elects to pay for banking fees in cash, identify any variation in terms offered.

Wells Fargo accepts compensation in fees, balances, and a combination of the two. The same price schedule applies, regardless of compensation method. The County can also continue receiving an invoice as this is the process in place today.

13. Fraud Prevention

a. Identify any fraud prevention and detection services you offer.

Wells Fargo will continue to provide the County with ACH fraud control. Our ACH Fraud Filter service offers three options can use to protect your accounts.

Review transactions and decide if you want them returned

With the system's review option, we notify you of all ACH transactions when they are presented. You then review those transactions and notify us if you want a transaction returned. When you tell us to return a transaction, we create a reversing adjustment and return the transaction as unauthorized.

You may preauthorize transactions to post to your account without review.

Stop unauthorized transactions automatically

With the system's stop option, we automatically return transactions that you have not pre-authorized, and we automatically process all ACH transactions that you have pre-authorized.

Monitor converted check entries

Our eCheck option helps you monitor converted check entries for business-sized checks that have an AUX on-us field in the MICR line. This service includes eCheck post and eCheck stop options for accounts receivable check (ARC), back office conversion (BOC), and point-of-purchase (POP) transactions.

The eCheck default option gives you the opportunity to see items that will post to your account, so you can decide to pay them or return them using the *CEO* Image Positive Pay service. The eCheck stop option automatically stops all items inadvertently converted before they post to your account.

b. Identify any fraud prevention and detection services you require of your customers, such as positive pay.

The County currently has fraud prevention and detection in place through our Positive Pay and ACH Fraud Filter services. While we do not require these services we strongly recommend their use as part of the County's overall fraud protection strategy.

c. Do you offer positive pay on payee?

Yes. Wells Fargo offers positive pay on payee. We offer Payee Validation as part of our Positive Pay services.

Positive Pay matches the serial numbers and check/warrant amounts from presented checks/warrants against the check/warrant information that is included in your issue file. This protects you against many instances of fraud, but it doesn't protect against someone fraudulently cashing a check/warrant that is intended for another payee.

Payee Validation ensures that the payee information on the presented item matches that in your issue file. This effective tool protects Pinal County against fraudulent encashment of checks/warrants where the payee name has been altered.

We validate the payee name on the check/warrant against the payee name on your issue file before the item is processed. If there is a mismatch, we include it along with other exception items for you to review and decision using online Image Positive Pay.

Payee Validation is also incorporated into our teller system. This enables our tellers to validate the payee name on checks/warrants presented for encashment.

d. What protections do you offer if a warrant is rejected for payment under a positive pay program?

With our Image Positive Pay service, the County has the ability to approve or reject the warrant. Wells Fargo will work with the County to negotiate a mutually acceptable outcome as each situation tends to be unique.

e. Under what conditions will you accept financial burden for fraudulent checks and warrants paid from any Pinal County funds under the custody of the Pinal County Treasurer or any other accounts under this agreement?

In general, Wells Fargo will not accept financial burden. However, we understand each situation is unique and we will work with the County to negotiate a mutually acceptable outcome.

14. Check 21 Compliance and Offered Services

a. Identify any changes in standard processes expected with implementation of Check 21.

Since the inception of Check 21, Wells Fargo has adopted a long-term strategy focusing on the movement of check processing to an image exchange or check conversion process. We have assigned senior level executives to develop our strategy and to participate in the leading industry groups that are setting the direction for clearing checks electronically.

We see check processing evolving in several ways in the future:

- Banks that receive paper checks are clearing more of them electronically through the Fed, third party organizations, or direct exchange.
- Commercial customers are rapidly adopting remote capture deposit and submitting their deposits electronically.
- Large corporations, receiving high volumes of consumer checks in centralized locations, are adopting ACH check conversion.
- Other large corporations that maintain an image archive are using image cash letters.

For the near future, banks will continue to receive deposits of paper checks, electronic checks and converted checks.

b. Identify any new products or services that are expected to be offered and the anticipated timeline as a result of Checks 21 legislation.

As of this response, we are not aware of any new products or services to be offered. We will keep the County apprised of any new products or services as they become available.

15. Personnel and Customer Service

a. Identify personnel responsible for our account and provide their qualifications.

Wells Fargo utilizes a team approach in managing our customer relationships. This team approach provides added value to our customers, as they are accustomed to dealing with specialists for complex products and services. Wells Fargo is dedicated to continuing to provide customer service that is responsive and knowledgeable. While Jeff Sundheimer will continue to serve as the County's primary contact, you will still have access to an entire relationship team. Each team member is thoroughly familiar with your operations enabling us to proactively serve your needs.

Jeff Sundheimer **Vice President** **Relationship Manager** **Government & Institutional Banking** **jeffrey.j.sundheimer@wellsfargo.com** **(602) 378-2175** **(866) 214-0265 fax** **100 West Washington, 25th Floor** **Phoenix, AZ 85003**	Jeff is a relationship manager responsible for state and local government business in Arizona. Prior to joining Government & Institutional Banking, Jeff worked in the Financial Products division assisting clients with their interest rate hedging needs. He has been with Wells Fargo for approximately 15 years and has held various positions within the organization. Jeff holds a B.S. in agriculture and resource economics from the University of Arizona, and received his MBA from Southern Methodist University in Dallas, Texas.
Kathryn C. Kendrick, CTP **Vice President** **Treasury Management Sales Consultant** **kathryn.kendrick@wellsfargo.com** **(303) 863-6079** **(303) 863-6312 Fax** **MAC C7300-081** **1700 Lincoln Street** **8th Floor** **Denver, CO 80203**	Kathy is the Treasury Management Sales Consultant responsible for providing customized treasury solutions for the County. She is dedicated to helping the County receive the most efficient and cost-effective treasury management *solutions*, in addition to keeping you abreast of new and enhanced treasury services and trends. Kathy has over 20 years experience with Treasury Management and is a member of the Rocky Mountain Association for Financial Professionals. Kathy has the Certified Treasury Professional designation. She received the Certified Cash Manager designation in 1996 that was later converted to the CTP designation.
Raelene Syro **Government and Education Relationship Associate** **raelene.m.syro@wellsfargo.com** **(602) 378-1215** **(602) 378-1360 fax** **MAC S4101-251** **100 W. Washington, 25th Floor** **Phoenix, AZ 85003**	Raelene has primary responsibility for providing relationship support to the County. She will be the initial point of contact for customer service related issues. Raelene brings over 23 years of banking experience (10 years in Government and Education) specializing in the Treasury Management industry.
Brandon Achtenberg **Treasury Management Sales Analyst** **brandon.achtenberg@wellsfargo.com** **(612) 667-2896** **(866) 581-6261 fax** **MAC 9311-100** **625 Marquette Avenue** **10th floor** **Minneapolis, MN 55402**	Brandon supports your Treasury Management Sales Consultant, Kathy Kendrick. Brandon will assist you directly with any product related questions and will coordinate with the implementation team for the set up of services. Brandon has been specializing in Treasury Management for the last 3 years. He has in-depth knowledge implementing Treasury Management solutions. Brandon has a bachelor's degree in finance from St. Cloud State University.

b. Indicate the organizational structure of your bank for customer service.

The County will have access to an entire relationship management team through your dedicated relationship manager, Jeff Sundheimer. Your day-to-day customer service inquiries are directed to your Relationship Associate, Raelene Syro. Raelene and Jeff work in the same office and are in constant communication. Raelene's focus will be on providing you with the highest standards of excellence in customer service.

As an additional service, Wells Fargo will also provide the County with a designated Client Services Officer (CSO), Ica Trillo. As it pertains specifically to your Treasury Management product suite. Ica will be your main point of contact in providing day-to-day operational and technical support. Ica is part of a team which is built to quickly track issues, identify the root cause of any errors, and ensure timely resolution for you.

Your treasury management Sales Consultant, Kathryn Kendrick, will be responsible for evaluating your current cash flow systems and helping you improve the efficiency of your disbursements and receivables processes.

Our goal is to respond to your questions on the first call, with all inquiries responded to within a 24-hour period. If your request involves research, we provide an estimated turnaround time. Raelene is responsible for ensuring that any outstanding requests are managed to completion, keeping you informed of her progress every step of the way.

Because we know there are times when Raelene is not in the office and customers still need to be served, Raelene has a back-up plan in place. In her absence, she has the support of her partners that can easily manage her accounts when she is out because they have direct access to Raelene's customer records. These records contain your pending service items and details specific to your Wells Fargo relationship.

c. In addition to a primary account representative, a primary service representative must be located in Arizona and be able to resolve any discrepancies or facilitate resolution of any discrepancies.

i. Identify this individual,

Jeff Sundheimer will continue to be the County's primary account representative and is located at 100 W. Washington Street, 25th Floor, Phoenix, AZ 85003.

ii. How many other accounts does this representative serve as the primary contact?

Jeff is the primary contact for ten other relationships within the government sector.

iii. How does the bank ensure continuity of service when the primary customer service representative is unavailable?

Please see our response to question b., above.

iv. Describe the responsibilities of customer service personnel, including the chain of command and escalation procedures for problem resolution.

Please see our response to question b., above.

d. Describe the bank's procedures for processing inquires that require research and/or adjustments. What are the established turn-around times for inquiries related to research and adjustments?

When you need to conduct research or initiate adjustments, it's important that the process is as easy and efficient as possible. At Wells Fargo, we offer two research and adjustment options.

Most research requests can be performed through our *Commercial Electronic Office®* (*CEO®*) internet portal. Because it is an online tool, the *CEO* portal makes it easy for you and your staff to research stop payments, returned items, ACH transactions, cash vault requests, lockbox items, and more, regardless of time or day.

For clients who require additional assistance, you also have access to our Treasury Management Client Services group. Client Services offers the simplicity of a single point of contact. Just as important, our knowledgeable representatives have the training and resources to assist you, no matter how complex your request may be.

The advantage of this multilevel approach is that you and your staff can perform most research yourself, without having to work through someone else. But, in those situations where you require additional support, you have the confidence of knowing that someone is available to assist you.

When you initiate a research inquiry with the bank, you expect a prompt and accurate response. In general, research requests for transactions processed within the previous 180 days will be completed within three business days. The time it takes to respond can vary depending on the specific request and the type of transaction being researched.

16. Credit Card Processing (Merchant) Services

Wells Fargo has been processing card transactions since 1976; in 1993 Wells Fargo and First Data Merchant Services (FDMS) joined to create Wells Fargo Merchant Services, LLC (Wells Fargo Merchant Services).

We provide processing for credit and debit cards, PIN-based debit, check verification, gift cards, and other payment services for any sized business. Today, we serve approximately 140,000 customers located in every state in the U.S. and process more than $108 billion in credit and debit card sales volume.

More than 900 team members across the United States service our merchant customers. Additionally, another 500 team members focus on the sales, implementation, and relationship management aspects of merchant services. Each team member is dedicated to understanding the merchant environment, and to meeting the needs of every merchant and customer.

a. Do you have the ability to identify transactions by Pinal County Department?

Yes. With our online reporting tool, ClientLine®, the County will have the ability to view transactions by specific departments within the County. Our online reporting solution, ClientLine, lets you access your payments-related data quickly and easily so you can focus on putting that information to work for you. From any internet-based PC, you can access and analyze transaction detail for all card types, conduct sales audits, manage processing fees, reconcile your checking account, investigate chargebacks, protect against losses, view historical information for analysis, and manage cash flow.

Rather than waiting for a report, you conduct the analysis that suits you, exactly when you need it. The County can select from more than 100 available reports or create your own by choosing which fields to include, from a comprehensive database that includes the processing of gift cards, checks, and all credit, debit, and Electronic Benefits Transfer (EBT) card transactions. Since it is internet based, you can also easily distribute the report to a chosen location or group of locations at any interval you choose. You decide what information you need to manage your business. In addition, each report is designed to give you what you need, whether it is summary information or details from specific events.

Further, our ClientLine service offers you the opportunity to create unique groups of your locations by selecting the locations of your choice and running scheduled reports based on those unique groups. This provides the County greater flexibility in managing the overall performance of your portfolio. The unique group names can easily identify each segment of your portfolio and can be applied to scheduled reports in the future.

Once the groups have been created, you can easily go back into the system and add or delete locations to or from a specific group. The Groups selection can only be used if your access is set at the corporate level or higher and multiple locations are rolling up to your corporate level access.

Our custom ad hoc reporting can be generated at any of the hierarchy levels (lead corporate, corporate, or location level) and can be generated for any custom group of merchant account numbers that you provide. There is no additional cost for this type of service.

b. Identify all cost associated with credit card processing.

The underlying Interchange fee from the Associations is passed directly to the County and Wells Fargo Merchant Services assesses its fees for services separately. Each transaction will clear at the lowest qualifying Interchange rate. The Wells Fargo Merchant Services fees remain the same, regardless of the qualifying Interchange level and there are no downgrade fees or billbacks.

The County currently has agreements with Wells Fargo Merchant Services for the Wells Fargo Payment Gateway® service and also a few other merchant accounts. We'd like to discuss opening the current agreement to other agencies within the County. We would create a Master Service Agreement for

all of Pinal County and enter any additional agencies into the master agreement.

As more agencies enter the contract and total processing volume increases, pricing may change. Because of this, we are providing you with a tiered pricing model, so you can see how adding additional agencies to the master agreement will benefit the County, not only price-wise but also with being able to share processing ideas and best practices across the County's agencies.

We have included a tiered merchant pricing model in the Pricing tab.

We are confident in our ability to meet the needs of the County and your departments. We'd like to have continued discussion with you to better understand your needs and goals for credit card processing. If you have any questions regarding the merchant services information contained in our response, please contact your Wholesale Merchant Solutions Sales Consultant, Bill Coward.

Bill Coward
602-378-5373
William.l.coward@wellsfargo.com

Wells Fargo Merchant Services RFP exceptions and response conditions

Exceptions

Please note the County currently has agreements in place with Wells Fargo Merchant Services. We cannot agree to the following contract terms and conditions listed in your contract. However, we are willing to negotiate mutually accepted terms and conditions.

#2 Contract type (firm): We cannot agree to an indefinite fixed price term. Our standard contract is three years with an option for two, one year renewals.

#8 Custom tooling, documentation, and transitional support: We cannot agree to this condition as written. Any tool or documentation created in order to meet the County's needs is the sole property of Wells Fargo Merchant Services.

#9 Key personnel: We cannot agree to this condition as written. Key personnel are assigned based on volume and the type of customer to be supported. We would not agree to the removal and change conditions described.

Response conditions

Wells Fargo Merchant Services is responding only to the merchant processing sections of this Request for Proposal. Wells Fargo Merchant Services would like to clarify that the Merchant Processing Agreement and the Bank Agreement are separate agreements. We are providing a link to a copy of our (http://www.wellsfargo.com/downloads/pdf/biz/merchant/program_guide.pdf) which we request to become the final contract or have incorporated into

the final agreement between Wells Fargo Merchant Services and Pinal County, with Wells Fargo Merchant Services first in order of precedence. If awarded the bid, we are willing to negotiate mutually acceptable terms and wish to clarify that the remaining terms of the Request for Proposal will not apply to the provisions of our services. In addition, Pinal County should be aware that the processing of credit and debit card transactions is subject to the terms, conditions, policies, and procedures of the Visa and MasterCard Card Associations and the non-bankcard issuers.

All card processing responses in this document are subject to the Wells Fargo Merchant Services' Merchant Processing Agreement. If there are conflicts with the terms and conditions in the Wells Fargo Merchant Services' Merchant Services Agreement and the terms and conditions in this Request for Proposal, Wells Fargo Merchant Services will negotiate in good faith to resolve. The terms, conditions, policies, and procedures of the Visa and MasterCard Card Associations and the non-bankcard issuers are independently established and beyond the control of Wells Fargo Merchant Services. Card Association mandated fees and assessments are governed by the Card Associations and are subject to change during the term of the contract.

Information contained in this response is valid for 60 days from the date of submittal.

17. Credit Card Procurement Services E-Commerce services

We are familiar with the Travel Card needs for Sheriff and Administration users. The credit card platform that is currently in place is called the Wells Fargo Business Elite Card. Please see the Customer Agreement that governs this program which is included in this RFP response.

Jeff Sundheimer will make every effort to work with the County to resolve issues that arise with the Business Elite Card program. Utlimately, this is a retail product and outside of the direct management of the Government Banking team.

For most efficient operation, Wells Fargo highly recommends that Pinal County transition to the WellsOne Commercial Card program outlined below for its Travel Card needs. This program is directly managed by the Government Banking team and Jeff Sundheimer.

a. Identify all costs associated with credit card processing for procurement of goods and services for small purchases (Less than $5000.00).

There is no cost for processing transactions under $5000. There is no cost to use the WellsOne Commercial Card program as long as monthly thresholds are met.

Please see the Pricing Tab for all applicable pricing related to this RFP.

b. Describe your credit card procurement process.

The *WellsOne* Commercial Card provides a total expense management tool that puts you in control of employee spending, accounts payable invoice

payments, and offers greater convenience to employees for business travel needs. Through its efficient electronic workflow, our program better equips purchasing staff to negotiate with vendors and reduces the costs, time, and environmental impact associated with managing disbursement expenses.

Electronic purchasing

We offer a single card solution designed to streamline the County's purchasing process by allowing the following:

- Small dollar purchases
- Travel and entertainment charges
- Fleet charges
- Large dollar expenditures
- Payment of traditional accounts payable invoices

Quick processing

A primary strength of our program is the significantly faster process cycle. From transaction posting during the month, to reconciliation, approval and posting to general ledger, the County will be able to post transactions within days of the monthly statement close. Not only is this process more efficient and financially beneficial than traditional individual liability programs, but it also provides the secure electronic reporting and timely posting of expenses that Sarbanes-Oxley requires. It is an easier process for users to adopt because it is intuitive and simple to use, quick to learn and provides all required reporting to define a transaction and code it accurately with minimal or no manual intervention.

Flexibility and control

A central feature of our proposed solution is the use of the Commercial Card Expense Reporting system for online expense management, accessed by your users through our online portal. Our proprietary system is designed to capture all program spend, and allow for appropriate coding of transactions with upload capabilities into your accounting system. With comprehensive information reporting options, you can receive management reports that detail card activity and increase the speed of reconciling and analyzing transactions. The County can automatically update your general ledger or accounts payable system using our data file download capabilities.

CCER AP Control Solution & Payment Manager

A key differentiator between Wells Fargo and other providers is the holistic approach we take with our payables solutions which can support multiple payment types, including commercial card. The card rail to our solution is called CCER AP Control and is described below.

Our CCER AP Control solution integrates with your accounting and invoicing systems and is designed to provide the County an alternate means of paying your vendors, one that reduces costs and provides cash back on your payments. No other payment process can provide you cost savings and revenue generation.

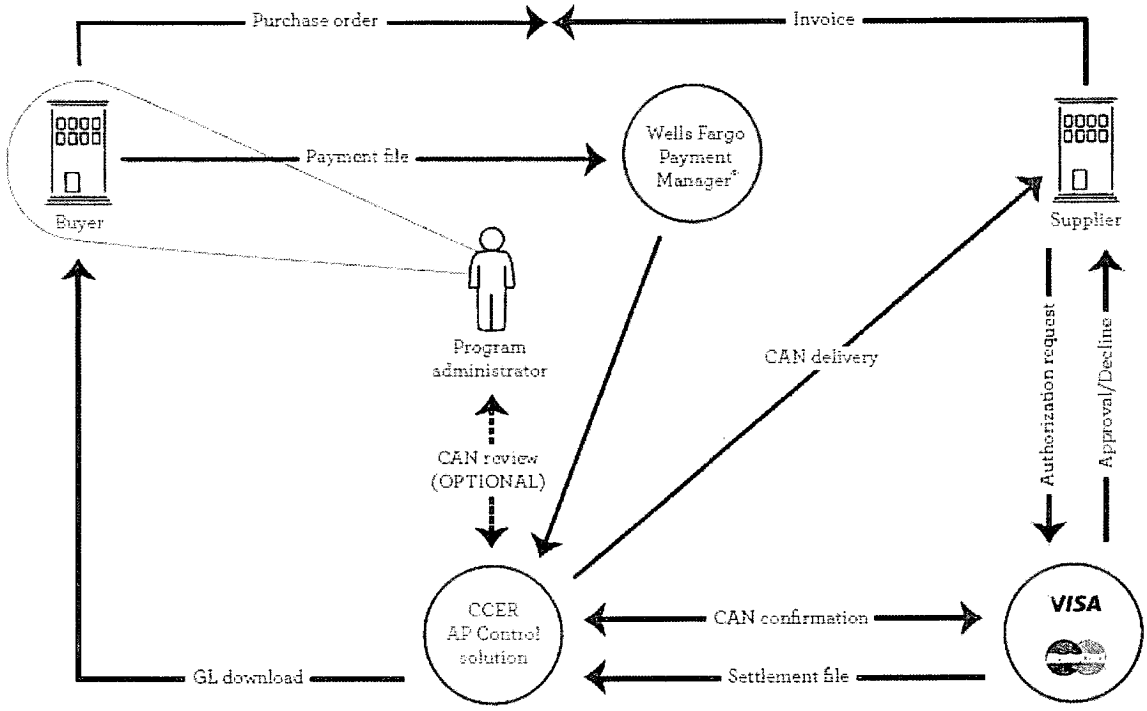
CCER AP Control solution will allow the County to maintain front-end control of your AP process while easing payment processing and reconciliation. Use your *WellsOne* Commercial Card to pay invoices through CCER AP Control Solution and optimize your card program, maximize revenue share, and streamline reporting and reconciliation processes.

CCER AP Control solution allows the County to set up several authorization parameters prior to the purchase. Typically, the preauthorization parameters include a date range that the Control Account Number (CAN) is valid, MCC code or range, purchase limit (card can only be used for the exact dollar amount the County specifies), and vendor merchant code. CANs are single-use account numbers that are assigned to each payment and are not reused. Wells Fargo believes this approach will give the County the extra level of security and control to be confident in electronifying your AP process.

The work flow in CCER AP Control Solution will be as follows:

- Accounts Payable file extract for all vendors with "card" flagged as payment type.
- Export remittance file from your ERP system
- Upload AP remittance file to CCER through *Payment Manager*
- Single click and approve AP files, or use "straight through processing" to generate a CAN for each transaction
- CCER delivers remittance information including invoice/PO number to payee through Secure Document Delivery (email)

CCER AP Control utilizes the Internet to get your vendors paid. Below is a graphic representation of the CCER AP Control process.



All steps of the CCER AP Control process take place over the Internet, from communication to Wells Fargo of the payments you want to make, to the notification to the vendor that they can take payment to reconciliation of the transactions.

Please access the following video link for more information on our CCER AP Control solution: http://www.wellsfargomedia.com/320714/?src=auto.

c. Describe your rebate program.

Wells Fargo is pleased to offer an annual revenue share offering to Pinal County. The basis of the revenue share offering is on a minmum annual spend threshold and average transaction size.

d. Provide your rebate rate schedule.

Please see the Pricing Tab for all applicable pricing related to this RFP.

e. Provide sample reports.

Our commercial card solution provides comprehensive expense reporting. The County may view, download, or print a complete expense report for your card program anytime, anywhere. Cardholders can also access Level III credit card transaction data if transmitted by the vendor.

We have included sample CCER reports in the Appendix, Tab D.

18. E-Commerce Services

a. Describe your products available to allow Pinal County to offer E-Commerce to its citizens.

Wells Fargo Payment Gateway

Wells Fargo and CyberSource have collaborated to introduce the *Wells Fargo Payment Gateway* service powered by CyberSource. The *Wells Fargo Payment Gateway* service will allow Pinal County to collect tax and other fee payments via eCheck payment acceptance. eCheck allows the Pinal County citizen to pay online via an electronic check.

Wells Fargo E-Bill Express

Offer your citizens the convenience of a secure, environmentally friendly electronic bill presentment and payment option that helps you streamline receivables, reduce expenses, and improve cash flow

Wells Fargo E-Bill Express gives you a quick and cost-effective online bill presentment and payment service that's easy to implement and branded to your County identity. Wells Fargo E-Bill Express works with your existing systems and accepts multiple payment types—including one-time and recurring payments remitted by credit card or ACH, either online or via telephone.

E-Bill Express offers:

Efficient handling of receivables. E-Bill Express offers online presentment of your bills, invoices, or statements in either html or PDF, providing ease-of-use and convenience for your customers. It streamlines posting and reconciliation by delivering a detailed remittance file that includes all payment transactions and uploads directly to your ERP or financial system.

Easy-to-intall, turnkey solution. As a Web-based solution, there's no expensive hardware or software investment required, and no Web page development from your IT resources. Your customers can complete their entire bill-pay transaction 24 hours a day, through an easy-to-use, secure Web site that bears your corporate brand.

b. Identify all costs associated with the available products.

Credit card transactions processed through our gateway service is charged an Interchange fee from the Associations, which is passed directly to the County and Wells Fargo Merchant Services assesses our fees for services separately. Each transaction will clear at the lowest qualifying Interchange rate. Our fees remain the same, regardless of the qualifying Interchange level.

Additionally, electronic check transactions have a separate fee model based on ACH processing. These fees appear on your account analysis statement and are charged per item.

Please see the Pricing Tab for all applicable pricing related to this RFP.

19. Investment Services

Tom Hedges is Pinal County's assigned investment specialist. He is available to answer any questions you may have on our investment products. He can be reached at (602) 378-4004.

a. Do you offer same day sweep and end-of-day investment products for the available balance in the account?

Yes, outlined below are three options for the County to consider.

Wells Fargo *Stagecoach Sweep* Money Market Fund:–This service automatically sweeps excess collected balances into a money market mutual funds account. Funds stay invested in the mutual funds account until you need them. These funds are invested in a non-FDIC insured, non-bank guaranteed money market mutual fund.

A money market mutual fund investment is not insured by the Federal Deposit Insurance Corporation or any other government agency. Although the mutual funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in a money market mutual fund. In addition, mutual funds are not guaranteed by Wells Fargo.

For more complete information about any of the money market mutual funds offered in connection with Stagecoach Sweep, *obtain a current mutual fund prospectus by visiting www.wellsfargo.com/advantagefunds. Consider the investment objectives, risks, charges, and expenses of the investment carefully before investing. This and other information can be*

found in a current prospectus. Please read it carefully before investing. For more information about the Stagecoach Sweep *service, please see the* Stagecoach Sweep *Service Description and contact your Wells Fargo banker.*

Wells Fargo Funds Management, LLC, is a wholly-owned subsidiary of Wells Fargo & Company, providing investment advisory and administrative services for *Wells Fargo Advantage Funds.* Other *Affiliates* of Wells Fargo & Company provide subadvisory and other services for the Funds. The Funds are distributed by **Wells Fargo Funds Distributor, LLC,** Member FINRA/SIPC, an affiliate of Wells Fargo & Company.

NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

Wells Fargo *Stagecoach Sweep* - Repurchase Agreements: This service automatically sweeps excess collected balances, and backs your funds with interest-bearing repurchase agreements. At the opening of the next business day, funds are returned back to the concentration account. This option requires daily confirmation reporting, with a security agreement Wells Fargo holds on your behalf.

General banking assets may be used to satisfy Wells Fargo's obligations under a repurchase agreement. The interest rate on a repurchase agreement is not the same as the rate on government securities. The repurchase agreement and related service documentation contains specific provisions and additional disclosures. Please read it carefully.

NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

Wells Fargo Stagecoach Sweep – Commercial Paper: This service automatically sweeps your excess cash into a Wells Fargo Commercial Paper investment at the end of each business day. Overnight investments are transferred back to your business checking account and are available for immediate use on the next business day.

* *The commercial paper constitutes an unsecured obligation of Wells Fargo & Company only and is not an obligation of Wells Fargo Bank, N.A. The commercial paper is not a deposit, is not insured by the Federal Deposit Insurance Corporation, and is not insured or guaranteed in any way by the United States Government or any agency thereof. The commercial paper is being issued under exemption from the registration requirements of the Securities Act of 1933, as amended, and of various state securities laws, and has not been registered with the Securities and Exchange Commission or any state securities regulatory authority.*

NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

b. Identify the supporting investment for these products for conformity with Arizona Revised Statutes regarding acceptable investments.

In accordance with A.R.S. 35-323 outlined below are the supporting investments. Stagecoach Sweep Money Market Fund:

- U.S. Treasury obligations (100%). Please note that the summary prospectus is included in the Appendix, Tab B.

Wells Fargo Stagecoach Sweep - Repurchase Agreements

- The securities that are the subject of the repurchase agreement are direct obligations of or guaranteed by the United States, its agencies, or instrumentalities (including, for example, securities issued by FNMA (Fannie Mae) and FHLMC (Freddie Mac)).

Wells Fargo Stagecoach Sweep – Commercial Paper:

- The Commercial Paper Option invests funds overnight in commercial paper issued by Wells Fargo & Company.

c. What yield do your products offer and how is the yield determined?

Yields quoted are market rates and subject to change without notice.

Stagecoach Sweep Money Market Fund: 0.01%

Wells Fargo *Stagecoach Sweep* - Repurchase Agreements: 0.02%

Wells Fargo Stagecoach Sweep – Commercial Paper: 0.05%

d. Specify how the following situations are handled:

i. Settlement of Trades

Trades are communicated via agreed upon medium to Wells Fargo within 24 hours. If a broker has input a trade into DTCC system, Wells Fargo will automatically affirm the trade in an overnight download through the CCF interface. If the trade requires manual input, Wells Fargo will facilitate the matching of the broker trade information.

ii. Failed Trades

All failed trades are reported next day, individualized to the investment manager's expectations. Fails are reported/followed by Wells Fargo on an individual basis, but we wire funds to the depositories on a net settlement basis. Our various settlement desks utilize both system-produced daily reports and depository settlement reports and reconciliations to monitor the settlement processes.

Book Entry

DTCC: A report is printed at the end of each day from the DTCC system. This report shows all purchases and sales that have settled that day. The net settlement fed fund wire that is sent to DTCC is determined by balancing to this report.

FRB: The settlement area has an online interface that shows settlements throughout the day until the Fed closes.

Physicals

Wells Fargo utilizes the services of DTCC for physical and same-day trade settlements occurring in New York. To settle these trades efficiently, we have developed an integrated network that provides real-time activity within our account.

iii. Difference in monies or securities

The Income Collections group uses suspense/income-clearing accounts to track actual income received and expected receipts for all security types. These daily reports act as a control for monitoring the receipt and disbursement of payments. On a daily basis, income processors research and reconcile differences in a timely manner. After validation and notifications to administrators, adjustments will be made. Rate adjustments for variable rate securities are a common reason.

Income Collections will notify administrators two business days prior to reversing income payments on DTCC held securities when advance notification is received. For FRB and physically held assets notification is sent the day of the reversal. Cutoff for all reversals is 1:00 p.m. CST. Notifications are sent via email.

iv. Notification of calls, maturities and interest payments

Mandatory and voluntary offers

The notification process is automated in that notification feeds are received prior to daily processing and automatically matched versus trust holdings. Reorganization specialists then validate the data against the depository and update it for sending to the investment personnel.

Notifications are sent for voluntary offers, calls and offers with dissenters' rights or early cash payment options. Notices are sent to investment personnel within one business day of receipt of a complete notice via XSP.

Notifications of mandatory or class action offers are not sent.

Class actions

The Class Actions Department processes only security litigations. All current class actions are published on the department's internal webpage. In addition, an internal Sharepoint site is used to list out qualifying accounts for each class action being prepared. The Class Actions Department will automatically file Proof of Claims for all qualifying open Wells Fargo trust accounts (unless the client requests to be excluded from the Wells Fargo filing). Wells Fargo will only file on behalf of closed accounts at the direction of the Administrator. The Class Actions department uses SECA (Search Engine for Closed Accounts) for filing status or if necessary, will send an email solicitation to the last known Administrator requesting information on closed accounts.

e. Do you provide market pricing of the County's investment portfolio?

Yes, Wells Fargo provides market pricing of the County's investment portfolio.

20. Safekeeping Services

a. Identify safekeeping services offered.

Domestic

Wells Fargo places major emphasis on securities movement and control functions. Tracking each purchase and sale from trade date to settlement date ensures proper delivery and credit of securities to each account. Clients may contact their client service specialist for any inquiries that may arise.

Wells Fargo settles over 7.2 million trades per year, and handles virtually every type of security created by the ever-changing capital markets. Wells Fargo is one of the nation's largest bank processors of security settlements, with an affirmation rate of 99% versus the industry standard.

Trades are communicated via agreed upon medium to Wells Fargo within 24 hours. If a broker has input a trade into DTCC system, Wells Fargo will automatically affirm the trade in an overnight download through the CCF interface. If the trade requires manual input, Wells Fargo will facilitate the matching of the broker trade information.

All trades are settled on a delivery versus payment basis. We post all purchases and sales on the scheduled settlement date to allow for investment on a same-day basis. This procedure provides total funds predictability, thus maximizing investment yield and eliminating fail float accounting.

Wells Fargo works closely with investment management firms in order to make transactions flow as effectively and efficiently as possible. Because we treat the investment manager as if they were a client, we dedicated an area charged with servicing the needs of that community. Investment Manager Relations (IMR) is comprised of trade communications specialists who work with over 1,000 investment managers retained by our customers to manage their assets. Each investment management firm works exclusively with one trade representative for all accounts with that manager. The result is a high level of knowledge about, and responsiveness to the manager's staff and the brokerage community. Consequently, Wells Fargo gets very high marks from the investment manager community in the regular surveys we conduct with them.

b. Identify all costs associated with safekeeping services.

Please see the Pricing Tab for all applicable pricing related to this RFP.

21. Disaster Recovery

a. Identify your Disaster Recovery Processes.

Wells Fargo has remained a beacon of trust and security since 1852. We have a business continuity planning program in place, consisting of multiple recovery strategies for each core line of business, function, product, and service. In the event of an unexpected disaster or emergency, every attempt will be made to restore and maintain normal service levels as soon as

possible. Our general philosophy is that the unexpected should now be expected, and planned for accordingly.

Our core processes and procedures regarding business continuity planning remain consistent for a wide variety of potential disasters or emergencies, including earthquakes, fires, floods, and even pandemic disease. Although components of our business continuity plan may vary based on the nature of each specific event, we have identified four types of interruptions that could impact your company the most:

- **Systems.** To minimize the severity of system interruptions, we have instituted redundancies for business critical systems. In the event a Wells Fargo system experiences a temporary outage, we will allocate available resources to the remediation of the impacted application(s).
- **Telecommunications and power.** Wells Fargo uses multiple telecommunications and power companies to create a redundant network, thereby minimizing the likelihood of an outage. Should an outage occur, however, we will take reasonable action to implement manual alternatives.
- **Operations facilities.** If there is a disaster at one of our primary operations centers, we have alternate processing centers which are prepared to take over day-to-day processing and support until the primary operational center is back to normal operating conditions.
- **Transportation.** If either air or ground transportation is temporarily unavailable, we will take reasonable action to use alternative methods, given available transportation options.

b. What arrangements are made regarding service level agreements in the event of a disaster?

Specific service level agreements depend on both the particular function and severity of disaster or emergency. Regardless, our primary goal is to make every attempt to restore and maintain normal service levels as soon as possible. Specific to our *Commercial Electronic Office®* (*CEO®*) portal, our target service level agreement is two hours (assuming that an outage is due to the *CEO* portal only and not to specific applications). If an outage is due to a specific application presented through the *CEO* portal, the service level agreement will be dependent on the particular application and the severity of the disaster or emergency.

c. Have disaster recovery procedures ever been employed for a real disaster? If so, explain.

Wells Fargo has significant experience effectively responding to unforeseen disasters and emergencies. Examples include, but are not limited to the following:

- 1983: Norwest Bank fire in Minneapolis
- 1988: First Interstate Bank fire in Los Angeles
- 1989: San Francisco Bay Area earthquake
- 1994: Northridge, CA earthquake

- 2001: Terrorist attacks in New York and Washington, DC
- 2003: East Coast power outage; Southern California wildfires
- 2005: San Antonio water outage; hurricanes Katrina, Rita, and Wilma
- 2006: Denver blizzards
- 2007: Southern California wildfires
- 2008: Iowa floods

d. Identify Disaster Recovery Services available and associated fees.

Provided at no cost to the County, all data and images are available for seven years.

22. Collateral Requirements and Services

a. Requirements:

i. Collateral must be maintained in accordance with Arizona Revised Statues 35-323 regarding deposit and investment of public monies.

Wells Fargo's Public Funds Administration team is a specialized group dedicated to ensuring that public funds are collateralized as required by conforming to all applicable state and federal statutory requirements.

ii. Collateral must be held by a trustee approved by the Pinal County Treasurer's Office.

In Arizona, we utilize the Bank of New York Mellon as custodian.

iii. The County reserves the right to review all pledged collateral and approve the substitution of any item.

We will provide a Pledge Report showing the securities pledged monthly.

Wells Fargo reserves the right to make substitutions without the County's prior consent. We will always collateralize in accordance with A.R.S. 35-323.

iv. Statements must be provided to the county at least monthly.

We will provide a Pledge Report showing the securities pledged monthly.

v. Additional collateral may be required daily to cover deposits with same day notification.

Our deadline to increase collateral for same day processing is 9:30 a.m. PST either via phone 877-479-6603 or email publicfundscollateral@wellsfargo.com.

If the County is aware of any future deposits to their public funds account and wants the deposits to be collateralized in advance, you can simply email the Public Funds administration team and they will ensure the collateral is in place prior to the deposits posting to the account. A margin of 102 percent will be maintained within the collateral account at all times.

b. Describe your processes and procedures to ensure that accounts are properly collateralized.

The Public Funds Collateral Unit team is dedicated to ensuring that public funds deposits are collateralized as required by conforming to all applicable state and federal statutory requirements. Our team will monitor the collected balances each day, pledge collateral to protect balances above FDIC coverage and provide a Pledge Report showing the securities pledged monthly. The Federal Deposit Insurance Corporation provides each public funds customer up to $250,000 in the aggregate for all time and savings deposits including NOW accounts, and unlimited protection for the aggregate of all non-interest bearing deposit transaction accounts per customer relationship until further notice or December 31, 2012.

Wells Fargo collateralizes uninsured balances by pledging securities from its investment portfolio. This portfolio consists primarily of investment grade securities. The market value of these securities is updated daily by an established third-party service that provides valuation services to many market participants.

Please refer to the following for more information:
http://www.fdic.gov/deposit/deposits/dis/index.html

c. Provide any separate required agreements for collateral.

As requested, we have provided a sample Depository Pledge Agreement.

Please see the Appendix, Tab E. Since the County is an existing Public Funds Collateral customer you will not need to execute a new agreement.

23. Availability schedules

a. Provide availability schedule for check deposit.

Please see the Appendix, Tab C for our availability schedules.

b. Provide maximum time of day deposits must be received to be considered a same day deposit by type of deposit, e.g., regular branch deposit, armored car deposit, or lockbox deposit.

In order to maximize cash flow and speed access to your funds, it's important to understand our deposit deadlines

Night depository, banking store, and ATM
Our deposit deadlines for same-day ledger credit vary by location and vary depending on how you make your deposit.

You receive credit the same day for deposits made prior to the deadline. You receive credit the next business day for deposits made after the deadline, on weekends, and on Federal holidays.

Deadlines are the same regardless of when we verify your deposit; they are also the same for deposits that contain cash, checks, or both cash and checks.

Remote deposit

The deadline for deposits made using the *Desktop Deposit®* service is 8:00 p.m. MT.

Remote cash capture

For customers using our *SafeVantage®* solution, we typically credit your cash deposits to your account the next business day after you place the deposit into the safe. There is no deadline for next-day credit.

For check deposits made in the safe's manual drop slot, the cash vault "check only" deadlines provided in the table below will apply based on the days your armored carrier picks up deposits at your locations.

Cash vault

For cash vault deposits, different deadlines apply for split deposits (cash and checks on separate deposit slips), mixed deposits (cash and checks on the same deposit slip), and cash only deposits. The table below lists deadlines by deposit type and location in local time.

If you require a later deadline than those listed in the table, please speak to your treasury management sales consultant to discuss your specific needs.

Cash vault deposit deadlines (local time)

Cash vault site (served by)	Cash only	Check only	Mixed
Arizona			
Tempe	7:30 p.m.	6:00 p.m.	5:30 p.m.
Tucson	7:30 p.m.	6:00 p.m.	5:00 p.m.

[1]Designated Wells Fargo collection and distribution site

c. If this schedule does not pertain to checks of all dollar sizes, explain.

Not applicable.

24. Fee Schedules

a. Responder shall provide a list of all fees associated with each offered service. List any fees not specifically requested in the solicitation. For example, identify all fees associated with a check deposit: a deposit slip fee, a per deposit item fee, a posted credit fee.

Please see the Pricing Tab for all applicable pricing related to this RFP.

b. Responder shall identify any increases if the bank servicing agreement is extended by the Pinal County Board of Deposit for up to two additional years.

Acknowledged.

c. Identify the rate charged for overdrafts, should they occur.

At Wells Fargo, we charge for both overdrafts and for the use of uncollected funds. Your relationship manager will set the fee for overdrafts. Overdraft fees can be offset by the earnings credit allowance.

We use the following formula to calculate the fee for use of uncollected funds:

Fee = average daily negative collected balance x overdraft rate x days in period divided by 360 day year.

Wells Fargo does not charge for daylight overdrafts.

Please see the Pricing Tab for all applicable pricing related to this RFP.

25. Supplemental Agreements and Other Required Information

a. Please provide a copy of any supplemental agreements that you anticipate will be required for the services to be provided. For example, revolving line of credit agreement or repurchase agreement.

Please see the Appendix, Tab E for all legal agreements.

b. Location where primary services will be provided.

The address is:

100 W. Washington Street, 25th Floor
Phoenix, AZ 85003

c. Location of additional branches where services may be provided, such as remote deposits.

The County has access to over 6,200 branches and 12,000 ATMs nationwide. Please see https://www.wellsfargo.com/locator/atm/home .

d. Provide any details any merger or acquisition that the bank is currently committed to and the expected impact on the services requested in this solicitation.

To the best knowledge of the Wells Fargo representatives preparing this response, there are no impending mergers or acquisitions that will materially affect our ability to provide the services requested in this RFP.

e. Does the bank outsource any of the services requested in this solicitation? If so, discuss (see "Uniform Instructions 2.15 for further clarification.)

None of the services requested in this RFP are outsourced.

f. Provide any additional information that you believe to be relevant to this solicitation and your capabilities to provide the services requested (e.g., product brochures, articles in trade journals).

Please see the Appendix, Tab E for our service descriptions.

AutoLink Service

The AutoLink service will allow Pinal County to automate the download of your information reporting data. This service works in combination with the Treasury Information Reporting (TIR) service on the Commercial Electronic Office (CEO) portal. With the AutoLink service, Pinal will set up and schedule

tasks to automatically download TIR reports to your computer. Pinal can also run AutoLink tasks manually at any time.

Customer Benefits & Highlights:

Saves time and increases efficiency through automation - an unattended file transfer service Pinal can use to securely retrieve Commercial Electronic Office (CEO) Treasury Information Reports in CSV, BAI, or PDF formats via client-side software:

- Provides flexibility and control
- Reports can be scheduled to automatically run daily, weekly, or monthly, or retrieved manually at any time
- Reports are delivered directly to Pinal's computer or printer
- Software wizards simplify scheduling reports and facilitate automatic downloads and/or printing
- AutoLink email notifications are set-up and controlled by Pinal County
- Implementation is both simple and secure
- No direct transmission setup required
- Customers conveniently download the Autolink software and User guide from the CEO Portal

International ACH Service

ACH collections are available for the United States and Canada. You can originate transactions to Canada in either Canadian or U.S. dollars.

The County can choose from the following origination options:

- **Direct origination service.** Allows you to create ACH files in-house and deliver them by electronic data transmission.
- **International ACH Payments service.** Allows you to create and deliver ACH files online through the *Commercial Electronic Office (CEO)* business portal.
- ***Payment Manager*® service.** Allows you to initiate international ACH payments using any standard format or most proprietary file formats.

You can include international payments in separate batches within the same transmission as your domestic ACH payments. We provide complete format conversion, and we provide foreign exchange and settlement services through your Wells Fargo U.S. dollar or multi-currency account.

g. Identify procedure used to resolve disputed amounts, for example, deposit corrections for cash and check deposits.

When an adjustment is necessary, we make a separate debit or credit entry to your account rather than adjusting the deposit amount. We also provide you with adjustment advices, including relevant backup documents, by mail. If

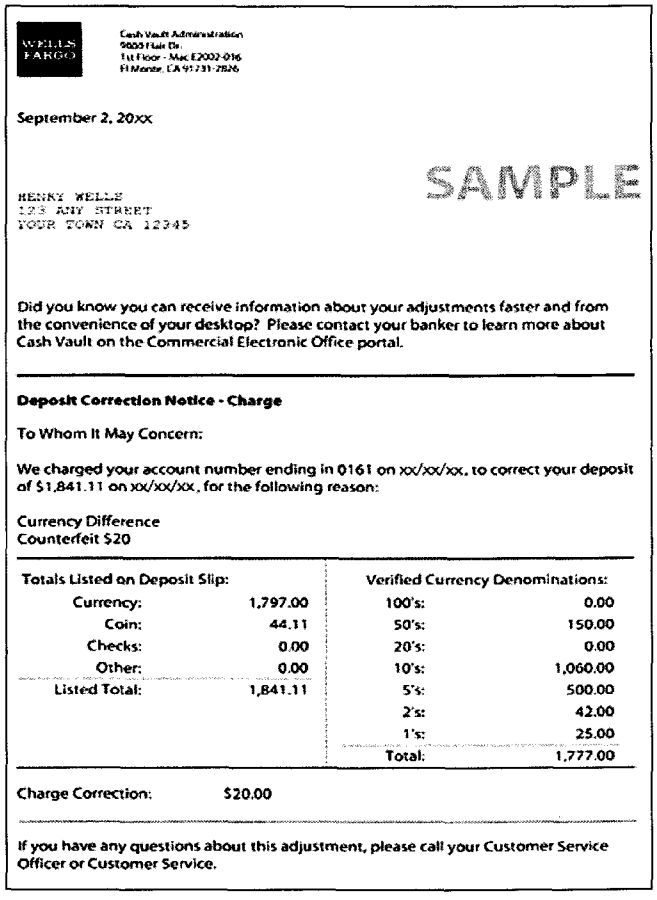
you subscribe to our subaccounting service, your adjustment notices will include your location number and location name (if applicable). Depending on the amount of the discrepancy, we may phone your designated contact to report the difference.

We have listed all fees associated with processing adjustments on the price schedule attached to this proposal.

We report adjustments differently for cash vault and banking store deposits. Below are descriptions of each process.

Cash vault

For cash vault adjustments, you can receive an email, a fax, or a mailed deposit correction notice that includes the deposit date, declared amount, verified currency total by denomination, and location number (if applicable). The image below is a sample of the mailed cash vault deposit correction notice.



WELLS FARGO

Cash Vault Administration
9000 Hale Dr.
1st Floor - Mac E2002-016
Ft Monte, CA 91731-2826

September 2, 20xx

SAMPLE

HENRY WELLS
123 ANY STREET
YOUR TOWN CA 12345

Did you know you can receive information about your adjustments faster and from the convenience of your desktop? Please contact your banker to learn more about Cash Vault on the Commercial Electronic Office portal.

Deposit Correction Notice - Charge

To Whom It May Concern:

We charged your account number ending in 0161 on xx/xx/xx, to correct your deposit of $1,841.11 on xx/xx/xx, for the following reason:

Currency Difference
Counterfeit $20

Totals Listed on Deposit Slip:		Verified Currency Denominations:	
Currency:	1,797.00	100's:	0.00
Coin:	44.11	50's:	150.00
Checks:	0.00	20's:	0.00
Other:	0.00	10's:	1,060.00
Listed Total:	1,841.11	5's:	500.00
		2's:	42.00
		1's:	25.00
		Total:	1,777.00

Charge Correction: $20.00

If you have any questions about this adjustment, please call your Customer Service Officer or Customer Service.

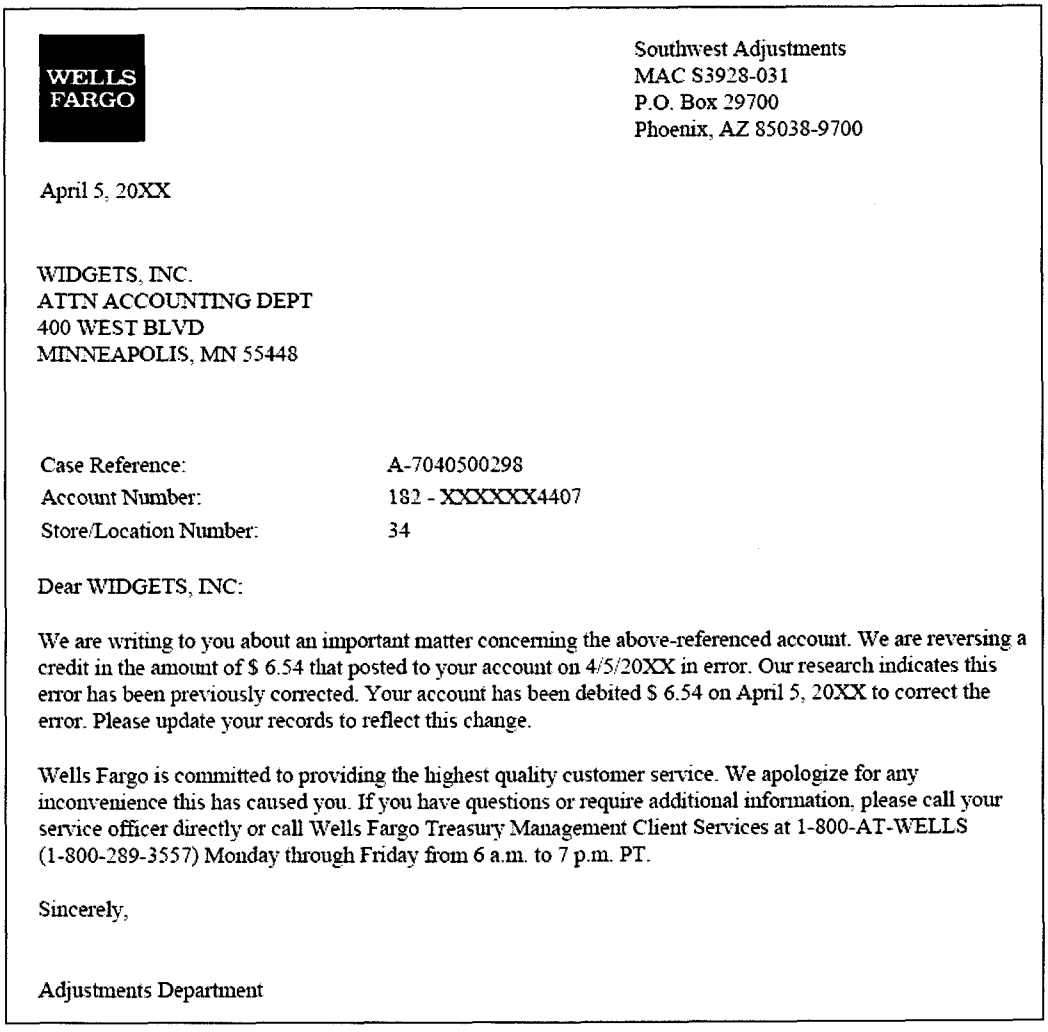
Banking store

For banking store deposit adjustments, your adjustment notice includes the amount and reason for the adjustment. For deposits to a subaccount, we also provide the location code.

We provide deposit adjustment information in several ways. In addition to the advices that we mail to you, we identify deposit adjustments on:

- Bank statements
- Balance and transaction reports
- Deposit reconciliation reports
- Detailed transaction file transmissions

Additionally, we provide deposit adjustment information through our online banking Event Messaging and Statements & Notices services. The image below is a sample of the mailed deposit correction notice.



WELLS FARGO

Southwest Adjustments
MAC S3928-031
P.O. Box 29700
Phoenix, AZ 85038-9700

April 5, 20XX

WIDGETS, INC.
ATTN ACCOUNTING DEPT
400 WEST BLVD
MINNEAPOLIS, MN 55448

Case Reference:	A-7040500298
Account Number:	182 - XXXXXX4407
Store/Location Number:	34

Dear WIDGETS, INC:

We are writing to you about an important matter concerning the above-referenced account. We are reversing a credit in the amount of $ 6.54 that posted to your account on 4/5/20XX in error. Our research indicates this error has been previously corrected. Your account has been debited $ 6.54 on April 5, 20XX to correct the error. Please update your records to reflect this change.

Wells Fargo is committed to providing the highest quality customer service. We apologize for any inconvenience this has caused you. If you have questions or require additional information, please call your service officer directly or call Wells Fargo Treasury Management Client Services at 1-800-AT-WELLS (1-800-289-3557) Monday through Friday from 6 a.m. to 7 p.m. PT.

Sincerely,

Adjustments Department

h. Supplies to conduct general banking business must be provided by the servicing bank. These include check and warrant stock, deposit slips, bank bags, currency straps, coin wraps, etc. Provide price list for these supplies.

Please see the Pricing Tab for all applicable pricing related to this RFP.

26. Conversion and Implementation

a. Provide conversion plan for implementation by July 1, 2012. The plan must include the bank's conversion approach, the relevant time lines and the key personnel responsible for the conversion. Including:

i. What is the average lead-time for implementation? What are the critical factors that may impact that lead time?

Being that the Wells Fargo is the incumbent, there will be no conversion necessary for existing services.

We will work closely with the County should you wish to implement any additional services within a timeframe that works for you.

ii. Describe support provided during conversion and implementation, including training, technical assistance, user manuals and on-site visits.

Being that Wells Fargo is the incumbent, no conversion of services is necessary.

iii. What additional resources does the bank require for a successful conversion and successful implementation?

Being that Wells Fargo is the incumbent, no conversion of services is necessary.

b. Identify any costs of conversion that will be charged by the bank.

Being that Wells Fargo is the incumbent, no conversions will be necessary.

If awarded the full RFP for an initial three year period, Wells Fargo will provide the following cost offsets:

1. No price increase on any current treasury management services
2. Decrease in price on selected treasury management elements which are outlined fully in the Pricing Sheet
3. An Earnings Credit Rate set at the higher of 0.25% or the 91-day T-bill for all non –interest bearing balances
4. Five Desktop Deposit Scanners provided at no cost to any interested County department or political subdivision with a need to remit payment to the County Treasurer
5. Waive all set up costs for new treasury management services related to the County's goal of moving from paper to electronic processing

6. An annual rebate equal to four weeks of the previous year's net cost, payable to each analysis billing account managed by the Government & Institutional Banking group in Phoenix. The annual analysis credit will be payable each July 1 that Pinal County is contracted with Wells Fargo to provide the full scope of Banking Services.

   *Calculation: (Total Prior Years' Net Costs / 52 Weeks)*4 = Annual Rebate*

NOTE* All costs described in the Questionnaire must also be included on the Pricing Sheet. Any costs not included on the Pricing Sheet will not be considered for award.

END OF QUESTIONNAIRE

Pricing

PINAL • COUNTY *wide open opportunity*	RFP PC-111517 Pricing Sheet	Pinal County Finance Department 31 N. Pinal St. Bldg. A P.O. Box 1348 Florence, AZ 85132

PC-111517 PRICING SHEET

Responder must complete all items on the pricing sheet and may provide any other costs associated with information from the Questionnaire. (Responder shall include additional pages to this price sheet with detailed information about other costs identified within the Questionnaire as needed.)

Fees shall either be fixed fees or index-based. An example of a fixed fee is "$0.02 per transaction." An example of an index based rate is the rate that is tied to an index such as the Federal Funds Rate. If any index-based rates are proposed, clearly identify the name of the index, the organization that publishes it, the web address or other means by which the current rate may be readily obtained, the proposed frequency of adjustment (such as "annually on the contract anniversary date") and the formula by which adjustment shall be made.

ITEM DESCRIPTION	QUANTITY	TOTAL
Current Accounts	10	Rate to Service Each Account = $ 5.00 X 10 Accounts = $ 50.00
Deposits and other Credits:	**Annual**	
Daily Deposits ***Average of different deposit types.***	1800/year	Daily Deposit Rate = $0.43* X 1800 Daily Deposits/Year = $ 774.00
Deposits and other Credits	$950,000,000	
Deposit Items ***Average of different deposited items.***	720,000/year (**NOTE: Most of these items are now image cash letter images.)	Rate for Deposit Items = $0.042* X 720,000 Deposits/Year = $ 30,240.00
Currency/Coin Deposits	$6,200,000/year	.0008 = $4,960.00
ACH Credits	1,800/year	Rate for ACH Credits = $0.05 X 1800 ACH Credits/Year = $ 90.00
ACH Debits	1,000/year	Rate for ACH Debits = $0.05 X 1000 ACH Debits/Year = $50.00

PINAL • COUNTY
wide open opportunity

RFP PC-111517
Pricing Sheet

Pinal County
Finance Department
31 N. Pinal St.
Bldg. A
P.O. Box 1348
Florence, AZ 85132

Wire Transfers - Outgoing	164 $90,000,000	Rate for Wire Transfers – Outgoing = $5.00 X 164 Outgoing Wire Transfers/Year = $820.00
Wire Transfers - Incoming	159 $400,000,000	Rate for Wire Transfers – Incoming = $2.50 X 159 Incoming Wire Transfers/Year = $397.50
Book Transfers	857	Rate for Book Transfers = $1.00 X 857 Book Transfers/Year = $857.00
Debits – Warrants	248,000 $800,000,000	Rate for Warrants = $0.025 X 248,000 Warrants/Year = $6,200.00
Debits - Checks	8,400 $50,000,000	Rate for Checks = $0.07 X 8,400 Checks/Year = $588.00
Armored Car Service	1 Stop 5 Days/Week in Florence	Rate per Week $119.08 X 52 Weeks/Year = $6,192.16
Armored Car Service	1 Stop 5 Days/Week in Casa Grande (Money Transferred to Florence Treasurer)	Rate per Week $119.08 X 52 Weeks/Year = $6,192.16
Armored Car Service	1 Stop 2 Days/Week in Casa Grande	Rate per Week $119.08 X 52 Weeks/Year = $6,192.16
Armored Car Service	1 Stop 3 Days/Week in Apache Junction	Rate per Week $71.45 X 52 Weeks/Year = $3,715.40
GRAND TOTAL PER YEAR		$67,318.80

END OF PRICING SHEET

Pricing Sheet - Additional Pages
Pinal County RFP #PC-111517 Banking Services

Outlined below are the costs of services requested in the Questionnaire. The list is not meant to be a full list of all the Treasury Management products offered by Wells Fargo but rather a list of items as outlined by the County. We understand that as needs and technologies change additional items may be used by the County. As new items and services are added Wells Fargo will price those similarly to the other contracted prices. All prices will be fixed throughout the contract period unless otherwise noted.

1-d & e) Costs associated with deposits

Description	Charge	Cost	Notes
Branch Deposit	Per deposit	$0.500	
Night drop Deposit	Per deposit	$0.500	
Vault Deposit	Per deposit	$0.500	
Desktop Deposit Credit Posited	Per deposit	$0.500	
Con Disb Credit Posted	Per credit	$0.500	
Credit Posted	Per credit	$0.050	
Cash Vault Deposit Adjustment	Per adjustment	$5.000	
Electronic Deposit - Dep Adjustment	Per adjustment	$1.500	
Currency/Coin Deposited	Per dollar	$0.00080	Reduced from $0.00120
Electronic Credits Posted	Per item	$0.050	
Deposited check Canadian	Per check	$1.000	
Checks Deposited on-us	Per check	$0.025	
Checks Deposited Local Clearing	Per check	$0.035	
Checks Deposited In-District Fed	Per check	$0.035	
Checks Deposited All Other	Per check	$0.060	
Smart Decision Elec Check ACH On Us	Per check	$0.030	Reduced from $0.07
Smart Decision Elec Check ACH Transit	Per check	$0.030	Reduced from $0.05
Desktop Deposit Wells Fargo Item	Per check	$0.050	
Desktop Deposit Non Wells Fargo Item	Per check	$0.060	Reduced from $0.08
Electronic Deposit - Check WFB	Per check	$0.030	
Electronic Deposit - Check Non WFB	Per check	$0.060	
Deposit Location Reporting	Per deposit	$0.040	
Desktop Deposit Image Retrieved	Per image	$0.100	

2-a and 3-d) Costs associated with check and warrant clearing

Description	Charge	Cost	Notes
Checks Paid	Per item	$0.070	
ARP Checks Paid - Partial Recon	Per item	$0.070	
ARP Checks Paid - Full Recon	Per item	$0.070	
Payee validation standard - item	Per item	$0.010	
Cont Disb Acct Maintenance	Per account	$25.000	
Cont Disb Image Checks Paid	Per item	$0.025	
Cont Disb Perfect Pos Pay Exception	Per exception	$1.500	Reduced from $5.00
ARP Register Input - CEO	Per item	$0.030	
ARP Monthly Base - Full Recon	Per account	$40.000	
ARP Monthly Base - Partial Recon	Per account	$20.000	
ARP Full Recon-Item	Per item	$0.030	

Pricing Sheet - Additional Pages
Pinal County RFP #PC-111517 Banking Services

ARP Partial Positive Pay Issue - Item	Per item	$0.010
ARP Aged Issue Records on file - item	Per item	$0.030
Positive Pay Exception	Per exception	$1.500
ARP Partial Reconciliation - Item	Per item	$0.030
Positive Pay Exception - Image	Per image	$0.500
Image Delivery		
Image File Import Maintenance	Per ID	$50.000
Image File Import Paid Checks	Per image	$0.030
Image File Import Premium Delivery - Item	Per image	$0.007

4-a) Costs associated with placing a Stop Payment on a check or warrant issued by the Pinal County Treasurer or any of its political subdivisions

Description	Charge	Cost	Notes
Stop Payment - Online	Per item	$2.000	Reduced from $9.00
CEO Search	Per search	$0.500	

4-d) Costs associated with a deposit item that is returned

Description	Charge	Cost	Notes
Returned Item Chargeback	Per item	$1.000	
Returned Item Redeposit	Per item	$1.000	
Return Item Converted Chk Chgbk IRD	Per item	$1.000	Reduced from 1.50
CEO Returned Item Retrieval	Per item	$0.500	
CEO Retn Item Subscription	Per account	$20.000	
CEO Retn Decisioning	Per item	$0.500	
CEO Retn Item Subscription	Per item	$0.250	
CEO Retn Item Subscription Optional Detail	Per item	$0.150	
Return Item Special Instructions	Per item	$0.250	

5-f and g) Costs associated with placing an outgoing wire and receiving an incoming wire

Description	Charge	Cost
Wire-Outgoing Domestic/Drawdown-CEO	Per wire	$5.000
Book Credits	Per transfer	$1.000
Incoming Domestic Wire	Per wire	$2.500
Wire Detail Report Subscription	Per account	$25.000
Wire Detail Report Subscription - Item	Per Item	$1.000
CEO Basic Banking Transfer	Per transfer	$1.000

6-a) Costs associated with reporting

Description	Charge	Cost	Notes
ARP Optional Reports	Per report	$2.000	
ARP Paper Stmt/Report Monthly Base	Per account	$10.000	
CEO Treas Info Rpt EDI Subsc Monthly Base	Per account	$90.000	
CEO Treas Info Rpt - EDI Item	Per item	$0.350	

Pricing Sheet - Additional Pages
Pinal County RFP #PC-111517 Banking Services

CEO Treas Info Rpt EDI Addenda	Per addenda	$0.080	
CEO Cont Disb Subscription Base	Per account	$20.000	
Desktop Deposit Report Monthly Base	Per account	$20.000	
Desktop Deposit Report Per Item	Per item	$0.050	
Desktop Deposit Discretionary Data	Per data	$0.025	
CEO Intraday Subscription Monthly Base	Per account	$20.000	
CEO Previous Day Subscription Monthly Base	Per account	$20.000	
CEO Previous Day Subscription - Item	Per item	$0.040	Reduced from $0.08
CEO Intra Day Subscription Detail - Item	Per Item	$0.100	
CEO Event Messaging Service - Email	Per email	$0.250	Reduced from $0.30
Electronic Window Extended Storage - 90	Per item	$0.020	
CEO Basic Banking - Monthly Base	Per account	$10.000	
CEO Basic Banking - Additional Account	Per account	$5.000	

7-a) Costs associated with processing ACH transactions

Description	**Charge**	**Cost**	**Notes**
ACH Monthly Base	Per ID	$10.000	
ACH Vendor Monthly Base	Per ID	$10.000	Reduced from $11.43
Internet ACH Base Fee	Per Id	$15.000	
ACH Transmission Charge	Per transmission	$5.000	
ACH CEO Subscription	Per account	$80.000	
ACH CEO Retn Subscription	Per ID	$5.000	
ACH CEO Return Subscription - item	Per item	$0.250	
ACH One Day	Per item	$0.040	
ACH Two Day	Per item	$0.030	Reduced from $0.04
Internet ACH Two Day	Per item	$0.070	
ACH Originated Addenda	Per addenda	$0.020	
ACH Received Item	Per item	$0.050	
ACH Return Item - Faxed Notification	Per item	$1.500	
ACH Fax Service Monthly Base	Per ID	$1.500	
ACH Return Item - Transmission	Per advice	$0.500	
ACH Customer Reports	Per ID	$1.000	
ACH CEO Fraud Filter Stop Monthly Base	Per account	$7.500	
ACH Fraud Filter Review Monthly Base	Per account	$7.500	
ACH Fraud Filter Review - item	Per item	$2.500	

10-a) Costs associated with lockbox services including returned items

Description	**Charge**	**Cost**	
E-Box Monthly Base	Per E-box	$125.000	
E-Box Positive File Monthly Base	Per file	$75.000	
Receivables Manager Monthly Base	Per e-box	$25.000	
Receivables Manager Outgoing Transmission	Per transmission	$5.000	
E-Box Bill Payment On Us	Per item	$0.050	Reduced from $0.085

Pricing Sheet - Additional Pages
Pinal County RFP #PC-111517 Banking Services

E-Box Payment	Per item	$0.120
E-Box Payment Return	Per item	$0.250
E-box Reversal Reporting Package Monthly Base	Per E-box	$25.000
Retail Lockbox (RLBX) Monthly Base	Per lockbox	$175.000
RLBX Image Storage	Per item	$0.020
RLBX Transmission Item	Per item	$0.005
RLBX Special Handling	Per item	$0.160
RLBX US Mail Outgoing	Per item	$1.050
RLBX Incoming Overnight Mail	Per item	$2.000
RLBX Item Processed	Per item	$0.100
RLBX Partial Payment	Per item	$0.220
RLBX Multiple Payment	Per item	$0.250
RLBX Unprocessable Item	Per item	$0.265
RLBX Image File Import - Image	Per image	$0.015
RLBX Stop/Positive File Monthly Base	Per file	$100.000
RLBX Data Capture	Per item	$0.004
RLBX Transmission Base	Per lockbox	$50.000

11-a) Costs associated with line of credit activity

Description	Charge	Cost
Non bank qualified borrowing costs	Outstanding balance	Prime x .66%
Bank qualified borrowing costs	Outstanding balance	Prime x .57%
Taxable borrowing costs		Per statutory description
CEO Credit Management Monthly Base	Per CEO ID	$25.000

11-d) Costs associated with registered warrant activity

Description

Wells Fargo proposes using lines of credit. See the answer to 11-a for associated costs.

12-a) Rate bank will use for compensation of banks fees based on account balances

Description

The higher of the 91-day T-bill or 0.25%

12-a) All costs associated with credit card processing

Wells Fargo Merchant Services, LLC is offering Pinal County Interchange plus $0.30. A comprehensive Merchant Services pricing sheet is included as a separate print out within the Pricing Tab. This response should be considered part of the additional Pricing Sheet provided by Wells Fargo.

17-a) Cost associated with credit card processing for procurement of goods and services

Description	Charge	Cost	Notes
Set up Fee	Per setup	$0.000	
CCER software implementation and training	Per setup	$0.000	
Visa setup	Per setup	$0.000	
G/L mapping	Per setup	$0.000	

Pricing Sheet - Additional Pages
Pinal County RFP #PC-111517 Banking Services

Card Issuance	Per card	$0.000	
CCER Monthly Maintenance	Per Month	$0.000	
Transaction Fee*	Per transaction	$0.750	Waived for first 90 days

**All monthly fees will be waived when the monthly purchase volume exceeds $150,000 and average monthly transaction size is greater than $150*

Miscellaneous Fees			
Cash Advance Fee	Per transaction	2.00%	$2.00 minimum charge
Card Artwork (optional)	Per program	$900.000	
Off-line Reports	Per report	$0.000	
Express Card	Per card	$0.000	
Phone Re-training	Per training	$0.000	

If the County opts to use ACH reimbursement for out-of-pocket expenses, separate ACH fees will apply. See pricing in 7-a.
If the County opts to use the Commercial Card Expense Reporting solution through CEO separate reporting charges may apply.

17-d) Rebate schedule

Rebates are paid out to you on an annual basis and are reflective of the previous calendar year spend.
They will be paid via ACH into your Wells Fargo DDA late January. Please see your rebate schedule below for more detailed information:

Grace Period: 5 days

Net Purchase volume*	**Revenue Share**
$0 to $1,999,999	0.00%
$2,000,000 to $4,999,999	0.65%
$5,000,000 to $7,499,999	0.85%
$7,500,000 to $9,999,999	1.05%
$10,000,000 to $14,999,999	1.10%
$15,000,000 and above	1.15%

**Total volume minus credits and cash advances (if applicable). Wells Fargo reserves the right to segregate large ticket transactions (as qualified by Visa as applicable) should such large ticket transactions exceed five percent (5%) of Customer's total Net Purchase Volume for purposes of this Revenue Share Calculation. The term "Large Ticket Transaction" as used here in shall mean certain transactions subject to select transaction requirements, qualified and determined by Visa, in its sole and absolute discretion. Such Visa transaction qualification requirements for large ticket interchange shall include, but not be limited to: custom payment service qualification with Level II and Level III data included with the transaction, registration with Visa U.S.A. by participating merchants and payment of a merchant registration fee. All non-travel service Merchant Category Codes (MCC) are eligible. Average transaction must meet $200.*

The following terms and conditions shall apply under this Attachment: i) Customer must obtain an annual minimum Net Purchase Volume of $2,000,000, which may include both qualified and non-qualified Large Ticket Transactions, to receive a Revenue Share payment under this Attachment, ii) Wells Fargo will segregate Large Ticket Transactions (as qualified by Visa), and iii) If such Large Ticket Transactions are segregated, Customer's Net Purchase Volume will be segregated into either the Standard non-qualified Large Ticket Revenue Share Schedule set forth above or the Qualified large Ticket Revenue Share Schedule set forth below for purposes of Revenue Share calculation:

Net Purchase Volume of Qualified Large Ticket Transactions	**Revenue Share**
$1.00 and above	0.25%

Pricing Sheet - Additional Pages
Pinal County RFP #PC-111517 Banking Services

18-b) Cost associated with available E-Commerce Services

Description	Charge	Cost	Notes
Payment Manager Service			
Payment Manager Domestic ACH Transaction	Per item	$0.04	
Payment Manager Email Secondary Approval	Per item	$0.50	
Electronic Commerce Direct Transmission	Per transmission	$5.00	
Electronic Document Delivery Email	Per page	$0.25	
Electronic Document Delivery Fax	Per page	$0.55	
Payment Manager ACH Addenda	Per item	$0.03	
Payment Manager DOM ACH Confirm	Per item	$0.16	Optional service
Payment Manager Enhanced Monthly Based	Per month	$350.00	
Payment Manager Secure Email Service	Per item	$0.50	Optional service
Vendorin			
Engagement Fee (Optional Service, price subject to change)	Per engagement	$7,500.00	Pass through cost to Pinal
Monthly Fee (Optional Service, price subject to change)	Per month	$500.00	Pass through cost to Pinal

20-b) Costs associated with Safekeeping

Wells Fargo Institutional Retirement & Trust is offering safekeeping at 1 basis point per annum. A comprehensive Institutional Retirement & Trust Custody Fee Proposal is included as a separate print out within the Pricing Tab. This response should be considered part of the additional Pricing Sheet provided by Wells Fargo.

24-a) List of all fees associated with each offered service and those fees not specifically requested in the RFP

Description	Charge	Cost	Notes
Desktop Deposit			
Desktop Deposit Scanner/50 checks per minute (price set by vendor, subject to change)	Per scanner	$790.000	Pass through cost to Pinal
International ACH (USD Debits to Canadian tax payers)			
International Internet ACH Batch Release	Per batch	$10.000	
International Internet ACH Monthly Base	Per month	$20.000	
International ACH USD to Canada	Per item	$0.500	
Miscellaneous			
FDIC Assessment (Cost set and changed by the FDIC)	Per $1,000	$0.12750	Pass through cost to Pinal
Zero Balance Master Account Maintenance	Per account	$10.000	
Account Maintenance - Chexstor	Per account	$5.000	Reduced from $7.00
Zero Balance Monthly Base	Per account	$10.000	
Debits posted	Per item	$0.050	
DDA Statement - Special Instruction	Per statement	$2.500	
Bank Confirmation Audit Request	Per request	$65.000	
Cash Vault Coin Furnished	Per rolled coin	$0.100	
Cash Vault Cash orders - CEO	Per order	$1.000	

Pricing Sheet - Additional Pages
Pinal County RFP #PC-111517 Banking Services

Cash Vault Currency Furnished	Per $1.00	$0.00080
Payment Authorization Check Monthly Base	Per account	$1.000
Official Bank Check	Per check	$5.000
Photocopy Customer Service - Item	Per item	$15.000
Autolink	Per CEO ID	$75.000

24-c) Rates charged for overdrafts should they occur

Description	Charge	Cost
Interest rate for negative collected balance	Negative balance	Prime+0.00%

25-h) List of all fees associated with supplies to conduct general banking

Description	Charge	Cost	Notes
Coin Wrappers/1,000	Per package	$3.400	Pass through cost to Pinal
Currency Straps/1,000	Per package	$3.200	Pass through cost to Pinal
Endorsement Stamps	Per stamp	$17.640	Pass through cost to Pinal
Standard Deposit Slips Singles/200	Per order	$15.310	Pass through cost to Pinal
Standard Deposit Slips with Duplicate/250	Per order	$24.070	Pass through cost to Pinal
Standard Deposit Slips with Triplicate/250	Per order	$34.900	Pass through cost to Pinal
Standard Tamper Resistant Deposit Bag/100	Per package	$23.190	Pass through cost to Pinal
Warrant/Check Stock/250	Per order	$86.230	Pass through cost to Pinal
Warrant/Check Stock/500	Per order	$101.460	Pass through cost to Pinal
Warrant/Check Stock/1000	Per order	$138.480	Pass through cost to Pinal

Wells Fargo Merchant Services, L.L.C.- (WFMS - Pricing Terms)
Pinal County RFP
Proposal Date: 02/22/12
Sales Officer: BILL COWARD

Assumptions	
Credit Card Volume	$5,000,000
Average Transaction Size	$14
Number of Locations	10
Anticipated Interchange Levels	Public Sector: 032 020/038
Communications Method	IPN
Gateway	Internet Services Not Elected
Pricing Option	**Interchange + Assessments + Authorizations**

Credit Card Processing Fees [1]
Interchange Plus the Following Fees:

$0.30 On each Authorization/EDC attempt [3]

PIN Debit & Electronic Benefits Transfer (EBT) Processing Fees
DEBIT NOT ENTITLED
EBT NOT ENTITLED
Applicable Debit Network, Switch, Service and Administrative fees are passed through on all PIN Debit transactions (completed and declined). Applicable Debit Network Interchange fees are passed through on completed PIN Debit transactions only.

American Express® - See table below for Additional American Express Pass Through Fees and footnote 1 for any applicable Credit Card Processing Fees

Applicable Fee Schedules: [15]

Visa®/MasterCard®/Discover® Network Card Interchange Qualification Matrix
(including applicable pass-through fees) https://www.wellsfargo.com/biz/interchangeplus
Debit Network Fee Schedule (if applicable) https://www.wellsfargo.com/biz/merchantdebitfees
If you do not have internet access, please contact your Merchant Card Representative and request that a copy of the applicable fee schedule be mailed or faxed to you.

Other Processing Fees

Set-Up Fee	$	500.00	one time fee
Monthly Minimum Processing Fee [14]	$	-	per month
Chargeback Fee [2]	$	25.00	per chargeback
Monthly Service Fee (per location)	$	5.00	per month
Statement Billing Fee (Paper Statement) [8]	$	10.00	per month
Voice Authorization Fee	$	0.75	per attempt
Annual Fee	$	45.00	per location
Authorization/EDC Fee - Visa (Credit and Non-PIN Debit) [3]		see above	per attempt
Authorization/EDC Fee - MasterCard (Credit and Non-PIN Debit) [3]		see above	per attempt
Authorization/EDC Fee - Discover Network Card (Credit and Non-PIN Debit) [3,6]		see above	per attempt
Authorization/EDC Fee - American Express OnePoint ® (Credit) [3,10]		N/A	per attempt
Electronic Address Verification Service Fee	$	0.05	per attempt
Voice (Manual) Address Verification Fee	$	2.00	per attempt
Annual Compliance Support Fee [5]	$	-	per location
PCI Compliance Service Program Fee [13]	$	-	per month, per location
Non-validation PCI Compliance Fee [13]	$	25.00	per month, per location
Equipment Installation Fee	$	25.00	one time fee
Foreign Handling Fee (on Visa/MasterCard foreign card transactions)		0.10%	on foreign card sales
Non Bank Card Authorization [7] Applies only to American Express (ESA/EDC), Discover EDC (Discover EDC not applicable on Discover Network Card Sales)	$	0.12	per attempt
Non Bank Card Capture Fee [7] Applies only to American Express (ESA/EDC), American Express - split dial, Discover EDC (Discover EDC not applicable on Discover Network Card Sales)	$	0.03	per attempt
Terminal Reprogramming Fee (Terminal) - Applies to Customer Owned Terminals Only	$	75.00	per unit
Terminal Reprogramming Fee - Integrated Terminal - Applies to Customer Owned Integrated Terminals Only	$	150.00	per unit
Security Swap Fee for PIN Debit - Applies to Customer Owned PIN Pads Only	$	75.00	per unit
Card Imprinter Option		no imprinter	
Rush Shipping Option		N/A	

Merchant Initials _____

Additional American Express Pass Through Fees [9]

Industry Type	N/A	
American Express Discount Rate [11]	N/A	on Gross American Express sales
American Express Transaction Fee (Fee to be applied by American Express)	N/A	per transaction
American Express Monthly Processing Fee (per location) [12]	N/A	per month
American Express CAPN Non-Compliance Transaction Fee (if applicable)	N/A	per transaction

1) The Credit Card Processing Fees will apply to American Express OnePoint Clients that are priced using the Interchange + Assessments + Authorizations; Interchange + Assessments + Rate + Authorizations; Interchange + Assessments + Authorizations + Debit (PIN and Non-PIN); and Interchange + Assessments + Rate + Authorizations + Debit (PIN and Non-PIN) pricing methods. "Discover Network Cards" as used herein refers to the authorization, processing and settlement of Discover Network Cards. "Discover EDC" as used herein refers to the use of our services for authorization and/or capture of Discover Network Cards only.
2) Client acknowledges and understands that an authorization only indicates the availability of the Cardholder's credit at the time the authorization is requested. It does not warrant that the person presenting the card is the rightful Cardholder, nor is it an unconditional promise or guarantee that Client will not be subject to a chargeback or debit.
3) Authorization/EDC Fee applies to all Visa, MasterCard, Discover Network Card and American Express OnePoint approval (pre-authorizations, authorizations and authorization reversals), denials, batch inquiries, batch entry transactions and includes any transaction fees and capture fees.
5) The Annual Compliance Support Fee will be assessed and deducted from Client's Settlement Account at each anniversary date after the effective date.
6) Discover Authorization/EDC Fee applies to Clients that process transactions using Discover Network Cards.
7) Non Bank Card Authorization and/or Capture Fee applies to those merchants that process transactions using American Express (ESA/EDC), American Express - split dial and Discover EDC.
8) The monthly Statement Billing Fee can be waived if Client elects to access the monthly statement online instead of receiving a paper copy by mail. Please visit myclientline.net to enroll. After ClientLine has been activated, please contact Customer Service at 1-800-451-5817 to request that paper statements no longer be mailed. If ClientLine access is terminated by Client or as a result of inactivity, paper statements will be reinstated with the applicable monthly Statement Billing Fee.
9) American Express Processing Fees are listed separately in the Additional American Express Pass Through Fees table and will be billed as separate line items. These fees are defined according to American Express criteria as set by industry type (MCC). Changes to the American Express Discount Rate are at the discretion of American Express, including changes to industry type criteria based on MCC. "American Express OnePoint" refers to the authorization, processing and settlement of American Express Cards. "American Express (ESA/EDC) and Split Dial" refer to the use of our services for authorization and/or capture of American Express Cards only.
10) American Express OnePoint Authorization/EDC Fee applies to Clients that process transactions using American Express OnePoint.
11) Retail and Restaurant Clients processing under the American Express OnePoint Program or the American Express ESA Program will be charged a 0.30% downgrade fee whenever a Card Not Present charge occurs.
12) Client will be charged the Monthly Processing Fee if Client meets the monthly processing fee criteria set forth by American Express. Should Client no longer meet the monthly processing fee criteria, Client's pricing will be automatically adjusted from the Monthly Processing Fee to the applicable industry discount rate and transaction fee (if applicable) as provided to the Client by American Express. Please note that Client will only be charged (1) the monthly processing fee; (2) the applicable industry discount rate; or (3) the applicable industry discount rate and transaction fee.
13) The monthly PCI Compliance Service Program Fee and Non-validation PCI Compliance Fee are part of the mandatory PCI Compliance Service Program. These fees apply to Level 4 Clients who utilize a gateway or value added reseller (VAR). The program includes access to TrustKeeper, a Trustwave PCI Compliance solution to help Client comply with the Payment Card Industry Data Security Standards (PCI DSS) requirements. Clients are required to register and complete a PCI DSS certification process by visiting https://pci.trustwave.com/wellsfargo. If Client does not comply or fails the PCI DSS certification process, Client will be charged a monthly Non-validation PCI Compliance Fee until the account becomes compliant.
14) If the total discount fee for Visa, MasterCard and Discover Network Card transactions in a given month is less than the Monthly Minimum Processing Fee, then in addition to the total discount fee Client will be charged an amount equal to the Monthly Minimum Processing Fee minus the total discount fee.
15) Dues, assessments and pass-through fees are disclosed in the schedules referenced under the "Applicable Fee Schedules" section and the related footnote.

If Client has selected to accept TeleCheck Services, see Part II - Section 1 of the Program Guide for the terms and conditions. If applicable, the Additional Services page will contain the fees and rates billed to Client by TeleCheck.

If Client does not follow proper authorization procedures, a $50 chargeback handling fee will be assessed on MasterCard transactions.

Merchant Initials _____

If Client is placed in the excessive disputes program, American Express may charge $15 to Client for each Dispute Charge at or above 3% of total American Express Charge volume until Client is removed by American Express from the program.

Client is responsible for any charges assessed by outside third parties that are not disclosed on the proposal. To the extent that this pricing proposal includes pricing for third party products and services, WFMS disclaims legal liability and responsibility for said products and services. Client's agreement with the third party provider shall govern Client's relationship with the third party provider. In the event that WFMS is billed for the third party's services, Client will reimburse WFMS for such services.

Client acknowledges and understands that WFMS shall have no responsibility or liability for any third party hardware or software procured and used by Client. To the extent Client has any issues, concerns or liability related to such hardware or software, Client must deal directly with the third party provider from whom Client procured the hardware or software. In no event will WFMS be responsible for any indirect, incidental or consequential damages that Client may incur as a result of using any third party hardware or software.

WFMS' proposal and associated pricing is based on the information provided. Any difference to our stated understanding may affect the proposed pricing. Without a signed agreement, this proposal expires 60 days from the proposal date stated above.

See Section 39.3 of the Program Guide for early termination fees.

Rounding. In the event the amount being billed to Client for any line item on this pricing proposal includes a total ending in less than a full cent, WFMS will either round such amount up or down to the nearest cent.

Fees for supplies, shipping, handling, and applicable sales tax may apply and are subject to change without notice. Additional information is available upon request.

Additional Notes:

1) Pricing assumes no material change from the pricing parameters provided to WFMS. Pricing may require a re-evaluation if the pricing parameters change.

Processing Solutions

Type	Quantity	Financing Method	Total w/o TAX
FD100	10	Customer Owned	N/A

Merchant Signature: _____

Date: _____

Print Name: _____

	Wells Fargo Merchant Services, LLC	
	Pinal County	
	Proposed Merchant Pricing, February 2012	
Visa Pass Through Costs:		
Wells Fargo Costs:		
Visa/MasterCard Authorization	$0.300	per visa/mastercard authorization
Visa/MasterCard Transaction Fee	$0.00	per visa/mastercard transaction
Visa/MasterCard Voice Authorization Fee	$0.75	per visa/mastercard voice authorization
Visa/MasterCard Address Verification Fee	$0.05	per visa/mastercard address verification attempt
Visa/MasterCard Foreign Handling Fee	0.10%	assessed on visa/mastercard foreign card sales
PIN Debit Fee	$0.25	plus applicable Debit Network, Switch, Service and Admin fees
Nonbank Card (Amex/Dsvr) Authorization Fee	$0.12	per nonbank card authorization
Nonbank Card (Amex/Dsvr) Transaction Fee	$0.03	per nonbank card transaction
Terminal Reprogramming Fee	$75.00	one-time fee
Set-Up Fee	$500.00	one time for the entire county
Chargeback Fee	$25.00	per chargeback
Chargeback Reversal Fee	$0.00	per reversed chargeback
Monthly Maintenance Fee	$5.00	per merchant account per month
Paper Statement Fee	$0.00	per merchant account per month
Equipment Installation Fee	$25.00	per terminal
Monthly NonBank Card Fee	$0.00	per merchant account per month
Annual Fee	$45.00	per merchant account per month
Annual Compliance Support Fee	$0.00	per location
Non-Validation PCI Compliance Fee	$25.00	per merchant account per month
ClientLine & eIDS Reporting Fee	$0.00	per user per month
Help Desk Call Fee	$0.00	per call
Minimum Processing Fee	$0.00	per inactive account per month
Equipment Fees	**Purchase**	**Rental**
Hypercom T7Plus	$309.00	$ 44.00
FD100 Terminal	$355.00	$ 41.00
FD200 Terminal w/Check Reader	$585.00	$ 45.00
Verifone Omni vX570	$599.00	$ 49.00
Hypercom T4220	$435.00	$ 47.00
Hypercom T4205	$265.00	$ 43.00
Hypercom T4210	$310.00	$ 44.00
FD400 Wireless	$770.00	$ 65.00
Ingenico 5100	$330.00	$ 44.00
First Data FD-10 Pin Pad	$110.00	$ 14.00
Hypercom S9 Pin Pad	$185.00	$ 20.00
Ingenico i3010 Pin Pad	$135.00	$ 15.00
Verifone 1000SE Pin Pad	$150.00	$ 15.00
Ingenico i6580 Pin Pad	$695.00	$ 47.00
IC Verify Single User	$480.00	n/a
IC Verify Multi-User	$655.00	n/a
IC Verify Additional User	$130.00	n/a
IC Verify Val Code	$130.00	n/a

PC Charge Pro Single User	$475.00	n/a
PC Charge Pro Unlimited License Add-on	$623.00	n/a
Payment Gateways		
Authorize.net Monthly Fee	$35.00	Per month
Authorize.net Set-up Fee	$0.00	
CyberSource Monthly Fee	$35.00	Per month
CyberSource Set-up Fee	$0.00	
PayFlow Pro Mlonthly Fee	$35.00	Per month
PayFlow Pro Set-up Fee	$0.00	
First Data Global Gateway Virtual Terminal	$149.00	Purchase
First Data Global Gateway Virtual Terminal	$29.00	Per month
Wells Fargo Payment Gateway Monthly Fee	$25.00	Per month poer gateway ID
Wells Fargo Payment Gateway Set-up Fee	$300.00	Per Gateway ID
Wells Fargo Payment Gateway Trans Fee	$0.07	Per Transaction
Wells Fargo Payment Gateway eCheck Fee	$0.30	Per Transaction plus applicable ACH fees
Wells Fargo Payment Gateway Subscription Trans fee	$0.05	Per Transaction
Check Reader		
MagTek Mini MICR 3800	$255.00	
Chargeback Association Fee (found in Program Guide)	$150.00	Filing Fee for Visa and MasterCard
	$250.00	Review Fee for Visa and MasterCard
Assignment Transfer Fee in Program Guide	$100.00	Found in Program Guide section 22.2
Late Fee	$10.00	Found in Program Guide section 32.4d
Administrative Charge for Late Fee	$25.00	Found in Program Guide section 32.4d
ACH Reject Fee	$10.00	Found in Program Guide section 37.1

INSTITUTIONAL RETIREMENT & TRUST
TRUST AND CUSTODY FEE PROPOSAL

Proposal Date: 2/29/2012

Prospect Name: Pinal County Treasurer

TRUSTEE/CUSTODY PER ANNUM FEES

Domestic Administration	*Basis Points*
	1.0000

Reporting	*Per Account*
Standard Accounting & Reporting	*Included*
Web-Based On-Line Daily Access - TPR, TID	*Included*
Accounting & Reporting - Trust 3000	*Included*
GASB 40	*Included*

DOMESTIC TRANSACTIONS	*Per Transaction*
Domestic Depository Settlements • *Includes DTC, Fed/Repo, ADR, Free Receives/Delivers, Maturities*	$ -
DTC Settlements (Includes ADR's)	$ 8.00
Bond & Repo Maturities	*Waived*

Above fees will be waived if custody account invests a minimum of $10 million into a Wells Fargo Collateralized Deposit Product.

NOTES:

This Fee Proposal is valid for 90 days following the Proposal Date. Should there be any material change to the proposed structure or asset base, or should the Prospect fail to transfer any assets scheduled for receipt to Wells Fargo within 60 days of the Effective Date of the Fee Agreement, Wells Fargo reserves the right to redefine fees and/or service conditions.

No Domestic Administration fee nor fund settlement transaction fees will be assessed for assets held in a Wells Fargo Proprietary Fund. There is no charge for the collection of interest income and dividends.

If Wells Fargo is required to repeat or expand the scope of any services due to inaccurate, incomplete, or unusable data/information supplied by the Prospect or its authorized agents, an additional fee may be charged for such services.

Wells Fargo is entitled to prompt reimbursement of all extraordinary out-of-pocket expenses incurred in the performance of its services including, but not limited to, fees for legal process, outside legal fees, and courier services. Additional services not detailed in this Fee Proposal may be negotiated by and between Wells Fargo and the Prospect.

This Fee Proposal is confidential and intended only for the sole use of the Prospect named above.

Appendix

Sample reports ..... Tab A
Investment services ..... Tab B
Availability schedules ..... Tab C
Commercial Card ..... Tab D
Legal agreements ..... Tab E

WELLS FARGO

Treasury Information Reporting

Previous Day reports

Helping you make more educated decisions and reconcile accounts quickly and easily by providing comprehensive reporting on the treasury activity for your Wells Fargo, non-Wells Fargo, and international bank accounts

Treasury Information Reporting offers a variety of previous day reports to help you determine your cash position. Delivered online through the *Commercial Electronic Office®* (*CEO®*) portal, the Previous Day reports provide convenient, customizable access to the transaction details you need to know. Extensive customization features allow you to create reports that fit your exact business requirements.

Previous Day reports include:

Previous Day Composite. This report offers a complete view of previous day information, including balances, transaction summaries, images for each check transaction, and transaction details for your bank accounts.

Express Balance. This report gives you a quick snapshot of your previous day account balance information. See the balance data for each account, the total funds available, and a summary total of the debits and credits posted to your account.

Month-to-Date. This report provides a daily summary of account balances, aggregate float, and total transactions posted to each of your accounts for the month to date, prior month, or for a specific date range.

Multibank Status. This report lets you know when all of your bank accounts—including non-Wells Fargo and international accounts—have previous day information available for you to review.

Sweep Account Position. For our *Stagecoach Sweep®** cash management service, customers who choose money market funds as their investment option, this report shows the investment balance for the prior day and allows you to track month-to-date dividend accruals. You can calculate your dividends earned on the previous day, the total book value of your cash, and your investment position for the next day.

Customizable options. Treasury Information Reporting allows you to:

- Access information from the *CEO* homepage through *CEO* report panels.
- Tailor the reports to include only the accounts you wish to see.
- Choose the data fields you want and the order you want them to appear when you download reports in CSV or Microsoft® Excel formats.
- Combine information from your accounts at other banks to get a complete look at your financial picture. Incoming data exchange transmission sends intraday and previous day account balance and/or transaction detail activity to Wells Fargo from participating financial institutions.
- Select the details you want to see. Use a range of filter options to select a number of variables, including balance type, transaction criteria, transaction amount, and reference number on the Previous Day Composite report.
- Use the optional expanded wire feature to view and print full transaction details, originator to beneficiary information, bank intermediary information, beneficiary information, and audit information for originated wires when you view reports in HTML and PDF formats.
- Choose a reporting period by selecting either the previous processing day or any processing day within the last week, or enter beginning and ending dates.
- Save your customization options. Treasury Information Reporting lets each user in your company save up to 100 customized report templates.

Technical specifications:

- View the reports in HTML or PDF formats.
- Download the reports in BAI V2, comma-delimited (CSV), or Microsoft® Excel formats.
- Data retention: Standard storage—seven days; extended optional storage—30, 60, 90, or 120 days.

continued on reverse side

*Investment Products: Not FDIC insured – no bank guarantee – may lose value

Together we'll go far

wellsfargo.com/com

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TM-2007 - 09/10

WELLS FARGO

01/14/20XX 03:05 PM ET
CUSTOMER ID: WELLS
OPERATOR ID: HENRY

HENRY WELLS, INC.
Previous Day Composite Report
As of 01/14/20XX

Commercial Electronic Office® — **Treasury Information Reporting**

Currency: USD
Bank: 073000228
Account: 12344

WELLS FARGO BANK, N.A.
ABC Company

Balances

Closing Ledger Balance	31,692.00
Closing Collected Balance	.00
Opening Available Balance	190,510.68
One Day Float	16,292.00
Two+ Day Float	15,400.00
MTD Average Closing Ledger Balance	20,531.15
MTD Average Closing Collected Balance	.00
Total Credits	16,892.16
Total Debits	1,392.16
Total Number Credits	2
Total Number Debits	6

Credit Transactions

01/14/20XX	301 / COMMERCIAL DEPOSIT **Cust Ref:** 00000000000 **Float- Zero Day:** .00 **One Day:** .00 **Two+ Day:** 15,500.00	**Credit Amount:** **Bank Ref:** IA001738013593	15,500.00
01/14/20XX	347 / SWEEP PRINCIPAL SELL **Cust Ref:** 00000000000 SWEEP TRANSFER FROM INVESTMENT	**Credit Amount:** **Bank Ref:** IA022000000369	1,392.16
	Credit Total	**Credit Amount:**	**16,892.16**

Debit Transactions

01/14/20XX	475 / CHECK PAID **Cust Ref:** 00000011143	**Credit Amount:** **Bank Ref:** IA001028322840	930.00
01/14/20XX	475 / CHECK PAID **Cust Ref:** 00000011144	**Credit Amount:** **Bank Ref:** IA001221471055	219.24
01/14/20XX	475 / CHECK PAID **Cust Ref:** 00000011136	**Credit Amount:** **Bank Ref:** IA001028319421	71.64
01/14/20XX	475 / CHECK PAID **Cust Ref:** 00000011148	**Credit Amount:** **Bank Ref:** IA001322198960	42.90
01/14/20XX	475 / CHECK PAID **Cust Ref:** 00000011133	**Credit Amount:** **Bank Ref:** IA000922298500	8.28
	CHECK PAID TOTAL	**Debit Amount:**	**1,272.06**

A The Balances section contains all the balances for each account.

This information also appears on the TIR Express Balance report.

B Transaction details include posting date, BAI code and description, amount, bank ID, float, and any text about the transaction.

Debit check transactions have links to check images.

Note: It is recommended that you subscribe to 90-day extended storage for the Month-to-Date Balance report.

For more information on Treasury Information Reporting, contact your Wells Fargo treasury management representative or visit www.wellsfargo.com/com.

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WELLS FARGO

Treasury Information Reporting

Intraday reports

Providing you timely notification of transactions that impact your bottom line

Treasury Information Reporting offers a variety of intraday reports to help you make timely business decisions. Whether you need to know when a deposit hit your account or when a check is going to clear, you can determine your cash position whenever you need to, because the information is updated throughout the day. Delivered online through our *Commercial Electronic Office*® (*CEO*®) portal, our intraday reports provide you convenient, customizable access to your transaction details. Choose the reports and extensive customization features to create a reporting package that fits your exact business requirements.

Treasury Information Reporting Intraday reports include:

Cash Letter Detail. This report lists up-to-date float information for each deposit—how much is available immediately, in one day, or in two or more days. It also delivers detailed funds availability information on preencoded check deposits.

Intraday Composite. This report provides a comprehensive picture of current day—or not yet posted—information, including balances, transaction summaries, and transaction details for each account.

You can access a mobile version of the report through your smartphone or PDA at https://ceomobile.wf.com. You can monitor key account and transaction information when you're away from your desk at meetings, in airports, across town, or around the globe.

Intraday Position. This report collects current day—or not yet posted—balance, debit, and credit information for all the accounts you select. The report summarizes the activity of all types of transactions, including ACH, cash letter, investments, lockbox, wire transfer, and other debits and credits.

Customizable options. Treasury Information Reporting allows you to:

- Access information from the *CEO* home page through *CEO* report panels.
- Tailor a report to include accounts you wish to see.
- Choose the data fields you want and the order you want them to appear when you download reports in CSV or Excel formats.
- Combine information from your accounts at other banks to get a complete look at your financial picture. Incoming Data Exchange sends intraday and previous day account balance and transaction detail activity to Wells Fargo from participating financial institutions.
- Save your customization options. Treasury Information Reporting lets each user in your company save up to 100 customized report templates.
- View a current picture of your overall cash position.
- Reconcile your accounts. Reports include reference numbers, descriptions, and transaction codes for detail items to make reconciling easier.

Treasury Information Reporting technical specifications:

- View the reports in HTML or PDF formats.
- Download the Intraday Composite and Cash Letter reports in BAI V2, CSV, or Excel formats.
- Data retention: Standard storage is seven days. Optional extended storage is available for 30, 60, or 90 days.

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WIS-1033 - 06/11

Intraday reports (continued)

WELLS FARGO

01/15/20XX 02:05 PM ET
CUSTOMER ID: WELLS
OPERATOR ID: HENRY

HENRY WELLS, INC.
Intraday Composite Report
As of 01/15/20XX

Commercial Electronic Office® — **Treasury Information Reporting**

Note: Intraday information subject to change

Currency: USD
Bank: 073000228
Account: 12345

WELLS FARGO BANK IOWA, N.A.
WIDGETS INC.

Balances

Opening Ledger Balance	48,015,608.18
Opening Available Balance	38,399,747.08
Current Ledger Balance	9,932,834.06
Current Available Balance	275,697.13
One Day Float	10,657,136.93
Two+ Day Float	.00
Back Value Adjustment To Opening Ledger	.00
Back Value Adjustment To Opening Available	.00
Change In Available Balance Since Opening	-38,124,049.95
Today's Credits	9,547,744.95
Today's Debits	47,628,518.97
Total Number Credits	17
Total Number Debits	9

Summaries

Type of Credit	Number of Items	Amount
Total ACH Concentration Credits	6	6,297,311.06
Total Deposits	5	50,927.51
Total Wire Transfer Credits	6	3,200,106.38
Credit Totals	**17**	**9,547,744.95**

Type of Debit	Number of Items	Amount
Total Miscellaneous Debits	2	490,189.00
Total Pre-Authorized ACH Debits	5	9,990,817.31
Total Wire Transfer Debits	4	43,808,012.66
Debit Totals	**11**	**47,628,518.97**

Credit Transactions

01 15 20XX	145 ACH CONCENTRATION CREDIT	**Credit Amount:**	2,427,603.45
	Cust Ref: 0910000100555828	**Bank Ref:**	
	COMPANY NAME: XENYYZZ COMPANY		
	ENTRY DESC: AUTOSETTLE		
	CUSTOMER ID: FILE 1000000000		
	CUSTOMER NAME: ACME SETLMNT		
	COMPANY ID: 123456789O		
	ENTRY CLASS CODE: CCD		
	DISCRETIONARY DATA:		
	ACH ORIGINATION - XENYYZZ COMPANY - FILE 1000000000 COID 123456789O 0910000555828		

Debit Transactions

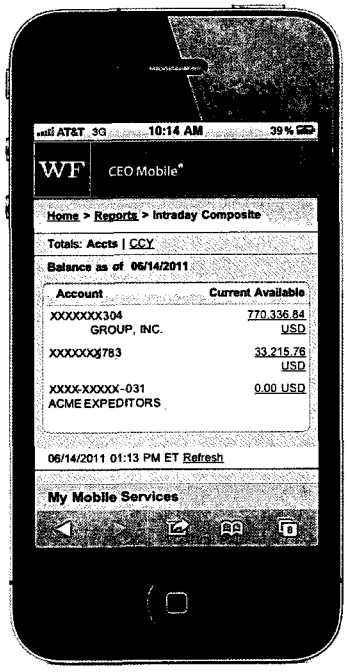
01 15 20XX	455 PREAUTHORIZED ACH DEBIT	**Debit Amount:**	2,998,113.55
	Cust Ref: 0910000106554566	**Bank Ref:**	
	COMPANY NAME: EEFFGG COMPANY		
	ENTRY DESC: CBA FUND		
	CUSTOMER ID: THE ABC		
	CUSTOMER NAME: THE ABC		
	COMPANY ID: 55-5555555		
	ENTRY CLASS CODE: CCD		
	DISCRETIONARY DATA: 00		

Grand Total For Currency: USD

Balances

Opening Ledger Balance	48,015,608.18
Opening Available Balance	38,399,747.08
Current Ledger Balance	9,932,834.06
Current Available Balance	275,697.13
One Day Float	10,657,136.93
Two+ Day Float	.00
Back Value Adjustment To Opening Ledger	.00
Back Value Adjustment To Opening Available	.00
Change In Available Balance Since Opening	-38,080,774.62
Today's Credits	9,547,744.95
Today's Debits	47,628,518.97
Total Number Credits	17
Total Number Debits	9

— END OF REPORT —



For more information on Treasury Information Reporting, contact your Wells Fargo treasury management representative or visit www.wellsfargo.com/com.

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WIS-1033 - 06/11

WELLS FARGO

Treasury Information Reporting

Wire Transfer Detail report

Giving you comprehensive, current-day detail of all funds transfers

The Wire Transfer Detail report is a quick and efficient way to keep track of all your outgoing and incoming funds transfers. This report shows a comprehensive, current-day (not yet posted) detail of all outgoing and incoming funds transfers, conveniently grouped by type: book transfers, Federal Reserve domestic wires, and international wires, including SWIFT and CHIPS. The Wire Transfer Detail report is available whenever and wherever you need it through the Treasury Information Reporting service, the cash management and treasury services component of the Wells Fargo *Commercial Electronic Office®* (*CEO®*) portal.

Wire Transfer Detail report offers:

Current, accurate information. Account information is updated continuously throughout the day, ensuring up-to-date information regardless of when you access the reports. This report is often your first notice that you've received an incoming wire transfer.

Reduced risk of fraud. Wire transfers tend to be large-value transactions posing a serious risk of fraud. Run this report as often as necessary to see your funds transfer activity as soon as possible.

Validation of internal records. You can use the Wire Transfer Detail report to validate your internal records of outgoing wires as well as to verify that the bank processed all wires that day.

Proactive notification. When you sign up for the Event Messaging service, we will notify you by email, text message, or fax when your Wire Transfer Detail report is ready to view.

Flexible delivery. The Wire Transfer Detail report is available through the *CEO* portal to view, print, or download in BAI V2, CSV, or Excel formats.

A host of customization options. Tailor your report to meet your business requirements:

- **Select only the banks and accounts you want to see.** Highlight the accounts you want, or, if you have a long list of accounts, use the filter feature to narrow the list.
- **Choose a reporting period.** Choose either the current business day, any business day within the last week, or enter custom beginning and ending dates. You can also enter a time range to see only those transactions within a specific time period.
- **Define the report content.** Include debits or credits, full transaction details, or subtotals. Or, select by a wire dollar amount or a range of dollar amounts.
- **View "Transactions Since Last Reported."** This useful feature allows you to view only those transactions that have been reported since your last report retrieval—helping to streamline your processes and save money.
- **Control how much detail you see.** Add details to your report, such as full text details associated with the wire, subtotals, or a summary of your customization selections.
- **Choose the data fields you want.** When you download the report in CSV or Excel format, you can select the data fields you need and the order in which you want them to appear.
- **Save your customization options.** After you tailor your reports to meet your business needs, you can save and reuse them. Each user in your company can save up to 100 customized report templates. You can also easily modify, rename, and delete report templates as your business needs change.

Technical specifications:

- View the report in HTML or PDF formats.
- Download the report in BAI V2, CSV, or Excel formats.
- Data retention: Standard storage—seven days; extended optional storage—30, 60, or 90 days.

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TM-2164 - 05/11

Wire Transfer Detail report (continued)

Treasury Information Report

WELLS FARGO

05/06/20XX 02:27 PM ET
CUSTOMER ID: WELLS
OPERATOR ID: HENRY

HENRY WELLS, INC.
Wire Transfer Detail Report
As of 05/06/20XX

Commercial Electronic Office®

Treasury Information Reporting

Note: Intraday information subject to change

Currency: USD
Bank: 073000228
Account: 12344

WELLS FARGO BANK, N.A.
ABC COMPANY

Credit Wire Amount	Process Date Time	From	Corresponding Bank:	Status
3,589,448.67	05/06/20XX N/A	FEDWIRE N/A XYZ TRUST /09-876543 N/A	N/A	COMPLETE

Wire Service Reference Number:
0506G1B76E6C001225
Wells Message Number:
0506XX033038
PC Reference/Confirmation Number:
872560401
Value Date:
05/06/20XX
Wire Type:
195
Wire Amount:
3,589,448.67
Transaction Reference Number:
0506XX033038
USD Equivalent Amount:
3,589,448.67
Originator ID:
381370
Originator Name and Address:
XYZ TRUST /09-876543
123 MAIN ST
YOUR TOWN US60675
Instructing Bank Code/ID:
N/A
Instructing Bank Name and Address:
N/A

Instructed Currency/Amount:
USD/3,589,448.67
Exchange Rate:
.000000
Fed/CHIPS/SWIFT Reference Number:
0506G1B76E6C001225
Completed Timestamp:
05/06/20XX 09:55 AM CT
Sender Reference Number:
200506XX00249572

Originating Bank Code/ID:
N/A
Originating Bank Name and Address:
OUTGOING MASTER TRUST WIRE
50 S. LA SALLE STREET
YOUR TOWN US00000
Receiving Party ID:
000000000012344
Receiving Party Name and Address:
ABC COMPANY
SUITE 101
123 WELLS BLVD
ANYTOWN US 00001-0000

Sending Party ID:
012000123
Sending Party Name and Address:
THE XYZ TRUST COMPANY
CHICAGO, IL
Bank to Bank Info:
N/A

Intermediary Bank Code/ID:
N/A
Intermediary Bank Name and Address:
N/A

Beneficiary Code/ID:
N/A
Beneficiary Reference ID:
0000020570
Beneficiary Name and Address:
ABC FIDUCIARY ACCOUNT

Beneficiary Bank Code/ID:
N/A
Beneficiary Bank Name and Address:
N/A
Originator to Beneficiary Info:
XYZ TRUST TTEE FBO J DOE
000002111

3,694,105.87 Credit Total For Bank 073000228(USD)
1,069,544.33 Debit Total For Bank 073000228(USD)
2,624,561.54 Net Total For Bank 073000228(USD)

3,694,105.87 Grand Total (Credit) For Currency (USD)
1,069,544.33 Grand Total (Debit) For Currency (USD)
2,624,561.54 Net Grand Total For Currency (USD)

--- END OF REPORT ---

For more information on the Wire Transfer Detail report, contact your Wells Fargo treasury management representative or visit www.wellsfargo.com/com.

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Commercial/Commercial Checking/National Bank customers

Unencoded check deposit availability schedule

All unencoded checks deposited to a Commercial or National Bank account and received before the cutoff time posted in the store, cash vault, or any other department/office receive collected funds in accordance with the following schedule:

	Collected funds
Wells Fargo Bank checks[1]	Same day
U.S. government checks	One day
All other checks	Two days

Collected funds are stated in business days. Collected funds on checks drawn on banks in Federal Reserve areas closed in observance of a holiday are delayed one additional day.

Wells Fargo will not process single deposits of $100 million or more. Such deposits will be returned to you unprocessed.

This schedule is subject to change without notice.

[1]Includes Wachovia Bank checks

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TM-2177 07/10

WELLS FARGO

Commercial/Commercial Checking/National Bank customers

Unencoded cash vault or store deposit with the Smart Decision® service

Availability schedule

Cash vault or store deposits made to a Commercial or National Bank account enabled for the *Smart Decision*® service[1] received before the published cutoff time receive collected funds in accordance with the following schedule:

	Collected funds
Wells Fargo Bank checks	Same day
Checks converted to ACH	One day

Items not converted to ACH receive the standard unencoded availability based on the state location of deposit.[1]

Collected funds are stated in business days. Collected funds on checks drawn on banks in Federal Reserve areas closed in observance of a holiday are delayed one additional business day.

Wells Fargo will not process single deposits of $100 million or more. Such deposits will be returned to you unprocessed.

This schedule is subject to change without notice.

[1]The *Smart Decision* service is available for cash vault or store deposit customers and is used to convert eligible items to ACH debits. Items not eligible for ACH conversion, such as business checks, would be subject to the standard availability for cash vault or store items based on the state location of deposit. Please refer to the published state unencoded store and cash vault availability schedule for more details.

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WELLS FARGO

Commercial/Commercial Checking/National Bank customers

Cash vault deposit with the Smart Decision® service

Accelerated availability schedule

Cash vault electronic deposits made to a Commercial or National Bank account enabled for the Smart Decision® service[1] received before the published cutoff time receive collected funds in accordance with the following schedule:

	Collected funds
Wells Fargo Bank checks	Same day
Checks converted to ACH	One day
U.S. Government checks	One day
All other checks	Two days

Collected funds are stated in business days. Collected funds on checks drawn on banks in Federal Reserve areas closed in observance of a holiday are delayed one additional business day.

This schedule is subject to change without notice.

[1] The Smart Decision service is available for cash vault customers and is used to convert eligible items to ACH debits. Items not eligible for ACH conversion, such as business checks, would be subject to the standard availability for cash vault electronic deposited items.

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TM-2220e 10/09

WELLS FARGO

Commercial / Commercial Checking / National Bank customers

Desktop Deposit® service with Smart Decision® availability schedule

All Wells Fargo electronic deposits to a commercial or national bank account enabled with the *Smart Decision* service[1] and received before the published cutoff time of 9 p.m. Central Time receive collected funds in accordance with the following schedule:

	Collected funds
Items converted to ACH	
Wells Fargo Bank checks*	Same day
All other checks	One day
Items not converted to ACH	
Wells Fargo Bank checks*	Same day
U.S. government checks	One day
Select financial institution checks[2]	One day
All other checks	Two days

Collected funds are stated in business days. Collected funds on checks drawn on banks in Federal Reserve areas closed in observance of a holiday are delayed one additional day.

*Excludes Wells Fargo Bank Controlled Disbursement checks. Wells Fargo Bank Controlled Disbursement checks receive collected funds the next business day.

This schedule is subject to change without notice.

[1]The *Smart Decision* service is available for *Desktop Deposit* service customers and is used to convert eligible items to ACH debits. Items not eligible for ACH conversion, such as business checks, would be subject to the standard availability for *Desktop Deposit* service items.

[2]Includes approximately 9,000 select bank endpoints. Please contact your Wells Fargo treasury management representative for more information.

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TM-1917 10/10

Commercial / Commercial Checking / National Bank customers

Wells Fargo Electronic Deposit℠ service with Smart Decision® availability schedule

All *Wells Fargo Electronic Deposit* service items deposited to a commercial or national bank account using the *Smart Decision* service[1] and received before the published cutoff time of 9 p.m. Central Time receive collected funds in accordance with the following schedule:

	Collected funds
Items converted to ACH	
Wells Fargo Bank checks*	Same day
All other checks	One day
Items not converted to ACH	
Wells Fargo Bank checks*	Same day
U.S. government checks	One day
All other checks[2]	One day (fractional)

Collected funds are stated in business days. Collected funds on checks drawn on banks in Federal Reserve areas closed in observance of a holiday are delayed one additional day.

For deposits made on Friday, all non-Wells Fargo checks will be available on the first business day of the following week (normally Monday).

*Excludes Wells Fargo Bank Controlled Disbursement checks. Wells Fargo Bank Controlled Disbursement checks receive collected funds the next business day.

This schedule is subject to change without notice.

[1]The *Smart Decision* service is available for *Wells Fargo Electronic Deposit* customers and is used to convert eligible items to ACH debits. Items not eligible for ACH conversion, such as commercial checks, would be subject to the standard availability for *Wells Fargo Electronic Deposit* items.

[2]Fractional availability is applied to non-Wells Fargo items for anticipated delays in collection. The current fractional availability is 90 percent. This means 90 percent of the deposited amount of these items is available the next business day, with the remaining 10 percent available in two business days.

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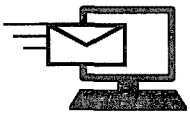
TM-1918 10/10



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WELLS FARGO ADVANTAGE FUNDS

100% Treasury Money Market Fund Summary

Class/Ticker: Service Class - NWTXX

Summary Prospectus | June 1, 2011

Link to Prospectus Link to SAI

Before you invest, you may want to review the Fund's prospectus, which contains more information about the Fund and its risks. You can find the Fund's prospectus and other information about the Fund online at wellsfargo.com/advantagefunds. You can also get information at no cost by calling 1-800-222-8222, or by sending an email request to wfaf@wellsfargo.com. The current prospectus ("Prospectus") dated June 1, 2011, and statement of additional information ("SAI"), dated June 1, 2011, are incorporated by reference into this summary prospectus. The Fund's SAI may be obtained, free of charge, in the same manner as the Prospectus.

Investment Objective

The Fund seeks current income exempt from most state and local individual income taxes, while preserving capital and liquidity.

Fees and Expenses

These tables are intended to help you understand the various costs and expenses you will pay if you buy and hold shares of the Fund.

Shareholder Fees (fees paid directly from your investment)

Maximum sales charge (load) imposed on purchases (as a percentage of offering price)	None
Maximum deferred sales charge (load) (as a percentage of offering price)	None

Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fees	0.27%
Distribution (12b-1) Fees	0.00%
Other Expenses	0.43%
Total Annual Fund Operating Expenses	**0.70%**
Fee Waivers	0.20%
Total Annual Fund Operating Expenses After Fee Waiver[1]	**0.50%**

1. The Adviser has committed through July 11, 2013 to waive fees and/or reimburse expenses to the extent necessary to cap the Fund's Total Annual Fund Operating Expenses After Fee Waiver, excluding certain expenses, at the amount shown above. After this time, such cap may be changed or the commitment to maintain the cap may be terminated only with the approval of the Board of Trustees.

Example of Expenses

The example below is intended to help you compare the costs of investing in the Fund with the costs of investing in other mutual funds. The example assumes a $10,000 initial investment, 5% annual total return, and that operating expenses remain the same as in the tables above. The fee waiver in the Total Annual Fund Operating Expenses After Fee Waiver is only reflected for the length of the waiver commitment in each of the following time periods. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

After:	
1 Year	$51
3 Years	$183
5 Years	$349
10 Years	$832

Principal Investment Strategies

Under normal circumstances, we invest exclusively in high-quality, short-term money market instruments that consist of U.S. Treasury obligations.

Our security selection is based on several factors, including yield and maturity, while taking into account the Fund's overall level of liquidity and average maturity.

Principal Investment Risks

An investment in the Fund is not a deposit of Wells Fargo Bank, N.A. or its affiliates and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

Debt Securities Risk. The issuer of a debt security may fail to pay interest or principal when due, and changes in market interest rates may reduce the value of debt securities or reduce the Fund's returns.

Issuer Risk. The value of a security may decline because of adverse events or circumstances that directly relate to conditions at the issuer or any entity providing it credit or liquidity support.

Management Risk. There is no guarantee of the Fund's performance or that the Fund will meet its objective. The market value of your investment may decline and you may suffer investment loss.

Market Risk. The market price of securities owned by the Fund may rapidly or unpredictably decline due to factors affecting securities markets generally or particular industries.

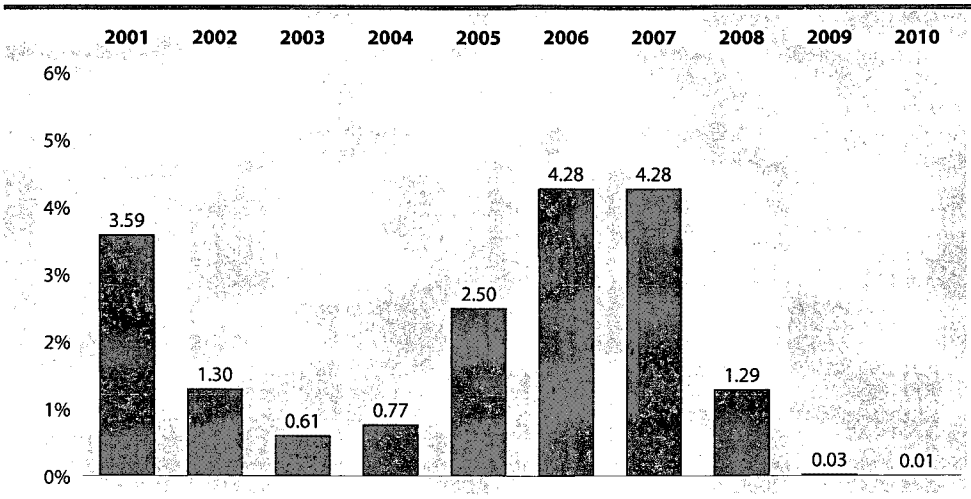
Money Market Fund Risk. Although the Fund seeks to maintain the value of your investment at $1.00 per share, there is no assurance that it will be able to do so, and it is possible to lose money by investing in the Fund.

Regulatory Risk. Changes in government regulations may adversely affect the value of a security. An insufficiently regulated industry or market might also permit inappropriate practices that adversely affect an investment.

Performance

The following information provides some indication of the risks of investing in the Fund by showing changes in the Fund's performance from year to year. Past performance is no guarantee of future results. Current month-end performance is available on the Fund's Web site at *wellsfargo.com/advantagefunds*. To obtain a current 7-day yield for the Fund call toll-free 1-800-222-8222.

Calendar Year Total Returns as of 12/31 each year
Service Class



Highest Quarter: 1st Quarter 2001 +1.23%

Lowest Quarter: 1st Quarter 2010 +0.00%

Year-to-date total return as of 3/31/2011 is 0.00%

Average Annual Total Returns for the periods ended 12/31/2010

	Inception Date of Share Class	1 Year	5 Year	10 Year
Service Class	12/3/1990	0.01%	1.96%	1.86%

Fund Management

Adviser	Sub-Adviser
Wells Fargo Funds Management, LLC	Wells Capital Management Incorporated

Transaction Policies

Buying Fund Shares	To Place Orders or Redeem Shares
Minimum Initial Investment Service Class: $100,000 **Minimum Additional Investment** No minimum	**Mail:** *Wells Fargo Advantage Funds* P.O. Box 8266 Boston, MA 02266-8266 **Internet:** wellsfargo.com/advantagefunds **Phone or Wire:** 1-800-222-8222 **Contact your financial professional.**

In general, you can buy or sell shares of the Fund by mail, internet, phone or wire on any business day. You also may buy and sell shares through a financial professional.

Tax Information

Any distributions you receive from the Fund may be taxable as ordinary income or capital gains, except when your investment is in an IRA, 401(k) or other tax advantaged investment plan.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Consult your salesperson or visit your financial intermediary's Web site for more information.

Link to Prospectus Link to SAI

WELLS FARGO

Commercial/Commercial Checking/National Bank customers

Unencoded check deposit availability schedule

All unencoded checks deposited to a Commercial or National Bank account and received before the cutoff time posted in the store, cash vault, or any other department/office receive collected funds in accordance with the following schedule:

	Collected funds
Wells Fargo Bank checks[1]	Same day
U.S. government checks	One day
All other checks	Two days

Collected funds are stated in business days. Collected funds on checks drawn on banks in Federal Reserve areas closed in observance of a holiday are delayed one additional day.

Wells Fargo will not process single deposits of $100 million or more. Such deposits will be returned to you unprocessed.

This schedule is subject to change without notice.

[1]Includes Wachovia Bank checks

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TM-2177 07/10

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WELLS FARGO

Commercial/Commercial Checking/National Bank customers

Unencoded cash vault or store deposit with the Smart Decision® service

Availability schedule

Cash vault or store deposits made to a Commercial or National Bank account enabled for the *Smart Decision*® service[1] received before the published cutoff time receive collected funds in accordance with the following schedule:

	Collected funds
Wells Fargo Bank checks	Same day
Checks converted to ACH	One day

Items not converted to ACH receive the standard unencoded availability based on the state location of deposit.[1]

Collected funds are stated in business days. Collected funds on checks drawn on banks in Federal Reserve areas closed in observance of a holiday are delayed one additional business day.

Wells Fargo will not process single deposits of $100 million or more. Such deposits will be returned to you unprocessed.

This schedule is subject to change without notice.

[1]The *Smart Decision* service is available for cash vault or store deposit customers and is used to convert eligible items to ACH debits. Items not eligible for ACH conversion, such as business checks, would be subject to the standard availability for cash vault or store items based on the state location of deposit. Please refer to the published state unencoded store and cash vault availability schedule for more details.

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TM-2221 - 10/09

Treasury Management

WELLS FARGO

Commercial/Commercial Checking/National Bank customers

Cash vault deposit with the Smart Decision® service

Accelerated availability schedule

Cash vault electronic deposits made to a Commercial or National Bank account enabled for the Smart Decision® service[1] received before the published cutoff time receive collected funds in accordance with the following schedule:

	Collected funds
Wells Fargo Bank checks	Same day
Checks converted to ACH	One day
U.S. Government checks	One day
All other checks	Two days

Collected funds are stated in business days. Collected funds on checks drawn on banks in Federal Reserve areas closed in observance of a holiday are delayed one additional business day.

This schedule is subject to change without notice.

[1] The Smart Decision service is available for cash vault customers and is used to convert eligible items to ACH debits. Items not eligible for ACH conversion, such as business checks, would be subject to the standard availability for cash vault electronic deposited items.

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wellsfargo.com/com

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TM-2220e 10/09

WELLS FARGO

Commercial / Commercial Checking / National Bank customers

Desktop Deposit® service with Smart Decision® availability schedule

All Wells Fargo electronic deposits to a commercial or national bank account enabled with the *Smart Decision* service[1] and received before the published cutoff time of 9 p.m. Central Time receive collected funds in accordance with the following schedule:

	Collected funds
Items converted to ACH	
Wells Fargo Bank checks*	Same day
All other checks	One day
Items not converted to ACH	
Wells Fargo Bank checks*	Same day
U.S. government checks	One day
Select financial institution checks[2]	One day
All other checks	Two days

Collected funds are stated in business days. Collected funds on checks drawn on banks in Federal Reserve areas closed in observance of a holiday are delayed one additional day.

*Excludes Wells Fargo Bank Controlled Disbursement checks. Wells Fargo Bank Controlled Disbursement checks receive collected funds the next business day.

This schedule is subject to change without notice.

[1]The *Smart Decision* service is available for *Desktop Deposit* service customers and is used to convert eligible items to ACH debits. Items not eligible for ACH conversion, such as business checks, would be subject to the standard availability for *Desktop Deposit* service items.

[2]Includes approximately 9,000 select bank endpoints. Please contact your Wells Fargo treasury management representative for more information.

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TM-1917 10/10

WELLS FARGO

Commercial / Commercial Checking / National Bank customers

Wells Fargo Electronic Deposit℠ service with Smart Decision® availability schedule

All *Wells Fargo Electronic Deposit* service items deposited to a commercial or national bank account using the *Smart Decision* service[1] and received before the published cutoff time of 9 p.m. Central Time receive collected funds in accordance with the following schedule:

	Collected funds
Items converted to ACH	
Wells Fargo Bank checks*	Same day
All other checks	One day
Items not converted to ACH	
Wells Fargo Bank checks*	Same day
U.S. government checks	One day
All other checks[2]	One day (fractional)

Collected funds are stated in business days. Collected funds on checks drawn on banks in Federal Reserve areas closed in observance of a holiday are delayed one additional day.

For deposits made on Friday, all non-Wells Fargo checks will be available on the first business day of the following week (normally Monday).

*Excludes Wells Fargo Bank Controlled Disbursement checks. Wells Fargo Bank Controlled Disbursement checks receive collected funds the next business day.

This schedule is subject to change without notice.

[1]The *Smart Decision* service is available for *Wells Fargo Electronic Deposit* customers and is used to convert eligible items to ACH debits. Items not eligible for ACH conversion, such as commercial checks, would be subject to the standard availability for *Wells Fargo Electronic Deposit* items.

[2]Fractional availability is applied to non-Wells Fargo items for anticipated delays in collection. The current fractional availability is 90 percent. This means 90 percent of the deposited amount of these items is available the next business day, with the remaining 10 percent available in two business days.

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Commercial Card Expense Reporting

CCER Sample Reports

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Reports Available

Standard Offline Reports
(submitted or scheduled)
Account Summary
Cash Advance Account Summary
Decline
Foreign Transaction Fee
Inactive Account Detail
MCC Detail Transaction
MCC Transaction Summary
Merchant Detail Transaction
Merchant Transaction Summary
Multiple Transactions Per Merchant
Scheduled Account Parameters
Top 10 Carrier Summary
Top 10 Merchant Category
Top 10 Vehicle Chain Summary
Top 25 Lodging Chain Summary
Transaction Detail
Transportation City Pair By Carrier
Transportation Detail
Weekend and U.S. Holiday Transaction

Requests & Status Queues
Pending & Closed card requests
Credit Limit Change Requests
Cancelled Cards
Card Activation Requests
Reviewing Request Status Queue
Reviewing statement status

Audit Reports
ACH Reject
ACH Summary
Available Credit
Cardholder and OOP Only User
CEO User ID
Email
Event Management
Login Activity
Report Generation Activity

Cycle Reports
General Ledger
Offline Cardholder Statements
Personal and OOP
Bill Presentment

Desktop Audit Reports
Cardholder Detail
Cardholder Detail with Allocation
Cardholder Inactivity
Cardholder Watch List
MCC Watch List
Multiple Transactions per Merchant
OOP Expense Threshold
Spending Threshold Watch List
Top Ten Merchant Category
Weekend & Holiday Watch

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Offline Reports/Standard Reports

- View Online or Download a PDF or Excel file.
- Ability to Schedule Reports
  - Choose the time of day
  - Select Reoccurrence (until date or infinite)
  - Pick Frequency from:
    - One time request
    - Daily
    - Weekly
    - Monthly
    - Last day of the month
    - Twice a month

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Account Summary List

Page 1 | Download | Print

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Excel

WELLS FARGO

Summary List

Wqa Test A

All Divisions & Company

Page 1 of 1

Run Date: 03/12/2009 02:44 PM PT

Charges and Limits for Each Account

Card Number	Name	Number of Transactions				Amount				Credit Limit	Single Limit	Expiration Date
		Daily	Cycle	Monthly	Other	Daily	Cycle	Monthly	Other			
...1484	Wqa Corporate Account\	0	0	0	0	0.00	0.00	0.00	0.00	100.00	0.00	12/2049
...1575	Wqa Corporate Account\	0	0	0	0	0.00	0.00	0.00	0.00	100.00	0.00	12/2049

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Cash Advance Account Summary Report

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Cash Advance Account Summary

ABC MANUFACTURING

Page 1 of 1
Run Date: 08/20/20XX 9:20 AM PT
Reporting Period Based On: Posting Date
Reporting Period: 08/01/20XX - 08/20/20XX

Cash Advances for Each Card Number

Card Number	Cardholder Name	Cash Advance Count	Cash Advance Amount	Cash Advance Average
...8920	Klein, Jack	3	135.97	45.32
...1302	West, Jason	1	22.97	22.97
		4	**158.94**	**39.73**

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Decline Report

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WELLS FARGO

Decline Report

ABC MANUFACTURING

Page 1 of 1
Run Date: 11/03/2009 01:16 PM PT

Decline Dates: 09/01/20XX - 11/03/20XX

Declined Transactions for Klein, Jack ...8920

Daily Limit:	1000	Daily Transactions:	15	Cycle Transactions:	450
Single Purchase:	500	Monthly Limit:	30,000		

Transaction Date	Amount	Merchant Name	MCC	Description	Decline Reason
10/23/20XX	600.00	Merchant A	3690	Entertainment	Exceed Single Purchase Limit
10/23/20XX	10.00	Merchant B	3501	Entertainment	Unauthorized MCC
10/14/20XX	31.00	Merchant C	5234	Store	Unauthorized MCC
	641.00	**3 Declines**			

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Foreign Transaction Fee Report

Foreign Transaction Fees Report
ABC MANUFACTURING

Run Date: 11/03/20XX 03:11 PM PT
Reporting Period Based On: Posting Date
Reporting Period: 09/01/20XX - 11/03/20XX

Transaction Fees for Each Cardholder Name and Merchant

Cardholder Name	Merchant Name/Description	Merchant Reference Number	Card Number	Posting Date	Amount/Fee
Klein, Jack	Merchant	10000000002000031241326	...5636	10/2/20XX	188.88
Klein, Jack	Cross Border Trans Fee	10000000002000031241326	...5636	10/2/20XX	26.48
Klein, Jack	Merchant	10000000002000031241336	...5636	10/2/20XX	188.88
Klein, Jack	Cross Border Trans Fee	10000000002000031241336	...5636	10/2/20XX	26.48
Klein, Jack	Merchant	10000000002000031241346	...5636	10/2/20XX	188.88
Klein, Jack	Cross Border Trans Fee	10000000002000031241346	...5636	10/2/20XX	26.48
Klein, Jack	Merchant	10000000002000031241356	...5636	10/2/20XX	188.88
Klein, Jack	Cross Border Trans Fee	10000000002000031241356	...5636	10/2/20XX	26.48
Klein, Jack	Merchant	10000000002000031241366	...5636	10/2/20XX	188.88
Klein, Jack	Cross Border Trans Fee	10000000002000031241366	...5636	10/2/20XX	26.48
Klein, Jack	Merchant	10000000002000031241376	...5636	10/2/20XX	188.88
Klein, Jack	Cross Border Trans Fee	10000000002000031241376	...5636	10/2/20XX	26.48
Klein, Jack	Merchant	10000000002000031241386	...5636	10/2/20XX	188.88
Klein, Jack	Cross Border Trans Fee	10000000002000031241386	...5636	10/2/20XX	26.48
Klein, Jack	Merchant	10000000002000031241396	...5636	10/2/20XX	188.88
Klein, Jack	Cross Border Trans Fee	10000000002000031241396	...5636	10/2/20XX	26.48
Klein, Jack	Merchant	10000000002000031241406	...5636	10/2/20XX	188.88
Klein, Jack	Cross Border Trans Fee	10000000002000031241406	...5636	10/2/20XX	26.48
Klein, Jack	Merchant	10000000002000031241416	...5636	10/2/20XX	188.88
Klein, Jack	Cross Border Trans Fee	10000000002000031241416	...5636	10/2/20XX	26.48

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Inactive Account Detail Report List

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Inactive Account Detail List

ABC MANUFACTURING

Page 1 of 1
Run Date: 08/20/20XX 10:21 AM PT
Reporting Period based on Posting Date
Reporting Period: 01/01/20XX - 08/20/20XX

Inactive Card Numbers

Card Number	Cardholder Name	Last Transaction	Unit
...2335	Gordon, Andrew	01/08/20XX	SALES
...2739	Wagner, Judy	03/10/20XX	DEVELOPMENT
...9799	Campbell, Molly	08/19/20XX	RESEARCH
...2133	Cox, Mary	08/20/20XX	CUSTOMER SUPPORT
...2436	Howell, Candi	04/09/20XX	RESEARCH
...0496	Jones, Susan	05/28/20XX	SALES
...2537	King, Tom	06/02/20XX	SALES

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Merchant Category Code Detail Transaction Report

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Merchant Category Code Detail Transaction Report
ABC MANUFACTURING

Page 1 of 1
Run Date: 07/09/20XX 01:03 PM PT
Reporting Period Based On: Posting Date
Reporting Period: 03/01/20XX - 03/10/20XX

Transactions for Each Merchant Category

Merchant Name	Card Number	Posting Date	Transaction Date	Sales Tax	Amount
Merchant Category: 3510 Inns					
Inn	...6219	03/02/20XX	03/01/20XX	0.00	42.90
Inn	...6219	03/05/20XX	03/02/20XX	0.00	48.26
			2 Transactions	**0.00**	**91.16**
Merchant Category: 3520 Hotels					
Hotel	...5989	03/05/20XX	03/03/20XX	0.00	56.16
Hotel	...6169	03/05/20XX	03/01/20XX	0.00	120.00
Hotel	...5971	03/05/20XX	03/01/20XX	0.00	45.20
			3 Transactions	**0.00**	**221.36**
Merchant Category: 5200 Home Supply Warehouses					
Store	...3039	03/05/20XX	03/03/20XX	10.77	141.28
Store	...3245	03/05/20XX	03/01/20XX	0.00	14.96
			2 Transactions	**10.77**	**156.24**
Merchant Category: 5251 Hardware Stores					
Store	...6169	03/02/20XX	03/01/20XX	0.00	51.86
Store	...6268	03/07/20XX	03/02/20XX	0.00	133.97
Store	...1842	03/07/20XX	03/05/20XX	3.49	59.29
Store	...1842	03/07/20XX	03/05/20XX	0.00	378.44
			4 Transactions	**3.49**	**623.56**

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Merchant Category Code Transaction Summary

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Merchant Category Code Transaction Summary Report

ACME Corporation

Run Date: 02/03/2009 6:23 AM PT

Reporting Period Based On: Posting Date

Reporting Period: 01/03/2009 - 01/29/2009

Transactions for Each Merchant Category

Merchant Category		Debit			Credit			Total		
Code	Description	Count	Amount	Average	Count	Amount	Average	Count	Amount	Average
2105	Air Conditioning, Heating, Plumbing Contractors	2	3,660.70	560.20	1	560.20	560.20	**4**	**9,560.20**	**560.20**
3300	Contractors Special Trade Not Elsewhere Classified	1	2,660.70	250.00	1	250.00	250.00	**1**	**9,560.00**	**250.00**
4710	Miscellaneous Publishing and Printing	3	3,660.70	560.20	1	560.20	560.20	**5**	**9,560.20**	**560.20**
5324	Enterprise Rent-A-Car	1	3,660.70	660.20	1	660.20	660.20	**1**	**9,560.20**	**660.20**
6991	Transportation Commuter Passenger	2	1,266.70	250.00	1	250.00	250.00	**3**	**2,560.00**	**250.00**
		9	**10,694.48**	**450.00**	**5**	**2,100.00**	**390.00**	**14**	**40,800.60**	**456.12**

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Merchant Detail Transaction Report

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Merchant Detail Transaction Report
ABC MANUFACTURING

Page 1 of 1
Run Date: 03/09/20XX 09:35 AM PT
Reporting Period Based On: Posting Date
Reporting Period: 01/01/20XX - 03/05/20XX

Transactions for Each Account Listed by Merchant Name

Card Number	Posting Date	Transaction Date		Sales Tax	Amount
Merchant: Electric Company El Paso, TX					
...3573	02/05/20XX	02/02/20XX		0.00	165.64
...0555	03/01/20XX	02/28/20XX		0.00	318.59
			2 Transactions	0.00	484.23
Merchant: Hardware Company Ajo, AZ					
...8920	01/31/20XX	01/29/20XX		0.00	20.73
...8920	03/01/20XX	02/28/20XX		0.00	4.17
			2 Transactions	0.00	24.90
Merchant: Hotel Augusta, GA					
...3737	02/21/20XX	02/19/20XX		22.01	288.95
...9118	02/21/20XX	02/19/20XX		33.66	441.66
...3573	02/22/20XX	02/20/20XX		27.84	365.34
			3 Transactions	83.51	1,095.95

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Merchant Transaction Summary Report

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Merchant Transaction Summary Report
ABC MANUFACTURING

Page 1 of 1
Run Date: 11/03/20XX 03:09 PM PT
Reporting Period Based On: Posting Date
Reporting Period: 09/01/20XX - 11/03/20XX

Transactions for Each Merchant

Merchant	Count	Debit Amount	Average	Count	Credit Amount	Average	Count	Total Amount	Average
Hotel #1 - Austin, TX USA	1	64.07	64.07	0	0.00	0.00	1	64.07	64.07
Hotel #2 - Tyler, TX USA	6	1,284.63	183.52	1	(14.07)	(2.01)	7	1,270.56	181.51
Hotel #3 - Indianapolis, IN USA	1	147.79	147.79	0	0.00	0.00	1	147.79	147.79
Hotel #4 - Tampa, FL USA	6	878.10	146.35	0	0.00	0.00	6	878.10	146.35
Hotel #5 - Naples, FL USA	6	609.50	101.58	0	0.00	0.00	6	609.50	101.58
Car Rental Service #1 - Utica, NY USA	1	68.15	68.15	0	0.00	0.00	1	68.15	68.15
Car Rental Service #2 - Miami, FL USA	9	1,625.35	180.59	0	0.00	0.00	9	1,625.35	180.59
Car Rental Service #3 - Tallahassee, FL USA	3	144.19	48.06	0	0.00	0.00	3	144.19	48.06
Car Rental Service #4 - Colfax, WA USA	8	1,788.42	223.55	0	0.00	0.00	8	1,788.42	223.55
Car Rental Service #5 - Peshtigo, WI USA	6	1,022.54	170.42	0	0.00	0.00	6	1,022.54	170.42
Retail Store #1 - Chaffee, NY USA	1	56.15	56.15	0	0.00	0.00	1	56.15	56.15
Retail Store #2 - Memphis, TN USA	4	1,015.93	203.19	1	(19.51)	(3.90)	5	996.42	199.28
Retail Store #3 - Turlock, CA USA	4	344.91	86.23	0	0.00	0.00	4	344.91	86.23
Retail Store #4 - Colfax, WA USA	1	58.22	58.22	0	0.00	0.00	1	58.22	58.22
Retail Store #5 - Denver, CO USA	3	205.97	68.66	0	0.00	0.00	3	205.97	68.66
Retail Store #6 - Philadelphia, PA USA	6	620.87	103.48	0	0.00	0.00	6	620.87	103.48
Gas Station #1 - Hopelawn, NJ USA	2	101.48	50.74	0	0.00	0.00	2	101.48	50.74
Gas Station #2 - Farmingdale, NJ USA	1	185.82	185.82	0	0.00	0.00	1	185.82	185.82
Gas Station #3 - Youngstown, FL USA	1	98.77	98.77	0	0.00	0.00	1	98.77	98.77

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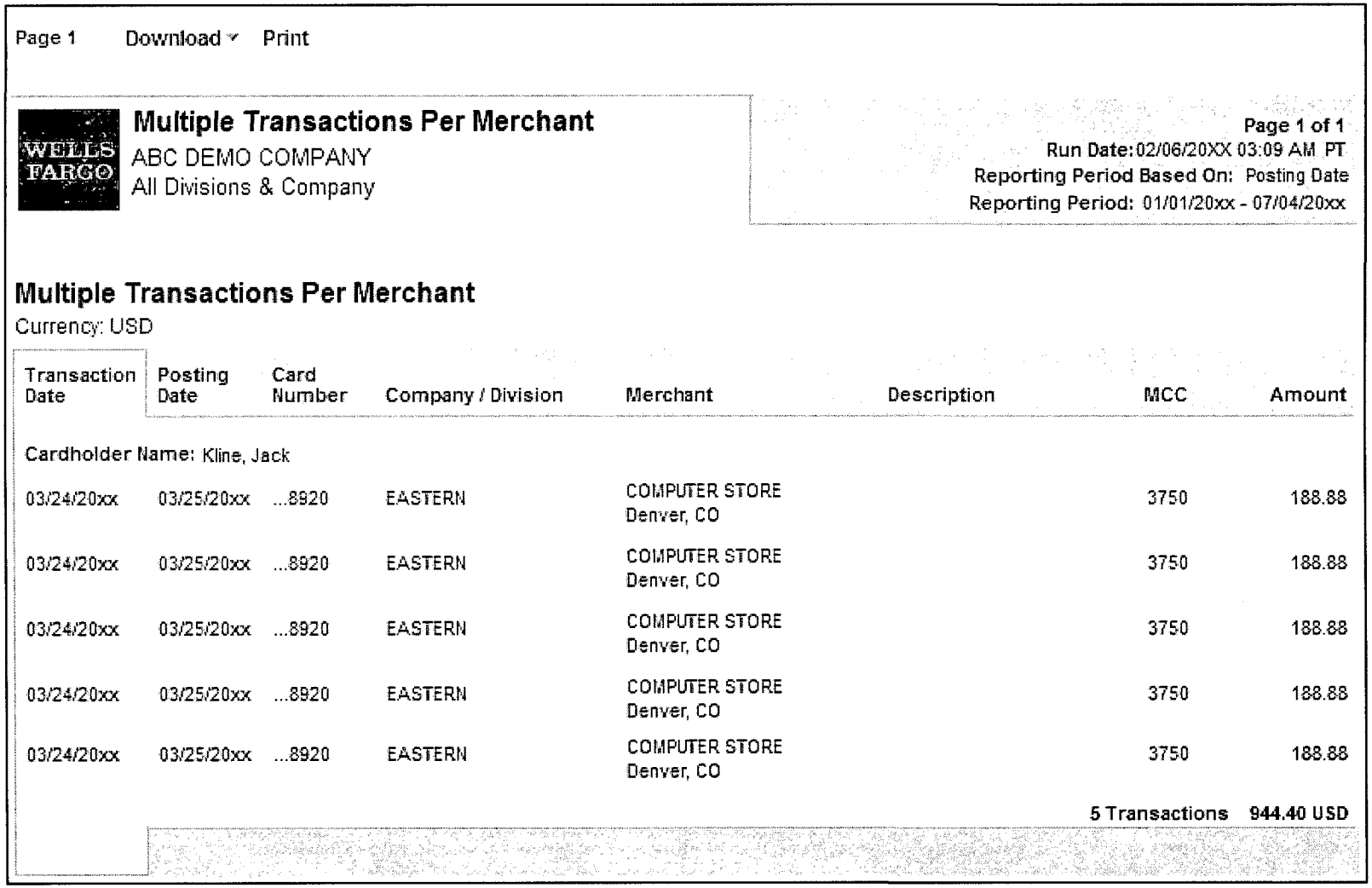
Multiple Transactions Per Merchant Report



Page 1 Download Print

Multiple Transactions Per Merchant
ABC DEMO COMPANY
All Divisions & Company

Page 1 of 1
Run Date: 02/06/20XX 03:09 AM PT
Reporting Period Based On: Posting Date
Reporting Period: 01/01/20xx - 07/04/20xx

Multiple Transactions Per Merchant
Currency: USD

Transaction Date	Posting Date	Card Number	Company / Division	Merchant	Description	MCC	Amount
Cardholder Name: Kline, Jack							
03/24/20xx	03/25/20xx	...8920	EASTERN	COMPUTER STORE Denver, CO		3750	188.88
03/24/20xx	03/25/20xx	...8920	EASTERN	COMPUTER STORE Denver, CO		3750	188.88
03/24/20xx	03/25/20xx	...8920	EASTERN	COMPUTER STORE Denver, CO		3750	188.88
03/24/20xx	03/25/20xx	...8920	EASTERN	COMPUTER STORE Denver, CO		3750	188.88
03/24/20xx	03/25/20xx	...8920	EASTERN	COMPUTER STORE Denver, CO		3750	188.88
						5 Transactions	944.40 USD

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Scheduled Account Parameters Report

Scheduled Account Parameters Report

ABC DEMO COMPANY
All Divisions & Company

Run Date: 09/01/20XX 02:09 PM PT
Reporting Period Based On: Posting Date
Reporting Period: 08/22/20xx - 12/03/20xx

Scheduled Limits

Scheduled Start Date: 09/01/20xx

Schedule Summary

Cardholder Name:	Kline, Jack	Card Number:	...8920	Card Status:	Open
Schedule:	09/01/20xx - 09/15/20xx	Requestor Name:	Wells, Henry	Division:	EASTERN

Comments

Process Date / Time	Status	Daily Number of Transactions	Monthly Number of Transactions	Daily Dollar Limit	Monthly Credit Limit	Single Purchase Limit
Current Limits						
		10	300	500 USD	5,000 USD	
Temporary Limits						
09/01/20xx 12:21 PM PT	Passed	15	400	1,000 USD	7,000 USD	
Reset Limits						
	Pending	10	300	500 USD	5,000 USD	

Scheduled MCC Strategy

Schedule Summary

Cardholder Name:	Kline, Jack	Card Number:	...8920	Card Status:	Open
Schedule:	09/01/20xx - 09/15/20xx	Requestor Name:	Wells, Henry	Division:	EASTERN

Current MCC Strategy			
	Inclusion	TRAVEL, LODGING	
Temporary MCC Strategy			
09/01/20xx 12:21 PM PT	Failed	✗Inclusion	✗TRAVEL, LODGING, ADMIN

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Top 10 Carrier Summary Report

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Top 10 Carrier Summary Report
ABC MANUFACTURING

Page 1 of 1
Run Date: 08/31/20XX 10:04 PM PT
Reporting Period Based On: Posting Date
Reporting Period: 08/01/20XX - 08/31/20XX

Transactions for Each Carrier

	Debit			Credit			Total		
Carrier	Count	Amount	Average	Count	Amount	Average	Count	Amount	Average
1. Airline 1	75	19,492.50	259.90	2	(14.00)	(7.00)	77	19,478.50	252.97
2. Airline 2	31	4,709.20	151.91	0	0.00	0.00	31	4,709.20	151.91
3. Airline 3	16	3,955.00	247.19	0	0.00	0.00	16	3,955.00	247.19
4. Airline 4	46	3,341.08	72.63	0	0.00	0.00	46	3,341.08	72.63
5. Airline 5	12	3,135.00	261.25	0	0.00	0.00	12	3,135.00	261.25
6. Airline 6	12	2,571.85	214.32	0	0.00	0.00	12	2,571.85	214.32
7. Airline 7	4	1,618.00	404.50	1	(707.00)	(707.00)	5	911.00	182.20
8. Airline 8	19	1,582.70	83.30	0	0.00	0.00	19	1,582.70	83.30
9. Airline 9	10	918.00	91.80	0	0.00	0.00	10	918.00	91.8
10. Airline 10	5	518.50	103.70	0	0.00	0.00	5	518.50	103.70
11. All Others	1	229.00	229.00	0	0.00	0.00	1	229.00	229.00
	231	**42,070.83**	**182.12**	**3**	**(721.00)**	**(240.33)**	**234**	**41,347.83**	**176.70**

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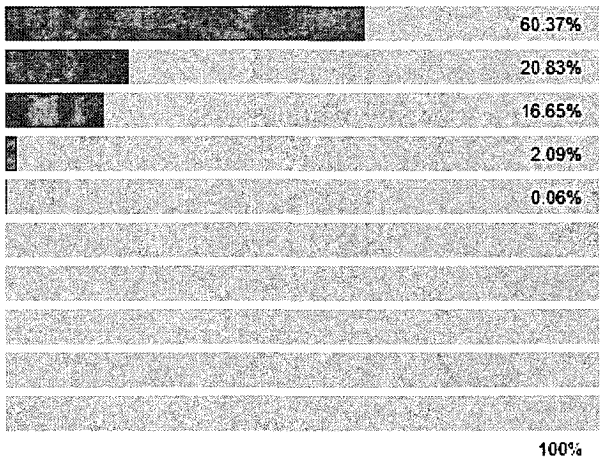
Top 10 Merchant Category Report

Top 10 Merchant Category Report
ABC DEMO COMPANY
All Divisions & Company

Page 1 of 1
Run Date: 09/15/20XX 03:09 PM PT
Reporting Period Based On: Posting Date
Reporting Period: 10/22/20xx - 11/03/20xx

Top 10 Merchant Categories



1. COMPUTER STORE
2. HOTEL
3. AIRLINE
4. CAR RENTAL COMPANY
5. GAS STATION

All amounts converted to USD

Merchant Category Description	MCC	Percentage of Top 10	Amount
1. COMPUTER STORE	6011	60.37%	2,900.00
2. HOTEL	6010	20.83%	1,000.50
3. AIRLINE	5812	16.65%	800.00
4. CAR RENTAL COMPANY	3357	2.09%	100.28
5. GAS STATION	7011	0.06%	2.95
		100%	4803.73 USD

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Top 10 Vehicle Chain Summary Report

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Top 10 Vehicle Rental Chain Summary Report
ABC MANUFACTURING

Run Date: 08/01/20XX 2:00 PM PT
Reporting Period Based On: Posting Date
Reporting Period: 07/01/20XX - 07/31/20XX

Transactions for Each Vehicle Rental Chain

	Debit			Credit			Total		
Vehicle Rental Chain	Count	Amount	Average	Count	Amount	Average	Count	Amount	Average
1. Car Rental 1	75	19,492.50	259.90	2	(14.00)	(7.00)	77	19,478.50	252.97
2. Car Rental 2	31	4,709.20	151.91	0	0.00	0.00	31	4,709.20	151.91
3. Car Rental 3	16	3,955.00	247.19	0	0.00	0.00	16	3,955.00	247.19
4. Car Rental 4	46	3,341.08	72.63	0	0.00	0.00	46	3,341.08	72.63
5. Car Rental 5	12	3,135.00	261.25	0	0.00	0.00	12	3,135.00	261.25
6. Car Rental 6	12	2,571.85	214.32	0	0.00	0.00	12	2,571.85	214.32
7. Car Rental 7	4	1,618.00	404.50	1	(707.00)	(707.00)	5	911.00	182.20
8. Car Rental 8	19	1,582.70	83.30	0	0.00	0.00	19	1,582.70	83.3
9. Car Rental 9	10	918.00	91.80	0	0.00	0.00	10	918.00	91.80
10. Car Rental 10	5	518.50	103.70	0	0.00	0.00	5	518.50	103.70
11. All Others	1	229.00	229.00	0	0.00	0.00	1	229.00	229.00
	231	**42,070.83**	**192.68**	**3**	**(721.00)**	**(240.33)**	**234**	**41,349.83**	**176.70**

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Top 25 Lodging Chain Summary Report

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Top 25 Lodging Chain Summary Report
ABC MANUFACTURING

Page 1 of 1
Run Date: 08/29/20XX 1:20 PM PT
Reporting Period Based On: Posting Date
Reporting Period: 01/01/20XX - 08/01/20XX

Transactions by Lodging Chain

	Debit			Credit			Total		
Lodging Chain	Count	Amount	Average	Count	Amount	Average	Count	Amount	Average
1. Hotel #1	1,210	293,271.17	242.37	21	(4,141.53)	(197.22)	1,231	289,129.64	234.87
2. Hotel #2	1,053	179,564.46	170.53	40	(3,417.49)	(85.44)	1,093	176,146.97	161.16
3. Hotel #3	750	164,491.40	219.32	11	(1,332.36)	(121.12)	761	163,159.04	214.40
4. Hotel #4	755	150,099.16	198.81	7	(1,863.40)	(266.20)	762	148,235.76	194.54
5. Hotel #5	675	143,167.02	212.10	3	(815.54)	(271.85)	678	142,351.48	209.96
6. Hotel #6	596	124,363.21	208.66	14	(1,637.00)	(116.93)	610	122,726.21	201.19
7. Hotel #7	264	53,100.11	201.14	2	(67.84)	(33.92)	266	53,032.27	199.37
8. Hotel #8	252	41,349.48	164.09	4	(160.23)	(40.06)	256	41,189.25	160.90
9. Hotel #9	33	37,432.84	1,134.33	0	0.00	0.00	33	37,432.84	1,134.33
10. Hotel #10	165	30,230.06	183.21	3	(332.64)	(110.88)	168	29,897.42	177.96
11. Hotel #11	118	27,138.33	229.99	5	(1,251.17)	(250.23)	123	25,887.16	210.46
12. Hotel #12	85	26,380.09	310.35	13	(3,222.64)	(247.90)	98	23,157.45	236.30
13. Hotel #13	67	22,230.18	331.79	1	(99.95)	(99.95)	68	22,130.23	325.44
14. Hotel #14	20	16,205.44	810.27	0	0.00	0.00	20	16,205.44	810.27
15. Hotel #15	33	15,494.44	469.53	0	0.00	0.00	33	15,494.44	469.53
16. Hotel #16	51	10,281.70	201.60	0	0.00	0.00	51	10,281.70	201.60
17. Hotel #17	56	9,569.90	170.89	0	0.00	0.00	56	9,569.90	170.89
18. Hotel #18	38	8,392.27	220.85	0	0.00	0.00	38	8,392.27	220.85
19. Hotel #19	21	6,299.12	299.96	5	(591.45)	(118.29)	26	5,707.67	219.53
20. Hotel #20	30	5,623.04	187.43	0	0.00	0.00	30	5,623.04	187.43
21. Hotel #21	19	5,511.86	290.10	1	(85.99)	(85.99)	20	5,425.87	271.29
22. Hotel #22	21	4,950.33	235.73	2	(380.48)	(190.24)	23	4,569.85	198.69
23. Hotel #23	29	4,770.77	164.51	2	(115.22)	(57.61)	31	4,655.55	150.18
24. Hotel #24	22	4,601.72	209.17	0	0.00	0.00	22	4,601.72	209.17
25. Hotel #25	24	4,227.90	176.16	3	(187.23)	(62.41)	27	4,040.67	149.65
26. All Others	254	42,577.19	167.63	3	(314.74)	(104.91)	257	42,262.45	164.45
	6,641	**1,431,323.19**	**215.53**	**140**	**(20,016.90)**	**(142.98)**	**6,781**	**1,411,306.29**	**208.13**

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Transaction Detail Report

Page 1 | Download Print

Transaction Detail Report

ABC MANUFACTUING

All Divisions & Company

Run Date: 04/09/20XX at 10:20 AM PT

Reporting Period Based On: Posting Date

Reporting Period: 03/01/20XX - 03/31/20XX

Charges

Cardholder Name	Card Number	Transaction Date	Posting Date	Merchant Name	Merchant City, State	G/L Code	Personal	Amount/Original Currency
Kline, Jack	...8920	03/25/20XX	03/28/20XX	Computer Store	Denver, CO	273007		2900.00
Kline, Jack	...8920	03/27/20XX	03/29/20XX	Hotel	Dallas, TX	275001		950.50
Kline, Jack	...8920	04/05/20XX	04/07/20XX	Airline	Oakland, CA	275006		(150.50)
								3700.00

Out-of-pocket Expenses

✔ Approved ••• Pending ✗ Declined

Cardholder Name	Card Number	Transaction Date	Description	Expense Category	G/L Code	Distance / Items Count	Rate/ Per Diem	Amount/Original Currency	Status
Kline, Jack	...8920	03/25/20XX	Taxi Fare	Taxi	273002	0	0	75.00	✔
Kline, Jack	...8920	03/25/20XX	Breakfast	Meals	273003	0	0	4.55	•••
								79.55	

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Transportation City Pair by Carrier

Page 1 | Download Print

Transporation City Pair By Carrier Report
ABC MANUFACTURING

Page 1 of 1
Run Date: 08/20/20XX 3:26 PM PT
Reporting Period Based On: Posting Date
Reporting Period: 01/01/20XX - 08/20/20XX

Count for Each Carrier and City Pair

Originating City	Destination City	Carrier	Count
	Las Vegas, NV USA (LAS)	Merchant Airline A	24
Albuquerque, NM USA (ABQ)	Oakland, CA USA (OAK)	Merchant Airline A	1
	Phoenix, AZ USA (PHX)	Merchant Airline A	3
	Phoenix, AZ USA (PHX)	Merchant Airline F	4
			32
Andover, GBR (ADV)	Paramakotoi, GUY (PMT)	Merchant Airline E	1
			1
Assab, ET (ASA)	Rockford, IL USA (RFD)	Merchant Airline D	1
			1
	Charlotte, NC USA (CLT)	Merchant Airline B	1
	Dallas, TX USA (DFW)	Merchant Airline C	1
	Indianapolis, IN USA (IND)	Merchant Airline C	1
	Little Rock, AR USA (LIT)	Merchant Airline B	18
	Memphis, TN USA (MEM)	Merchant Airline C	1
	Memphis, TN USA (MEM)	Merchant Airline B	1
Atlanta, GA USA (ATL)	Memphis, TN USA (MEM)	Merchant Airline F	1
	Myrtle Beach, SC USA (MYR)	Merchant Airline B	1
	Chicago, IL USA (ORD)	Merchant Airline B	2
	Norfolk, VA USA (ORF)	Merchant Airline B	5
	Pittsburgh, PA USA (PIT)	Merchant Airline C	1
	Raleigh/Durham, NC USA (RDU)	Merchant Airline B	8
	Fort Myers, FL USA (RSW)	Merchant Airline F	1
			42

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Transportation Detail Report

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WELLS FARGO

Transportation Detail Report
ABC MANUFACTURING

Page 1 of 1
Run Date: 05/01/20XX 5:28 PM PT
Reporting Period Based On: Posting Date
Reporting Period: 04/01/20XX - 05/01/20XX

Amounts for Each Passenger Listed By Card Number

Card Number	Passenger	Posting Date	Departure Date	Ticket Number	Carrier	Depart	Arrive	Amount
...1302	West, Jason	4/20/20XX	4/22/20XX	623315617164	Airline 3	CVG	LIT	700.10
						LIT	CVG	
						SDF	ATL	
						ATL	SDF	
	West, Jason	5/1/20XX	6/7/20XX	623324565360	Airline 2	CLT	LIT	365.59
						ATL	ORD	
						ORD	ATL	
						LIT	CLT	
	West, Jason	5/1/20XX	6/4/20XX	623325951382	Airline 2	ATL	LIT	349.10
						LIT	ATL	
						CVG	CLT	
						CLT	CVG	
	West, Jason	4/11/20XX	6/19/20XX	623335975006	Airline 2	RDU	ALT	353.60
						ATL	MEM	
						LIT	CTL	
						CLT	MYR	
						16 Flights		**1,768.39**

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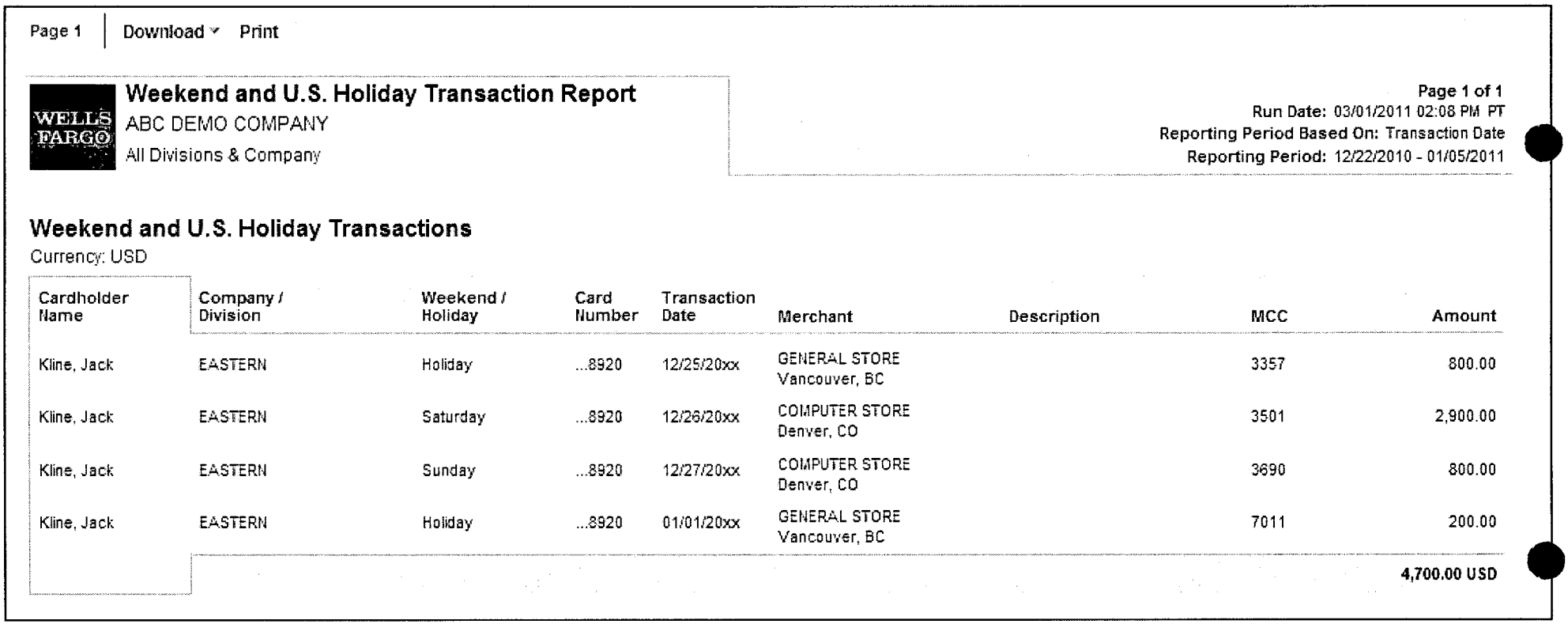
Weekend and U.S. Holiday Transaction Report



Page 1 | Download Print

Weekend and U.S. Holiday Transaction Report
ABC DEMO COMPANY
All Divisions & Company

Page 1 of 1
Run Date: 03/01/2011 02:08 PM PT
Reporting Period Based On: Transaction Date
Reporting Period: 12/22/2010 - 01/05/2011

Weekend and U.S. Holiday Transactions
Currency: USD

Cardholder Name	Company / Division	Weekend / Holiday	Card Number	Transaction Date	Merchant	Description	MCC	Amount
Kline, Jack	EASTERN	Holiday	...8920	12/25/20xx	GENERAL STORE Vancouver, BC		3357	800.00
Kline, Jack	EASTERN	Saturday	...8920	12/26/20xx	COMPUTER STORE Denver, CO		3501	2,900.00
Kline, Jack	EASTERN	Sunday	...8920	12/27/20xx	COMPUTER STORE Denver, CO		3690	800.00
Kline, Jack	EASTERN	Holiday	...8920	01/01/20xx	GENERAL STORE Vancouver, BC		7011	200.00
								4,700.00 USD

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Requests & Status Queues

- Up to 60 days of Data
- View Online

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Pending and Closed Card Requests

- ► Manage Users
- ▼ View Requests/ Status
  - New Card
  - Credit Limit Change
  - Card Cancellation
  - Card Activation
  - Request Status
  - Statement Review Status
- ► Reports
- ► Company Configuration
- ► Manage Statements
- ► Broadcast Message
- ► AP Control

Pending Requests | Closed Requests

Pending requests for new cards are displayed. Select records with **Not Reviewed** in the **Status** column,and click **Approve** or **Deny**. The requests listed as **Overdue** must be resubmitted as new card requests.

Viewing 1 to 10 of 10 Items

Select All | Clear All

		Division	Unit	Name	Credit Limit	Request Date	Requested By	Status ▲
1.	☐	WESTERN (7002)	CUSTOMER SUPPORT (75002)	BROOKS, ROGER	4,800.00 USD	12/26/20xx	SMITH, MARY	Not Reviewed
2.	☐	WESTERN (7002)	RESEARCH (70011)	CAMPBELL, MOLLY	8,500.00 USD	11/26/20xx	GORDON, ANDREW	Not Reviewed
3.	☐	WESTERN (7002)	CUSTOMER SUPPORT (75002)	COX, MARY	2,800.00 USD	11/01/20xx	GORDON, ANDREW	Not Reviewed
4.	☐	WESTERN (7002)	RESEARCH (70011)	EVANS, JERRY	5,400.00 USD	10/26/20xx	SMITH, MARY	Not Reviewed
5.	☐	WESTERN (7002)	SALES (70012)	GORDON, ANDREW	8,500.00 USD	09/26/20xx	SMITH, MARY	Not Reviewed
6.	☐	WESTERN (7002)	RESEARCH (70011)	HOWELL, CANDI	2,800.00 USD	09/01/20xx	SMITH, MARY	Not Reviewed
7.	☐	EASTERN (7001)	SALES (70012)	KING, TOM	3,000.00 USD	12/28/20xx	SMITH, MARY	Not Reviewed
8.		EASTERN (7001)	CUSTOMER SUPPORT (75002)	KLINE, JACK	5,000.00 USD	12/28/20xx	SMITH, MARY	Submitted
9.		EASTERN (7001)	SALES (70012)	SMITH, MARY	2,500.00 USD	12/25/20xx	GORDON, ANDREW	Submitted
10.		EASTERN (7001)	DEVELOPMENT (70010)	WAGNER, JUDY	5,000.00 USD	12/10/20xx	GORDON, ANDREW	Overdue

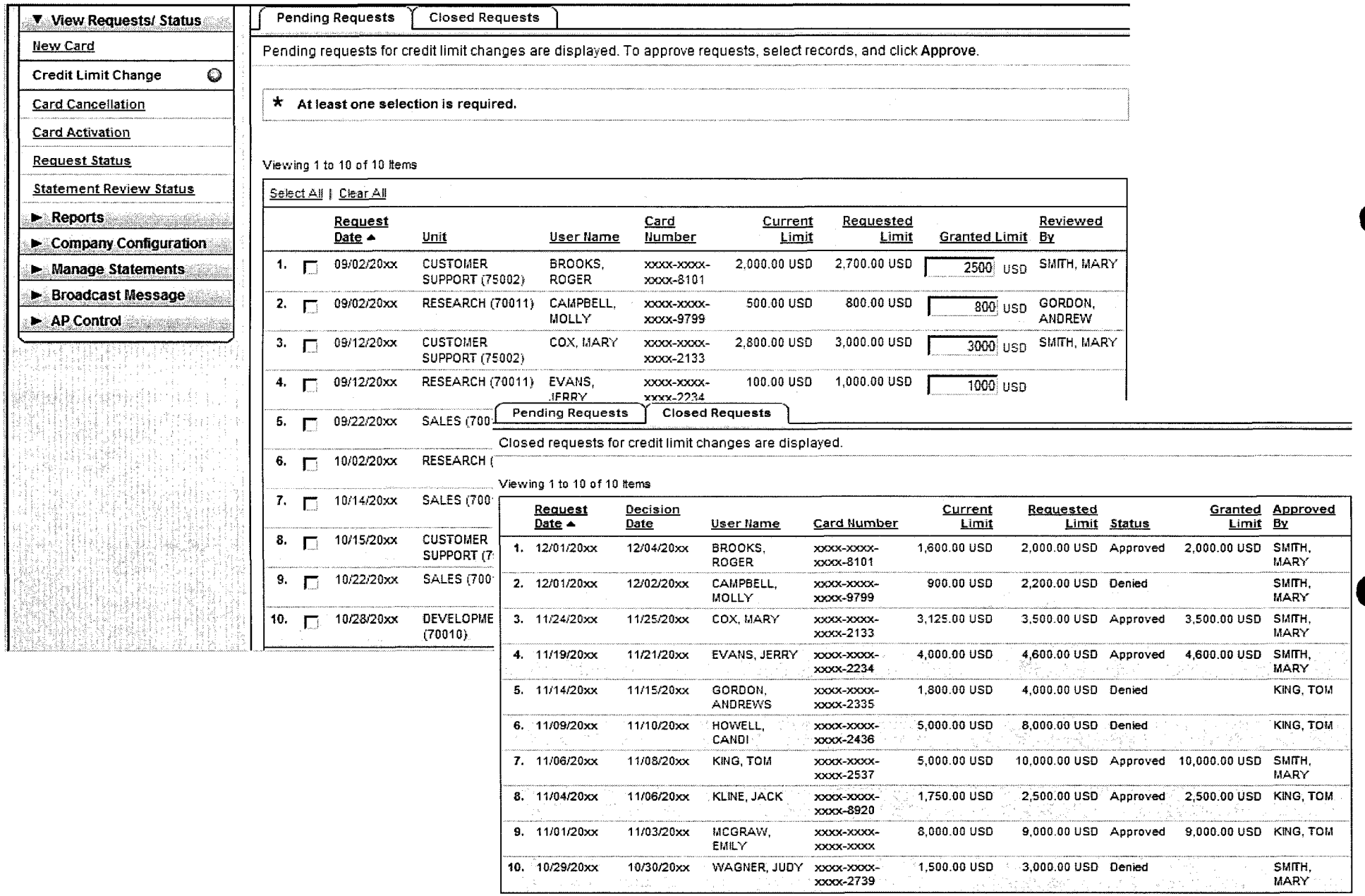
Pending Requests | **Closed Requests**

Closed requests for new cards are displayed.

Viewing 1 to 10 of 10 Items

	Division	Unit	Name	Credit Limit	Request Date	Requested By	Status ▲
1.	EASTERN (7001)	CUSTOMER SUPPORT (75002)	BROOKS, ROGER	5,000.00 USD	08/30/20xx	SMITH, MARY	Closed
2.	WESTERN (7002)	RESEARCH (70011)	CAMPBELL, MOLLY	2,800.00 USD	09/01/20xx	GORDON, ANDREW	Closed
3.	EASTERN (7001)	CUSTOMER SUPPORT (75002)	COX, MARY	4,700.00 USD	09/13/20xx	GORDON, ANDREW	Closed
4.	EASTERN (7001)	RESEARCH (70011)	EVANS, JERRY	9,000.00 USD	09/14/20xx	SMITH, MARY	Closed
5.	WESTERN (7002)	SALES (70012)	GORDON, ANDREW	8,500.00 USD	09/26/20xx	SMITH, MARY	Closed
6.	EASTERN (7001)	RESEARCH (70011)	HOWELL, CANDI	5,000.00 USD	10/10/20xx	SMITH, MARY	Closed
7.	EASTERN (7001)	SALES (70012)	KING, TOM	2,500.00 USD	10/25/20xx	SMITH, MARY	Closed
8.	EASTERN (7001)	CUSTOMER SUPPORT (75002)	KLINE, JACK	5,400.00 USD	10/26/20xx	SMITH, MARY	Denied
9.	EASTERN (7001)	SALES (70012)	SMITH, MARY	5,000.00 USD	10/28/20xx	GORDON, ANDREW	Denied
10.	EASTERN (7001)	DEVELOPMENT (70010)	WAGNER, JUDY	3,000.00 USD	10/28/20xx	GORDON, ANDREW	Denied

Credit Limit Change Requests



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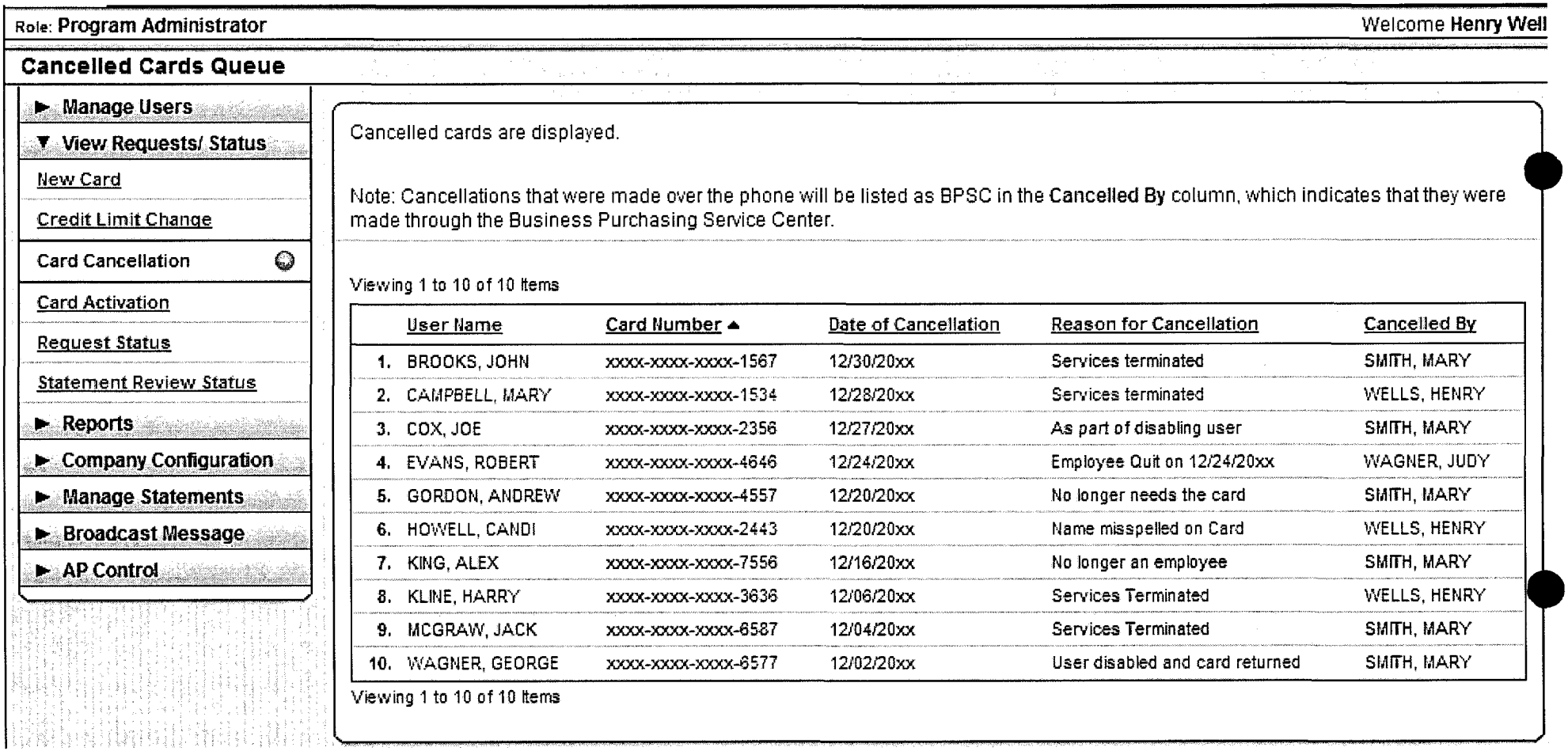
Cancelled Cards



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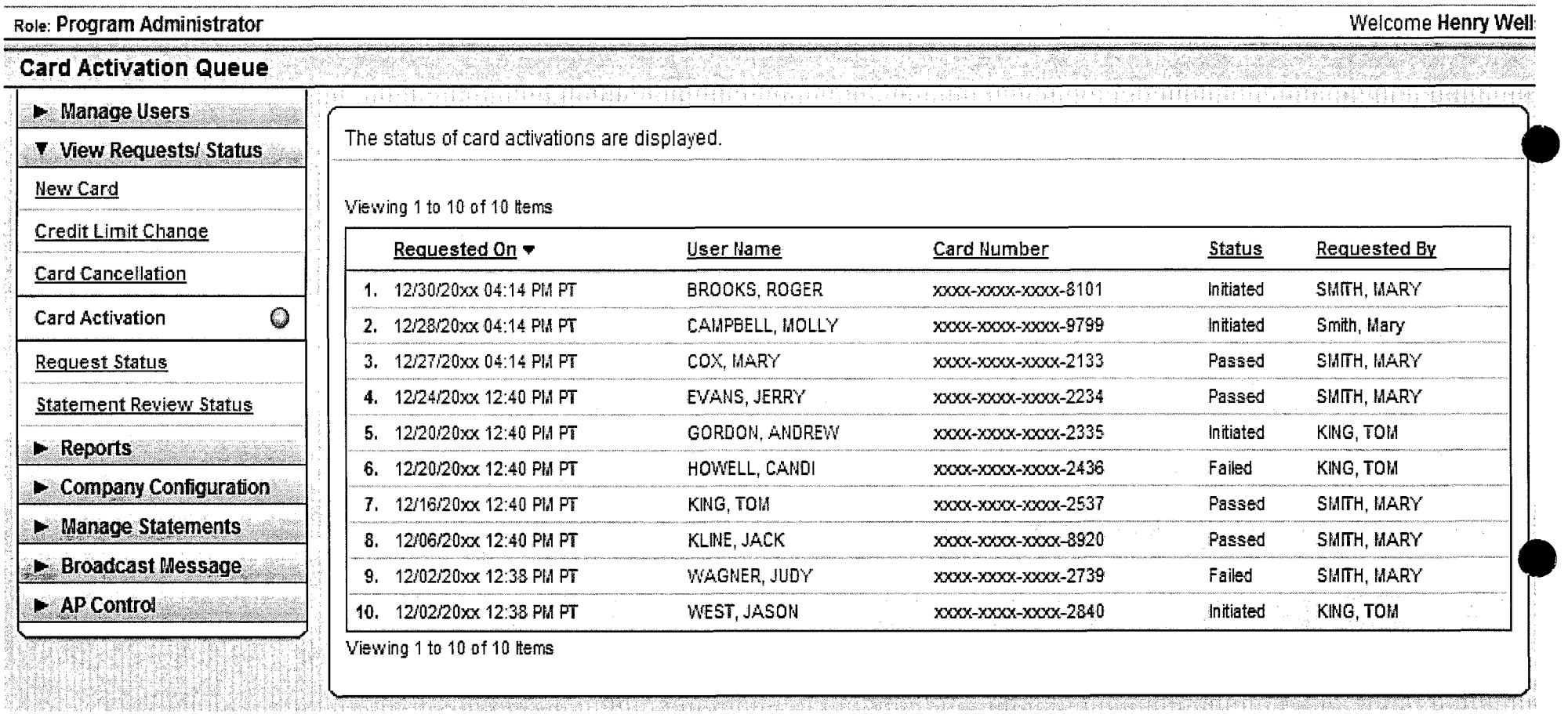
Card Activation Requests



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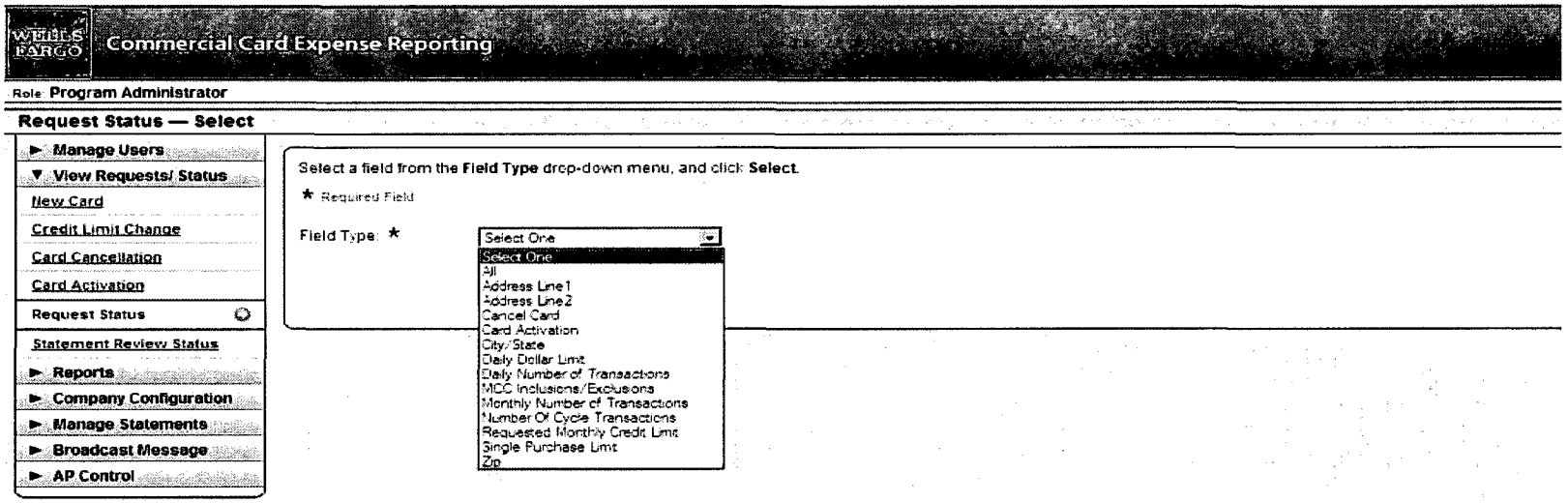
Request Status Report



	Field Name	Name Line 1	Card Number	Previous Value	Current Value	Requested On	Updated On	Status
1.	Address Line1	ROGER\BROOKS	xxxx-xxxx-xxxx-8101	12 MAIN STREET	120 MAIN STREET	07/16/20xx 12:16 PM PT	07/16/20xx 12:16 PM PT	Passed
2.	Address Line1	MARY\COX	xxxx-xxxx-xxxx-2133	NO 12, WEST LANE	NO 12, WEST LANE DRIVE	06/13/20xx 12:01 PM PT		Failed
3.	Address Line1	JERRY\EVANS	xxxx-xxxx-xxxx-2234	366 CITY DRIVE	366 CITY LANE	05/30/20xx 12:13 PM PT	05/30/20xx 12:13 PM PT	Passed
4.	Address Line1	JACK\KLINE	xxxx-xxxx-xxxx-8920	1145 E. TOWN DR.	1145 W. TOWN DR.	05/03/20xx 12:13 PM PT	05/03/20xx 12:13 PM PT	Failed
5.	Cancel Card	JUDY\WAGNER	xxxx-xxxx-xxxx-2739			03/18/20xx 12:03 PM PT		*Initiated*
6.	Cancel Card	JOSH\WRIGHT	xxxx-xxxx-xxxx-2941			03/09/20xx 12:03 PM PT	03/09/20xx 12:03 PM PT	Passed
7.	Daily Dollar Limit	ROGER\BROOKS	xxxx-xxxx-xxxx-8101	500.00 USD	800.00 USD	03/08/20xx 12:16 PM PT	07/16/20xx 12:16 PM PT	Passed
8.	Daily Number of Transactions	MARY\COX	xxxx-xxxx-xxxx-2133	5	10	03/07/20xx 12:13 PM PT	06/13/20xx 12:15 PM PT	Passed

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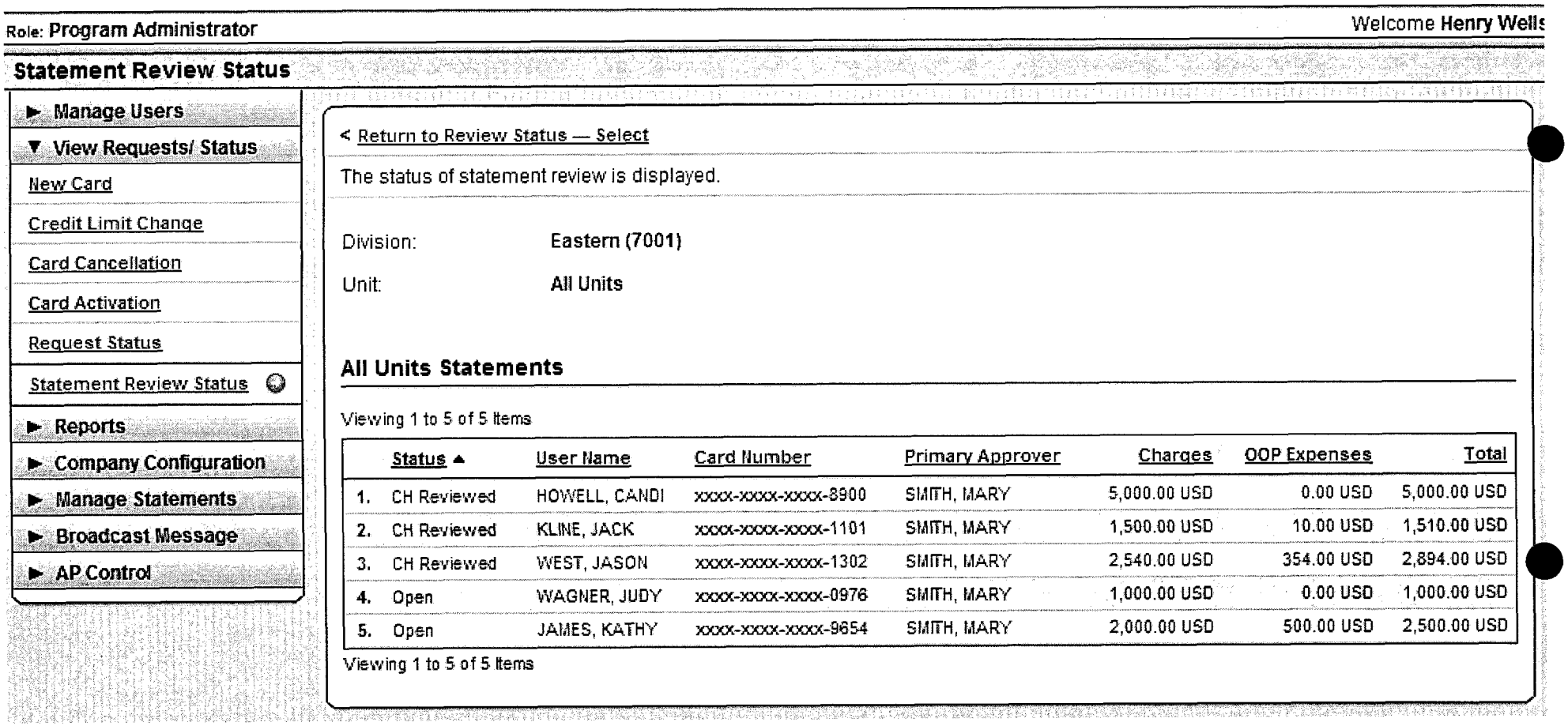
Statement Review Status



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Audit Reports

- Up to 13 months of Data
- View Online or Download in Excel
- Select from:
  - ACH Reject Report
  - ACH Summary Report
  - Available Credit Report
  - Cardholder Report
  - CEO User ID Report
  - Email Report
  - Event Management Report
  - Login Activity Report
  - Report Generation Activity Report

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ACH Reject Report

Download this report by selecting **Download Excel**.

Note: Today's ACH transactions may not be available until after 12:00 p.m. PT.

Download Excel

ACH Reject Report: Report Criteria		New Report | Refine Report
Start Date: **11/02/20xx**	End Date: **11/01/20xx**	

Viewing 1 to 2 of 2 Items

	ACH Process Date ▲	Company/Division	ACH Company ID	User Name	Reject Code	Reject Description	Credit/Debit	Amount
1.	11/06/20xx	EASTERN (7001)	654126544	SHAYS, MARK	6030	Receiving Dfi Id Not Within Range	Credit	$42.15
2.	11/05/20xx	WESTERN (7002)	897142324	TORRES, TOM	6055	Invalid Character in Receiving Dfi	Credit	$34.56

Viewing 1 to 2 of 2 Items

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ACH Summary Report

Download this report by selecting **Download Excel**.

Note: Today's ACH transactions may not be available until after 12:00 p.m. PT.

Download Excel | Print Version

ACH Summary Report : Report Criteria		New Report | Refine Report
Start Date: **11/02/20xx**	End Date: **11/01/20xx**	

Viewing 1 to 3 of 3 Items

ACH File Company Information

	ACH Process Date ▲	Company / Division	ACH Company ID	Debit Number	Debit Amount	Credit Number	Credit Amount
1.	11/05/20xx	ABC MANUFACTURING	565566526	44	$34.56	44	$42.15
2.	11/05/20xx	WESTERN (7002)	565566526	35	$48.72	35	$20.36
3.	11/05/20xx	EASTERN (7001)	565566526	25	$18.72	25	$23.36

Viewing 1 to 3 of 3 Items

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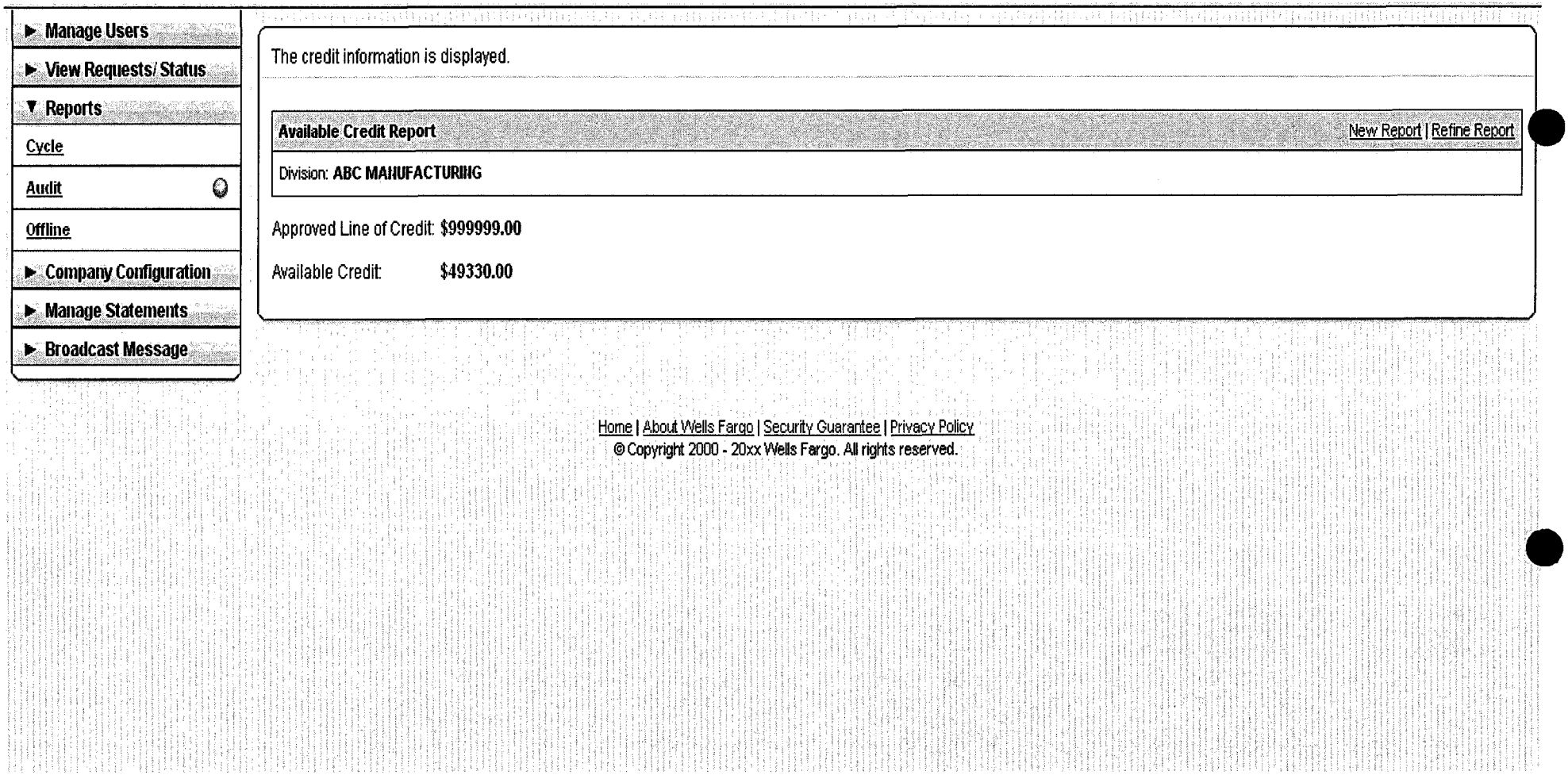
Available Credit Report



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Cardholder Report

Download Report | Report Template

< Return to Cardholder Report Template — Manage Templates

To create a new template, enter a name in the **Template Name** field. Select columns from the **Available Columns** box, and use the right arrow to move them to the **Selected Columns** box. Use the vertical arrows to move the columns up and down.

Click **Save** to complete your template.

At least one selection for each section is required.

Template Name:

Cardholder Template Columns

Available Columns

Select All | Clear All

Name

ACH selected (Yes/No)
Accounting Unit
Active/Inactive Status (Yes/No)
Address Line1
Address Line2
Available Balance
Card Creation Date
Card Expiration Date
Daily Number Of Transactions
Day of User Creation
Email Address
MCC GL Template Name
MCC Strategy
Monthly Number Of Transactions
No Transactions Last Statement (Yes/No)
Offline User
Reconcilers
Role
Secondary Approver
Unique ID

Select All | Clear All

Selected Columns

Select All | Clear All

Name

CEO User ID
Card Number
Cardholder First Name
Cardholder Last Name
Custom Field Defaults
Daily Dollar Limit
MCC Templates
Monthly Credit Limit
Primary Approver
Single Purchase Limit

Select All | Clear All

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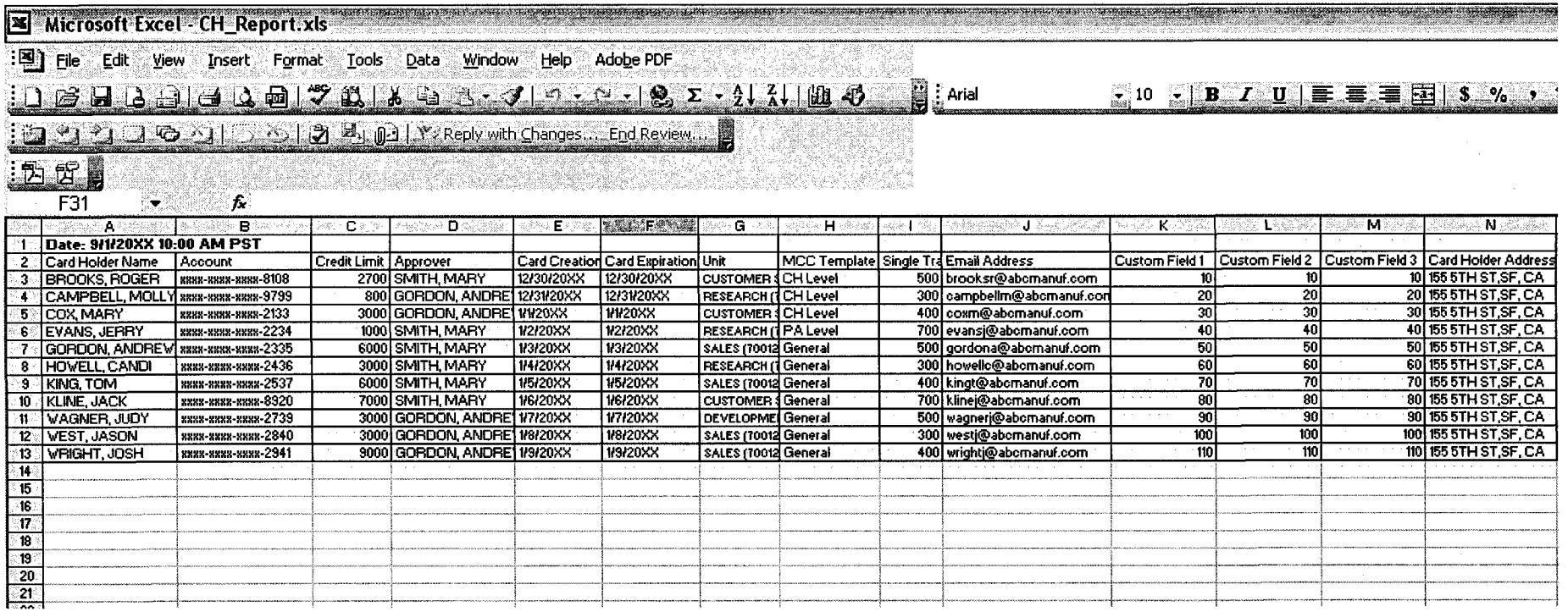
Cardholder Report (Excel)


Microsoft Excel - CH_Report.xls

File Edit View Insert Format Tools Data Window Help Adobe PDF

Arial 10 B I U $ % ,

Reply with Changes... End Review...

F31

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	**Date: 9/1/20XX 10:00 AM PST**													
2	Card Holder Name	Account	Credit Limit	Approver	Card Creation	Card Expiration	Unit	MCC Template	Single Tra	Email Address	Custom Field 1	Custom Field 2	Custom Field 3	Card Holder Address
3	BROOKS, ROGER	xxxx-xxxx-xxxx-8108	2700	SMITH, MARY	12/30/20XX	12/30/20XX	CUSTOMER S	CH Level	500	brooksr@abcmanuf.com	10	10	10	155 5TH ST,SF, CA
4	CAMPBELL, MOLLY	xxxx-xxxx-xxxx-9799	800	GORDON, ANDRE	12/31/20XX	12/31/20XX	RESEARCH (1	CH Level	300	campbellm@abcmanuf.com	20	20	20	155 5TH ST,SF, CA
5	COX, MARY	xxxx-xxxx-xxxx-2133	3000	GORDON, ANDRE	1/1/20XX	1/1/20XX	CUSTOMER S	CH Level	400	coxm@abcmanuf.com	30	30	30	155 5TH ST,SF, CA
6	EVANS, JERRY	xxxx-xxxx-xxxx-2234	1000	SMITH, MARY	1/2/20XX	1/2/20XX	RESEARCH (1	PA Level	700	evansj@abcmanuf.com	40	40	40	155 5TH ST,SF, CA
7	GORDON, ANDREW	xxxx-xxxx-xxxx-2335	6000	SMITH, MARY	1/3/20XX	1/3/20XX	SALES (70012	General	500	gordona@abcmanuf.com	50	50	50	155 5TH ST,SF, CA
8	HOWELL, CANDI	xxxx-xxxx-xxxx-2436	3000	SMITH, MARY	1/4/20XX	1/4/20XX	RESEARCH (1	General	300	howellc@abcmanuf.com	60	60	60	155 5TH ST,SF, CA
9	KING, TOM	xxxx-xxxx-xxxx-2537	6000	SMITH, MARY	1/5/20XX	1/5/20XX	SALES (70012	General	400	kingt@abcmanuf.com	70	70	70	155 5TH ST,SF, CA
10	KLINE, JACK	xxxx-xxxx-xxxx-8320	7000	SMITH, MARY	1/6/20XX	1/6/20XX	CUSTOMER S	General	700	klinej@abcmanuf.com	80	80	80	155 5TH ST,SF, CA
11	WAGNER, JUDY	xxxx-xxxx-xxxx-2739	3000	GORDON, ANDRE	1/7/20XX	1/7/20XX	DEVELOPMEI	General	500	wagnerj@abcmanuf.com	90	90	90	155 5TH ST,SF, CA
12	WEST, JASON	xxxx-xxxx-xxxx-2840	3000	GORDON, ANDRE	1/8/20XX	1/8/20XX	SALES (70012	General	300	westj@abcmanuf.com	100	100	100	155 5TH ST,SF, CA
13	WRIGHT, JOSH	xxxx-xxxx-xxxx-2941	9000	GORDON, ANDRE	1/9/20XX	1/9/20XX	SALES (70012	General	400	wrightj@abcmanuf.com	110	110	110	155 5TH ST,SF, CA
14														
15														
16														
17														
18														
19														
20														
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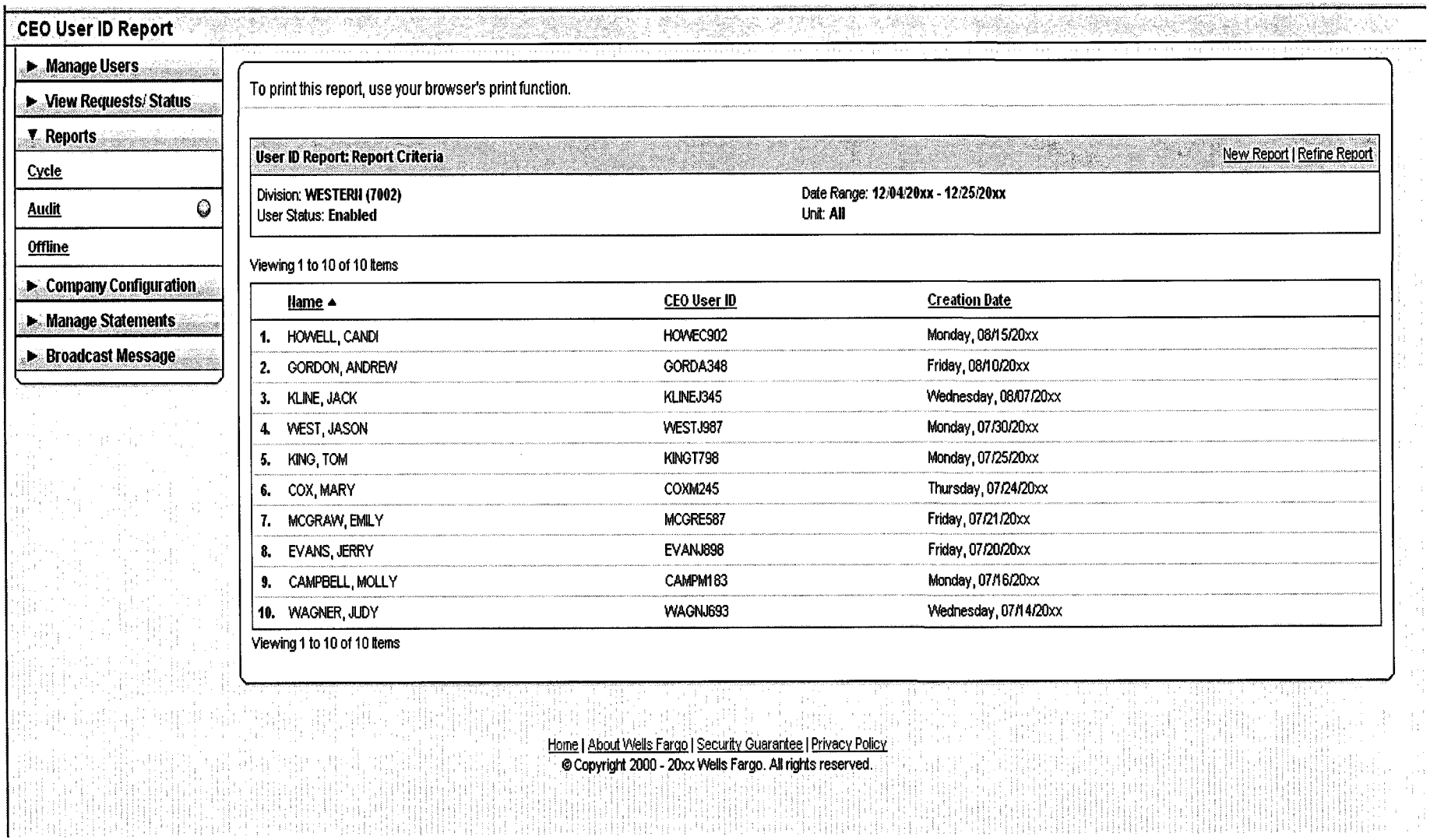
CEO ID Report



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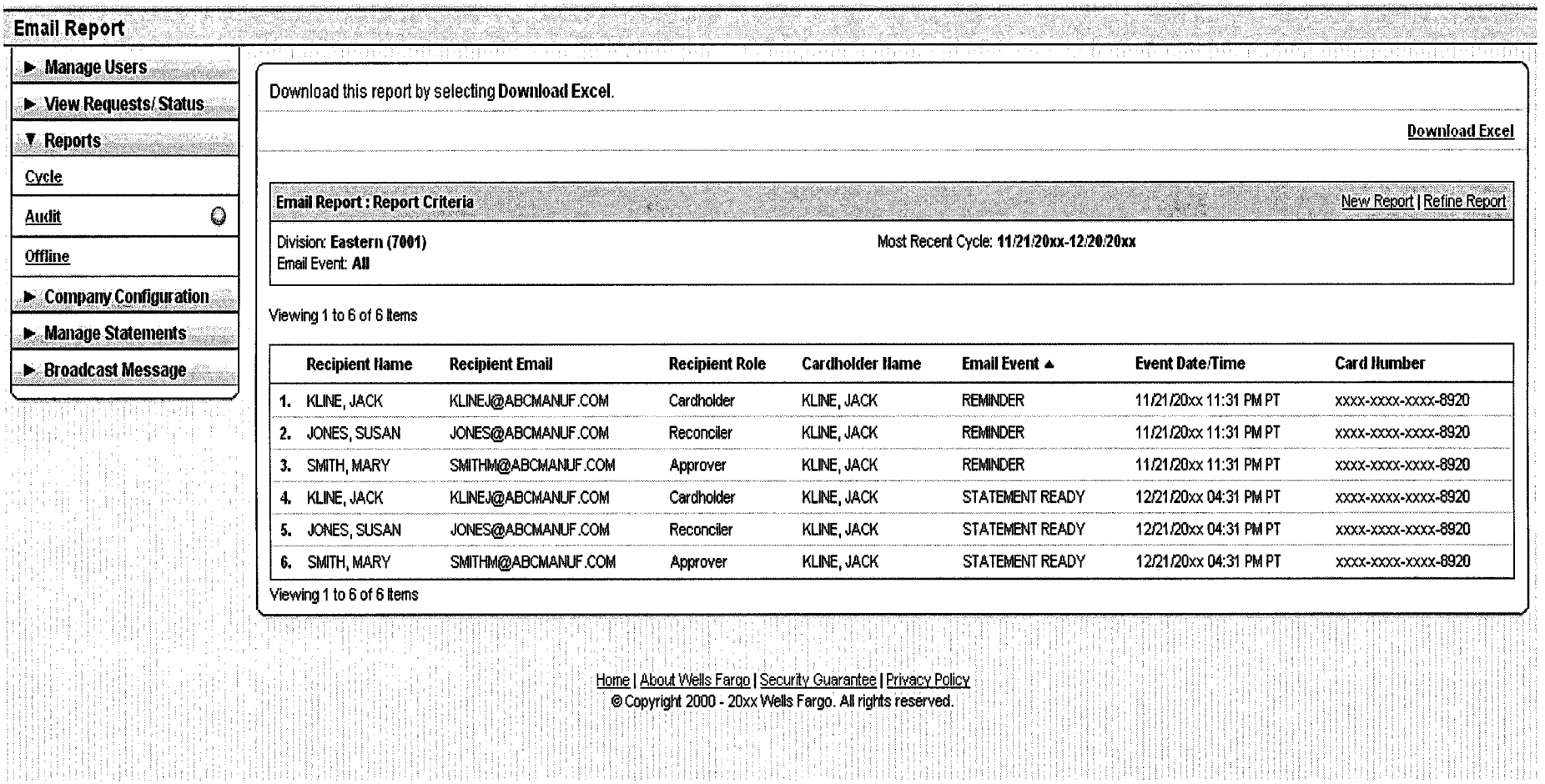
Email Report



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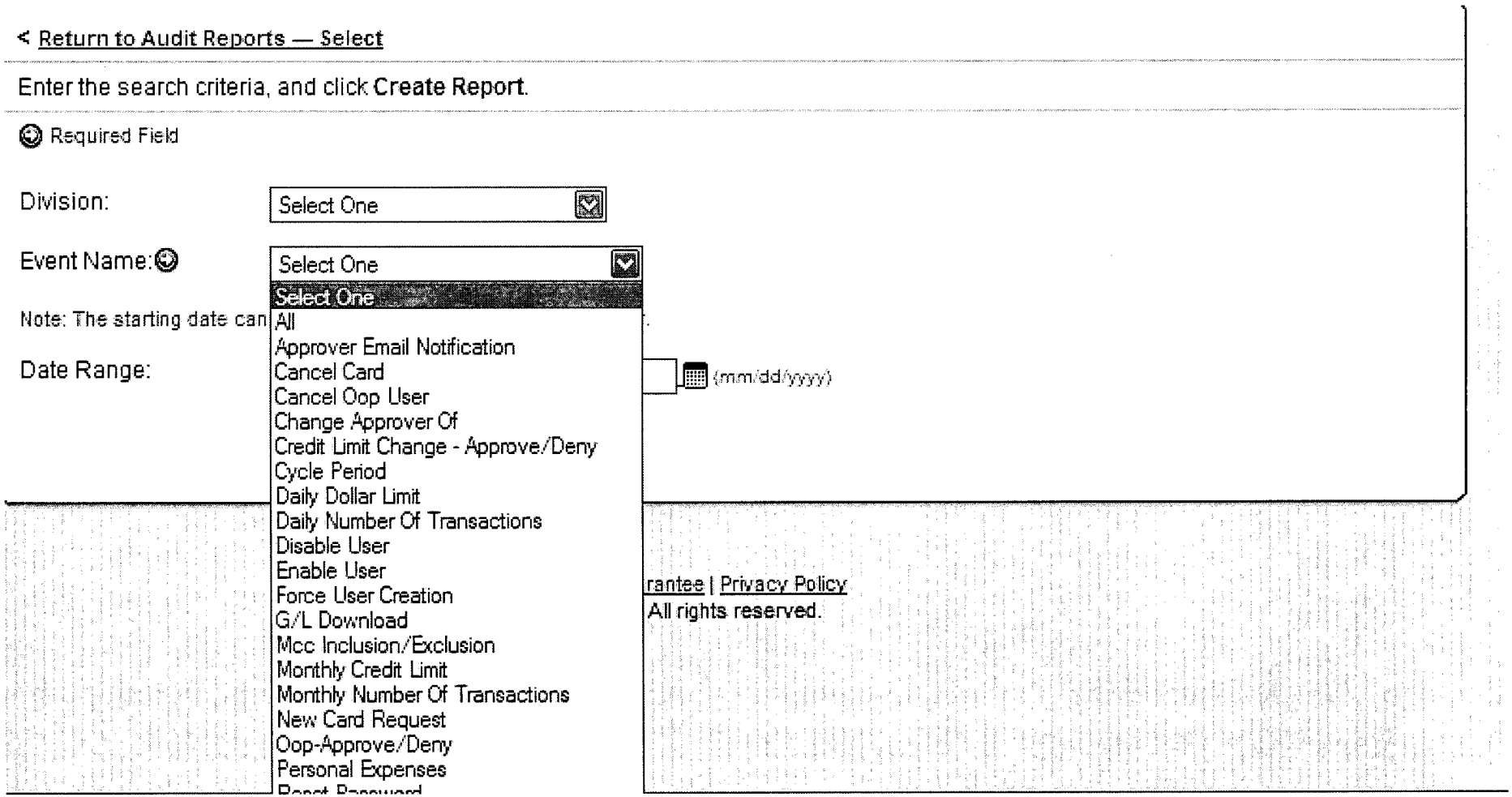
Event Management Report



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Event Management Report

Event Management Report: Report Criteria	New Report | Refine Report
Event Type: All	Date Range: 12/01/20xx – 12/25/20xx
Division: WESTERN (70002)	

Viewing 1 to 10 of 10 Items

	Event Name	Event Date▼	Event Time	Emulator	Affecter User Name	Affected User Name	Event Details
1.	Credit Limit Change - Approve/Deny	08/22/20xx	07:40 PM PT	RUNCK, DAVID	JAMES, SMITH	PAUL, JONES	
2.	Monthly Credit Limit	08/19/20xx	07:40 AM PT	SMITH, MARY	FIELD, GREG	SMITH PAUL	
3.	Cycle Period	04/11/20xx	07:20 PM PT	SMITH, MARY			
4.	G/L Download	04/19/20xx	02:40 PM PT	SMITH, MARY			
5.	G/L Download	04/19/20xx	06:10 AM PT	SMITH, MARY			
6.	Change Approver Of	08/20/20xx	07:40 AM PT	LIN, JEANET	SMITH, JONES	CATHERINE, JONES	
7.	View Bill	07/12/20xx	04:40 PM PT	LIN, JEANET			
8.	Enable User	05/10/20xx	07:40 PM PT		WELLS, HENRY	HELMHOLTZ , ALLEN	
9.	Disable User	04/10/20xx	10:40 PM PT	LIN, JEANET	WELLS, HENRY	KLINE, JACK	
10.	Mcc Inclusion / Exclusion	07/22/20xx	08:10 PM PT		JAMES, SMITH	PAUL, JONES	

Viewing 1 to 10 of 10 Items

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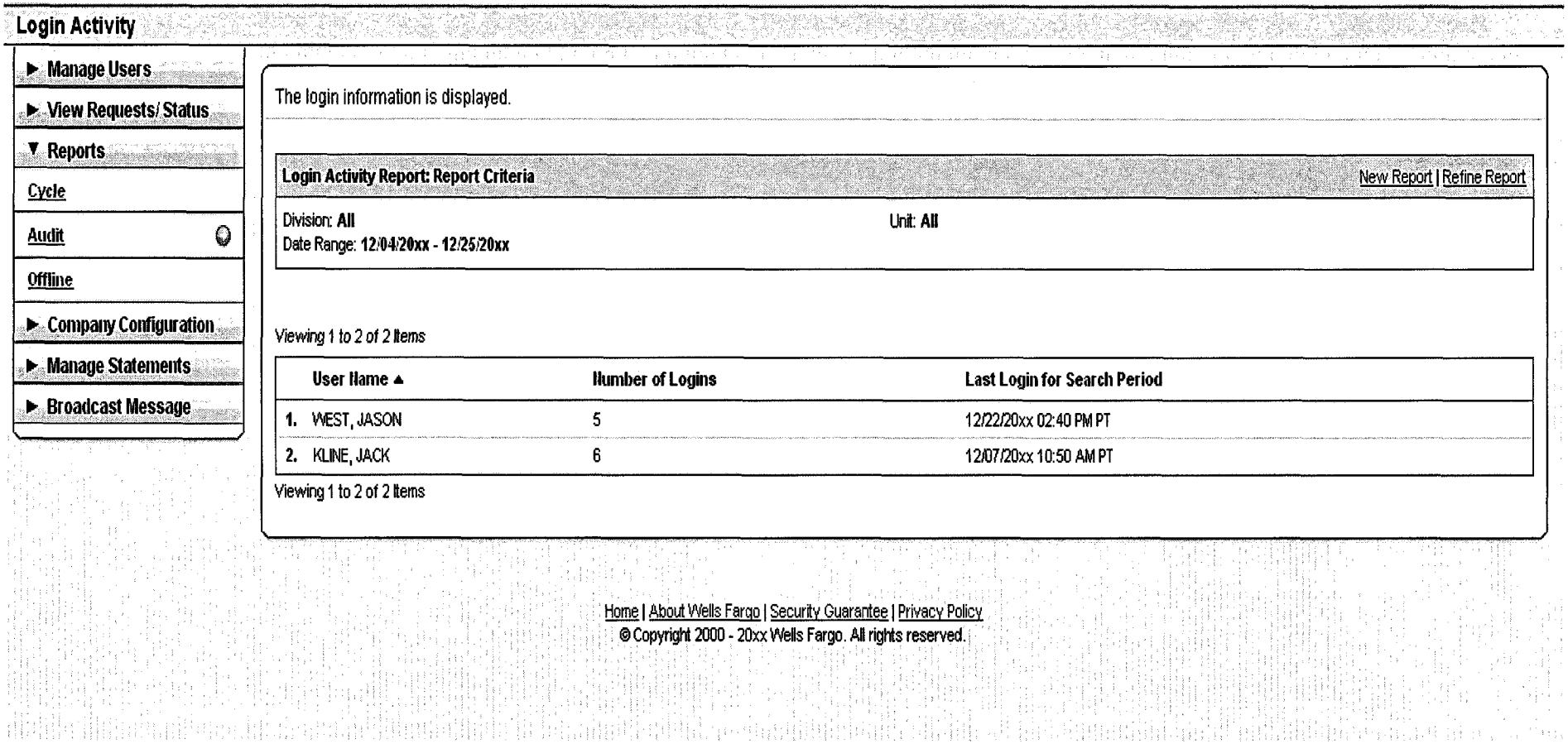
Login Activity Report



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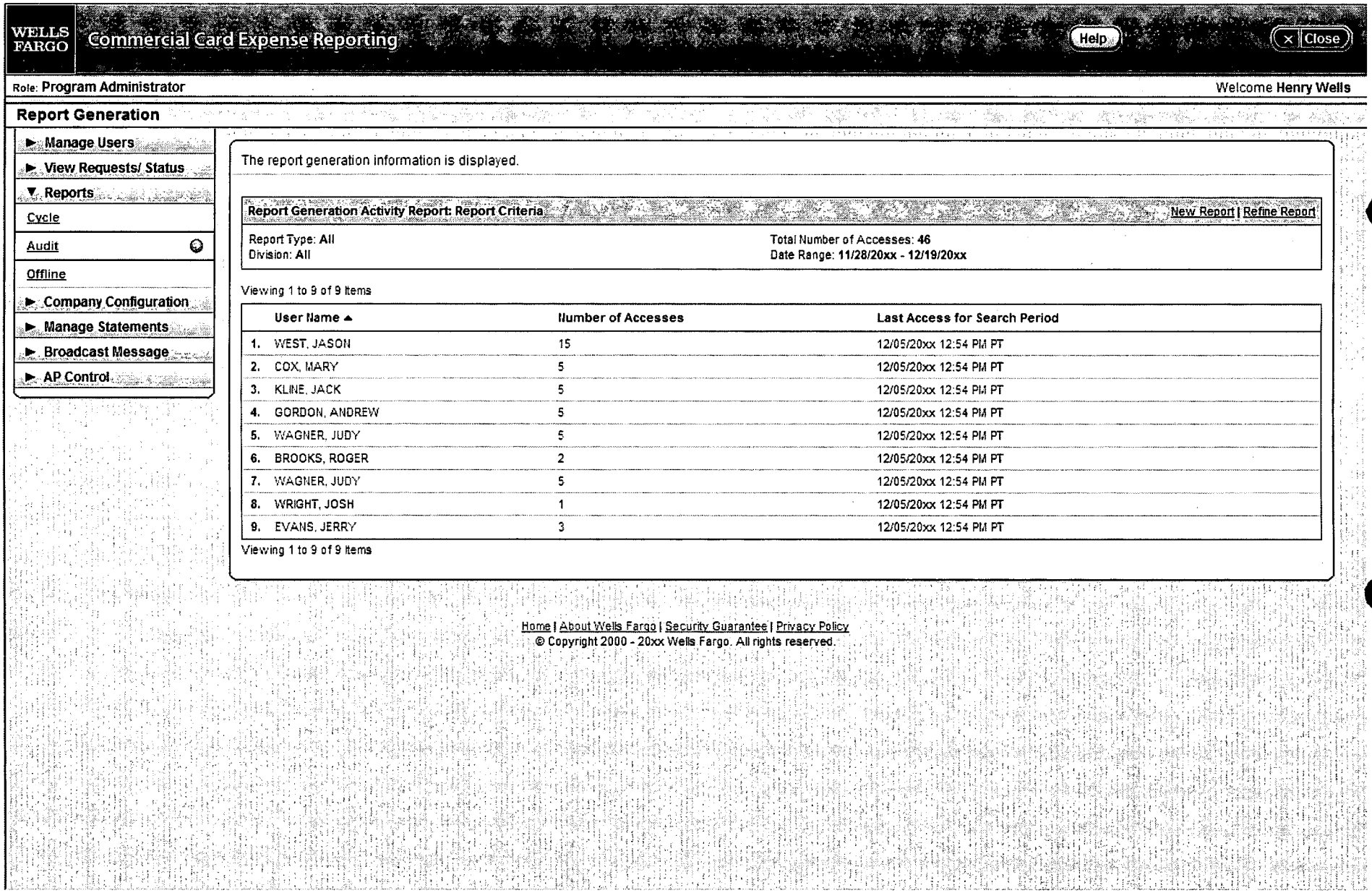
Report Generation Activity Report



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Cycle Reports

General Ledger Download:

- 70+ fields to choose from
- Up to 13 months of data
- Pipe, Tab or Fixed Length Format

Offline Cardholder Statements

Personal and OOP Report

Bill Presentment

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Download General Ledger | General Ledger Template

< Return to General Ledger Template — Manage Templates

To create a template, enter a name in the **New Template Name field**. Highlight columns in the **Available Columns** box, and click the right arrow to move them to the **Selected Columns** box. Use the vertical arrows to move the columns up and down.

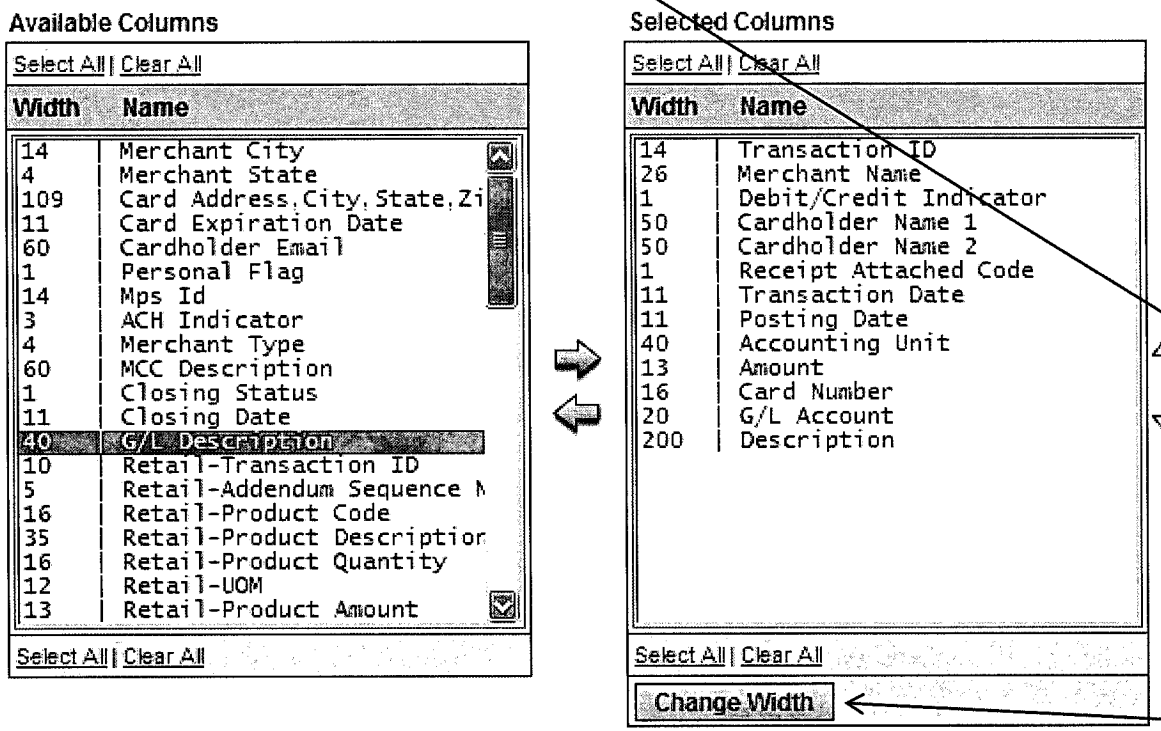
To change the **width** of a column, highlight it, and click Change Width. Click **Save** to complete your template.

At least one selection for each section is required.

Division: WESTERN (7001)

New Template Name: G/L Extract

G/L Template Columns



Save Cancel

Create G/L Download Template

- **Name the template**
- **Select the order of the fields to appear on your report**
- **Designate the desired width**

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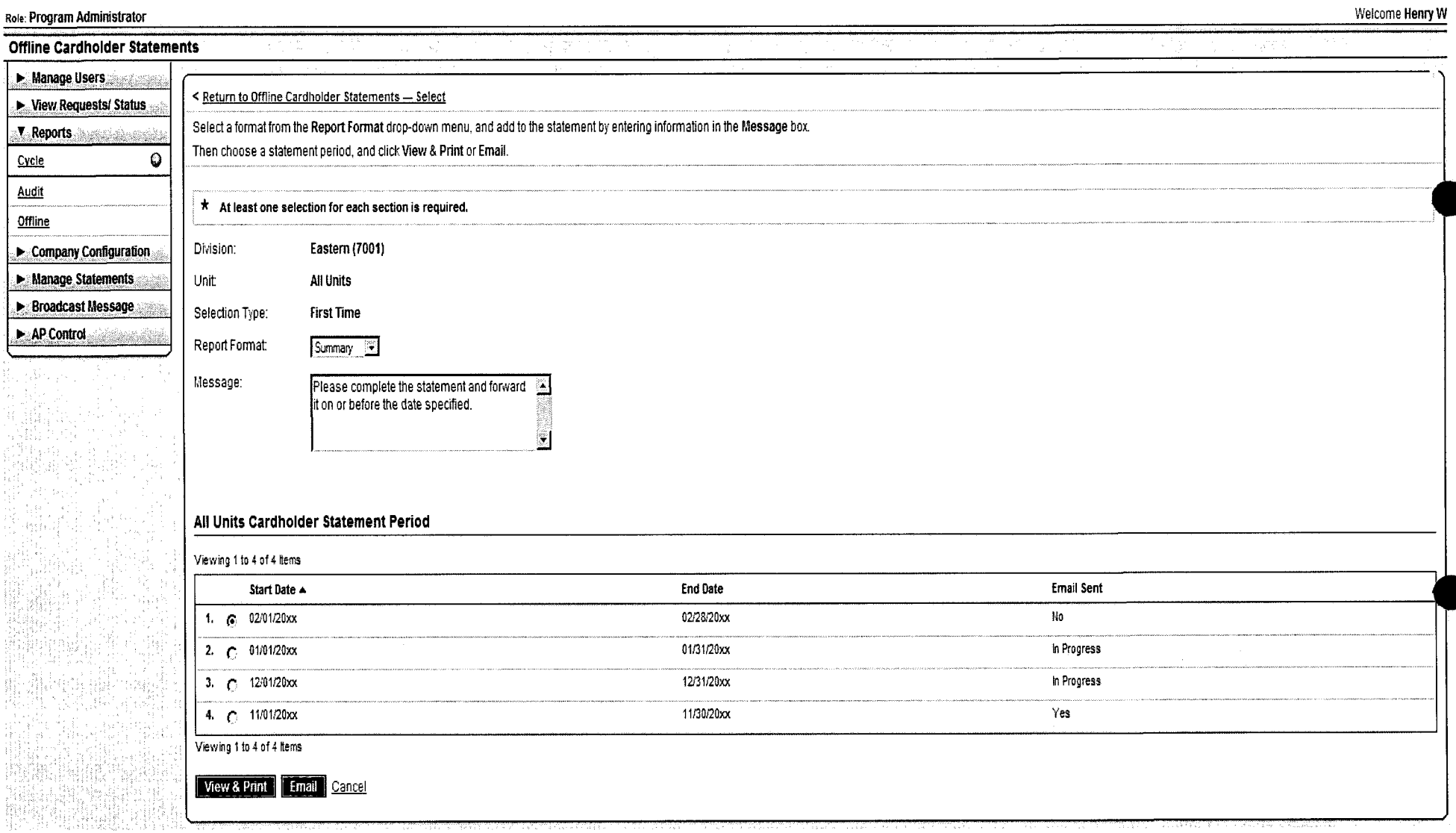
Offline Cardholder Statements



Offline Cardholder Statements

RUN DATE:04/30/20xx

PAGE:1

ABC DEMO COMPANY
CARDHOLDER TRANSACTION REPORT

KLINE, BOB
xxxx-xxxx-xxxx-8900
Unit:0
Reporting Period:01/05/20xx Thru 04/27/20xx

Custom Field 1:
Custom Field 3:
Custom Field 5:

Custom Field 2:
Custom Field 4:

Trans Date	Posting Date	Merchant Name	City	State	GL Account	Reclassify	MCC	Amount	Receipt Attached
01/10/20xx	01/10/20xx	MERCHANT #1	GREEN BAY	WI		_____	5812	35.00	[]

Description: _____

Custom Field 1	Custom Field 2	Custom Field 3	Custom Field 4	Custom Field 5
_____	_____	_____	_____	_____

Trans Date	Posting Date	Merchant Name	City	State	GL Account	Reclassify	MCC	Amount	Receipt Attached
02/19/20xx	02/20/20xx	MERCHANT #2	ROWLAND HGTS	CA		_____	5812	25.50	[]

Description: _____

Custom Field 1	Custom Field 2	Custom Field 3	Custom Field 4	Custom Field 5
_____	_____	_____	_____	_____

Trans Date	Posting Date	Merchant Name	City	State	GL Account	Reclassify	MCC	Amount	Receipt Attached
02/25/20xx	02/26/20xx	MERCHANT #3	BERKELEY	CA		_____	5812	15.00	[]

Description: _____

Custom Field 1	Custom Field 2	Custom Field 3	Custom Field 4	Custom Field 5
_____	_____	_____	_____	_____

RUN DATE:01/30/20xx

PAGE:2

ABC DEMO COMPANY
CARDHOLDER TRANSACTION REPORT

Trans Date	Posting Date	Merchant Name	City	State	GL Account	Reclassify	MCC	Amount	Receipt Attached

Transaction Count: 3

75.50

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ACH Transactions Report

Personal and OOP Report: Report Criteria — New Report | Refine Report

Division: **Eastern (7001)**
Start Date: **05/23/20xx**
End Date: **06/22/20xx**

ACH Transactions

User Name: HOWELL, CANDI

	Card Number	Transaction Date	Transaction Type	Status	Amount
1.	xxxx-xxxx-xxxx-2436	03/29/20xx	Personal	N/A	$45.75
2.	xxxx-xxxx-xxxx-2436	03/28/20xx	Personal	N/A	$14.00
				Debit Sub-Total:	**$59.75**

User Name: HOWELL, CANDI

	Card Number	Transaction Date	Transaction Type	Status	Amount
1.	xxxx-xxxx-xxxx-2436	03/31/20xx	OOP	Approved	$80.32
2.	xxxx-xxxx-xxxx-2436	03/29/20xx	OOP	Approved	$77.90
				Debit Sub-Total:	**$158.22**

User Name: WEST, JASON

	Card Number	Transaction Date	Transaction Type	Status	Amount
1.	xxxx-xxxx-xxxx-2840	03/28/20xx	Personal	N/A	$50.00
2.	xxxx-xxxx-xxxx-2840	03/26/20xx	Personal	N/A	$83.25
3.	xxxx-xxxx-xxxx-2840	03/25/20xx	Personal	N/A	$18.75
				Debit Sub-Total:	**$152.00**

User Name: WEST, JASON

	Card Number	Transaction Date	Transaction Type	Status	Amount
1.	xxxx-xxxx-xxxx-2840	03/28/20xx	OOP	Approved	$47.77
				Debit Sub-Total:	**$47.77**

User Name: MCGRAW, EMILY

	Card Number	Transaction Date	Transaction Type	Status	Amount
1.	xxxx-xxxx-xxxx-xxxx	03/29/20xx	OOP	Pending	$44.85
2.	xxxx-xxxx-xxxx-xxxx	03/26/20xx	OOP	Pending	$23.35
				Debit Sub-Total:	**$68.20**

Total Credit Amount:	**$211.75**
Total Approved Debit Amount:	**$0.00**
Total Pending Debit Amount:	**$0.00**
Total Debit Amount:	**$274.19**

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Non ACH Transactions Report

Non ACH Transactions

User Name: GORDON, ANDREW				
1. xxxx-xxxx-xxxx-2335	03/31/20xx	Personal	N/A	$62.23
2. xxxx-xxxx-xxxx-2335	03/28/20xx	Personal	N/A	$25.45
				Debit Sub-Total: **$87.68**
User Name: GORDON, ANDREW				
Card Number	Transaction Date	Transaction Type	Status	Amount
1. xxxx-xxxx-xxxx-2335	03/30/20xx	OOP	Pending	$12.35
2. xxxx-xxxx-xxxx-2335	03/29/20xx	OOP	Pending	$25.85
				Debit Sub-Total: **$38.20**
User Name: BROOKS, ROGER				
Card Number	Transaction Date	Transaction Type	Status	Amount
1. xxxx-xxxx-xxxx-8101	03/29/20xx	Personal	N/A	$12.76
				Debit Sub-Total: **$12.76**
User Name: BROOKS, ROGER				
Card Number	Transaction Date	Transaction Type	Status	Amount
1. xxxx-xxxx-xxxx-8101	03/31/20xx	OOP	Approved	$40.00
2. xxxx-xxxx-xxxx-8101	03/30/20xx	OOP	Approved	$19.52
				Debit Sub-Total: **$59.52**
User Name: CAMPBELL, MOLLY				
Card Number	Transaction Date	Transaction Type	Status	Amount
1. xxxx-xxxx-xxxx-9799	03/30/20xx	OOP	Pending	$26.65
				Debit Sub-Total: **$26.65**
		Total Credit Amount:		**$100.44**
		Total Approved Debit Amount:		**$0.00**
		Total Pending Debit Amount:		**$0.00**
		Total Debit Amount:		**$124.37**

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Bill Presentment

155 5TH STREET
SUITE 1100
SAN FRANCISCO CA 94103

CORPORATE CONTACT:
CORPORATE CONTACT PHONE: (111)222-2863
CORPORATE NUMBER: 00577

STATEMENT DATE	POSTING BEGIN DATE	POSTING END DATE	NUMBER OF DAYS UNTIL PAYMENT DUE
MAR 31,20xx	MAR 01,20xx	MAR 31,20xx	5

STATEMENT SUMMARY TOTALS

DESCRIPTION:	NUMBER:	AMOUNT:
PREVIOUS BALANCE		1,270,445.68
PAYMENTS	1	1,270,445.68
PAYMENT REVERSALS		
PURCHASE TRANSACTIONS	1872	1,349,846.85
MERCHANT CREDIT TRANSACTIONS	49	35,200.96-
DEBIT ADJUSTMENTS		
CREDIT ADJUSTMENTS		

THIS STATEMENT PAYMENT DUE: PAYMENT DUE DATE: APR 10,20xx AMOUNT DUE: 1,314,645.89

YOUR WELLS FARGO ACCOUNT 1234567890 WILL BE AUTOMATICALLY DEBITED FOR THE AMOUNT DUE ON THE PAYMENT DUE DATE(S) ABOVE

STATEMENT DETAILS

PAYMENTS AND PAYMENT REVERSALS:

POSTING DATE	PAYMENT AMOUNT	PAYMENT REVERSAL AMOUNT
MAR 25,20xx	1,270,445.68	

PURCHASE AND MERCHANT CREDIT TRANSACTIONS:

POSTING DATE	DEBIT COUNT	DEBIT AMOUNT	CREDIT COUNT	CREDIT AMOUNT
MAR 01,20xx	147	131,879.71	1	660.42-
MAR 02,20xx	42	21,079.09	2	1,322.78-
MAR 03,20xx	64	41,154.13	1	755.00-

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Desktop Audit Reports

Optional

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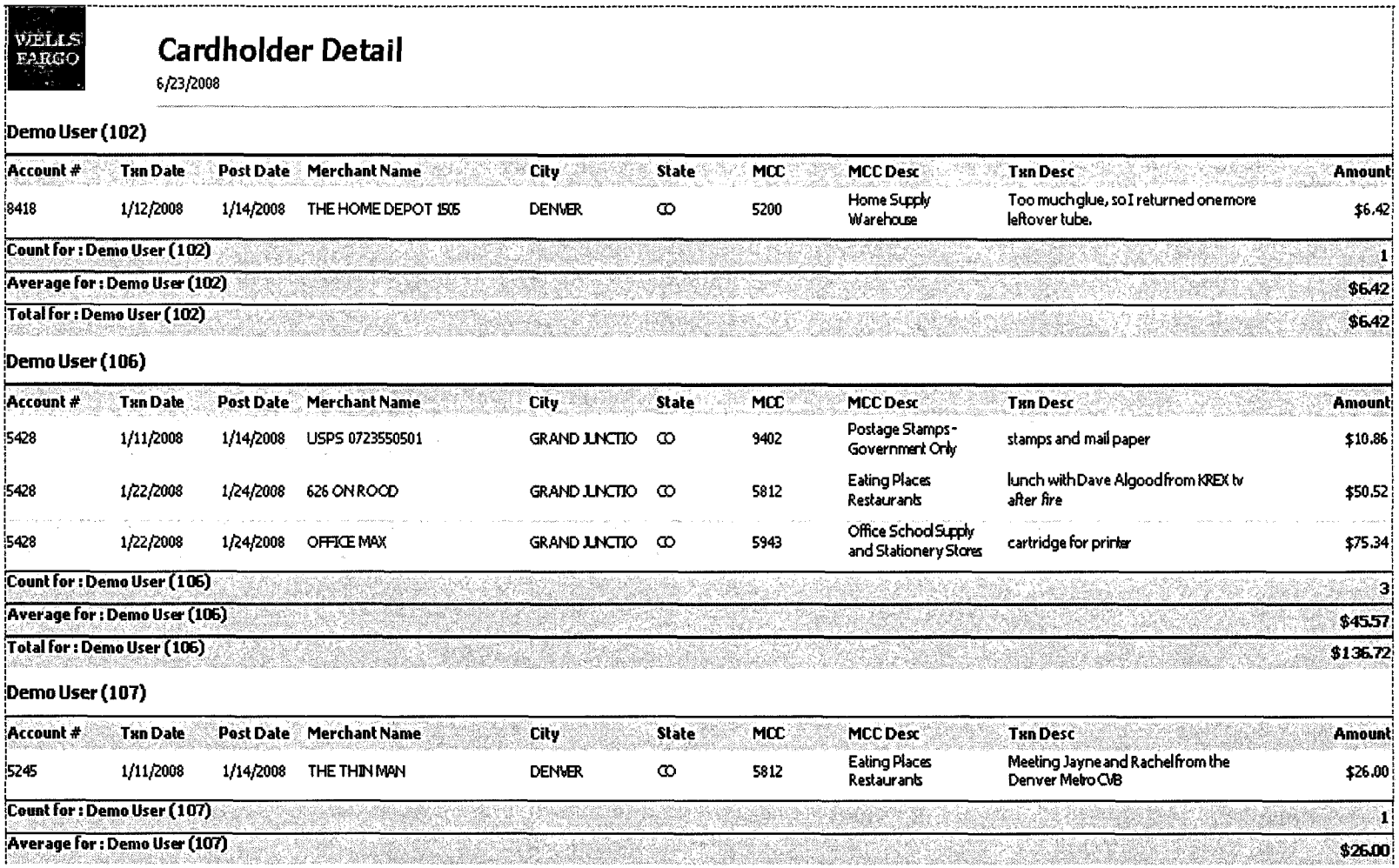
Cardholder Detail Report – Example



Cardholder Detail

6/23/2008

Demo User (102)

Account #	Txn Date	Post Date	Merchant Name	City	State	MCC	MCC Desc	Txn Desc	Amount
8418	1/12/2008	1/14/2008	THE HOME DEPOT 1505	DENVER	CO	5200	Home Supply Warehouse	Too much glue, so I returned one more leftover tube.	$6.42
Count for : Demo User (102)									1
Average for : Demo User (102)									$6.42
Total for : Demo User (102)									$6.42

Demo User (106)

Account #	Txn Date	Post Date	Merchant Name	City	State	MCC	MCC Desc	Txn Desc	Amount
5428	1/11/2008	1/14/2008	USPS 0723550501	GRAND JUNCTIO	CO	9402	Postage Stamps - Government Only	stamps and mail paper	$10.86
5428	1/22/2008	1/24/2008	626 ON ROOD	GRAND JUNCTIO	CO	5812	Eating Places Restaurants	lunch with Dave Algood from KREX tv after fire	$50.52
5428	1/22/2008	1/24/2008	OFFICE MAX	GRAND JUNCTIO	CO	5943	Office School Supply and Stationery Stores	cartridge for printer	$75.34
Count for : Demo User (106)									3
Average for : Demo User (106)									$45.57
Total for : Demo User (106)									$136.72

Demo User (107)

Account #	Txn Date	Post Date	Merchant Name	City	State	MCC	MCC Desc	Txn Desc	Amount
5245	1/11/2008	1/14/2008	THE THIN MAN	DENVER	CO	5812	Eating Places Restaurants	Meeting Jayne and Rachel from the Denver Metro CVB	$26.00
Count for : Demo User (107)									1
Average for : Demo User (107)									$26.00

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Cardholder Detail With Allocation Report – Example

Cardholder Detail with Allocation

6/23/2008

Demo User (102)

Account #	Txn Date	Post Date	Merchant Name	City	State	MCC	MCC Desc	Txn Desc	GL Account	Department	Project Code	Custom Field 8	Amount
9418	1/12/2008	1/14/2008	THE HOME DEPOT 1505	DENVER	CO	5200	Home Supply Warehouse	Too much glue, so I returned one more leftover tube.	525100	4030	97006		$6.42
Count for : Demo User (102)													1
Average for : Demo User (102)													$6.42
Total for : Demo User (102)													$6.42

Demo User (106)

Account #	Txn Date	Post Date	Merchant Name	City	State	MCC	MCC Desc	Txn Desc	GL Account	Department	Project Code	Custom Field 8	Amount
5428	1/11/2008	1/14/2008	USPS 0723550501	GRAND JUNCTIO	CO	9402	Postage Stamps - Government Only	stamps and mail paper	550100	1134	97017		$10.86
5428	1/22/2008	1/24/2008	626 ON ROOD	GRAND JUNCTIO	CO	5812	Eating Places Restaurants	lunch with Dave Algood from KREX tv after fire	511000	1134	97017		$50.52
5428	1/22/2008	1/24/2008	OFFICE MAX	GRAND JUNCTIO	CO	5943	Office School Supply and Stationery Stores	cartridge for printer	526600	1134	97017		$75.34
Count for : Demo User (106)													3
Average for : Demo User (106)													$45.57
Total for : Demo User (106)													$136.72

Demo User (107)

Account #	Txn Date	Post Date	Merchant Name	City	State	MCC	MCC Desc	Txn Desc	GL Account	Department	Project Code	Custom Field 8	Amount
5245	1/11/2008	1/14/2008	THE THIN MAN	DENVER	CO	5812	Eating Places Restaurants	Meeting Jayne and Rachel from the Denver Metro CVB	511000	4070	97006		$26.00
Count for : Demo User (107)													1
Average for : Demo User (107)													$26.00
Total for : Demo User (107)													$26.00

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Cardholder Inactivity Report – Example

WELLS FARGO

Cardholder Inactivity Report

6/23/2008

Account #	CH Name	Months Inactive
**********2015	Demo User (1)	5
**********2031	Demo User (1)	5
**********2049	Demo User (1)	6
**********4785	Demo User (10)	5
**********6973	Demo User (100)	5
**********2262	Demo User (101)	5
**********2270	Demo User (101)	5
**********6462	Demo User (101)	5
**********8418	Demo User (102)	5
**********6792	Demo User (104)	5
**********3730	Demo User (105)	5
**********5428	Demo User (106)	5
**********5245	Demo User (107)	5
**********6883	Demo User (109)	5
**********1678	Demo User (11)	5
**********8438	Demo User (110)	5
**********2307	Demo User (112)	5
**********1446	Demo User (113)	5
**********6488	Demo User (114)	5

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Cardholder Watch List Report – Example

WELLS FARGO

Cardholder Watch List

6/23/2008

Demo User (1)

Account #	Txn Date	Post Date	Merchant Name	MCC	Txn Desc	Amount
**********2031	12/26/2007	12/27/2007	H & S SUPPLY COMPANY	5046	roller wash and heidelberg blankets	$2,367.55
**********2049	12/27/2007	1/3/2008	KP GRAPHICS VICTOR	5044	plates	$4,771.28
**********2049	12/27/2007	1/3/2008	KP GRAPHICS VICTOR	5044	plates	$2,385.64
**********2031	12/28/2007	12/31/2007	PITMAN CHARRETTE	2741	pressroom supplies	$155.01
**********2031	12/28/2007	12/31/2007	G & K SERVICES 008	5137	Rags	$375.54
**********2031	12/28/2007	12/31/2007	G & K SERVICES 008	5137	Uniforms	$286.00
**********2031	12/28/2007	12/31/2007	G & K SERVICES 008	5137	Mats	$75.56
**********2031	12/28/2007	12/31/2007	PITMAN CHARRETTE	2741	freight	$1.28
**********2031	1/4/2008	1/7/2008	G & K SERVICES 008	5137	Rags	$375.54
**********2031	1/4/2008	1/7/2008	G & K SERVICES 008	5137	Unifroms	$269.58
**********2031	1/4/2008	1/7/2008	G & K SERVICES 008	5137	Mats	$75.56
**********2015	1/4/2008	1/7/2008	SIEGEL OIL	5169	oil	$529.35
**********2015	1/7/2008	1/8/2008	K C & R CONSTRUCTION	1799	Snow Removal	$422.50
**********2015	1/7/2008	1/9/2008	PARTS CONNECTION INC	5712	didde parts	$1,078.40
**********2031	1/8/2008	1/9/2008	ZEP MANUFACTURING	5085	Cleaning Supplies	$841.41
**********2031	1/9/2008	1/11/2008	LENERTZ INDUSTRIAL SUPPLY	5999	boxes	$1,107.32
**********2031	1/10/2008	1/11/2008	G & K SERVICES 008	5137	Mats	$75.56

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MCC Watch List – Example

WELLS FARGO

MCC Watch List

6/23/2008

5733 - Music Stores

Demo User (320)

Account #	Post Date	Txn Date	Merchant Name	MCC	Txn Desc	Amount
**********2273	1/24/2008	1/23/2008	KOLORADO KARAOKE	5733	Karoake services Adv. awards party	$250.00
Total For : Demo User (320)						$250.00

Demo User (64)

Account #	Post Date	Txn Date	Merchant Name	MCC	Txn Desc	Amount
**********6330	1/24/2008	1/23/2008	INDIGO INSTRUMENTS	5733	76612 W08-009407 1/23/08	$521.45
Total For : Demo User (64)						$521.45

Count :: 5733 - Music Stores	2
Total :: 5733 - Music Stores	$771.45
Average :: 5733 - Music Stores	$385.73

5735 - Record Shops

Demo User (74)

Account #	Post Date	Txn Date	Merchant Name	MCC	Txn Desc	Amount

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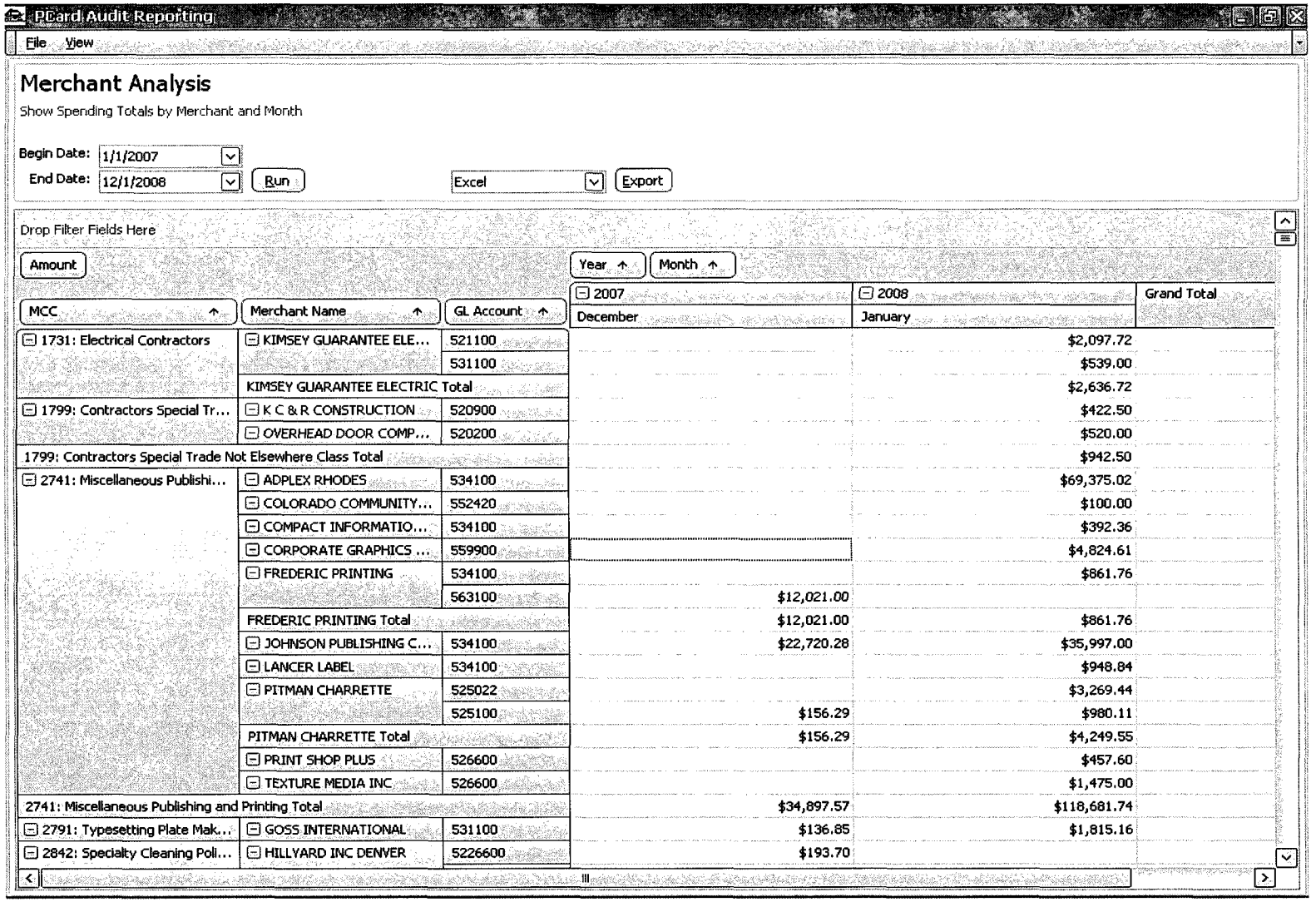
Merchant Analysis Tool - Example



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Multiple Transactions per Merchant Report – Example

WELLS FARGO

Multiple Transactions per Merchant

6/23/2008

Demo User (1)

Account #	Txn Date	Post Date	Merchant Name	MCC	Txn Desc	Amount
**********2031	12/28/2007	12/31/2007	PITMAN CHARRETTE	2741	pressroom supplies	$155.01
**********2031	12/28/2007	12/31/2007	PITMAN CHARRETTE	2741	freight	$1.28
**********2031	1/15/2008	1/16/2008	H & S SUPPLY COMPANY	5046	didde fountain solution	$718.09
**********2031	1/15/2008	1/16/2008	H & S SUPPLY COMPANY	5046	heidelberg blankets and roller wash	$2,974.07
**********2031	12/28/2007	12/31/2007	G & K SERVICES 008	5137	Rags	$375.54
**********2031	12/28/2007	12/31/2007	G & K SERVICES 008	5137	Uniforms	$286.00
**********2031	12/28/2007	12/31/2007	G & K SERVICES 008	5137	Mats	$75.56
**********2031	1/4/2008	1/7/2008	G & K SERVICES 008	5137	Rags	$375.54
**********2031	1/4/2008	1/7/2008	G & K SERVICES 008	5137	Unifroms	$269.58
**********2031	1/4/2008	1/7/2008	G & K SERVICES 008	5137	Mats	$75.56
**********2031	1/10/2008	1/11/2008	G & K SERVICES 008	5137	Mats	$75.56
**********2031	1/10/2008	1/11/2008	G & K SERVICES 008	5137	Rags	$375.54
**********2031	1/10/2008	1/11/2008	G & K SERVICES 008	5137	Uniforms	$266.30
**********2031	1/18/2008	1/21/2008	G & K SERVICES 008	5137	Mats	$75.56

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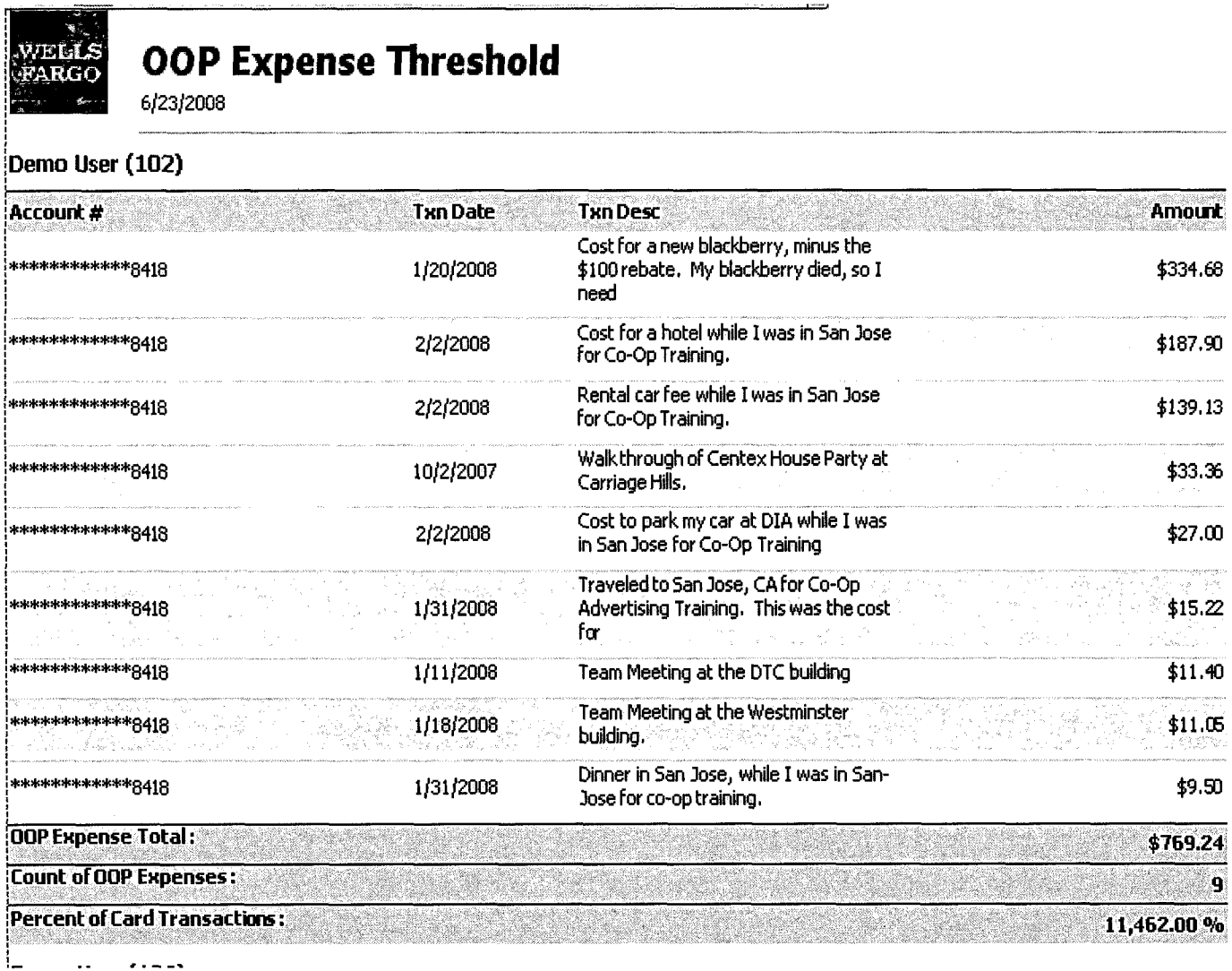
OOP Expense Threshold Report – Example



WELLS FARGO

OOP Expense Threshold

6/23/2008

Demo User (102)

Account #	Txn Date	Txn Desc	Amount
**********8418	1/20/2008	Cost for a new blackberry, minus the $100 rebate. My blackberry died, so I need	$334.68
**********8418	2/2/2008	Cost for a hotel while I was in San Jose for Co-Op Training.	$187.90
**********8418	2/2/2008	Rental car fee while I was in San Jose for Co-Op Training.	$139.13
**********8418	10/2/2007	Walk through of Centex House Party at Carriage Hills.	$33.36
**********8418	2/2/2008	Cost to park my car at DIA while I was in San Jose for Co-Op Training	$27.00
**********8418	1/31/2008	Traveled to San Jose, CA for Co-Op Advertising Training. This was the cost for	$15.22
**********8418	1/11/2008	Team Meeting at the DTC building	$11.40
**********8418	1/18/2008	Team Meeting at the Westminster building.	$11.05
**********8418	1/31/2008	Dinner in San Jose, while I was in San-Jose for co-op training.	$9.50
OOP Expense Total:			**$769.24**
Count of OOP Expenses:			**9**
Percent of Card Transactions:			**11,462.00 %**

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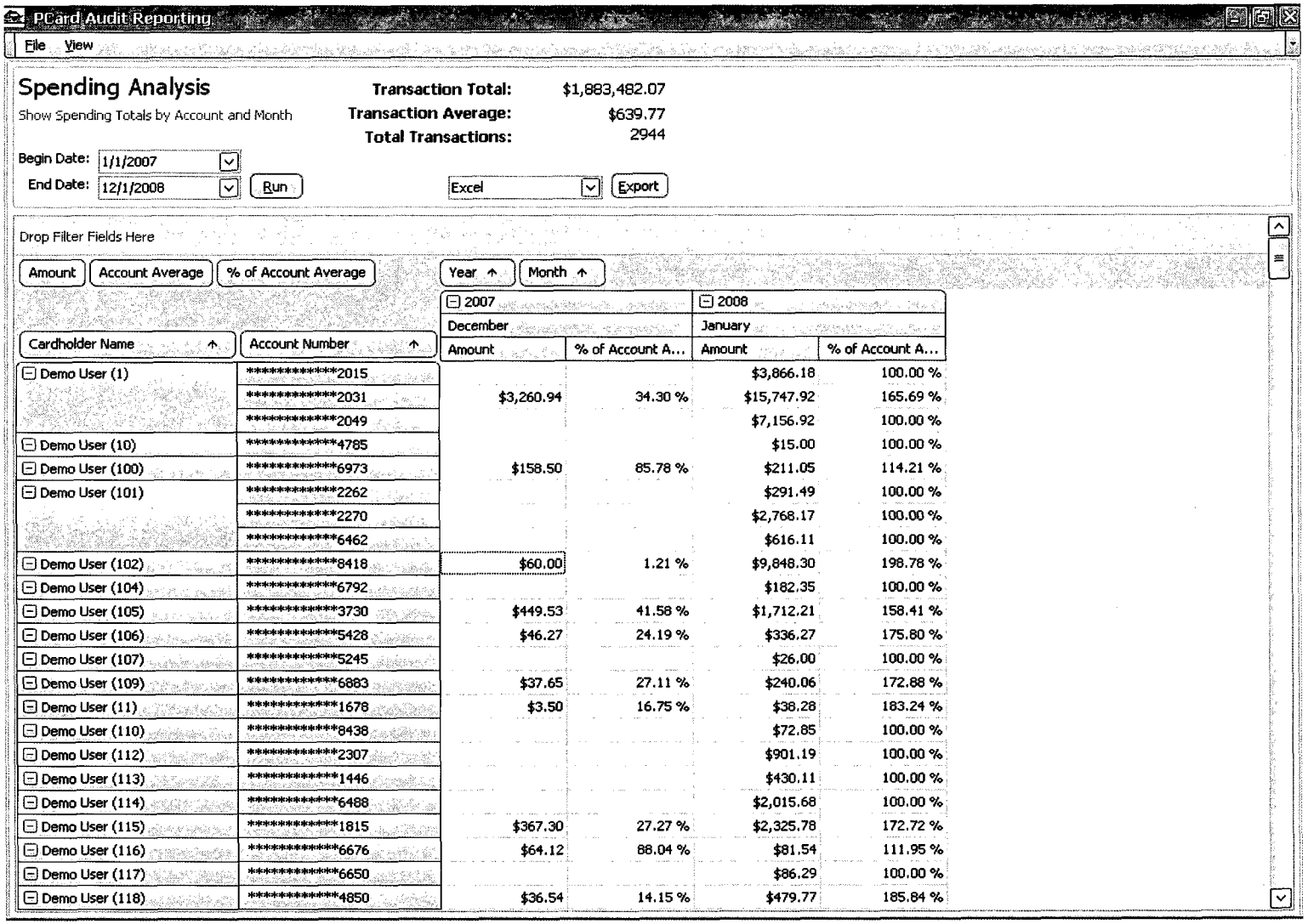
Spending Analysis Tool – Example



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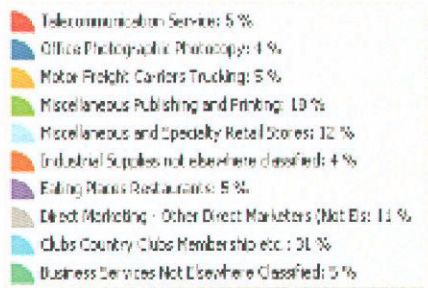
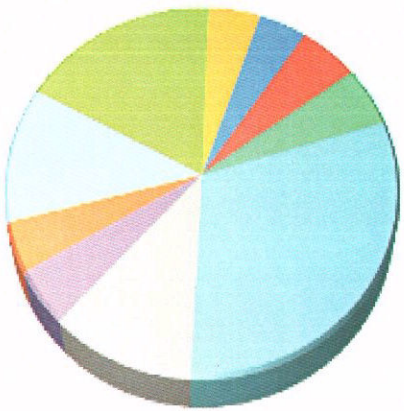
Top Ten Merchant Category Report – Example

Top Ten Merchant Categories

4/24/2008





MCC Code	Merchant Category Description	Amount
7997	Clubs Country Clubs Membership etc.	$278,776.00
2741	Miscellaneous Publishingand Printing	$161,553.77
5999	Miscellaneous and Specialty Retail Stores	$109,471.37
5969	Direct Marketing - Other Direct Marketers (Not Els	$99,235.51
4814	Telecommunication Service	$48,767.82
7399	Business Services Not Elsewhere Classified	$48,369.02
5812	Eating Places Restaurants	$43,155.27
4214	Motor Freight Carriers Trucking	$42,429.07
5085	Industrial Supplies not elsewhere classified	$40,215.16
5044	Office Photographic Photocopy	$39,164.34

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Weekend and Holiday Watch Report – Example

Weekend & Holiday Watch

6/23/2008

Demo User (102)

Weekend / Holiday	Account #	Txn Date	Post Date	Merchant Name	City	State	MCC	Txn Desc	Amount
Saturday	**********8418	1/12/2008	1/14/2008	THE HOME DEPOT 1505	DENVER	CO	5200	Too much glue, so I returned one more leftover tube.	$6.42
Total for : Demo User (102)									**$6.42**

Demo User (105)

Weekend / Holiday	Account #	Txn Date	Post Date	Merchant Name	City	State	MCC	Txn Desc	Amount
Christmas	**********3730	12/25/2007	12/27/2007	7-ELEVEN 22193 Q05	WINTER PARK	CO	5541	Christmas morning breakfast.	$7.90
Saturday	**********3730	12/29/2007	12/31/2007	7-ELEVEN 22193 Q05	WINTER PARK	CO	5542	Auto fuel. Company car.	$48.26
Saturday	**********3730	12/29/2007	12/31/2007	7-ELEVEN 22193 Q05	WINTER PARK	CO	5542	Auto fuel. Company car.	$1.00
New Year's Day	**********3730	1/1/2008	1/2/2008	EASTLAKE 66 00455394	THORNTON	CO	5542	Auto fuel. Company car.	$60.19
Christmas	**********3730	12/25/2007	12/28/2007	SHELL OIL 57442461109	THORNTON	CO	5542	Auto fuel. Company car.	$45.59
Saturday	**********3730	1/5/2008	1/8/2008	SHELL OIL 57442462701	NORTHGLENN	CO	5542	Auto fuel. Company car. Car wash.	$49.95
Sunday	**********3730	1/6/2008	1/9/2008	SHELL OIL 57442462701	NORTHGLENN	CO	5542	Auto fuel. Company car.	$50.00
Sunday	**********3730	12/30/2007	12/31/2007	STOP N SAVE 21008313	WINTER PARK	CO	5542	Auto fuel. Company car.	$50.70
Sunday	**********3730	12/30/2007	1/2/2008	THE MOUNTAIN ROSE CAFE	WINTER PARK	CO	5812	Breakfast in WinterPark. Helen Monge helper.	$30.24
Saturday	**********3730	1/5/2008	1/7/2008	THE MOUNTAIN ROSE CAFE	WINTER PARK	CO	5812	Breakfast in WinterPark. Helen Monge helper.	$26.01
Sunday	**********3730	12/30/2007	1/2/2008	WINTER PARK MOUNTAIN LODG	WINTER PARK	CO	7011	Overnights in Winter Park. New Years eve and New Years day.	$581.60
Total for : Demo User (105)									**$951.44**

Demo User (114)

Weekend / Holiday	Account #	Txn Date	Post Date	Merchant Name	City	State	MCC	Txn Desc	Amount
Saturday	**********6488	1/19/2008	1/21/2008	OMNICON TECHNICAL SALES	303-4234932	CO	5065	4. 1/21/08/W07-009307/12417	$203.98
Total for : Demo User (114)									**$203.98**

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Government & Institutional Banking
Public Funds Collateral Unit
333 Market Street 17th Floor
A0119-173
San Francisco, CA 94105

WELLS FARGO

February 16, 2012

Pinal County
PO Box 729
Florence, AZ 85232

Re: Collateralization of Public Funds Deposits

Dear Wells Fargo Customer,

Wells Fargo Bank enjoys a reputation for strength and security. We are dedicated to ensuring that your public funds deposits are collateralized as required by conforming to all applicable state and federal statutory requirements. Our Public Funds Collateral Unit team will work hard to know you, listen to you and provide seamless collateralization of your public funds deposits.

Our Public Funds Collateral Unit will monitor your collected balances each day, pledge collateral to protect balances above FDIC coverage and provide you with a Collateral Analysis Statement showing the securities pledged monthly. The Federal Deposit Insurance Corporation provides each public funds customer up to $250,000 in the aggregate for all time and savings deposits including NOW accounts, and unlimited protection for the aggregate of all non-interest bearing deposit transaction accounts per customer relationship until further notice or December 31, 2012. Wells Fargo collateralizes uninsured balances by pledging securities from its investment portfolio. This portfolio consists primarily of investment grade securities. The market value of these securities is updated daily by an established third-party service that provides valuation services to many market participants.

Enclosed are **three (3) copies** of the Depository Pledge Agreement (collateral agreement) covering deposits held at Wells Fargo Bank, N.A. for **Pinal County**. In accordance with the applicable federal law (12 U.S.C. 1823), this collateral agreement must be approved by the bank's board of directors or loan committee; the approval must be reflected in the applicable meeting minutes; and the agreement must be an official record of the bank, continuously from the time of its execution. **Please sign three (3) copies of the Depository Pledge Agreement and return all 3 originals to Public Funds Collateral Unit.** The Depository Pledge Agreement will be forwarded to the custodian, Bank of New York Mellon for signature. The fully executed agreement will be submitted to the Wells Fargo Bank N.A.'s Board of Directors/Loan Committee for approval. A fully signed and executed original of the agreement and corporate resolution will be mailed to you upon completion.

- **All Blue & Shaded areas on document MUST be completed for processing**
- **Please verify accuracy of all prefilled data in Blue**
- **Faxed copies are NOT accepted as Original Agreements**

Upon receipt of the above signed documents, we will pledge collateral to protect your deposit balances above FDIC coverage.

We hope this information regarding the documents required for collateralization is clear. If you have additional questions, please contact 877-479-6603. We look forward to serving you!

Sincerely,

Mercy Lopez, PFA Analyst

Together we'll go far

DEPOSITORY PLEDGE AGREEMENT

866000556

Pinal County ("Depositor") has selected **WELLS FARGO BANK, NATIONAL ASSOCIATION** ("Bank") as a depository for certain of its funds and Bank has agreed to act as the depository for those funds in accordance with applicable laws, which require that Bank secure the deposited funds, to the extent not insured by the Federal Deposit Insurance Corporation ("FDIC"), by pledging securities of any type permitted by applicable law and identified in Schedule I, attached hereto ("Eligible Securities"). **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** ("Custodian") has agreed to hold the pledged securities in safekeeping pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants in this Agreement, Depositor, Bank and Custodian agree as follows:

1. Grant of Security Interest; Instructions Regarding Collateral. (a) Bank hereby grants to Depositor a security interest in all Eligible Securities transferred to a separate custody account (the "Collateral Account") established pursuant to this agreement (the "Collateral"). Custodian agrees to serve as collateral agent for Depositor, pursuant to the terms of this Agreement. For the avoidance of doubt, Custodian acknowledges and agrees that it does not have and will not acquire or assert at any time in the future, and hereby expressly waives, any lien upon, security interest in, setoff right or other right to charge the Collateral held in the Collateral Account for any obligation owed to Custodian by Bank or Depositor. Until Depositor has the right to compel sale of the Collateral under Section 7 hereof, Custodian may act in accordance with the instructions of Bank, including, without limitation, the right of Bank to unilaterally substitute Eligible Securities for the Collateral in accordance with Section 3 hereof. Addendum "A" contains the names and specimen signatures of individuals authorized to act on behalf of Depositor, and Addendum "B" contains the names and specimen signatures of individuals authorized to act on behalf of Bank. Either Depositor or Bank may add or remove authorized representatives without the consent of the other at any time by providing Custodian with a replacement addendum, duly executed by an authorized individual. In no event shall the Custodian be responsible for determining whether the pledged securities are "Eligible Securities".

(b) Each of Depositor and Bank hereby appoints Custodian as custodian of all Collateral at any time delivered to Custodian pursuant to this Agreement and to perform its duties as hereinafter set forth and authorizes Custodian to hold Collateral in the Collateral Account in registered form in its name or the name of its nominees. Custodian hereby accepts such appointment and agrees to establish and maintain the Collateral Account and appropriate records identifying the Collateral in the Collateral Account as pledged by Bank to Depositor.

(c) Bank, Depositor and Custodian agree that all Collateral delivered to or received by Custodian for deposit in the Collateral Account may be in the form of credits to the accounts of Custodian at a Securities Depository or by delivery to Custodian of physical certificates in a form suitable for transfer to Custodian or with an assignment in blank. Bank and Depositor hereby authorize Custodian to utilize such Securities Depositories and to hold such physical securities or any combination thereof in connection with its performance hereunder. Collateral credited to the Collateral Account and deposited in the Securities Depositories will be held, by book-entry notation, in accounts that include only assets held by Custodian or its agent(s) for third parties, including but not limited to accounts in which assets are held in a fiduciary, agency or representative capacity. Physical Collateral that is not held through Securities Depositories will be held in Custodian's vault and physically segregated from securities and other non-cash property belonging to Custodian. As used herein, the term "Securities Depository" or "Securities Depositories" shall mean the Treasury/Reserve Automated Debt Entry System maintained at The Federal Reserve Bank of New York for receiving and delivering securities, The Depository Trust Company and any other clearing corporation within the meaning of Section 8-102 of the Uniform Commercial Code, as in effect in the State of New York from time to time.

2. Amount of Collateral. The aggregate market value of Collateral held by Custodian at all times during the term of this Agreement must be in an amount not less than (a) the amount of the collected funds on deposit, increased by (b) the amount of accrued but uncredited interest, (c) reduced by that portion of the funds insured by the FDIC, adjusted pursuant to the margin requirement or applicable discount specified in Schedule I. Such amount is hereinafter called the "Required Collateral Value". In no event shall the Custodian be responsible for determining whether the Collateral Account contains the Required Collateral Value or that the property posted to the Collateral Account is eligible to serve as collateral pursuant to applicable law.

3. Substitutions and Withdrawals of Collateral. If the aggregate market value of Collateral held by Custodian at any time exceeds the Required Collateral Value, Bank may unilaterally withdraw any excess Collateral by providing Custodian with a withdrawal notice signed by an authorized representative of Bank, provided that after

the withdrawal of any such excess Collateral, the remaining Collateral equals or exceeds the Required Collateral Value. Additionally, Bank may unilaterally substitute Eligible Securities for any of the Collateral held by Custodian at any time by providing Custodian with a substitution notice signed by an authorized representative of Bank, provided that the Bank determines that the market value of the Collateral following such substitution would equal or exceed the Required Collateral Value. If Bank elects to require Depositor's written consent on a notice in connection with any withdrawal or substitution which complies with this Section 3, Depositor agrees to provide it promptly upon Bank's request. Custodian shall be entitled to rely on, and Bank and Depositor agree to hold Custodian harmless from, any actions taken pursuant to, and consistent with, the instructions given in a withdrawal or substitution notice under this Section 3, whether unilateral or not.

4. Bank's Obligations. Bank shall perform all of the duties and obligations required of a depository under applicable law with respect to collateralization of the funds of Depositor on deposit with Bank. At the expiration of the term of this Agreement, Bank shall turn over to any successor depository designated by Depositor all funds held by Bank as depository. Bank will furnish to Depositor a monthly statement listing a description of the Collateral. The statement will specify the par value, market value, and maturity date of each component of the Collateral. Upon request, Bank shall provide to Depositor a copy of Bank's most recent publicly available quarterly or annual financial statement.

5. Custodian's Obligations. (a) Custodian shall perform the duties and obligations required of Custodian hereunder. Upon transfer by Custodian of Eligible Securities to the Collateral Account, including Eligible Securities substituted for other Collateral, Custodian shall promptly identify such Eligible Securities on its books and records as being Collateral held pursuant to this Agreement. Custodian shall provide Depositor each month with a statement identifying all property held in the Collateral Account as of the date of such statement. Custodian shall also provide to Depositor and Bank upon request, a written confirmation on any business day on which securities are transferred to and from the Collateral Account. Such confirmation shall identify the specific securities which are the subject of the confirmation. Depositor agrees that it shall promptly review all such confirmation statements and shall promptly advise Custodian in writing of any error, omission or inaccuracy in such statements. In the event that Custodian receives such a notice claiming that an error, omission or inaccuracy has occurred with respect to the Collateral Account, Custodian shall promptly undertake to investigate such claim and correct any errors, failures or omissions which such investigation confirms have occurred. Any such corrections shall be reflected on subsequent confirmation statements.

(b) Depositor agrees that, with respect to all securities held in the Collateral Account, Custodian by itself, or through the use of the appropriate Securities Depository, shall, unless otherwise instructed to the contrary by Bank or as provided in Section 7 hereof: (i) collect all payments reflecting interest and principal on the securities in the Collateral Account; (ii) forward to Bank copies of all information or documents that it may receive from an issuer of securities which, in the opinion of Custodian, is intended for the beneficial owner of the securities including, without limitation all proxies and other authorizations properly executed and all proxy statements, notices and reports; (iii) execute, as Custodian, any certificates of ownership, affidavits, declarations or other certificates under any tax laws now or hereafter in effect in connection with the collection of bond and note coupons; (iv) hold directly, or through the Book Entry System or Depository, all rights issued with respect to any securities held by Custodian hereunder; and (v) upon receipt of written instructions from Bank, Custodian will exchange securities held hereunder for other securities and/or cash in connection with (A) any conversion privilege, reorganization, recapitalization, redemption in kind, consolidation, tender offer or exchange offer, or (B) any exercise, subscription, purchase or other similar rights; provided, however, such exchanged securities shall continue to be held by Custodian hereunder for the benefit of Depositor if such exchanged securities constitute Collateral. Upon receipt of payments reflecting principal and interest or dividends on the securities in the Collateral Account, Custodian shall transfer to Bank such principal and interest or dividend payments (either by credit to Bank's custody account at Custodian or otherwise).

(c) Custodian shall not be liable for any loss or damage, including counsel fees, resulting from its action or omission to act or otherwise, except for any loss or damage arising out of its own negligence or willful misconduct, and shall have no obligation hereunder for any loss or damage, including counsel fees, which are sustained or incurred by reason of any action or inaction by any Securities Depository, provided, however, that such loss or damage is not the direct result of the negligence or willful misconduct of Custodian. In no event shall Custodian be liable to Depositor, Bank or any third party for special, indirect or consequential damages, or lost profits or loss of business, arising in connection with this Agreement. Both Depositor, to the extent permitted by law, and Bank agree, jointly and severally, to indemnify Custodian and to hold it harmless against any and all costs, expenses, damages, liabilities or claims, including reasonable fees and expenses of counsel, which Custodian may sustain or incur with respect to any third party claim or which may be asserted by a third party against Custodian by reason of or as a result of any action taken or omitted by Custodian in connection with operating under this Agreement, except those costs, expenses, damages, liabilities or claims arising out of the negligence or willful

misconduct of Custodian or any of its employees or duly appointed agents. This indemnity shall be a continuing obligation of Depositor and Bank notwithstanding the termination of this Agreement.

(d) Custodian is hereby authorized to assign its rights and delegate its duties hereunder to any of its affiliates, whenever and on such terms and conditions as it deems necessary or appropriate to perform its services hereunder, without any further notice to Depositor or Bank. Depositor and Bank each agrees to be bound by all actions taken by any such affiliate pursuant to the preceding sentence to the same extent as if they were taken by Custodian, it being understood and agreed that no such assignment or delegation shall discharge Custodian from its obligations hereunder. If so advised by Custodian, Depositor and Bank shall provide instructions or other information to any such affiliate rather than to Custodian.

(e) Custodian may, with respect to questions of law specifically regarding the Collateral Account, obtain the advice of reputable legal counsel and shall be fully protected with respect to anything done or omitted by it reasonably and in good faith and without negligence, willful misconduct, bad faith or fraud in conformity with such advice, provided, however, that nothing contained in this paragraph (e) shall be deemed to relieve Custodian of any of its obligations pursuant to any other provision of this Agreement.

(e) Custodian shall not be responsible for, or considered to be custodian of, any securities received by it for deposit in the Collateral Account until Custodian actually receives and collects such securities directly or by the final crediting of Custodian's account on the books of the appropriate Securities Depository. Custodian will be entitled to reverse any provisional credits to the Collateral Account that were made in anticipation of the receipt of securities or cash which were not subsequently received by Custodian. Custodian shall be entitled to rely upon any addendum, certificate or instruction actually received by Custodian and reasonably believed by Custodian to be duly authorized and delivered.

(f) Custodian shall have no duties or responsibilities whatsoever except such duties and responsibilities as are specifically set forth in this Agreement and no covenant or obligation shall be implied against Custodian in connection with this Agreement.

(g) In performing hereunder, Custodian may enter into subcontracts, agreements and understandings with third parties whenever and on such terms and conditions as it deems necessary or appropriate and which are consistent with applicable law. No such subcontract, agreement or understanding shall discharge Custodian from its obligations hereunder.

6. Custodian's Reliance on Pricing Services. The Custodian is authorized to utilize one or more generally recognized pricing information services (including brokers and dealers of securities) in order to provide market values hereunder, and Bank and Depositor agree that Custodian shall not be liable for any loss, damage, expense, liability or claim (including attorneys' fees) incurred as a result of errors or omissions of any such pricing information service, broker or dealer.

7. Default and Remedies. If Bank defaults in performing its obligations under Section 4 above, or if Bank is declared insolvent, or if a receiver is appointed for Bank, Depositor may, after providing Bank at least three (3) business days prior written notice and opportunity to cure the default, and, if Bank fails to cure the default within such (3) business day period, instruct Custodian to transfer the Collateral or any part thereof to a broker-dealer for disposition in accordance with Depositor's instructions at a public or private sale. The proceeds of any such sale shall be applied to satisfy any indebtedness owed by Bank to Depositor, and any excess proceeds shall be returned to Bank. Depositor will also have any other remedies available under applicable law. The Custodian shall be entitled to rely on and shall be held harmless from acts taken in accordance with such instructions from Depositor.

8. Termination of Agreement. Any of the parties hereto may terminate this Agreement by giving ninety (90) days prior written notice of termination to the other parties in writing specifying the date of such termination. This Agreement shall terminate on the earlier of (i) the date specified in such notice of termination, or (ii) the date on which the deposits of Depositor with Bank are paid in full. If upon termination of this Agreement Bank is still holding deposits of Depositor, Custodian shall follow such reasonable written instructions as Bank and Depositor may jointly give Custodian concerning transfer of custody of securities and related property and records; otherwise Custodian will follow Bank's unilateral written instructions in that regard.

9. Applicable Law; Other Agreements. This Agreement shall be construed in accordance with the substantive laws of the State in which Depositor is located, without regard to conflicts of laws principles thereof. Bank, Depositor and Custodian hereby consent to the jurisdiction of a state or federal court situated in the State in which Depositor is located, in connection with any dispute arising hereunder. Bank, Depositor and Custodian hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which any one of them

may now or hereafter have to the laying of venue of any such proceeding brought in such a court and any claim that such proceeding brought in such a court has been brought in an inconvenient forum. All deposit accounts of Depositor will be subject to Bank's Commercial Account Agreement, Business Account Agreement, or other applicable deposit account agreement, as in effect from time to time.

10. Force Majeure. Custodian shall not be responsible or liable for any failure or delay in the performance of its obligations under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation, acts of God, earthquakes, fires, floods, wars, civil or military disturbances, sabotage, epidemics, riots, loss or malfunctions of utilities, computer (hardware or software) or communications service, labor disputes, acts of civil or military authority, or governmental, judicial or regulatory action; provided however, that Custodian shall use its best efforts to resume normal performance as soon as practicable under the circumstances.

11. Jury Trial Waiver. EACH OF BANK, DEPOSITOR AND CUSTODIAN HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

12. Miscellaneous. The headings in this agreement are for convenience of reference only and should not be used in interpreting this Agreement. If any provision of this agreement is illegal or unenforceable under applicable law, that provision should be deemed reformed so as to be enforceable to the extent permitted by applicable law, or if that is not possible, then this Agreement should be read as if that provision was never a part of it, and the remainder of the Agreement will be enforceable. THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT OF THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO ORAL AGREEMENTS OF THE PARTIES. Notices given under this Agreement must be addressed as set forth below the signature of each party, and will be effective upon actual receipt by the addressee or upon refusal of delivery during the normal business hours of the addressee. To the extent that in any jurisdiction any party may now or hereafter be entitled to claim, for itself or its assets, immunity from suit, execution, attachment (before or after judgment) or other legal process, each party irrevocably agrees, to the extent permitted by law, not to claim, and it hereby waives, such immunity in connection with this Agreement.

Applicable Margin: One hundred and two percent (102%)

Date of Agreement: _____, 20__.

DEPOSITOR: **Pinal County**

Signature: _____
Print Name: _____
Title: _____
Address: _____

CUSTODIAN: **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**

Signature: _____
Print Name: _____
Title: _____
Address: C/O The Bank of New York Mellon
One Wall Street, 4th Floor
New York, NY 10286
Attn: Manager, BDS Collateral Management

BANK: **WELLS FARGO BANK, NATIONAL ASSOCIATION**

Signature: _____
Print Name: Sheila Lynch
Title: Vice President
Address: 333 Market Street St.17th Floor,
MAC: A0119-173
San Francisco, CA 94105

ADDENDUM "A"
(Authorized Officers of Depositor)

One signature of any of the following authorized officers of Depositor is required to authorize actions to be taken pursuant to the foregoing Depository Pledge Agreement. Individual who signs page 4 must also sign below.

1. Print Name: _____ Signature: _____
   Email: _____ Phone: _____
   Fax: _____

2. Print Name: _____ Signature: _____
   Email: _____ Phone: _____
   Fax: _____

3. Print Name: _____ Signature: _____
   Email: _____ Phone: _____
   Fax: _____

4. Print Name: _____ Signature: _____
   Email: _____ Phone: _____
   Fax: _____

DEPOSITORY PLEDGE AGREEMENT

866000556

Pinal County ("Depositor") has selected **WELLS FARGO BANK, NATIONAL ASSOCIATION** ("Bank") as a depository for certain of its funds and Bank has agreed to act as the depository for those funds in accordance with applicable laws, which require that Bank secure the deposited funds, to the extent not insured by the Federal Deposit Insurance Corporation ("FDIC"), by pledging securities of any type permitted by applicable law and identified in Schedule I, attached hereto ("Eligible Securities"). **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** ("Custodian") has agreed to hold the pledged securities in safekeeping pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants in this Agreement, Depositor, Bank and Custodian agree as follows:

1. Grant of Security Interest; Instructions Regarding Collateral. (a) Bank hereby grants to Depositor a security interest in all Eligible Securities transferred to a separate custody account (the "Collateral Account") established pursuant to this agreement (the "Collateral"). Custodian agrees to serve as collateral agent for Depositor, pursuant to the terms of this Agreement. For the avoidance of doubt, Custodian acknowledges and agrees that it does not have and will not acquire or assert at any time in the future, and hereby expressly waives, any lien upon, security interest in, setoff right or other right to charge the Collateral held in the Collateral Account for any obligation owed to Custodian by Bank or Depositor. Until Depositor has the right to compel sale of the Collateral under Section 7 hereof, Custodian may act in accordance with the instructions of Bank, including, without limitation, the right of Bank to unilaterally substitute Eligible Securities for the Collateral in accordance with Section 3 hereof. Addendum "A" contains the names and specimen signatures of individuals authorized to act on behalf of Depositor, and Addendum "B" contains the names and specimen signatures of individuals authorized to act on behalf of Bank. Either Depositor or Bank may add or remove authorized representatives without the consent of the other at any time by providing Custodian with a replacement addendum, duly executed by an authorized individual. In no event shall the Custodian be responsible for determining whether the pledged securities are "Eligible Securities".

(b) Each of Depositor and Bank hereby appoints Custodian as custodian of all Collateral at any time delivered to Custodian pursuant to this Agreement and to perform its duties as hereinafter set forth and authorizes Custodian to hold Collateral in the Collateral Account in registered form in its name or the name of its nominees. Custodian hereby accepts such appointment and agrees to establish and maintain the Collateral Account and appropriate records identifying the Collateral in the Collateral Account as pledged by Bank to Depositor.

(c) Bank, Depositor and Custodian agree that all Collateral delivered to or received by Custodian for deposit in the Collateral Account may be in the form of credits to the accounts of Custodian at a Securities Depository or by delivery to Custodian of physical certificates in a form suitable for transfer to Custodian or with an assignment in blank. Bank and Depositor hereby authorize Custodian to utilize such Securities Depositories and to hold such physical securities or any combination thereof in connection with its performance hereunder. Collateral credited to the Collateral Account and deposited in the Securities Depositories will be held, by book-entry notation, in accounts that include only assets held by Custodian or its agent(s) for third parties, including but not limited to accounts in which assets are held in a fiduciary, agency or representative capacity. Physical Collateral that is not held through Securities Depositories will be held in Custodian's vault and physically segregated from securities and other non-cash property belonging to Custodian. As used herein, the term "Securities Depository" or "Securities Depositories" shall mean the Treasury/Reserve Automated Debt Entry System maintained at The Federal Reserve Bank of New York for receiving and delivering securities, The Depository Trust Company and any other clearing corporation within the meaning of Section 8-102 of the Uniform Commercial Code, as in effect in the State of New York from time to time.

2. Amount of Collateral. The aggregate market value of Collateral held by Custodian at all times during the term of this Agreement must be in an amount not less than (a) the amount of the collected funds on deposit, increased by (b) the amount of accrued but uncredited interest, (c) reduced by that portion of the funds insured by the FDIC, adjusted pursuant to the margin requirement or applicable discount specified in Schedule I. Such amount is hereinafter called the "Required Collateral Value". In no event shall the Custodian be responsible for determining whether the Collateral Account contains the Required Collateral Value or that the property posted to the Collateral Account is eligible to serve as collateral pursuant to applicable law.

3. Substitutions and Withdrawals of Collateral. If the aggregate market value of Collateral held by Custodian at any time exceeds the Required Collateral Value, Bank may unilaterally withdraw any excess Collateral by providing Custodian with a withdrawal notice signed by an authorized representative of Bank, provided that after

the withdrawal of any such excess Collateral, the remaining Collateral equals or exceeds the Required Collateral Value. Additionally, Bank may unilaterally substitute Eligible Securities for any of the Collateral held by Custodian at any time by providing Custodian with a substitution notice signed by an authorized representative of Bank, provided that the Bank determines that the market value of the Collateral following such substitution would equal or exceed the Required Collateral Value. If Bank elects to require Depositor's written consent on a notice in connection with any withdrawal or substitution which complies with this Section 3, Depositor agrees to provide it promptly upon Bank's request. Custodian shall be entitled to rely on, and Bank and Depositor agree to hold Custodian harmless from, any actions taken pursuant to, and consistent with, the instructions given in a withdrawal or substitution notice under this Section 3, whether unilateral or not.

4. Bank's Obligations. Bank shall perform all of the duties and obligations required of a depository under applicable law with respect to collateralization of the funds of Depositor on deposit with Bank. At the expiration of the term of this Agreement, Bank shall turn over to any successor depository designated by Depositor all funds held by Bank as depository. Bank will furnish to Depositor a monthly statement listing a description of the Collateral. The statement will specify the par value, market value, and maturity date of each component of the Collateral. Upon request, Bank shall provide to Depositor a copy of Bank's most recent publicly available quarterly or annual financial statement.

5. Custodian's Obligations. (a) Custodian shall perform the duties and obligations required of Custodian hereunder. Upon transfer by Custodian of Eligible Securities to the Collateral Account, including Eligible Securities substituted for other Collateral, Custodian shall promptly identify such Eligible Securities on its books and records as being Collateral held pursuant to this Agreement. Custodian shall provide Depositor each month with a statement identifying all property held in the Collateral Account as of the date of such statement. Custodian shall also provide to Depositor and Bank upon request, a written confirmation on any business day on which securities are transferred to and from the Collateral Account. Such confirmation shall identify the specific securities which are the subject of the confirmation. Depositor agrees that it shall promptly review all such confirmation statements and shall promptly advise Custodian in writing of any error, omission or inaccuracy in such statements. In the event that Custodian receives such a notice claiming that an error, omission or inaccuracy has occurred with respect to the Collateral Account, Custodian shall promptly undertake to investigate such claim and correct any errors, failures or omissions which such investigation confirms have occurred. Any such corrections shall be reflected on subsequent confirmation statements.

(b) Depositor agrees that, with respect to all securities held in the Collateral Account, Custodian by itself, or through the use of the appropriate Securities Depository, shall, unless otherwise instructed to the contrary by Bank or as provided in Section 7 hereof: (i) collect all payments reflecting interest and principal on the securities in the Collateral Account; (ii) forward to Bank copies of all information or documents that it may receive from an issuer of securities which, in the opinion of Custodian, is intended for the beneficial owner of the securities including, without limitation all proxies and other authorizations properly executed and all proxy statements, notices and reports; (iii) execute, as Custodian, any certificates of ownership, affidavits, declarations or other certificates under any tax laws now or hereafter in effect in connection with the collection of bond and note coupons; (iv) hold directly, or through the Book Entry System or Depository, all rights issued with respect to any securities held by Custodian hereunder; and (v) upon receipt of written instructions from Bank, Custodian will exchange securities held hereunder for other securities and/or cash in connection with (A) any conversion privilege, reorganization, recapitalization, redemption in kind, consolidation, tender offer or exchange offer, or (B) any exercise, subscription, purchase or other similar rights; provided, however, such exchanged securities shall continue to be held by Custodian hereunder for the benefit of Depositor if such exchanged securities constitute Collateral. Upon receipt of payments reflecting principal and interest or dividends on the securities in the Collateral Account, Custodian shall transfer to Bank such principal and interest or dividend payments (either by credit to Bank's custody account at Custodian or otherwise).

(c) Custodian shall not be liable for any loss or damage, including counsel fees, resulting from its action or omission to act or otherwise, except for any loss or damage arising out of its own negligence or willful misconduct, and shall have no obligation hereunder for any loss or damage, including counsel fees, which are sustained or incurred by reason of any action or inaction by any Securities Depository, provided, however, that such loss or damage is not the direct result of the negligence or willful misconduct of Custodian. In no event shall Custodian be liable to Depositor, Bank or any third party for special, indirect or consequential damages, or lost profits or loss of business, arising in connection with this Agreement. Both Depositor, to the extent permitted by law, and Bank agree, jointly and severally, to indemnify Custodian and to hold it harmless against any and all costs, expenses, damages, liabilities or claims, including reasonable fees and expenses of counsel, which Custodian may sustain or incur with respect to any third party claim or which may be asserted by a third party against Custodian by reason of or as a result of any action taken or omitted by Custodian in connection with operating under this Agreement, except those costs, expenses, damages, liabilities or claims arising out of the negligence or willful

misconduct of Custodian or any of its employees or duly appointed agents. This indemnity shall be a continuing obligation of Depositor and Bank notwithstanding the termination of this Agreement.

(d) Custodian is hereby authorized to assign its rights and delegate its duties hereunder to any of its affiliates, whenever and on such terms and conditions as it deems necessary or appropriate to perform its services hereunder, without any further notice to Depositor or Bank. Depositor and Bank each agrees to be bound by all actions taken by any such affiliate pursuant to the preceding sentence to the same extent as if they were taken by Custodian, it being understood and agreed that no such assignment or delegation shall discharge Custodian from its obligations hereunder. If so advised by Custodian, Depositor and Bank shall provide instructions or other information to any such affiliate rather than to Custodian.

(e) Custodian may, with respect to questions of law specifically regarding the Collateral Account, obtain the advice of reputable legal counsel and shall be fully protected with respect to anything done or omitted by it reasonably and in good faith and without negligence, willful misconduct, bad faith or fraud in conformity with such advice, provided, however, that nothing contained in this paragraph (e) shall be deemed to relieve Custodian of any of its obligations pursuant to any other provision of this Agreement.

(e) Custodian shall not be responsible for, or considered to be custodian of, any securities received by it for deposit in the Collateral Account until Custodian actually receives and collects such securities directly or by the final crediting of Custodian's account on the books of the appropriate Securities Depository. Custodian will be entitled to reverse any provisional credits to the Collateral Account that were made in anticipation of the receipt of securities or cash which were not subsequently received by Custodian. Custodian shall be entitled to rely upon any addendum, certificate or instruction actually received by Custodian and reasonably believed by Custodian to be duly authorized and delivered.

(f) Custodian shall have no duties or responsibilities whatsoever except such duties and responsibilities as are specifically set forth in this Agreement and no covenant or obligation shall be implied against Custodian in connection with this Agreement.

(g) In performing hereunder, Custodian may enter into subcontracts, agreements and understandings with third parties whenever and on such terms and conditions as it deems necessary or appropriate and which are consistent with applicable law. No such subcontract, agreement or understanding shall discharge Custodian from its obligations hereunder.

6. Custodian's Reliance on Pricing Services. The Custodian is authorized to utilize one or more generally recognized pricing information services (including brokers and dealers of securities) in order to provide market values hereunder, and Bank and Depositor agree that Custodian shall not be liable for any loss, damage, expense, liability or claim (including attorneys' fees) incurred as a result of errors or omissions of any such pricing information service, broker or dealer.

7. Default and Remedies. If Bank defaults in performing its obligations under Section 4 above, or if Bank is declared insolvent, or if a receiver is appointed for Bank, Depositor may, after providing Bank at least three (3) business days prior written notice and opportunity to cure the default, and, if Bank fails to cure the default within such (3) business day period, instruct Custodian to transfer the Collateral or any part thereof to a broker-dealer for disposition in accordance with Depositor's instructions at a public or private sale. The proceeds of any such sale shall be applied to satisfy any indebtedness owed by Bank to Depositor, and any excess proceeds shall be returned to Bank. Depositor will also have any other remedies available under applicable law. The Custodian shall be entitled to rely on and shall be held harmless from acts taken in accordance with such instructions from Depositor.

8. Termination of Agreement. Any of the parties hereto may terminate this Agreement by giving ninety (90) days prior written notice of termination to the other parties in writing specifying the date of such termination. This Agreement shall terminate on the earlier of (i) the date specified in such notice of termination, or (ii) the date on which the deposits of Depositor with Bank are paid in full. If upon termination of this Agreement Bank is still holding deposits of Depositor, Custodian shall follow such reasonable written instructions as Bank and Depositor may jointly give Custodian concerning transfer of custody of securities and related property and records; otherwise Custodian will follow Bank's unilateral written instructions in that regard.

9. Applicable Law; Other Agreements. This Agreement shall be construed in accordance with the substantive laws of the State in which Depositor is located, without regard to conflicts of laws principles thereof. Bank, Depositor and Custodian hereby consent to the jurisdiction of a state or federal court situated in the State in which Depositor is located, in connection with any dispute arising hereunder. Bank, Depositor and Custodian hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which any one of them

may now or hereafter have to the laying of venue of any such proceeding brought in such a court and any claim that such proceeding brought in such a court has been brought in an inconvenient forum. All deposit accounts of Depositor will be subject to Bank's Commercial Account Agreement, Business Account Agreement, or other applicable deposit account agreement, as in effect from time to time.

10. Force Majeure. Custodian shall not be responsible or liable for any failure or delay in the performance of its obligations under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation, acts of God, earthquakes, fires, floods, wars, civil or military disturbances, sabotage, epidemics, riots, loss or malfunctions of utilities, computer (hardware or software) or communications service, labor disputes, acts of civil or military authority, or governmental, judicial or regulatory action; provided however, that Custodian shall use its best efforts to resume normal performance as soon as practicable under the circumstances.

11. Jury Trial Waiver. EACH OF BANK, DEPOSITOR AND CUSTODIAN HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

12. Miscellaneous. The headings in this agreement are for convenience of reference only and should not be used in interpreting this Agreement. If any provision of this agreement is illegal or unenforceable under applicable law, that provision should be deemed reformed so as to be enforceable to the extent permitted by applicable law, or if that is not possible, then this Agreement should be read as if that provision was never a part of it, and the remainder of the Agreement will be enforceable. THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT OF THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO ORAL AGREEMENTS OF THE PARTIES. Notices given under this Agreement must be addressed as set forth below the signature of each party, and will be effective upon actual receipt by the addressee or upon refusal of delivery during the normal business hours of the addressee. To the extent that in any jurisdiction any party may now or hereafter be entitled to claim, for itself or its assets, immunity from suit, execution, attachment (before or after judgment) or other legal process, each party irrevocably agrees, to the extent permitted by law, not to claim, and it hereby waives, such immunity in connection with this Agreement.

Applicable Margin: One hundred and two percent (102%)

Date of Agreement: _____, 20__.

DEPOSITOR: **Pinal County**

Signature: _____

Print Name: _____

Title: _____

Address: _____

CUSTODIAN: **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**

Signature: _____

Print Name: _____

Title: _____

Address: C/O The Bank of New York Mellon
One Wall Street, 4th Floor
New York, NY 10286
Attn: Manager, BDS Collateral Management

BANK: **WELLS FARGO BANK, NATIONAL ASSOCIATION**

Signature: _____

Print Name: Sheila Lynch

Title: Vice President

Address: 333 Market Street St.17th Floor,
MAC: A0119-173
San Francisco, CA 94105

ADDENDUM "A"
(Authorized Officers of Depositor)

One signature of any of the following authorized officers of Depositor is required to authorize actions to be taken pursuant to the foregoing Depository Pledge Agreement. Individual who signs page 4 must also sign below.

1. Print Name: _____ Signature: _____
   Email: _____ Phone: _____
   Fax: _____

2. Print Name: _____ Signature: _____
   Email: _____ Phone: _____
   Fax: _____

3. Print Name: _____ Signature: _____
   Email: _____ Phone: _____
   Fax: _____

4. Print Name: _____ Signature: _____
   Email: _____ Phone: _____
   Fax: _____

DEPOSITORY PLEDGE AGREEMENT

866000556

Pinal County ("Depositor") has selected **WELLS FARGO BANK, NATIONAL ASSOCIATION** ("Bank") as a depository for certain of its funds and Bank has agreed to act as the depository for those funds in accordance with applicable laws, which require that Bank secure the deposited funds, to the extent not insured by the Federal Deposit Insurance Corporation ("FDIC"), by pledging securities of any type permitted by applicable law and identified in Schedule I, attached hereto ("Eligible Securities"). **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** ("Custodian") has agreed to hold the pledged securities in safekeeping pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants in this Agreement, Depositor, Bank and Custodian agree as follows:

1. Grant of Security Interest; Instructions Regarding Collateral. (a) Bank hereby grants to Depositor a security interest in all Eligible Securities transferred to a separate custody account (the "Collateral Account") established pursuant to this agreement (the "Collateral"). Custodian agrees to serve as collateral agent for Depositor, pursuant to the terms of this Agreement. For the avoidance of doubt, Custodian acknowledges and agrees that it does not have and will not acquire or assert at any time in the future, and hereby expressly waives, any lien upon, security interest in, setoff right or other right to charge the Collateral held in the Collateral Account for any obligation owed to Custodian by Bank or Depositor. Until Depositor has the right to compel sale of the Collateral under Section 7 hereof, Custodian may act in accordance with the instructions of Bank, including, without limitation, the right of Bank to unilaterally substitute Eligible Securities for the Collateral in accordance with Section 3 hereof. Addendum "A" contains the names and specimen signatures of individuals authorized to act on behalf of Depositor, and Addendum "B" contains the names and specimen signatures of individuals authorized to act on behalf of Bank. Either Depositor or Bank may add or remove authorized representatives without the consent of the other at any time by providing Custodian with a replacement addendum, duly executed by an authorized individual. In no event shall the Custodian be responsible for determining whether the pledged securities are "Eligible Securities".

(b) Each of Depositor and Bank hereby appoints Custodian as custodian of all Collateral at any time delivered to Custodian pursuant to this Agreement and to perform its duties as hereinafter set forth and authorizes Custodian to hold Collateral in the Collateral Account in registered form in its name or the name of its nominees. Custodian hereby accepts such appointment and agrees to establish and maintain the Collateral Account and appropriate records identifying the Collateral in the Collateral Account as pledged by Bank to Depositor.

(c) Bank, Depositor and Custodian agree that all Collateral delivered to or received by Custodian for deposit in the Collateral Account may be in the form of credits to the accounts of Custodian at a Securities Depository or by delivery to Custodian of physical certificates in a form suitable for transfer to Custodian or with an assignment in blank. Bank and Depositor hereby authorize Custodian to utilize such Securities Depositories and to hold such physical securities or any combination thereof in connection with its performance hereunder. Collateral credited to the Collateral Account and deposited in the Securities Depositories will be held, by book-entry notation, in accounts that include only assets held by Custodian or its agent(s) for third parties, including but not limited to accounts in which assets are held in a fiduciary, agency or representative capacity. Physical Collateral that is not held through Securities Depositories will be held in Custodian's vault and physically segregated from securities and other non-cash property belonging to Custodian. As used herein, the term "Securities Depository" or "Securities Depositories" shall mean the Treasury/Reserve Automated Debt Entry System maintained at The Federal Reserve Bank of New York for receiving and delivering securities, The Depository Trust Company and any other clearing corporation within the meaning of Section 8-102 of the Uniform Commercial Code, as in effect in the State of New York from time to time.

2. Amount of Collateral. The aggregate market value of Collateral held by Custodian at all times during the term of this Agreement must be in an amount not less than (a) the amount of the collected funds on deposit, increased by (b) the amount of accrued but uncredited interest, (c) reduced by that portion of the funds insured by the FDIC, adjusted pursuant to the margin requirement or applicable discount specified in Schedule I. Such amount is hereinafter called the "Required Collateral Value". In no event shall the Custodian be responsible for determining whether the Collateral Account contains the Required Collateral Value or that the property posted to the Collateral Account is eligible to serve as collateral pursuant to applicable law.

3. Substitutions and Withdrawals of Collateral. If the aggregate market value of Collateral held by Custodian at any time exceeds the Required Collateral Value, Bank may unilaterally withdraw any excess Collateral by providing Custodian with a withdrawal notice signed by an authorized representative of Bank, provided that after

the withdrawal of any such excess Collateral, the remaining Collateral equals or exceeds the Required Collateral Value. Additionally, Bank may unilaterally substitute Eligible Securities for any of the Collateral held by Custodian at any time by providing Custodian with a substitution notice signed by an authorized representative of Bank, provided that the Bank determines that the market value of the Collateral following such substitution would equal or exceed the Required Collateral Value. If Bank elects to require Depositor's written consent on a notice in connection with any withdrawal or substitution which complies with this Section 3, Depositor agrees to provide it promptly upon Bank's request. Custodian shall be entitled to rely on, and Bank and Depositor agree to hold Custodian harmless from, any actions taken pursuant to, and consistent with, the instructions given in a withdrawal or substitution notice under this Section 3, whether unilateral or not.

4. Bank's Obligations. Bank shall perform all of the duties and obligations required of a depository under applicable law with respect to collateralization of the funds of Depositor on deposit with Bank. At the expiration of the term of this Agreement, Bank shall turn over to any successor depository designated by Depositor all funds held by Bank as depository. Bank will furnish to Depositor a monthly statement listing a description of the Collateral. The statement will specify the par value, market value, and maturity date of each component of the Collateral. Upon request, Bank shall provide to Depositor a copy of Bank's most recent publicly available quarterly or annual financial statement.

5. Custodian's Obligations. (a) Custodian shall perform the duties and obligations required of Custodian hereunder. Upon transfer by Custodian of Eligible Securities to the Collateral Account, including Eligible Securities substituted for other Collateral, Custodian shall promptly identify such Eligible Securities on its books and records as being Collateral held pursuant to this Agreement. Custodian shall provide Depositor each month with a statement identifying all property held in the Collateral Account as of the date of such statement. Custodian shall also provide to Depositor and Bank upon request, a written confirmation on any business day on which securities are transferred to and from the Collateral Account. Such confirmation shall identify the specific securities which are the subject of the confirmation. Depositor agrees that it shall promptly review all such confirmation statements and shall promptly advise Custodian in writing of any error, omission or inaccuracy in such statements. In the event that Custodian receives such a notice claiming that an error, omission or inaccuracy has occurred with respect to the Collateral Account, Custodian shall promptly undertake to investigate such claim and correct any errors, failures or omissions which such investigation confirms have occurred. Any such corrections shall be reflected on subsequent confirmation statements.

(b) Depositor agrees that, with respect to all securities held in the Collateral Account, Custodian by itself, or through the use of the appropriate Securities Depository, shall, unless otherwise instructed to the contrary by Bank or as provided in Section 7 hereof: (i) collect all payments reflecting interest and principal on the securities in the Collateral Account; (ii) forward to Bank copies of all information or documents that it may receive from an issuer of securities which, in the opinion of Custodian, is intended for the beneficial owner of the securities including, without limitation all proxies and other authorizations properly executed and all proxy statements, notices and reports; (iii) execute, as Custodian, any certificates of ownership, affidavits, declarations or other certificates under any tax laws now or hereafter in effect in connection with the collection of bond and note coupons; (iv) hold directly, or through the Book Entry System or Depository, all rights issued with respect to any securities held by Custodian hereunder; and (v) upon receipt of written instructions from Bank, Custodian will exchange securities held hereunder for other securities and/or cash in connection with (A) any conversion privilege, reorganization, recapitalization, redemption in kind, consolidation, tender offer or exchange offer, or (B) any exercise, subscription, purchase or other similar rights; provided, however, such exchanged securities shall continue to be held by Custodian hereunder for the benefit of Depositor if such exchanged securities constitute Collateral. Upon receipt of payments reflecting principal and interest or dividends on the securities in the Collateral Account, Custodian shall transfer to Bank such principal and interest or dividend payments (either by credit to Bank's custody account at Custodian or otherwise).

(c) Custodian shall not be liable for any loss or damage, including counsel fees, resulting from its action or omission to act or otherwise, except for any loss or damage arising out of its own negligence or willful misconduct, and shall have no obligation hereunder for any loss or damage, including counsel fees, which are sustained or incurred by reason of any action or inaction by any Securities Depository, provided, however, that such loss or damage is not the direct result of the negligence or willful misconduct of Custodian. In no event shall Custodian be liable to Depositor, Bank or any third party for special, indirect or consequential damages, or lost profits or loss of business, arising in connection with this Agreement. Both Depositor, to the extent permitted by law, and Bank agree, jointly and severally, to indemnify Custodian and to hold it harmless against any and all costs, expenses, damages, liabilities or claims, including reasonable fees and expenses of counsel, which Custodian may sustain or incur with respect to any third party claim or which may be asserted by a third party against Custodian by reason of or as a result of any action taken or omitted by Custodian in connection with operating under this Agreement, except those costs, expenses, damages, liabilities or claims arising out of the negligence or willful

misconduct of Custodian or any of its employees or duly appointed agents. This indemnity shall be a continuing obligation of Depositor and Bank notwithstanding the termination of this Agreement.

(d) Custodian is hereby authorized to assign its rights and delegate its duties hereunder to any of its affiliates, whenever and on such terms and conditions as it deems necessary or appropriate to perform its services hereunder, without any further notice to Depositor or Bank. Depositor and Bank each agrees to be bound by all actions taken by any such affiliate pursuant to the preceding sentence to the same extent as if they were taken by Custodian, it being understood and agreed that no such assignment or delegation shall discharge Custodian from its obligations hereunder. If so advised by Custodian, Depositor and Bank shall provide instructions or other information to any such affiliate rather than to Custodian.

(e) Custodian may, with respect to questions of law specifically regarding the Collateral Account, obtain the advice of reputable legal counsel and shall be fully protected with respect to anything done or omitted by it reasonably and in good faith and without negligence, willful misconduct, bad faith or fraud in conformity with such advice, provided, however, that nothing contained in this paragraph (e) shall be deemed to relieve Custodian of any of its obligations pursuant to any other provision of this Agreement.

(e) Custodian shall not be responsible for, or considered to be custodian of, any securities received by it for deposit in the Collateral Account until Custodian actually receives and collects such securities directly or by the final crediting of Custodian's account on the books of the appropriate Securities Depository. Custodian will be entitled to reverse any provisional credits to the Collateral Account that were made in anticipation of the receipt of securities or cash which were not subsequently received by Custodian. Custodian shall be entitled to rely upon any addendum, certificate or instruction actually received by Custodian and reasonably believed by Custodian to be duly authorized and delivered.

(f) Custodian shall have no duties or responsibilities whatsoever except such duties and responsibilities as are specifically set forth in this Agreement and no covenant or obligation shall be implied against Custodian in connection with this Agreement.

(g) In performing hereunder, Custodian may enter into subcontracts, agreements and understandings with third parties whenever and on such terms and conditions as it deems necessary or appropriate and which are consistent with applicable law. No such subcontract, agreement or understanding shall discharge Custodian from its obligations hereunder.

6. Custodian's Reliance on Pricing Services. The Custodian is authorized to utilize one or more generally recognized pricing information services (including brokers and dealers of securities) in order to provide market values hereunder, and Bank and Depositor agree that Custodian shall not be liable for any loss, damage, expense, liability or claim (including attorneys' fees) incurred as a result of errors or omissions of any such pricing information service, broker or dealer.

7. Default and Remedies. If Bank defaults in performing its obligations under Section 4 above, or if Bank is declared insolvent, or if a receiver is appointed for Bank, Depositor may, after providing Bank at least three (3) business days prior written notice and opportunity to cure the default, and, if Bank fails to cure the default within such (3) business day period, instruct Custodian to transfer the Collateral or any part thereof to a broker-dealer for disposition in accordance with Depositor's instructions at a public or private sale. The proceeds of any such sale shall be applied to satisfy any indebtedness owed by Bank to Depositor, and any excess proceeds shall be returned to Bank. Depositor will also have any other remedies available under applicable law. The Custodian shall be entitled to rely on and shall be held harmless from acts taken in accordance with such instructions from Depositor.

8. Termination of Agreement. Any of the parties hereto may terminate this Agreement by giving ninety (90) days prior written notice of termination to the other parties in writing specifying the date of such termination. This Agreement shall terminate on the earlier of (i) the date specified in such notice of termination, or (ii) the date on which the deposits of Depositor with Bank are paid in full. If upon termination of this Agreement Bank is still holding deposits of Depositor, Custodian shall follow such reasonable written instructions as Bank and Depositor may jointly give Custodian concerning transfer of custody of securities and related property and records; otherwise Custodian will follow Bank's unilateral written instructions in that regard.

9. Applicable Law; Other Agreements. This Agreement shall be construed in accordance with the substantive laws of the State in which Depositor is located, without regard to conflicts of laws principles thereof. Bank, Depositor and Custodian hereby consent to the jurisdiction of a state or federal court situated in the State in which Depositor is located, in connection with any dispute arising hereunder. Bank, Depositor and Custodian hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which any one of them

may now or hereafter have to the laying of venue of any such proceeding brought in such a court and any claim that such proceeding brought in such a court has been brought in an inconvenient forum. All deposit accounts of Depositor will be subject to Bank's Commercial Account Agreement, Business Account Agreement, or other applicable deposit account agreement, as in effect from time to time.

10. Force Majeure. Custodian shall not be responsible or liable for any failure or delay in the performance of its obligations under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation, acts of God, earthquakes, fires, floods, wars, civil or military disturbances, sabotage, epidemics, riots, loss or malfunctions of utilities, computer (hardware or software) or communications service, labor disputes, acts of civil or military authority, or governmental, judicial or regulatory action; provided however, that Custodian shall use its best efforts to resume normal performance as soon as practicable under the circumstances.

11. Jury Trial Waiver. EACH OF BANK, DEPOSITOR AND CUSTODIAN HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

12. Miscellaneous. The headings in this agreement are for convenience of reference only and should not be used in interpreting this Agreement. If any provision of this agreement is illegal or unenforceable under applicable law, that provision should be deemed reformed so as to be enforceable to the extent permitted by applicable law, or if that is not possible, then this Agreement should be read as if that provision was never a part of it, and the remainder of the Agreement will be enforceable. THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT OF THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO ORAL AGREEMENTS OF THE PARTIES. Notices given under this Agreement must be addressed as set forth below the signature of each party, and will be effective upon actual receipt by the addressee or upon refusal of delivery during the normal business hours of the addressee. To the extent that in any jurisdiction any party may now or hereafter be entitled to claim, for itself or its assets, immunity from suit, execution, attachment (before or after judgment) or other legal process, each party irrevocably agrees, to the extent permitted by law, not to claim, and it hereby waives, such immunity in connection with this Agreement.

Applicable Margin: One hundred and two percent (102%)

Date of Agreement: _____, 20__.

DEPOSITOR: **Pinal County**

Signature: _____

Print Name: _____

Title: _____

Address: _____

CUSTODIAN: **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**

Signature: _____

Print Name: _____

Title: _____

Address: C/O The Bank of New York Mellon
One Wall Street, 4th Floor
New York, NY 10286
Attn: Manager, BDS Collateral Management

BANK: **WELLS FARGO BANK, NATIONAL ASSOCIATION**

Signature: _____

Print Name: Sheila Lynch

Title: Vice President

Address: 333 Market Street St.17th Floor,
MAC: A0119-173
San Francisco, CA 94105

DepPldgAgmt-MasterBNY-2010(1210)

ADDENDUM "A"
(Authorized Officers of Depositor)

One signature of any of the following authorized officers of Depositor is required to authorize actions to be taken pursuant to the foregoing Depository Pledge Agreement. Individual who signs page 4 must also sign below.

1. Print Name: _____ Signature: _____
   Email: _____ Phone: _____
   Fax: _____

2. Print Name: _____ Signature: _____
   Email: _____ Phone: _____
   Fax: _____

3. Print Name: _____ Signature: _____
   Email: _____ Phone: _____
   Fax: _____

4. Print Name: _____ Signature: _____
   Email: _____ Phone: _____
   Fax: _____

Government & Institutional Banking
Public Funds Collateral Unit
333 Market Street 17th Floor
MAC: A0119-173
San Francisco, CA 94105

WELLS FARGO

Date: February 16, 2012

Customer Name: **Pinal County** Telephone: _____
Custody Acct: Contra: Fax: _____

SUBJECT: Request for Waiver of Consent to Release Collateral of Interest

Dear Wells Fargo Customer:

Wells Fargo Bank, N. A. will process releases of excess collateral securing your deposits with Wells Fargo without providing prior notice and without obtaining your prior consent.

Wells Fargo Bank, N. A. agrees to initiate and process the release of excess collateral pledged to secure your deposits, whenever the amount of such collateral pledged exceeds the amount required pursuant to your agreement with Wells Fargo, or, in the absence of such agreement, whenever the amount of the collateral pledged exceeds the amount necessary to secure your deposits. For purposes of determining the sufficiency of collateral pledged to secure your deposits, or whether the amount pledged is in excess of collateral requirements and may be released, you agree that Wells Fargo shall be governed by the total collected balance of your deposits as of the close of business on the banking day prior to the date of any release or proposed release. You agree that Wells Fargo shall not be liable to you or any third-party for any losses or damages resulting from Wells Fargo's release of excess collateral pursuant to this letter agreement, and that this letter agreement shall continue in effect and bind you and Wells Fargo until you otherwise clearly provide in writing.

Please indicate your acceptance of and agreement with the terms of this letter agreement by signing as indicated below. If you have any questions you can reach us at 877-479-6603.

Sincerely,

Sheila Lynch
Vice President

(Customer) **Authorized Signature** **Print Name** **Date**

Wells Fargo Bank
Instructions for Completing The BNY Mellon INFORM Client Set Up Request Form.

Only complete the **Client Information** & **User Set UP** sections of the form in order to provide user(s) access to your daily collateral price reports. These areas are **Blue & Shaded** for your convenience

Please type or print all required information **legibly.**

Within the **Client Information Section:**

- Complete all information.
- Since this is your initial set up request, please ignore the last line: "Check if information has changed: "

Within the **User Set Up Section:**

- Please provide the name(s) and e-mail address(s) of staff that you want to have access to INFORM reporting.

- Since this is your initial set up, ignore the "User ID" and " Reset Code" portion. User ID(s) and Reset Code(s) will be assigned during the INFORM set up process and returned to the primary contact by BNY Mellon shortly after the first posting of collateral to your account takes place. The User ID and Reset Code will be required if and when a user needs to have his/her password reset. A telephone number for BNY Mellon's BDS Help Desk will also be given within the returned INFORM User set up information packet.

- Since this is your initial set up, ignore the "User ID" portion but please provide a six digit (numeric) Reset Code(s). User ID(s) will be assigned during the INFORM set up process and returned with your Reset Code(s) to the primary contact by BNY Mellon shortly after the first posting of collateral to your account takes place. The User ID and Reset Code will be required if and when a user needs to have his/her password reset. A telephone number for BNY Mellon's BDS Help Desk will also be given within the returned INFORM User set up information packet.

After your initial sign on, the INFORM system will prompt each user to immediately change his/her password.

If you have any questions, please contact the Wells Fargo Public Funds Collateral Unit at 877-479-6603. Upon completion, please return the INFORM Client Set Up Request along with your signed third party contract to the address provided on the contact sheet.

THE BANK OF NEW YORK MELLON

Broker Dealer Services
Inform Client Set Up Request

Well Fargo Bank – A/C - NEW

BNYM Account Manager Contact:

Contact Name: Paul Messina **Telephone # :**

Business Unit: *Broker Dealer Services – Client Services Group* **Fax #:**

Request Type:

☒ **New Customer (select one type below)**
- ☐ **Global (B3)** (Accounts on RE3)
- ☒ **Domestic (B4)** (Accounts on RE1)
- ☐ **Far East (B5)** (Accounts on RE4)

☐ **Existing Inform Customer –Maintenance**
(update client services, users, accounts and/or reports as designated below)

Inform ID: _____ **(required)**

Client Information:

Company Name: Pinal County

Address 1:

Address 2:

Address 3:

Primary Contact: **Telephone:**

E-mail Address: **Fax :**

Check if information has changed: ☐ Name ☐Address ☐Contact

User Set Up: ☒ Add User ☐ Delete User

Name(Print Clearly)	User ID (if assigned)	Reset Code 6 numeric	Email Address(Print Clearly)
		123456	
		123456	
		123456	
		123456	
		123456	
		123456	

Services: Reports ☒ Price Report

Accounts: on RE1

Parent Purchaser Group (please indicate whether account(s) is on RE1).

Special Instructions:

GIB PUBLIC FUNDS COLLATERAL UNIT
CONTACT INFORMATION

Mailing Address Wells Fargo Bank, N.A.
GIB Public Funds Collateral Unit
333 Market Street, 17th Floor
MAC: A0119-173
San Francisco, CA 94105

Toll Free Number: 877-479-6603

Fax Number: 866-686-5441

Email Address: PublicFundsCollateral@wellsfargo.com

Contacts:

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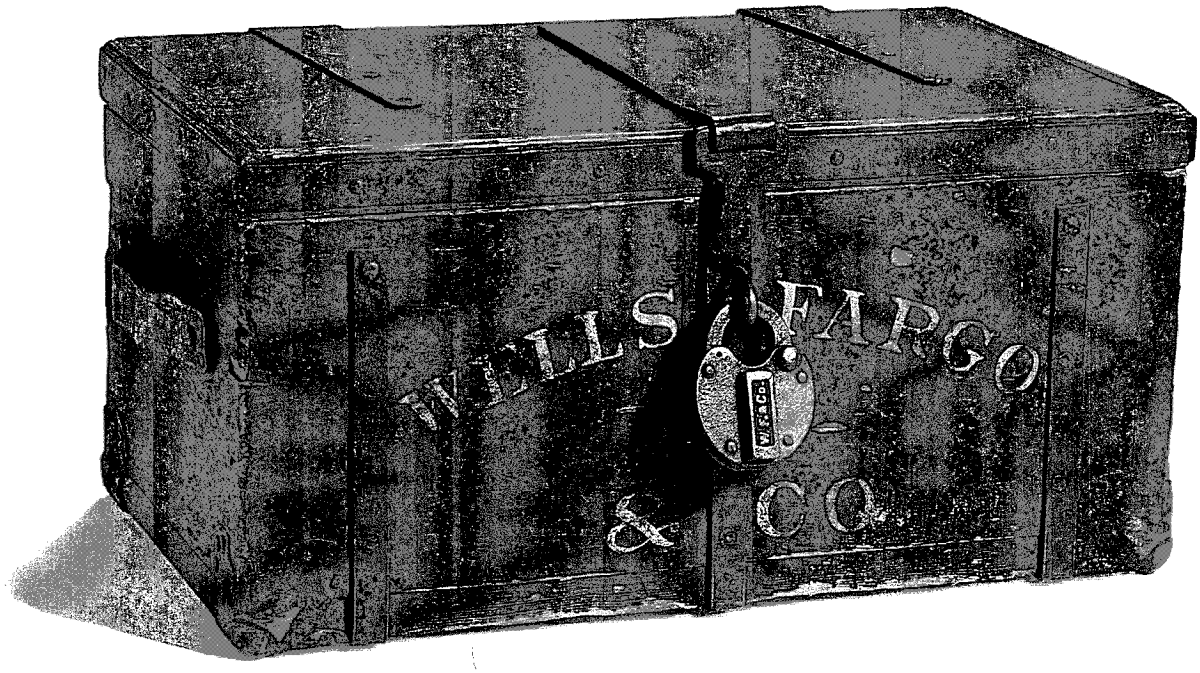
Mercy Lopez, Public Funds Analyst	lopezmd@wellsfargo.com (415) 371-3273

WELLS FARGO

Commercial Account Agreement

Effective May 1, 2005



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I. Terms Applicable to All Commercial Deposit Accounts

Introduction

In this Commercial Account Agreement ("Agreement"), "Company" refers to the owner or accountholder of a Wells Fargo bank commercial deposit account ("Account"). "Bank" refers to the Wells Fargo bank at which Company's Account is maintained. This Agreement includes the following disclosures applicable to Bank's commercial deposit accounts and related services (each, a "Service"), that Bank has separately provided to Company: (i) the schedule of Bank's fees and other account-related information (the "fee and information schedule"), (ii) the collection schedule, (iii) the funds availability policy, (iv) the privacy policy, (v) the rate sheets for interest-bearing accounts, each as modified by Bank from time to time, and (vi) any additional disclosures regarding Company's Account that Bank may provide to Company. Company is responsible for ensuring that each Authorized Signer is familiar with this Agreement. Unless Company has instructed Bank in writing to the contrary, Bank may consider communications about Company's Account from an Authorized Signer on Company's Account as communications from Company. Company agrees to notify Bank immediately in writing if any Authorized Signer's authority has been terminated. This Agreement replaces all prior agreements with Bank regarding Company's Account other than agreements regarding security interests in, or services utilizing, the Account. By signing Bank's signature card for Company's Account or by using Company's Account or a Service, Company will be deemed to have agreed to this Agreement. Company should retain a copy of this Agreement (and any information that Bank provides Company regarding changes to this Agreement) for as long as Company maintains its Account with Bank.

Defined Terms

In this Agreement, certain words have a special meaning and are therefore defined. Certain terms and their definitions are found in this Section, and others are found in the text of this Agreement.

Affiliate.
An "Affiliate" is a bank that is, directly or indirectly, a wholly or substantially owned subsidiary of Wells Fargo & Company.

Authorized Signer.
An "Authorized Signer" is a person who has Company's actual or apparent authority to transact business on Company's Account(s), whether or not such person has signed the signature card or other documentation for Company's Account(s). Bank may continue to recognize an Authorized Signer's authority until Bank has received and had a reasonable time to act upon Company's written modification or revocation of it.

Business Day.
A "Business Day" is every day except Saturdays, Sundays and federal holidays.

Collected Balance.
The "Collected Balance" is the Ledger Balance in Company's Account less Deposit Float.

Commercial Deposit Account.
A "commercial deposit account" is any deposit account, other than one of Bank's business deposit accounts, that is not held or maintained primarily for personal, family or household purposes. Examples of commercial deposit accounts include an account owned by an individual acting as a sole proprietor, a partnership, a limited partnership, a limited liability partnership, a limited liability company, a corporation, a joint venture, a non-profit corporation, an employee benefit plan or a governmental unit including an Indian tribal entity.

Deposit Float.
"Deposit Float" is the total dollar amount of Items deposited in Company's Account for which, based on the collection schedule used by Bank or the applicable Affiliate for this type of account, Company's Account has not yet been credited for purposes of calculating the Collected Balance.

Deposited Item.
A "Deposited Item" is an Item (including a non-U.S. Item) that Bank cashes or collects for Company or accepts for deposit to Company's Account.

Investable Balance.
The "Investable Balance" is the Collected Balance in Company's Account less (i) the portion of such Collected Balance that Bank is required by law to hold in reserve at a Federal Reserve Bank and (ii) other adjustments.

Item.
An "Item" includes a check, substitute check, purported substitute check, electronic item, draft, demand draft, preauthorized draft, remotely created check, remotely created item, remotely created consumer item, image replacement document or other order or instruction for the payment, transfer, or withdrawal of funds (including a withdrawal slip), automatic transfer, and electronic transaction (including a wire transfer, an ACH transfer and a Consumer ACH Debit Entry), any written document created or authorized in Company's name that would be a check or draft but for the fact that it has not been signed, and a cash-in ticket or a deposit adjustment or a photocopy or an image of any of the foregoing.

Ledger Balance.
The "Ledger Balance" is the balance in Company's Account after all debits and credits for the Business Day are posted.

Overdraft.
An "Overdraft" is any event that results in a negative balance in Company's Account.

Paper Item.
A "Paper Item" is an Item that is in paper form.

Service.
A "Service" is any service Bank provides to Company including without limitation any Treasury Management Service.

Arbitration Agreement

Agreement to Arbitrate.
Except as stated in "No Waiver of Self-Help or Provisional Remedies" below, Company and Bank agree, at Company's or Bank's request, to submit to binding arbitration all claims, disputes and controversies between or among Company and Bank (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise arising out of or relating in any way to Company's Account(s) and/or Service(s) and their negotiation, execution, administration, modification, substitution, formation, inducement, enforcement, default or termination (each, a "Dispute").

Governing Rules.
Any arbitration proceeding will (i) proceed in a location selected by the American Arbitration Association ("AAA") in the state whose laws govern Company's Account; (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between Company and Bank; and (iii) be conducted by the AAA, or such other administrator as Company and Bank shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least $1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and any such Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a lawful demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any Dispute. Nothing contained herein shall be deemed to be a waiver by Bank of the protections

afforded to it under 12 U.S.C. Section 91 or any similar applicable state law.

No Waiver of Self-Help or Provisional Remedies.
This arbitration requirement does not limit the right of either party to (i) exercise self-help remedies including setoff or (ii) obtain provisional or ancillary remedies such as injunctive relief or attachment, before, during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of either party to submit any Dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in (i) and (ii) of this subsection.

Arbitrator Qualifications and Powers.
Any Dispute in which the amount in controversy is $5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than $5,000,000.00. Any Dispute in which the amount in controversy exceeds $5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. Each arbitrator will be a neutral attorney licensed in the state whose laws govern Company's Account and who has a minimum of ten years experience in the substantive law applicable to the subject matter of the Dispute to be arbitrated. The arbitrator(s) will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator(s) will decide (by documents only or with a hearing at the discretion of the arbitrator(s)) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator(s) shall resolve all Disputes in accordance with the substantive law of the state whose laws govern Company's Account and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator(s) shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as deemed necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the state rules of civil procedure for the state whose laws govern Company's Account or other applicable law. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

Discovery.
In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the Dispute being arbitrated and must be completed no later than twenty (20) days before the hearing date and within 180 days of the filing of the Dispute with the AAA. Any requests for an extension of the discovery periods, or any discovery Disputes, will be subject to final determination by the arbitrator(s) upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

Class Actions and Consolidations.
Company and Bank agree that the resolution of any Dispute arising pursuant to the terms of this Agreement shall be resolved by a separate arbitration proceeding and shall not be consolidated with other Disputes or treated as a class. Neither Company nor Bank shall be entitled to join or consolidate Disputes by or against others in any arbitration, or to include in any arbitration any Dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

Payment of Arbitration Costs and Fees.
The arbitrator(s) shall award all costs and expenses of the arbitration proceeding.

Miscellaneous.
To the maximum extent practicable, the AAA, the arbitrator(s), Company and Bank shall take all action required to conclude any arbitration proceeding within 180 days of the filing

of the Dispute with the AAA. The arbitrator(s), Company, or Bank may not disclose the existence, content or results thereof, except for disclosures of information by Company or Bank required in the ordinary course of business, by applicable law or regulation, or to the extent necessary to exercise any judicial review rights set forth herein. If more than one agreement for arbitration by or between Company and Bank potentially applies to a Dispute, the arbitration agreement most directly related to Company's Account or the subject matter of the Dispute shall control. This arbitration agreement shall survive the closing of Company's Account or termination of any Service or the relationship between Company and Bank.

Statements and Other Account-Related Information

Mailing Statements and Other Account-Related Information to Company.
Except as expressly provided otherwise in this Agreement, Bank will mail (or otherwise make available to Company) statements for Company's Account and notices and other information regarding Company's Account or any Service (collectively, "Account-Related Information") to the postal or electronic address reflected in Bank's records for Company's Account. Any statement or Account-Related Information will be deemed to have been sent to Company on the first Business Day following the date on it. A statement or other Account-Related Information that is held for Company to pick up will be deemed to be delivered to Company at the time that Bank makes it available for pick up.

Company's Obligation to Review Statements and Other Account-Related Information and to Notify Bank of Errors.
Company agrees to promptly and carefully examine each statement for Company's Account and any other Account-Related Information and any paid Items that are returned with (or described in) the statement and any other Account-Related Information and to promptly notify Bank of, and reimburse Bank for, any erroneous credit to Company's Account. Within thirty (30) days after Bank mails or otherwise makes the statement or other Account-Related Information available to Company, Company will notify Bank of any claim for credit or refund due, for example, to an erroneous or unauthorized debit, a missing signature, an unauthorized signature, or an alteration (each, an "unauthorized transaction"). Within six (6) months after Bank mails or otherwise makes the statement or other Account-Related Information available to Company, Company will notify Bank of any claim for credit or refund resulting from a forged, unauthorized, or missing endorsement. Such notification is to be made by (i) calling the telephone number listed on the statement for Company's Account or in the other Account-Related Information for such purpose and (ii) submitting a written report to Bank as soon as possible, but, in any event, within the timeframes specified above. If Company fails to notify Bank within the timeframes specified above, the balance shown on the statement for Company's Account or other Account-Related Information will be conclusively presumed to be correct, and Company will be deemed to have released Bank from all liability for the Items charged to Company's Account and for all other transactions covered by the statement or other Account-Related Information. In addition, if Company fails to notify Bank of an unauthorized transaction on Company's Account within thirty (30) days after Bank mails or otherwise makes the statement for Company's Account or other Account-Related Information describing the unauthorized transaction available to Company, Bank will not be liable to Company for any unauthorized transactions on Company's Account by the same person that could have been prevented if Company had complied with Company's obligations under this subsection. If Company notifies Bank of any claim for credit or refund later than required by this subsection, Bank may assert, at Company's request and on Company's behalf, any claim against a third party that Bank determines in Bank's sole discretion is permitted under the laws governing Company's Account or applicable rule.

Returned, Unclaimed Statements or Other Account-Related Information.
Unless otherwise prohibited by the laws governing Company's Account, (i) if two or more statements for Company's Account are returned, Bank may discontinue sending statements for Company's Account and other Account-Related Information to Company until Company provides a valid address to Bank; (ii) Bank may destroy statements for Company's Account

and other Account-Related Information that are sent to Company and returned to Bank as undeliverable; and (iii) if Bank holds the statement for Company's Account or other Account-Related Information for Company to pick up and the statement remains unclaimed for sixty (60) days, Bank may send the statement to the address reflected in Bank's records for Company's Account or destroy it.

Address Changes for Statements for Company's Account and Other Account-Related Information.
Company may instruct Bank to change the address to which Bank mails (or the means by which Bank otherwise makes available) statements for Company's Account and other Account-Related Information at any time. Bank may act on any such instruction purportedly made on Company's behalf within a reasonable time after Bank receives such instruction. Unless Company instructs Bank otherwise, Bank may in its sole discretion change the address only for the Account(s) Company specifies or for all or some of Company's other Accounts with Bank. Bank may change Company's address of record if Bank receives an address change notice from the U.S. Postal Service or if Bank receives information from a third party in the business of providing correct address information that the address in Bank's records no longer corresponds to Company's address.

Notices and Other Mail.
Any notice Company sends Bank will not be effective until Bank actually receives it and has a reasonable opportunity to act on it. If there is more than one Authorized Signer on Company's Account, Bank may send statements and other Account-Related Information to any one of them (unless Company has otherwise instructed Bank in writing). Company assumes the risk of loss in the mail. Any notice Bank sends Company will be effective when mailed or otherwise made available to Company.

Electronic Communications.
If Company provides Bank with an electronic address to which Bank may send electronic communications, Company agrees that Bank may send to Company by electronic communication any information that the laws governing Company's Account require be sent to Company in writing, provided such electronic communication does not violate the laws governing Company's Account. "Electronic communication" means a message transmitted electronically in a format that allows visual text or images to be displayed on equipment such as a personal computer monitor.

Fraud Prevention

Protection Against Unauthorized Items.
Company acknowledges that there is a growing risk of losses resulting from unauthorized Items. Bank offers Services that provide effective means for controlling the risk from unauthorized Items. These Services include:

- Positive Pay, or Positive Pay with Payee Validation, or Reverse Positive Pay (each offered by Bank in conjunction with Bank's Account Reconciliation Plan Service);
- ACH Fraud Filter; and
- Payment Authorization Service.

If Bank has expressly recommended that Company use one or more of these Services (or any other Service related to fraud prevention that Bank offers after the date of this Agreement), and Company either decides not to use the recommended Service or fails to use the recommended Service in accordance with the applicable Service Description or other Bank documentation applicable to the Service, Company will be treated as having assumed the risk of any losses that could have been prevented if Company had used the recommended Service in accordance with the applicable Service Description or applicable documentation.

Lost or Stolen Paper Items; Unauthorized Items.
If any of Company's unissued Paper Items has been lost or stolen, or if Company learns that unauthorized Items are being issued on Company's Account, Company agrees to notify Bank at once. To the extent that Company's failure to so notify Bank hampers Bank's ability

to prevent loss, Bank will be relieved of any liability for such Items. Upon receipt of any such notice, Bank may at its sole discretion and without any liability to Company take one or more of the following actions: (i) close Company's Account and open a new account for Company; (ii) dishonor any Paper Item Company or an Authorized Signer has indicated may have been lost or stolen (unless Company or an Authorized Signer subsequently has instructed Bank to honor such an Item); or (iii) pay any Paper Item presented for payment on Company's Account, provided Company has instructed Bank to pay such Paper Item and given Bank the number of that Paper Item. If Bank opens a new account for Company and Company has authorized a third party to automatically make regular deposits to or withdrawals from Company's Account (such as wire or ACH transfers), Bank shall have no liability to Company if Company does not receive any regularly scheduled deposit or if a regularly scheduled payment is not made for Company due to Company's failure to notify that third party in a timely fashion of the number of Company's new Account.

Preventing Misuse of Company's Account.
Company agrees to take reasonable steps to ensure the integrity of Company's internal procedures with respect to Company's Account and Items drawn on Company's Account or deposited to it. To help prevent embezzlement and protect Company's business assets, Bank recommends Company:

- Assign responsibilities for Company's Account to multiple individuals. Those who reconcile statements for Company's Account should be different from those who issue Items drawn on Company's Account.
- Reconcile statements for Company's Account as received and notify Bank immediately of any problem.
- Contact Bank immediately if Company does not receive the statement for Company's Account when Company would normally expect to.
- Watch for Paper Items cashed out of sequence or made out to cash. These are classic red flags for embezzlement.
- Secure Company's supply of Paper Items at all times. Stolen Paper Items are a common method of embezzlement.
- Periodically reassign accounting duties such as reconciling Company's Account or making a deposit.
- Review transaction activity on Company's Account for unexpected fluctuations. For example, compare the percentage of cash deposits to total deposit size. Most businesses will maintain a constant average. A large fluctuation might indicate embezzlement.
- Destroy any Paper Item that Company does not intend to use.
- Use tamper-resistant Paper Items at all times.
- Notify Bank immediately when an Authorized Signer's authority ends so that his/her name can be removed from all signature cards and Online Banking access, and any Cards that Bank has issued to him/her can be cancelled.
- Do not sign blank Paper Items.
- Obtain insurance coverage for these risks.

Claim of Unauthorized Transactions; Bank's Rights and Liability

Investigation by Bank; Company's Agreement to Cooperate.
Bank shall investigate any transaction Company has reported to Bank as unauthorized (a "Claim of Unauthorized Transaction"). Company agrees to (i) submit Company's Claim of Unauthorized Transaction in writing to Bank by completing or obtaining a declaration under penalty of perjury describing Company's Claim of Unauthorized Transaction (in an affidavit form approved by Bank, if so requested); (ii) file a police report; (iii) complete and return to Bank any documents requested of Company; and (iv) in all respects cooperate fully at Company's expense with Bank in Bank's investigation of Company's Claim of Unauthorized Transaction.

Standard of Care.
Bank will meet its standard of care for Company's Account by exercising ordinary care in the transaction at issue. When Bank takes an Item for processing by automated means, "ordinary care" does not require Bank to examine the Item. In all other cases, "ordinary care" requires only that Bank follow standards that do not vary unreasonably from the general standards followed by similarly situated banks. Bank's policies and procedures are general internal guidelines for Bank's use and do not establish a higher standard of care for Bank than is otherwise established by the laws governing Company's Account. A mere clerical error or an honest mistake will not be considered a failure of Bank to perform any of its obligations. If Bank waives any of its rights as to Company or Company's Account on one or more occasions, it will not be considered a waiver of Bank's rights on any other occasion.

Limitation of Liability; Indemnification.
Whether in connection with Company's Account or a Service, in no event will either party to this Agreement or its respective directors, officers, employees, or agents be liable to the other party for any special, consequential, indirect or punitive damages, whether any claim is based on contract or tort or whether the likelihood of such damages was known to either party. The foregoing limitation of liability will not apply where expressly prohibited by the laws governing Company's Account. Bank will not have any liability to Company if there are insufficient available funds in Company's Account to pay Company's Items due to actions taken by (i) Bank in accordance with this Agreement or (ii) any third party. Except to the extent that Bank fails to exercise ordinary care or breaches this Agreement, Company agrees to indemnify and hold Bank and its directors, officers, employees and agents harmless from all claims, demands, losses, liabilities, judgments, and expenses (including their attorneys' fees and legal expenses) arising out of or in any way connected with Bank's performance under this Agreement. Company agrees this indemnification will survive the closing of Company's Account and the termination of any Service.

Adverse Claims.
If any person or entity makes a claim against funds in Company's Account, or if Bank believes that a conflict exists between or among the Authorized Signers on Company's Account or that there is a dispute over matters such as the ownership of Company's Account or the authority to withdraw funds from Company's Account, Bank may, without any liability to Company, take one or more of the following actions: (i) continue to rely on Bank's records to determine the ownership of or the identity of the Authorized Signer(s) for Company's Account; (ii) honor the claim upon receipt of evidence satisfactory to Bank to justify such claim; (iii) freeze all or a part of the funds in Company's Account until the dispute is resolved to Bank's satisfaction; (iv) close Company's Account and send a check for the available balance in Company's Account payable to Company or to Company and each claimant; or (v) pay the funds into an appropriate court.

Legal Process.
Bank may accept and act on any legal process it believes is valid, whether served in person, by mail or by electronic notification, at any location of Bank. "Legal process" includes a levy, garnishment or attachment, tax levy or withholding order, injunction, restraining order, subpoena, search warrant, government agency request for information, forfeiture, seizure, or other legal process relating to Company's Account. Any such legal process is subject to Bank's security interest and right of setoff. Bank will not notify Company of a grand jury subpoena affecting Company or Company's Account.

"Freezing" Company's Account.
As part of Bank's loss prevention program, when Bank suspects that irregular, unauthorized, or unlawful activities may be occurring in connection with Company's Account, Bank may "freeze" (or place a hold on) the balance in Company's Account (and in other Account(s) Company maintains with Bank) pending an investigation of such suspected activities. If Bank freezes Company's Account, Bank will give any notice required by the laws governing Company's Account.

Force Majeure.
Neither party to this Agreement shall be deemed to be in default of any of its obligations under this Agreement if its performance is delayed, hindered or becomes impossible because of any act of God or of any public enemy, hostilities, war (declared or undeclared), guerilla or terrorist activities, act of sabotage, blockade, earthquake, flood, landslide, avalanche, tremor, ground movement, hurricane, storm, explosion, fire, labor disturbance, riot, insurrection, strike, sickness, accident, civil commotion, epidemic, act of government or its agencies or officers, power interruption or transmission failure or any cause beyond the control of either party.

Company's Insurance Coverage.
Many businesses carry special insurance for employee fraud/embezzlement. If Company does, Bank reserves the right to require Company to file a claim with its insurance company before making any claim against Bank. In such event, Bank will consider Company's claim only after Bank has reviewed Company's insurance company's decision, and Bank's liability to Company, if any, will be reduced by the amount Company's insurance company pays Company.

Substitute Checks

A federal law, known as the "Check Clearing for the 21st Century Act" or "Check 21," took effect on October 28, 2004. This law provides for an instrument called a "substitute check." A substitute check contains an accurate copy of the front and back of the original draft and bears the legend: "This is a legal copy of your check. You can use it the same way you would use the original check." As noted in the legend, a substitute check is the same as the original draft for all purposes, including proving that Company made a payment. Any Paper Item Company issues or deposits that is returned to Company may be returned in the form of a substitute check. Even if Company has cancelled Items returned with the statements for Company's Account, Bank may in its sole discretion withhold substitute checks therefrom. Company agrees Company will not transfer a substitute check to Bank, by deposit or otherwise, if Bank would be the first financial institution to take the substitute check, unless Bank has expressly agreed in writing to take it.

Deposits to Company's Account

General.
Unless otherwise agreed in writing, Bank may, without inquiry, accept a deposit to Company's Account at any time, from any person or entity, made in any manner including without limitation a deposit based on an image of an Item. Bank may also refuse to accept all or any part of any deposit. Bank may require that Company deposit an Item that is made payable to Company to Company's Account, instead of permitting Company to cash the Item. Bank is not responsible for a deposit until a Bank employee has received and verified it. The receipt received at the time of deposit is not evidence that a deposit has been verified. Bank may reverse or otherwise adjust any credit Bank believes it has erroneously made to Company's Account at any time without prior notice to Company.

Collection Items.
Bank may, in its sole discretion and with notice to Company, handle a Paper Item as a collection Item, instead of as a deposit. This means Bank sends the Item to the issuer's bank for payment and credits Company's Account for the Item when Bank receives payment for the Item. If the Item is returned unpaid, Bank will return the Item to Company.

Endorsements.
This subsection applies if an endorsement is necessary for the transfer or negotiation of an Item. Company authorizes Bank to supply Company's endorsement on any Item Bank takes for collection, payment or deposit to Company's Account. Company also authorizes Bank to collect any unendorsed Item that is made payable to Company without first supplying Company's endorsement, provided the Item was deposited to Company's Account. Bank may refuse to pay any Item or accept any Item for deposit or collection unless Bank is able to verify to its satisfaction that all of the necessary endorsements are present on the Item. For example, Bank may require that all endorsers be present at the time that an Item is presented to Bank for payment or accepted for deposit or collection.

Material Appearing on the Back of Paper Items; Legends on Paper Items.
Company is responsible for losses incurred by any person that cashes or accepts Company's Paper Items for deposit, if: (i) the loss is due to a delay in the return of the Item; and (ii) the delay is caused by material appearing on the back of the Item when it was issued or transferred by Company. This material may include, but is not limited to, carbon bands, blacked out areas, and printed or written text or numbers. Company is responsible for all losses, claims, damages or expenses that result from a restrictive legend or notation on Company's Paper Items.

Breach of Warranties.
If Company breaches any warranty Company makes under the laws governing Company's Account or rule with respect to any Item, Company shall not be released or otherwise discharged from any liability for such breach so long as Bank notifies Company of the breach within 120 days after Bank learns of the breach. If Bank fails to notify Company within this 120-day period, Company shall be released from liability and discharged only to the extent Bank's failure to notify Company within such time period caused a loss to Company.

When Deposits are Credited to Company's Account.
All over-the-counter deposits or ATM deposits to Company's Account which are received before Bank's established cut-off time on any Business Day will be credited (and will be considered deposited) to Company's Account as of the close of business that day, and will be reflected in that day's Ledger Balance for Company's Account. All other deposits (such as cash letter or lockbox) will be processed in accordance with the written agreements governing such deposits or, if there is no written agreement, banking practice. All deposits received after Bank's established cut-off time on a Business Day or at any time on a day which is not a Business Day will be credited (and will be considered deposited) to Company's Account at the end of the next Business Day. Deposits placed in one of Bank's "night depositories" before the established deadline on any Business Day will be credited to Company's Account at the close of business on that same day. All other deposits placed in the "night depository" will be credited to Company's Account at the end of the next Business Day.

Use of Funds.
Company's use of funds deposited to Company's Account will be governed by Bank's separately disclosed collection schedule and, if Company's Account is a checking account, funds availability policy. Bank's collection schedule describes when deposits of Items that satisfy certain criteria will be considered collected. A fee may be charged in connection with any use of uncollected funds permitted by Bank. The then-current rate will appear on the statement for Company's Account. Bank's funds availability policy describes when funds deposited to Company's checking Account will be available to be used for all purposes. Bank may change its collection schedule and funds availability policy from time to time without prior notice to Company.

Deposits at Affiliates.
Company may make deposits to Company's Account(s) at an Affiliate, provided the Affiliate agrees. If Company makes a deposit to Company's Account at an Affiliate, that Affiliate's collection schedule and funds availability policy will determine when the funds deposited to Company's Account will be considered collected and available.

Deposits of Non-U.S. Items.
Bank may refuse to accept for deposit or collection an Item that is payable in currency other than U.S. dollars or an Item that is not drawn on a financial institution chartered in the United States (each, a "non-U.S. Item"). If Bank accepts a non-U.S. Item for deposit to Company's Account or collection, Company accepts all risk associated with foreign currency fluctuation (exchange rate risk) and any late return of the non-U.S. Item. Company agrees Bank may use Bank's current buying and selling rate, as applicable, when processing a non-U.S. Item and may recover from Company's Account any loss Bank incurs as a result of processing such an Item for Company. Bank reserves the right to place longer holds on non-U.S. Items than the timeframes specified in Bank's funds availability policy for Deposited Items.

Acts and Omissions of Other Financial Institutions.
Bank is not liable for the insolvency, neglect, misconduct, mistake, or default of another bank or person, or for the loss or destruction of a Deposited Item or of a notice of nonpayment relating thereto. If a Deposited Item is lost or misrouted during the collection process: (i) Bank shall have no responsibility to Company for the actions or inactions of any collecting bank; (ii) Bank may charge Company's Account for the amount of the Deposited Item (and reverse any interest that may have accrued to Company's Account in connection with the Deposited Item); and (iii) Company agrees to cooperate with Bank in recreating the Deposited Item.

Deposited Items Returned.
Bank has the right to charge back to or otherwise debit any of Company's Account(s) for any Deposited Item that is returned (and to reverse or recover any associated interest that may have accrued), even if Company has made withdrawals against it. This right of charge back or debit is not affected by the expiration of any applicable midnight deadline, provided Bank does not have actual knowledge that such deadline has expired or, having such knowledge, Bank concludes that (i) the Deposited Item is returned in accordance with the laws governing Company's Account or a rule (including a clearing house rule); or (ii) Bank has received a claim that Company has breached a warranty made in connection with the Deposited Item. Bank has the right to pursue collection of such Deposited Item, even to the extent of allowing the payor bank to hold the Deposited Item beyond the midnight deadline in an attempt to recover payment. Bank may redeposit a returned Deposited Item and re-present it for payment by any means (including electronic means), unless Bank has received instructions from Company not to redeposit such Deposited Item. Bank will have no liability for taking or failing to take any action to recover payment of a returned Deposited Item. If one of Company's Deposited Items is returned with a claim that there is a breach of warranty (for example, that it bears a forged endorsement or is altered in any way), Bank may debit Company's Account for the amount of the Item (plus any associated fees) and pay the amount to the person or entity making the claim. Bank is under no duty to question the truth of the facts that are being asserted, to assess the timeliness of the claim, or to assert any defense. Bank need not give Company any prior notification of its actions with respect to the claim. Company agrees to immediately repay any Overdraft caused by the return of a Deposited Item.

Direct Deposits Returned by Bank.
If, in connection with a direct deposit plan funds are deposited to Company's Account and later returned to the originator, Bank may deduct the amount from that or any other Account Company maintains at Bank, without prior notice and at any time, except as prohibited by the laws governing Company's Account. Bank may also use any other legal remedy to recover the amount.

Reconstructing Lost or Destroyed Deposited Items.
If a Deposited Item is lost or destroyed during processing or collection (either at Bank or at another point in the payments system), Company agrees to cooperate fully with Bank to reconstruct the Deposited Item by promptly: (i) providing Bank with a copy of the front and back of the Deposited Item from Company's or the issuer's records; (ii) asking the issuer to place a stop payment on it (at Bank's expense) and issue a replacement Item to Company (if the Deposited Item has not been paid); or (iii) reviewing Company's records and other information and conducting any additional research as may be reasonable to determine the issuer's identity (if Company does not know the identity of the issuer of the Deposited Item). If Company fails to cooperate with Bank, Bank may, at any time and without advance notice to Company, reverse or otherwise adjust any credit made to Company's Account for a lost or destroyed Deposited Item.

Withdrawals from Company's Account

Determining Company's Account's Balance; Debiting Company's Account.
In determining the balance in Company's Account that is available to pay Items, Bank may reduce the available balance by the amount of any hold that Bank has placed on Company's Account under this Agreement. Additionally, Bank may place a hold on Company's Account

if Bank receives an electronic notice that an Item will be presented for payment or collection against Company's Account (a "Notice of Presentment"). The hold may remain in effect from the time the Notice of Presentment is received until the Item is presented or notice is received that the Item will not be presented, whichever first occurs. Bank may conclusively rely on the information it receives in an electronic presentment or notification when determining the available balance in Company's Account, and Bank will not have any liability for refusing to honor any of Company's Items because of insufficient funds, even if the electronic presentment or notification incorrectly describes the Item, including its amount. Bank may debit Company's Account on the day an Item is presented by any means, including without limitation electronically, or at an earlier time based on notification received by Bank that an Item drawn on Company's Account will be presented for payment or collection. A determination of the balance in Company's Account for purposes of making a decision to dishonor an Item for insufficiency or unavailability of funds may be made at any time between the presentment of the Item (or earlier upon receipt of any Notice of Presentment) and the time of return of the Item. No more than one such determination need be made.

Order of Posting.
Bank may post Items presented against Company's Account in any order Bank chooses, unless the laws governing Company's Account either require or prohibit a particular order. For example, Bank may, if it chooses, post Items in the order of highest dollar amount to lowest dollar amount. Bank may change the order of posting Items to Company's Account at any time without notice.

Paper Items Presented Over-the-Counter for Payment by a Non-Customer.
If a Paper Item drawn against Company's Account is presented over-the-counter for payment by a person who does not have a deposit account at Bank, Bank may charge a fee to the person presenting the Paper Item as a condition for payment of the Paper Item. Company should contact its banker if Company has questions or if Company is required for any reason to have a place where Company's Paper Items can be cashed without a fee. The amount of the fee is disclosed in the fee and information schedule. Bank may require identification acceptable to Bank and not prohibited by the laws governing Company's Account, including a fingerprint of the person presenting the Paper Item. Bank may dishonor the Paper Item if the person refuses to pay this fee or provide the identification Bank requests.

Large Cash Withdrawals.
If Company wants to cash a check (or make a cash withdrawal from Company's Account) for a very large amount, Bank may require five (5) Business Days' advance notice so that it can order the cash from its vault. Bank may, but is not obligated to, require that Company provide adequate security when Company picks up the cash and may also require Company to pick up the cash at Bank's central vault or other location.

Withdrawals at Affiliates.
Company may make withdrawals from Company's Account at an Affiliate, provided the Affiliate agrees. If an Affiliate cashes an Item for Company, Bank may place a hold on Company's Account(s) for a corresponding amount of funds. If the Item is later returned to the Affiliate for any reason, Bank may debit one or more of Company's Accounts for the amount of the Item.

Items Resulting From Company's Disclosure of Company's Account Number.
If Company voluntarily discloses Company's Account number to another person orally, electronically, in writing, or by some other means, and Bank determines that the context of such disclosure implies Company's authorization to debit Company's Account, Bank may treat such disclosure as Company's authorization to that person to issue Items drawn on Company's Account.

Missing Signatures; Alterations; Forgeries.
Bank will have no responsibility for reviewing the number or combination of signatures on an Item drawn on Company's Account. This means that if Company has indicated that more than one signature is required in connection with an Item drawn on Company's Account,

Bank will have no liability to Company if a transaction is conducted on or through Company's Account contrary to the signature requirements Company has specified, provided at least one of the required signatures appears on the Item. Bank will have no liability to Company for failing to detect a forgery of the signature of an Authorized Signer or an alteration of one of Company's Items, if the forgery or alteration is such that a reasonable person could not reasonably be expected to detect it.

Dates and Special Instructions on Paper Items.
Bank may, without inquiry or liability, pay one of Company's Paper Items even though: (i) special instructions written on the Paper Item indicate that Bank should refuse payment (e.g., "Void after thirty (30) days," "Paid-In-Full," or "Void over $100"); (ii) the Paper Item is stale-dated (e.g., it bears a date that is more than six (6) months in the past), even if Bank has knowledge of the date on the Paper Item; (iii) the Paper Item is post-dated (e.g., it bears a date in the future), unless an Authorized Signer has given Bank a notice of post-dating; or (iv) the Paper Item is not dated. In addition, Bank may pay in U.S. dollars the amount that has been MICR-encoded on Company's Paper Item, even though Company has purportedly drawn the Paper Item in a foreign currency.

Facsimile or Mechanical Signatures.
If Company has elected to use a facsimile or other mechanical signature (including a stamp) to sign or endorse Paper Items, Bank may rely on that signature (or any signature that purports to be the facsimile or other mechanical signature of an Authorized Signer) as Company's authorized signature without regard to when or by whom or by what means or in what ink color such signature may have been made or affixed to a Paper Item deposited to, drawn on or otherwise debited to Company's Account.

Consumer ACH Debit Entries.
Under the ACH Operating Rules, certain types of ACH entries may only be presented on a consumer account. These entries (each, a "Consumer ACH Debit Entry") include without limitation Point of Purchase ("POP"), account receivable ("ARC"), destroyed check ("XCK") and returned check ("RCK") entries. Bank shall have no obligation to pay, and no liability for paying, any Consumer ACH Debit Entry on Company's Account.

Stop Payment Orders; Notices of Post-Dating

General.
"Stop payment order" refers to both an order to Bank not to pay a Paper Item and to a notice of post-dating. To be effective, a stop payment order must be received in a time and manner that gives Bank a reasonable opportunity to act on it before paying, accepting, certifying, cashing or otherwise becoming obligated to pay Company's Paper Item as provided in the Uniform Commercial Code. Each stop payment order is subject to Bank's verification that the Paper Item described in the order has not been paid. This verification may occur subsequent to the time Bank accepts the stop payment order.

Content of Stop Payment Order.
Bank requires the exact (i) name of the payee, (ii) number of Company's Account on which Paper Item is drawn, (iii) Paper Item amount and (iv) the Paper Item number or a range of Paper Item numbers. Bank may, at its sole discretion, use only a portion of the required information in order to identify a Paper Item. Failure to provide correct and complete information may make it impossible for Bank to stop payment of a Paper Item. Company agrees to indemnify and hold Bank harmless from and against any loss incurred by Bank as a result of Bank's paying a Paper Item if any of the information relied upon in the stop payment order is incorrect or incomplete (or as a result of Bank's not paying a Paper Item for which a valid stop payment order is in effect).

Effective Period of Stop Payment Order; Renewal; Revocation.
Bank need not honor a written stop payment order for more than six (6) months. For accounts that do not have Bank's STOP AUTO-RENEWAL Service, Company must renew a stop payment order if Company does not want the stop payment order to expire after six (6)

months. Each renewal is treated as a new stop payment order. For accounts with Bank's STOP AUTO-RENEWAL Service, a stop payment order is subject to annual renewals for up to six (6) twelve-month periods, unless Company has otherwise notified Bank in writing. Bank may pay a Paper Item after a stop payment order has expired, even though the Paper Item is more than six (6) months old. An instruction to revoke a stop payment order must be received in a time and manner that gives Bank a reasonable opportunity to act on it.

Liability to Holder in Due Course.
Notwithstanding Bank's timely return of any Paper Item due to a valid stop payment order, Company may still be liable under the laws governing Company's Account for the amount of that Item.

Paper Items Paid Over Valid Stop Payment Orders.
If Bank pays a Paper Item over a valid stop payment order, Bank may require Company to provide Bank with an affidavit describing in detail Company's dispute with the payee. If Bank credits Company's Account after paying a post-dated Paper Item over a valid and timely notice of post-dating, Bank may charge Company's Account for the amount of the Paper Item as of the date of the Paper Item.

Overdrafts; Security Interest; Bank's Right to Setoff

Overdrafts and Insufficient Funds.
Bank may, at its option, pay or refuse to pay any Item if it would create an Overdraft on Company's Account, without regard to whether Bank may have previously established a pattern of honoring or dishonoring such an Item. Bank may take either of the following actions if Bank receives an Item drawn on Company's Account and there are insufficient available funds in Company's Account to cover the Item, without prior notice to Company:

- **Pay the Item** and create an Overdraft on Company's Account.
- **Return the Item** if the Item would create an Overdraft on Company's Account.

Company agrees to pay Bank's fee that may vary depending on the action Bank takes. Any Overdraft on Company's Account is immediately due and payable, unless Bank agrees otherwise in writing. Company agrees to reimburse Bank for the attorneys' fees and other costs and expenses Bank incurs in recovering the Overdraft (including Overdraft and associated fees). On a Business Day when Bank determines that there are sufficient funds in Company's Account to pay one or more but not all of the Items presented for payment on Company's Account, the order in which Bank posts such Items may affect the number of Items paid and the Overdraft and returned Item fees assessed. When Bank posts Items in the order of highest to lowest dollar amount, the Overdraft and returned Item fees may be more than these fees would be if Bank were to post the Items in the order of lowest to highest dollar amount.

Security Interest; Bank's Right to Setoff.
To secure Company's performance of this Agreement, Company grants Bank a lien on and security interest in Company's Account and Company's accounts with any Affiliate. In addition, Company acknowledges Bank may setoff against any Account(s) (including matured and unmatured time Account(s)) for any obligation Company owes Bank at any time and for any reason as allowed by the laws governing Company's Account. These obligations include both secured and unsecured debts and debts Company owes individually or together with another person. Bank may consider this Agreement as Company's consent to Bank's asserting its security interest or exercising its right of setoff should the laws governing Company's Account require Company's consent. If Company's Account is an unmatured time account, Bank may deduct any early withdrawal fee that may be due as a result of Bank having exercised its right of setoff. If Company has a Sweep Account, Company also authorizes Bank to redeem Company's shares in the Designated Money Market Fund and apply the proceeds to any obligation Company owes Bank. The rights described in this subsection are in addition to and apart from any other rights, including any rights granted under any security interest that Company may have granted to Bank.

Bank Fees and Expenses

General.
Company agrees to pay Bank in accordance with the fee and information schedule. Company also agrees to pay an amount equal to any applicable taxes, however designated, exclusive of taxes based on the net income of Bank.

Payment of Bank Fees and Expenses; Finance Charges.
Bank may either directly debit Company's Account or invoice Company for Bank fees and expenses and taxes incurred in connection with Company's Account and any Service. If an Earnings Allowance accrues on Company's Account, Bank will periodically apply Company's accrued Earnings Allowance to Bank fees and expenses (unless Bank otherwise indicates in writing). Bank may debit Company's Account (or any other Account Company maintains at Bank) or invoice Company for any amount by which the fees and expenses exceed the accrued Earnings Allowance on Company's Account. Bank may also debit Company's Account (and any other account Company maintains at Bank) for attorneys' fees and any other fees and expenses Bank incurs in exercising its rights under this Agreement including Bank's rights in connection with Overdrafts, Adverse Claims, Legal Process and "Freezing" Company's Account. If there are insufficient funds in Company's Account to cover the debit, Bank may overdraw Company's Account. Company agrees to promptly pay any invoiced amount. Bank may assess finance charges on any invoiced amounts that are not paid within forty-five (45) days of the date of invoice. Finance charges are assessed at a rate of 1.5% per month (18% per annum) or the highest amount permitted by the laws governing Company's Account, whichever is less. Charges for accrued and unpaid interest and previously assessed finance charges will not be included when calculating finance charges. Payments and other reductions of amounts owed will be applied first to that portion of outstanding fees attributable to charges for accrued and unpaid interest and previously assessed finance charges, then to other fees and expenses. Debiting of service fees occurs on the twentieth (20^{th}) day of each month, or if the twentieth (20^{th}) day is not a Business Day, on the next succeeding Business Day.

Earnings Allowance.
Each month, the average monthly Investable Balance in a commercial demand deposit account may earn an "Earnings Allowance" which, depending on the arrangement with Bank, may be applied against that month's fees for the account. An Earnings Allowance in excess of the total monthly fees cannot be credited to the account as interest and may not be carried forward to the following month. Earnings Allowances are calculated on a 365/366-day year basis using an "Earnings Allowance Rate," which is a variable rate established by Bank (and which may be as low as zero percent). Bank reserves the right to change this rate at any time without notice to Company. If the account is an interest-bearing account, the account is not eligible to earn an Earnings Allowance.

Checking Subaccounts

For each checking account, Bank may establish on Company's behalf a master account and two subaccounts. All information that is made available to Company about Company's Account will be at the master account level. The subaccounts are comprised of a savings account and a transaction account. On the first day of each month, Bank will allocate funds between the two subaccounts as it deems appropriate. Items received by Bank that are drawn against Company's master account will be presented for payment against the transaction subaccount. Funds will be transferred from the savings subaccount to cover Items presented against the transaction subaccount as may be needed. On the sixth (6^{th}) transfer from the savings subaccount during a statement period all of the funds on deposit in the savings subaccount will be transferred to the transaction subaccount. If Company's Account earns interest, the use of subaccounts will not affect the interest Company earns.

Acceptable Form of Paper Items; Document and Image Quality.
Company agrees to comply with Bank's specifications for Paper Items, including without limitation paper stock, dimensions, and other generally applicable industry standards for Paper Items and to include on Company's Paper Items Bank's name and address as directed by Bank. Certain features (such as security features) of an originally issued Item or a Deposited Item may impair the image quality of a substitute check, purported substitute check or electronic Item created by Bank or any third party. Bank will not be liable for any claims, demands, judgments or expenses paid, suffered or incurred by Company, and Company will indemnify Bank from and hold Bank harmless against any claims, demands, judgments or expenses paid, suffered or incurred by Bank, arising directly or indirectly as a result of or in connection with (i) the untimely return of any Paper Item Company has issued as a result of, and any presentment-related problem resulting from, the failure of the Paper Item to conform in any respect to Bank's Paper Item specifications, including without limitation, failure to include Bank's full name and address on the Paper Item, and (ii) any claim based on the image quality of a substitute check, purported substitute check or electronic Item, whether created by Bank or any third party.

Closing Company's Account.
Company may close Company's Account at any time. Bank may, in its sole discretion, close Company's Account at any time. If Bank closes Company's Account, Bank may send the Collected Balance on deposit in Company's Account by ordinary mail to Company's most recent address shown on Bank's account records. Whether Company or Bank closes Company's Account, Company agrees to maintain on deposit in Company's Account sufficient funds (determined in Bank's sole discretion) to cover outstanding Items to be paid from Company's Account, charge-backs including without limitation returned Deposited Items and Bank's fees and expenses. This Agreement shall continue to govern Company's Account until Bank makes a final disbursement from it. In addition, Bank will not be liable for any loss or damage that may result from dishonoring any of Company's Items that are presented or otherwise received after Company's Account is closed.

Contract Language.
English is the controlling language of the relationship between Company and Bank. Bank may translate its agreements, forms, disclosures and advertisements into another language for Company's convenience. However, if there is a discrepancy between Bank's English language materials and the materials in another language, the English language version is controlling, unless (i) Bank otherwise agrees with Company in writing; or (ii) the laws governing Company's Account specifically provide for a different result.

Credit Reports.
Company authorizes Bank to make any inquiries that Bank considers appropriate to determine if Bank should open and maintain an Account for Company. This may include ordering a credit (or other) report (e.g., information from any motor vehicle department or other state agency) on Company.

Disclosure of Information.
Generally, absent Company's consent, Bank will not disclose information about Company's Account, but may do so under the following circumstances: (i) to comply with the laws governing Company's Account; (ii) in connection with examinations by state and federal banking authorities; (iii) to comply with any legal process, including without limitation a subpoena, search warrant or other order of a government agency or court; (iv) when Bank determines that disclosure is necessary or appropriate in order to complete a transaction; (v) to verify the existence and condition of Company's Account for a third party, such as a merchant or credit bureau; (vi) to provide information to Company's legal representative or successor; (vii) when reporting the involuntary closure of Company's Account; (viii) when Bank concludes that disclosure is necessary to protect Company, Company's Account, or the interests of Bank; (ix) to agents, independent contractors, and other representatives of

Bank in connection with the servicing or processing of Company's Account or Account transactions, Account analysis, or similar purposes; (x) to Bank's Affiliates and affiliated companies; or (xi) if Company gives Company's permission.

Dormant and Unclaimed Accounts.
Company's Account is dormant if, for one year for a checking account or three years for a Commercial savings or time account, there is no customer initiated activity (except where the laws governing Company's Account require otherwise). If Company's Account is dormant, Bank may hold all statements on Company's Account, but Bank's normal maintenance and other fees will continue to be assessed except where prohibited and ATM and Point-of-Sale ("POS") access may be blocked. If Company's Account remains dormant and is unclaimed by Company for the period required under the laws governing Company's Account, Bank is required by those laws to "escheat" the funds; that is, to deliver the funds in Company's Account to the state whose laws govern Company's Account. Bank may charge a fee to Company's Account for mailing an escheat notice. When the funds in Company's Account are delivered to the state, Company's Account is closed, and no interest accrues. To recover funds delivered to the state, Company must file a claim with the state.

Entire Agreement; Headings; No Third Party Beneficiary.
This Agreement constitutes the entire agreement between Company and Bank regarding the subjects addressed in it and supersedes prior oral or written representations, conditions, warranties, understandings, proposals or agreements regarding Company's Account. Headings do not constitute a part of this Agreement. No person or entity will be deemed to be a third party beneficiary under this Agreement.

Laws Governing Company's Account.
The laws governing Company's Account include the laws and regulations of the United States and, to the extent applicable, the laws of the state in which the Bank office that maintains Company's Account is located (unless Bank has notified Company in writing that the laws of another state shall govern Company's Account), without regard to conflicts of laws principles. If Company's Account was not opened in person at a Bank office (for example, if Company opened its Account by phone, through the mail, or over the Internet), Company's Account will be governed by the laws of the state in which Bank's main office is located, unless Bank notifies Company that its Account has been assigned to a particular Bank office, in which event the laws of the state in which that office is located will govern Company's Account. Any lawsuits, claims, or other proceedings relating in any way to Company's Account, any Service or this Agreement, including without limitation, the enforcement of the Arbitration Agreement in this Agreement and the entry of judgment on any arbitration award shall be venued exclusively in the courts of the state whose laws govern Company's Account, without regard to conflict of laws principles. Each provision of this Agreement stands alone. Any provision of this Agreement which is inconsistent with the laws governing Company's Account, either in its entirety or with respect to a particular type of transaction or Item, will be deemed modified and applied in a manner consistent with the laws governing Company's Account. Any provision of this Agreement which a court of competent jurisdiction determines to be unenforceable or invalid, either in its entirety or with respect to a particular type of transaction or Item, will not affect the enforceability or validity of the remaining provisions of this Agreement.

Minimum Balance Requirements; Other Restrictions.
Bank may impose minimum balance requirements or other applicable limitations, or restrictions on Company's Account, provided such requirements, limitations, or restrictions are disclosed to Company.

Modification of Agreement; Account Conversion.
Bank may in its sole discretion from time to time change this Agreement by adding new provisions or by modifying or deleting existing provisions. Each such addition, modification or deletion is referred to in this Agreement as a "modification." When applicable law requires Bank to notify Company of a modification, Bank may do so by posting notice of the modification in Bank or at Bank's home page (www.wellsfargo.com), by including

a message on or with the statement for Company's Account, or by any other means that Bank considers appropriate, unless the laws governing Company's Account requires notice by a specific means. In addition, Bank may agree in writing to waive a provision of this Agreement including without limitation a fee (a "waiver"). Bank may, upon prior written notice to Company, revoke any waiver. Company's continued use of Company's Account or a related Service following the effective date of any modification or revocation of any waiver will show Company's consent to that modification or revocation of waiver. Bank may convert Company's Account to another type of account at any time, provided Bank gives Company any advance notice that may be required.

Monitoring and Recording Communications.
Bank may without liability monitor, record and retain telephone conversations, electronic messages, electronic records and other data transmissions between Company and Bank at any time without further notice to Company, unless further notice is otherwise required by the laws governing Company's Account.

No Fiduciary Relationship.
Bank's relationship with Company concerning Company's Account is that of debtor and creditor; no fiduciary, quasi-fiduciary, or special relationship exists between Company and Bank.

Reliance on Bank Records.
Bank may rely solely on its records to determine the form of ownership of and the Authorized Signers on Company's Account.

Reordering Checks.
Company can reorder checks by mailing the reorder form enclosed in Company's current order of checks or by calling Bank at the telephone number shown on the statement for Company's Account. If Company or a third party prints its checks, Bank shall have no liability to Company if Bank is unable to process such checks by automated means.

Transferring an Interest in Company's Account.
Company's Account may not be pledged, assigned, or in any other manner transferred, whether in whole or in part, without Bank's written agreement.

II. Additional Terms Applicable to All Commercial Interest-Bearing, Savings and Time Accounts

Interest-Bearing Accounts

Variable/Fixed-Rate Accounts.
Company's interest-bearing Account may be either a variable-rate or fixed-rate account. Unless Bank has specified otherwise in writing, Company's Account will be a variable-rate account. That means Bank may in its sole discretion change the interest rate on Company's Account at any time. If Company's Account is a fixed-rate account and it is not a time account, Company will be paid the specified interest rate for at least thirty (30) days.

Method Used to Calculate Earned Interest.
Bank may use either the average daily balance or daily balance method to calculate interest. The average daily balance method applies a periodic rate to the average daily collected balance for the period. The average daily balance is calculated by adding principal for each day and dividing by the number of days in the period. The daily balance method applies a daily periodic rate to principal each day. Unless Bank has specified otherwise in writing, it will use the daily balance method to calculate interest. If Company's Account is a tiered-rate account, Bank may pay the same interest rate on more than one tier.

Interest Accrual.
If Company deposits a non-cash Item, such as a check, interest begins to accrue no later than the Business Day Bank receives credit for the deposit of that Item. This may not be the same day that Company deposits the non-cash Item to Company's Account.

Compounding and Crediting.
Interest will compound on a daily basis. For checking and savings accounts, interest will be credited on a monthly basis. For time accounts, Bank will notify Company separately as to the frequency with which interest will be credited to Company's Account.

Target Balance Accounts.
If Company maintains multiple accounts at Bank, Company may, with Bank's consent, designate in writing one such account as its "Principal Account" and one or more additional accounts as "Target Balance Accounts." For each Target Balance Account, Company will separately specify to Bank in writing the Ledger Balance or Collected Balance which Company wishes to maintain in such account (the "Target Balance"). At the end of each Business Day, Bank will determine the applicable balance on deposit in each Target Balance Account. If the applicable balance in a Target Balance Account exceeds its Target Balance, Bank will transfer from the Target Balance Account to the Principal Account such funds as are necessary to bring the applicable balance to the Target Balance. If the applicable balance is less than the Target Balance, Bank will transfer from the Principal Account to the Target Balance Account such funds as are necessary to bring the applicable balance to the Target Balance. Bank may, but will not be required to, transfer funds if the transfer would create an Overdraft or exceed the Collected Balance then on deposit in the Principal Account.

Interest Adjustments.
An interest adjustment may be reflected on the statement for Company's Account for the month after it occurs rather than the month in which it occurs.

Tax Identification Number Certification.
In most instances, Treasury regulations require Bank to obtain a Tax Identification Number ("TIN") for each account. To avoid backup withholding tax on accounts that earn interest or dividends, Company must submit Internal Revenue Service ("IRS") Form W-9 or Form W-8BEN to Bank. U.S. citizens or other U.S. persons, including resident alien individuals, must provide a Form W-9. If Company is a non-resident alien, Company must provide a Form W-8BEN. Other additional forms may be required if Company is a foreign partnership, foreign government, or is claiming an exemption based on Effectively Connected Income. Until Bank has received the completed and signed Form(s) W-9 or W-8BEN, Bank may either not pay interest or pay interest and comply with the backup withholding requirements of the IRS. If Company's Account is an interest-bearing checking or savings account, it will begin earning interest at the rate in effect on the date Bank receives Company's Form(s) W-9 or W-8BEN. If Company's Account is a time account, it will earn interest at the rate in effect on the date opened or the date of last maturity, whichever is later. If, at any time, Bank receives information which indicates that someone other than Company is using the same TIN that Company certified as its TIN on Form W-9, and Bank is not able to determine to its own satisfaction that the TIN has been assigned to Company, Bank may at its option and without notice (i) stop paying interest on Company's Account, (ii) continue paying interest but comply with the backup withholding requirements of the IRS and/or, (iii) take any other action which Bank believes is reasonable in the circumstances. If Company is an individual who owns its Account as a sole proprietor, upon that individual's death, Bank must be provided with the individual's estate's or successor's TIN or Bank may either refuse to pay interest earned on Company's Account since the date of the individual's death or withhold a portion of the interest that has been earned on Company's Account since the date of the individual's death.

Commercial Savings Accounts

Bank's Right to Require Notice.
Bank has the right to require seven (7) days' written notice before Company withdraws money from Company's savings Account.

Limitations on Transfers from Company's Savings Account.
Preauthorized transfers, automatic transfers, online transfers, payments to other persons, and transfers by telephone from Company's savings Account are limited to six (6) a month.

Preauthorized transfers include automatic bill payments, transfers to Company's other Accounts with Bank, or automatic transfers to other persons that Company has authorized Bank to make. If Bank permits transfers from Company's savings Account by check, draft, point of sale POS purchases, check card or any similar order for withdrawal, no more than three (3) of the six (6) transfers may be made by such means in a calendar month or statement cycle. If Bank determines that Company is exceeding the limits described above on more than an occasional basis, Bank will, at its option, either close Company's savings Account, transfer the funds on deposit in Company's Account to another account that Company is eligible to maintain, or terminate Company's right to make transfers and write Items against Company's savings Account.

Commercial Time Accounts

General.
Commercial Time ("time") Accounts include deposits which are payable, either on a specified date or at the expiration of a specified time, no less than seven (7) calendar days after the date of deposit. Bank may refer to a time account as a "certificate of deposit" or a "CD," even though the time account is not represented by a certificate.

Certificated Time Accounts.
If Company receives a certificate evidencing Company's time Account, Bank may require Company to present the certificate and any amendments to receive payment or transfer ownership.

Maturity Date.
Company's time Account will mature at the end of the term stated on Company's receipt, disclosure or certificate, as applicable.

Time Requirements.
Company agrees to keep Company's funds on deposit until the maturity date. Company may make withdrawals from Company's time Account on the maturity date or within the grace period after that date. Bank will not agree in advance to allow withdrawal before maturity.

Payment of Interest.
If Company has elected a payment of interest other than a credit to Company's time Account, Bank may in its sole discretion terminate it in favor of crediting Company's time Account. Ordinarily, such discretion will be exercised when an interest payment mailed to Company's Account address has been returned undelivered or when an Account to which Company's interest payments were automatically credited has been closed, or if the interest payment amount is less than any minimum amount disclosed in the fee and information schedule.

Additional Deposits.
Other than during the grace period, Company may not make additional deposits to Company's time Account, unless Bank otherwise agrees in writing.

Withdrawal of Interest Prior to Maturity.
A withdrawal of interest prior to maturity will reduce earnings.

Renewal Policies.
If Company's time Account is automatically renewable, at maturity it will renew (i) for a like term; and (ii) at Bank's interest rate in effect on the maturity date for a new time deposit of the same term and amount, unless Bank has notified Company that it will not renew Company's Account. Company may withdraw Company's funds anytime during the grace period without a fee. If Company does, Bank will not pay interest for that period on the funds withdrawn. If Company's time Account is not automatically renewable and Company does not withdraw the funds on the maturity date, the funds will no longer earn interest after the maturity date and will be placed in a non-interest-bearing checking Account.

III. Funds Transfers

General.
Funds transfers to or from Company's Account will be governed by the rules of any funds transfer system through which the transfers are made, as amended from time to time, including, without limitation, the National Automated Clearing House Association and any regional association (each, an "ACH") and Clearing House Interbank Payments System ("CHIPS"). The following terms are in addition to, and not in place of, any other agreements between Company and Bank regarding funds transfers.

Notice of Receipt of Funds.
Unless Bank has otherwise agreed in writing, it will notify Company of funds electronically debited or credited to Company's Account through the statement for Company's Account covering the period in which the transaction occurred. Bank is under no obligation to provide Company with any additional notice or receipt.

Reliance on Identification Numbers.
If a transfer instruction describes the person to receive payment inconsistently by name and account number, payment may be made on the basis of the account number even if the account number identifies a person different from the named person. If a transfer instruction describes a participating financial institution inconsistently by name and identification number the identification number may be relied upon as the proper identification of the financial institution.

Duty to Report Unauthorized and Erroneous Fund Transfers.
Company agrees to exercise ordinary care to determine whether a fund transfer to or from Company's Account was either erroneous or not authorized and will notify Bank of the facts within a reasonable time not exceeding fourteen (14) days after Bank sends or makes available to Company the statement for Company's Account on which the transfer appears or Company otherwise has notice of the transfer, whichever is earlier. Company will be precluded from asserting that Bank is not entitled to retain payment unless Company objects to payment within the fourteen (14) day period.

Erroneous Payment Orders.
Bank has no obligation to detect errors in payment orders (for example, an erroneous instruction to pay a beneficiary not intended by Company or to pay an amount greater than the amount intended by Company, or an erroneous transmission of a duplicate payment order previously sent by Company). Should Bank detect an error on one or more occasions, it shall not be construed as obligating Bank to detect errors in any future payment order.

Automated Clearing House (ACH) Transactions.
The following terms apply to payments to or from Company's Account that are transmitted through an ACH:

- Company's rights as to payments to or from Company's Account will be governed by the laws that govern Company's Account.
- Credit given by a receiving bank to its customer for a payment from Company's Account is provisional until final settlement has been made or until payment is considered received under the laws that govern Company's Account.
- If final settlement or payment is not made or received, the receiving bank will be entitled to a refund from its customer and Company, as the originator of the payment will not be considered to have paid Company's customer.
- If a payment is made to Company's Account and Bank does not receive final settlement or payment is not received under the laws governing Company's Account, Company will not be considered to have received payment, and Bank will be entitled to reimbursement from Company for that payment.
- Company hereby authorizes any Originating Depositary Financial Institution (ODFI) to initiate, pursuant to ACH Operating Rules, ACH debit entries to Company's Account for electronic presentment or re-presentment of Items written or authorized by Company.

IV. Selected Services

ATM Deposit Service.

Company may elect to utilize Bank's ATM Deposit Service by completing and returning to Bank an ATM Deposit Service Setup Form. This Service allows Company to make deposits to Company's Account using a Treasury Express Deposit® card ("Deposit Card") and a designated Wells Fargo® ATM ("ATM"). Company shall make such deposits according to the instructions Bank provides and shall gain access to the ATM using the Deposit Card and a Personal Identification Number ("PIN"), the risk of misuse of both of which Company assumes. Bank will provisionally credit each deposit to Company's Account based on the amount Company keys into the ATM. Company will receive same-day availability for cash subject to the standard cut-off time established for the ATM into which the deposit was made and Bank's funds availability policy applicable to Company's Account. If the dollar amount of Company's deposit as determined by Bank differs from Company's total (as shown on Company's ATM receipt), Bank will send Company a statement showing the amount of this difference. Company agrees Bank's count of the dollar amount of Company's deposit will be conclusive and binding on Company. Company will have full responsibility for each deposit and its contents until the deposit has been completely and physically accepted into the ATM. If Company claims any portion of a deposit was lost or stolen while in Bank's custody, Company acknowledges Company has the burden of proving its claim. If Company orders supplies for the ATM Deposit Service through the ATM, Company authorizes Bank to initiate debits to Company's Account and credits to the accounts of third party vendors to cover the cost of such supplies provided to Company. Such transfers may be processed through an automated clearing house or any other means chosen by Bank and will be subject to the rules of the funds transfer system used by Bank. Company's authorization will remain in full force and effect until Bank has received written notification from Company of its termination in such time and manner as to afford Bank and any third party vendor a reasonable opportunity to act on it.

Treasury Express Deposit® Service.

If Company elects to utilize Bank's Treasury Express Deposit ("TED") Service, Company will prepare, package and deliver TED deposits to Bank in accordance with Bank's instructions. Bank will provisionally credit Company's Account for the currency shown on the deposit ticket enclosed in Company's TED bag as follows: (i) same day credit for deposits delivered to an office of Bank before that office's cut-off time on any Business Day or for deposits placed in night depository of Bank before 6:00 a.m. on any Business Day; or (ii) next Business Day credit for deposits delivered to an office of Bank on any Business Day on or after Bank's office's cut-off time or on any non-Business Day. All TED deposits are subject to Bank's acceptance and verification. Bank will verify the currency in Company's TED bag either at a later time in Bank's office or when Company's TED bag is delivered to Bank's cash vault. Checks will be verified when they are delivered to Bank's check processing center. Bank reserves the right to adjust (debit or credit) Company's Account if Bank determines that the amount shown on Company's deposit ticket is incorrect. Because the frequency of armored courier transportation from Bank's offices to Bank's vaults varies from office to office, the time it takes to verify Company's TED deposit may vary, depending on the office to which Company's TED bag is delivered. In most cases, adjustments will be made and notification will be sent within three (3) Business Days. Adjustments will be effective when they are processed.

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ACCEPTANCE OF SERVICES

WELLS FARGO

Part I – Certification.

The person(s) signing this Acceptance of Services ("Acceptance") certifies/certify that:

(a) the company identified in the signature block of this Acceptance ("Company") has received and agrees to be bound by the Service Documentation, as defined in Wells Fargo Bank, N.A.'s ("Bank") Master Agreement for Treasury Management Services;

(b) Company has granted the person(s) signing this Acceptance the authority on Company's behalf to (i) execute this Acceptance, (ii) enter into other agreements with Bank for treasury management services Bank offers on or after the Effective Date of this Acceptance (each, a "Service") and (iii) amend, terminate or otherwise act on behalf of Company with respect to this Acceptance and such other agreements and Services; and

(c) Company's use of any Service, including without limitation each Service Company begins using after the Effective Date of this Acceptance, confirms Company's receipt of and agreement to be bound by the Service Documentation relating to that Service.

Part II – ACH Origination Services.

A. Description of Security Procedure.

1. **General.** An "Entry" is an automated clearing house ("ACH") debit or credit entry issued in Company's name, and a "File" is the data file or batch release used to transmit one or more Entries (or a communication amending or canceling an Entry or File) to Bank. Bank will verify each File Bank receives in Company's name solely in accordance with the Security Procedure(s) Company elects in this Acceptance ("Security Procedure" is defined in Bank's ACH Origination Service Description). The purpose of the Security Procedure is to verify the authenticity of a File, not to detect an erroneous or duplicate Entry or File.

2. **Commercially Reasonable.** Company has determined the Security Procedure Company has elected (a) best meets Company's requirements with regard to the size, type and frequency of Files issued by Company to Bank and (b) is commercially reasonable. Company refuses to have its Files verified by any security procedure other than the Security Procedure Company has elected.

3. **Binding Instructions.** Company will be responsible for any erroneous or duplicate Entry or File Bank receives in Company's name. Company agrees to be bound by each Entry and File, or request to cancel or amend an Entry or File, whether or not authorized by Company, issued in Company's name and accepted by Bank in compliance with the Security Procedure Company has elected.

4. **Confidentiality.** Company and Bank will preserve the confidentiality of the Security Procedure and any passwords, codes, security devices and related instructions provided by Bank. If Company becomes aware of a breach, or suspects a breach may occur, it will immediately notify Bank.

5. **Authorized Person(s).** Company will promptly notify Bank in writing of the identity of each person authorized to receive information regarding the Security Procedure (each, an "Authorized Person") and when a person is no longer an Authorized Person. Company will maintain effective internal procedures to safeguard against unauthorized Entries or Files and warrants that no individual will be allowed to initiate an Entry or File without proper supervision and safeguards.

B. Election of Initiation Methods and Security Procedures.

The Initiation Methods and Security Procedures Company has elected for ACH origination are:

☐ Commercial Electronic Office® (CEO®) Initiation Method.

CEO is Bank's electronic banking portal that is accessed via the Internet. Authorized users may access Bank's CEO Internet ACH Service through the portal. CEO security procedures include log-on credentials specified by Bank (that may include a Company ID, user ID and password) and any other authentication or authorization process Bank requires from time to time. Bank will use the CEO security procedures to authenticate each File received through CEO in Company's name.

☐ Payment Manager® Initiation Method.

☐ **Secure Application File Exchange Transmission ("SAFE-T").** This transmission platform offers a variety of transmission protocols including hypertext transfer protocol secured (https), FTP over SSL (FTP/S), secure FTP (S-FTP), and Applicability Statement 2 (AS2) that Bank uses to authenticate each File transmitted to Bank in Company's name.

☐ **Machine-to-Machine ("M2M").** This transmission method uses an XML message interface that is based on the Interactive Financial eXchange (IFX) message standard using SOAP structured messages. Data is communicated via the Internet using 128-bit encryption and Secure Socket Layers (SSL). Bank uses digital certificates to authenticate each File transmitted to Bank in Company's name.

☐ IBM® **Connect:Direct® with Secure Plus+.** Secure Plus+ is an add-on to Connect Direct to enhance security by means of Secure Socket Layer ("SSL") or Transport Layer Security ("TLS"). Connect Direct® is a registered trademark of Sterling Commerce, Inc. an IBM Company.

☐ **Value-Added Network ("VAN").** With this transmission method, a third party serves as an intermediary for transmitting data between Company and Bank. Procedures for transmitting files may vary by VAN. Bank follows the procedures of the VAN selected by Company to authenticate each File transmitted to Bank through the VAN in Company's name.

☐ Direct Origination Initiation Method.

☐ **Secure Application File Exchange Transmission ("SAFE-T").** This transmission platform offers a variety of transmission protocols including hypertext transfer protocol secured (https), FTP over SSL (FTP/S), secure FTP (S-FTP), and Applicability Statement 2 (AS2) that Bank uses to authenticate each File transmitted to Bank in Company's name.

☐ IBM® **Connect:Direct® with Secure Plus+.** Secure Plus+ is an add-on to Connect Direct to enhance security by means of Secure Socket Layer ("SSL") or Transport Layer Security ("TLS"). Connect Direct® is a registered trademark of Sterling Commerce, Inc. an IBM Company.

☐ SWIFT® Initiation Method.

SWIFT has established procedures for controlling access to SWIFT messaging services (each, an "Access Control") that may include without limitation access codes, message authentication codes, secure card readers, digital signatures, and Hardware Security Modules. In addition, SWIFT authenticates certain messages including without limitation Files based on SWIFT message type prior to accepting them for routing as SWIFT messages (each, an "Authenticated Message"). This authentication may include confirming that the sender and recipient of the message have exchanged bilateral keys ("BKE"), entered into a relationship management application ("RMA") agreement, or taken other steps to secure the transmission of SWIFT messages between them as SWIFT requires from time to time (each, an "Authentication Procedure").

☐ Security Procedure Elected by Company's Third Party Service Provider.

Company is utilizing a Third Party Service Provider ("TPSP") as defined in the ACH Rules to originate Entries and Files on Company's behalf. Bank will authenticate each File transmitted to Bank in Company's name in accordance with the security procedure the Company's TPSP has elected. Company will notify Bank of any change to Company's TPSP in a manner affording Bank a reasonable opportunity to act on the information. Company's TPSP is:

Third Party Service Provider: _____

Contact Person: _____

Telephone: _____ Fax: _____

Non-Standard Security Procedure.

Company has refused to utilize any of the security procedures described above and has elected to use the Security Procedure set forth in Attachment B.

Part III – Wire Transfer Services.

A. Description of Security Procedure.

1. **General.** Bank will verify instructions to transfer funds from Company's Account that Bank receives in Company's name (each, a "Payment Order") solely in accordance with the Security Procedure(s) Company elects in this Acceptance ("Security Procedure" is defined in Bank's Wire Transfer Service Description). The purpose of the Security Procedure is to verify the authenticity of a Payment Order, not to detect an erroneous or duplicate Payment Order.

2. **Commercially Reasonable.** Company has determined the Security Procedure Company has elected (a) best meets Company's requirements with regard to the size, type and frequency of Payment Orders issued by Company to Bank and (b) is commercially reasonable. Company refuses to have its Payment Orders verified by any security procedure other than the Security Procedure Company has elected.

3. **Binding Instructions.** Company will be responsible for any erroneous or duplicate Payment Order Bank receives in Company's name. Company agrees to be bound by each Payment Order, or request to cancel or amend a Payment Order, whether or not authorized by Company, issued in Company's name and accepted by Bank in compliance with the Security Procedure Company has elected.

4. **Confidentiality.** Company and Bank will preserve the confidentiality of the Security Procedure and any passwords, codes, security devices and related instructions provided by Bank. If Company becomes aware of a breach, or suspects that a breach may occur, it will immediately notify Bank.

5. **Authorized Person(s).** Company will promptly notify Bank in writing of the identity of each person authorized to receive information regarding the Security Procedure (each, an "Authorized Person") and when a person is no longer an Authorized Person. Company will maintain effective internal procedures to safeguard against unauthorized Payment Orders and warrants that no individual will be allowed to initiate a Payment Order without proper supervision and safeguards.

B. Election of Initiation Method(s) and Security Procedure(s).

The Initiation Method(s) and Security Procedure(s) Company has elected for Wire Transfers are:

☐ Voice Initiation Method.

Bank's voice initiation security procedure consists of confirming that the personal identification number ("PIN") accompanying a Payment Order corresponds with a valid PIN assigned to Company for voice-initiated Payment Orders.

☐ **Telephone Verification Service.** If Bank receives a voice-initiated, non-repetitive Payment Order of $_____ or more, Bank will make one attempt to telephone person(s) designated by Company on the most current setup form for Company in Bank's records to authenticate the Payment Order. If Bank is unable to complete the call, Bank will not process the Payment Order.

☐ Commercial Electronic Office® (CEO®) Initiation Method.

CEO is Bank's electronic banking portal that is accessed via the Internet. Authorized users may access Bank's CEO Wire Transfer Service through the portal. CEO security procedures include log-on credentials specified by Bank that may include a Company ID, user ID and password and any other authentication or authorization process Bank requires from time to time. Bank will use the CEO security procedures to authenticate each Payment Order received through CEO in Company's name.

☐ Payment Manager® Initiation Method.

☐ **Secure Application File Exchange Transmission ("SAFE-T").** This transmission platform offers a variety of transmission protocols including hypertext transfer protocol secured (https), FTP over SSL (FTP/S), secure FTP (S-FTP), and Applicability Statement 2 (AS2) that Bank uses to authenticate each Payment Order transmitted to Bank in Company's name.

☐ **Machine-to-Machine ("M2M").** This transmission method uses an XML message interface that is based on the Interactive Financial eXchange (IFX) message standard using SOAP structured messages. Data is communicated via the Internet using 128-bit encryption and Secure Socket Layers (SSL). Bank uses digital certificates to authenticate each Payment Order transmitted to Bank in Company's name.

☐ IBM® **Connect:Direct® with Secure Plus+.** Secure Plus+ is an add-on to Connect Direct to enhance security by means of Secure Socket Layer ("SSL") or Transport Layer Security ("TLS"). Connect Direct® is a registered trademark of Sterling Commerce, Inc. an IBM Company.

☐ **Value-Added Network ("VAN").** With this transmission method, a third party serves as an intermediary for transmitting data between Company and Bank. Procedures for transmitting Payment Orders may vary by VAN. Bank follows the procedures of the VAN selected by Company to authenticate each Payment Order transmitted to Bank through the VAN in Company's name.

☐ Direct Origination Initiation Method.

☐ **Secure Application File Exchange Transmission ("SAFE-T").** This transmission platform offers a variety of transmission protocols including hypertext transfer protocol secured (https), FTP over SSL (FTP/S), secure FTP (S-FTP), and Applicability Statement 2 (AS2) that Bank uses to authenticate each Payment Order transmitted to Bank in Company's name.

☐ IBM® **Connect:Direct® with Secure Plus+.** Secure Plus+ is an add-on to Connect Direct to enhance security by means of Secure Socket Layer ("SSL") or Transport Layer Security ("TLS"). Connect Direct® is a registered trademark of Sterling Commerce, Inc. an IBM Company.

☐ SWIFT® Initiation Method.

SWIFT has established procedures for controlling access to SWIFT messaging services (each, an "Access Control") that may include without limitation access codes, message authentication codes, secure card readers, digital signatures, and Hardware Security Modules. In addition, SWIFT authenticates certain messages based on SWIFT message type prior to accepting them for routing as SWIFT messages (each, an "Authenticated Message"). This authentication may include confirming that the sender and recipient of the message have exchanged bilateral keys ("BKE"), entered into a relationship management application ("RMA") agreement, or taken other steps to secure the transmission of SWIFT messages between them as SWIFT requires from time to time (each, an "Authentication Procedure").

☐ Non-Standard Security Procedure.

Company has refused to utilize any of the security procedures described above and has elected to use the Security Procedure set forth in Attachment B.

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Part IV – Designation of *Wells Fargo Stagecoach Sweep*® Option.

A. Investment Sweep Options.

Company elects the following Option (check one box only):

☐ ***Wells Fargo Stagecoach Sweep*** **Preferred Option.**

☐ ***Wells Fargo Stagecoach Sweep*** **Preferred Option with secondary Wells Fargo Stagecoach Sweep, Repurchase Agreement Option.**

☐ ***Wells Fargo Stagecoach Sweep*** **Commercial Paper Option.**

☐ ***Wells Fargo Stagecoach Sweep*** **Repurchase Agreement Option with secondary Wells Fargo Stagecoach Sweep, Preferred Option.**

☐ ***Wells Fargo Stagecoach Sweep*** **Repurchase Agreement Option.**

☐ ***Wells Fargo Stagecoach Sweep*** **Money Market Mutual Fund Option.**
(Check one box only.)

- ☐ Wells Fargo Advantage Money Market Fund - Fund 3951.
- ☐ California Municipal Money Market Fund - Class A - Fund 29.
- ☐ Treasury Plus Money Market Fund - Class A - Fund 453.
- ☐ National Tax-Free Money Market Fund - Class A - Fund 452.
- ☐ 100% Treasury Money Market Fund - Service Class - Fund 8.

B Savings Account Sweep Option.

☐ Company elects the Wells Fargo Money Market Savings Account Sweep Option.

C. Credit Sweep Option.

☐ Company elects Bank's Credit Sweep Option.

- Company's LOC number is _____.

D. Additional Information.

- Company's Checking Account Number: _____.
- Statements and/or Confirmations will be sent to Company by electronic means unless otherwise requested by Company. Electronic means include Bank's Commercial Electronic Office®, facsimile and/or Secure E-Mail.

Part V – Signature and Effective Date.

Agreed To and Accepted By:

Company: _____

By: _____

Name: _____

Title: _____

Effective Date: _____

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MASTER AGREEMENT FOR TREASURY MANAGEMENT SERVICES

The Service Documentation described below contains the terms under which Wells Fargo Bank, National Association ("Bank") provides treasury management services ("Services"). The Bank customer to which the Services will be provided ("Company") is identified in the Acceptance of Services ("Acceptance").

Bank and Company agree:

1. **Service Documentation.** The Service Documentation for each Service includes:

   1.1. The Service Description.

   1.2. The Acceptance.

   1.3. This Master Agreement for Treasury Management Services ("Master Agreement").

   1.4. The account agreement for the deposit account(s) (each, an "Account") that Company or Company's affiliate or subsidiary maintains at Bank or Bank's affiliate in connection with a Service. The account agreement includes the Dispute Resolution Program that Company and Bank agree to use to resolve any disagreements between Company and Bank regarding accounts and Services governed by the Service Documentation.

   1.5. User Guides which include Terms of Use, software, software licenses, price schedules, specifications, instructions, and notices.

   1.6. The set-up form(s) for each Service.

   The Service Documentation also applies to a Service that is provided by an affiliate of Bank and a Service that is used by an affiliate or a subsidiary of Company. "Bank" includes each such affiliate, and "Company" includes each such affiliate and subsidiary. If there is a conflict among the documents that make up the Service Documentation, the documents will govern in the order set forth above. Company acknowledges receiving a copy of the Service Documentation for each Service Bank provides to Company.

2. **Services.** Bank and Company will agree upon the Service(s) to be provided.

3. **Changes to Services.** Bank may change (or add to) the terms and fees in the Service Documentation at any time upon prior written notification to Company. If Company discontinues using the affected Service before the change becomes effective, it will not be bound by the change. If Company continues to use a Service after the change becomes effective, it will be bound by the change.

4. **Term and Termination.** Unless terminated sooner in accordance with the Service Documentation, this Master Agreement and all Services will continue in effect until terminated by either party upon thirty (30) days prior written notice to the other party (unless a Service is terminated sooner in accordance with the Service Documentation). Bank may terminate any Service (a) following notice to Company of a breach of any provision of the Service Documentation and Company's failure to cure the breach within fifteen (15) days of the date of

such notice, or (b) without notice to Company if (i) Company is subject to a petition under the U. S. Bankruptcy Code or (ii) Bank determines in its sole discretion that a material adverse change has occurred in Company's ability to perform its obligations under the Service Documentation. The termination of a Service will not affect Company's or Bank's rights with respect to transactions occurring before termination. Bank will not be liable to Company for any losses or damages Company may incur as a result of any termination of any Service.

5. **Service Fees.** Company will pay Bank the fees described in the Service Documentation and any taxes applicable to each Service however designated exclusive of taxes based on Bank's net income. Bank may debit Company's account(s) with Bank for any fees not covered by earnings credits and any taxes that are due, or it may send an invoice to Company for such amounts, which Company shall promptly pay. Bank may assess finance charges at a rate of 1.5% per month (18% per annum) or the highest rate permitted under applicable law (determined in accordance with section 8.1), whichever is less, on any invoiced fees or taxes not paid within thirty (30) days of the due date and will apply payments and other reductions of amounts owed first to unpaid interest and then to other fees and charges.

6. **Confidential Information.** Unless otherwise provided in the Service Documentation, all User Guides and software constitute Bank's or its vendor's confidential information ("Confidential Information"), and Company will not acquire any ownership interest in or rights to Confidential Information as a result of Company's use of any Service. Company will (a) maintain the confidentiality of the Confidential Information; (b) not disclose (or permit its employees or agents to disclose), copy, transfer, sublicense or otherwise make any of it available to any person or entity, other than Company's employees who have a need to use the Confidential Information in connection with the applicable Service; and (c) not decompile, reverse engineer, disassemble, modify, or create derivative works of any Confidential Information. Company will notify Bank immediately if it knows or suspects that there has been any unauthorized disclosure, possession, use or knowledge (each, an "Unauthorized Use") of any Confidential Information. If Company (or its employees or agents) is responsible for the Unauthorized Use, Company will, at its expense, promptly take all actions, including without limitation initiating court proceedings to recover possession and prevent further Unauthorized Use of the Confidential Information and obtain redress for any injury caused to Bank as a result of such Unauthorized Use.

7. **Liability and Indemnification.**

7.1. Bank will perform each Service in accordance with reasonable commercial standards applicable to Bank's business; laws, regulations and operating circulars governing the activities of Bank; applicable funds transfer system(s) and clearinghouse rules; and the Service Documentation.

7.2. Bank is under no obligation to honor, in whole or in part, any entry, file, batch release, transfer instruction, payment order, transaction or instruction that (a) exceeds the available balance in the Account, unless otherwise provided in the Service Documentation; b) is not in accordance with the Service Documentation or Bank's applicable policies, procedures or practices as made available to Company; c) Bank has reason to believe may not have been duly authorized, should not be honored for its or Company's protection, or involves funds subject to a hold, dispute, restriction or legal process; or d) would possibly result in Bank violating any applicable rule or regulation of any federal or state regulatory authority including without limitation any Federal Reserve guidelines such as the limitations on Bank's intra-day net funds position.

7.3. All uses of Services through Company's ID codes, passwords, token cards, PINs, or passcodes (each, a "Code") will be deemed to be authorized by and binding on Company. Company's failure to protect Codes may allow an unauthorized party to (a)

use the Services, (b) access Company's electronic communications and financial data, and (c) send or receive information and communications to Bank. Company assumes the entire risk of unauthorized use of Codes and unencrypted electronic transmissions.

7.4. Neither Bank nor any software vendor makes any express or implied representations or warranties with respect to the Services or any software used in connection with the Services including without limitation any warranty as to the merchantability or fitness for a particular purpose, other than those expressly set forth in the Service Documentation.

7.5. Company will promptly furnish written proof of loss to Bank and notify Bank if it becomes aware of any third party claim related to a Service. Company will cooperate fully (and at its own expense) with Bank in recovering a loss. If Company is reimbursed by or on behalf of Bank, Bank or its designee will be subrogated to all rights of Company.

7.6. Any claim, action or proceeding against Bank for losses or damages arising from a Service, including Bank's honoring or dishonoring a check covered by a Service, must be brought within one (1) year from the date of the act or omission or in the case of a check from the date the check was first paid or returned by Bank.

7.7. Bank will have no liability for failure to perform or delay in performing a Service if the failure or delay is due to circumstances beyond Bank's reasonable control. If Bank determines that any funds transfer or communications network, Internet service provider, or other system(s) it has selected to provide a Service is unavailable, inaccessible or otherwise unsuitable for use by Bank or Company, Bank may, upon notice to Company, suspend or discontinue the affected Service.

7.8. Except in the case of Bank's negligence or intentional misconduct, Company will indemnify and hold Bank, its directors, officers, employees and agents harmless from all losses or damages that arise out of (a) the performance of a Service in accordance with the Service Documentation including without limitation any warranty Bank is required to make to a third party in connection with a Service; (b) an act or omission of any agent, courier or authorized representative of Company; and (c) if the Service includes a license or sublicense of any software to Company, the use or distribution of the software by Company or any person gaining access to the software through Company that is inconsistent with the license or sublicense.

7.9. Bank will only be liable to Company for Company's direct monetary losses due to Bank's negligence or intentional misconduct. Except in the case of Bank's gross negligence or intentional misconduct, Bank's liability to Company will be limited to an amount not to exceed ten (10) times Bank fees incurred during the calendar month immediately preceding the calendar month in which such loss or damages were incurred (or, if no Bank fees were incurred in such month, Bank fees incurred in the month in which the losses or damages were incurred). Except as expressly provided otherwise in the Service Documentation, neither party to this Master Agreement will be liable to the other party for any special, consequential, incidental (including without limitation court costs and attorneys' fees), indirect, or punitive losses or damages, whether any claim is based on contract or tort, or whether the likelihood of such losses or damages was known to the other party and regardless of the form of the claim or action.

8. Miscellaneous.

8.1. The Service Documentation will be governed by substantive federal laws, regulations and rules and, to the extent such laws, regulations and rules are not applicable, those of the state in which the office of Bank that maintains the Account is located, without regard to conflicts of laws principles. Any portion of the Service Documentation which is inconsistent with applicable laws, regulations or rules will be deemed modified and applied in a manner consistent therewith, and Bank will incur no liability to Company as a result of the inconsistency or modification and application. If any portion of the Service Documentation is deemed unenforceable, it will not affect the enforceability of the remaining Service Documentation.

8.2. The Service Documentation is the entire agreement between Bank and Company and supersedes all prior representations, conditions, warranties, understandings, proposals or agreements regarding a Service. No course of dealing or waiver of any right on one occasion will constitute a modification of the Service Documentation or be a waiver of that right on a subsequent occasion.

8.3. Company will provide Bank promptly upon Bank's request any existing financial statements or other information pertaining to Company's financial condition or any previously unprepared financial statements which Bank may require Company to prepare and/or to be audited or reviewed by independent certified public accountants acceptable to Bank.

8.4. Company warrants it will not use any Service in a manner which violates any federal or state law including without limitation any sanction or control administered by the Office of Foreign Assets Control or Bureau of Export Administration.

8.5. If Company employs an agent in connection with its use of any Service, Company represents and warrants to Bank that (a) Company's governing body has duly authorized the agent and (b) Company will exercise appropriate controls to ensure each agent so authorized does not exceed the authority so granted to it. Any communication to Bank regarding Company's use of a Service from Company's agent will be deemed to be a communication from Company, and Company authorizes Bank to communicate with Company's agent regarding any such communication or Service.

8.6. Either party may provide notice to the other party by mail, personal delivery, or electronic transmission. Bank will use the most recent address for Company in Bank's records, and any notice from Bank will be effective when sent. Company will use the address where Company's relationship manager or other manager is located and address any notice to the attention of such manager. Any notice from Company will be effective when actually received by Bank. Bank will be entitled to rely on any notice from Company that it believes in good faith was authorized by an authorized representative of Company and, except as expressly stated in the Service Documentation, will have no obligation to verify the signature (including an electronic signature). Each party will have a reasonable time after receipt of any notice to act on it.

8.7. Sections 1, 4, 5, 6, 7, and 8 will survive termination of this Master Agreement.

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WELLS FARGO BANK __, N.A.
COMMERCIAL ACCOUNT AUTHORIZATION & AGREEMENT (SIGNATURE CARD)
(This document to be used when establishing a new account only.)

WELLS FARGO

I. ACCOUNT NUMBER(S)											(CoID)		

II. ACCOUNT TITLE(S)	

III. ACCOUNT TYPE (Check **One** Box Only)
☐ Commercial Checking (Non Interest) ☐ Commercial Checking with Interest ☐ Commercial Money Market Account

IV. BUSINESS INFORMATION

Customer Name ("Accountholder")			
Business Location/Street Address	City	State	Zip
Mailing Address	City	State	Zip
Business Phone ( ) - Ext.	Alternate Phone ( ) - Ext.	Primary Contact Name	

Type of Entity (Check **One** Box Only)

Business		**Public Funds**	**Financial Institution**
☐ Corporation	☐ Business Trust	☐ City / Municipality	☐ Commercial Bank
☐ Corporation (Professional)	☐ Real Estate Investment Trust	☐ County	☐ Savings Bank
☐ Corporation (Nonprofit)	☐ Association	☐ State	☐ Credit Union
☐ Partnership (General)	☐ Other ( )	☐ Federal (US Government)	
☐ Partnership (Limited)	**Foreign**		**Internal**
☐ Joint Venture	☐ Corporation	☐ **Indian Tribal Entity**	☐ WF & Co Sub
☐ Limited Liability Company	☐ Fin'l Institution		☐ WFB Subsidiary

Business Organized under the Laws of (Jurisdiction)	Annual Sales $
Date Business Established	Number of Employees
Date Current Owner Since / Mgmt Started	

Wells Fargo Banker to Complete

Business License #: Dated:	Date of Last Banker Visit to Business Address:
Fictitious Name Statement Date	Banker Name & Customer Contact/Visited

V. TAX REPORTING & CERTIFICATION

Taxpayer Identification Number ("TIN"): __

TAX INFORMATION CERTIFICATION: (THE INTERNAL REVENUE SERVICE (IRS) REQUIRES YOUR EXEMPTION CERTIFICATION BELOW TO AVOID BACKUP WITHHOLDING.) On behalf of the above-named Accountholder, I certify that: (i) the Accountholder is a U.S. person (includes U.S. resident aliens), (ii) the Taxpayer Identification Number shown above is the Accountholder's correct taxpayer identification, and (iii) the Accountholder is (check only one box): ☐ not subject to backup withholding because it is exempt from backup withholding (nonresident aliens and foreign corporations are generally exempt – see below); or ☐ not subject to backup withholding because it has not been notified by the IRS that it is subject to backup withholding. (Note: Do not check either box if the Accountholder has been notified by the IRS that it is currently subject to backup withholding because of underreporting interest or dividends on its tax return.)

The following section must also be completed if the Accountholder is exempt from back-up withholding based on foreign status: To remain exempt from back-up withholding and/or reduced withholding rates based on income tax treaties or U.S. Law, nonresident aliens and other foreign nonresident entities must certify foreign status by filing Form W-8 with Wells Fargo Bank ___, N.A. On behalf of the above-named Accountholder, I

certify that the Accountholder understands will promptly comply with the filing requirement in the preceding sentence, and that the Accountholder is (check only one box): ☐ a non-resident alien individual or non-resident foreign corporation (Form W-8BEN); ☐ a foreign partnership (Form W-8ECI or Form W-8IMY); ☐ a foreign tax-exempt organization or government (Form W-8ECI or Form W-8EXP); ☐ acting as an intermediary (Form W-8IMY); or ☐ claiming exemption based on income effectively connected with the conduct of a trade or business within the United States. (Form W-8ECI).

The Accountholder's permanent address is:

By signing below, I certify under penalty of perjury that the information given in this Tax Reporting section is correct.

X_____

Signature | Position / Title | Date

VI. AUTHORIZED SIGNERS

(Sign within Box)

Signature	Printed Name	Position / Title
Signature 1		
Signature 2		
Signature 3		
Signature 4		
Signature 5		
Signature 6		

VIII. VII. ACKNOWLEDGEMENT & AGREEMENT

On behalf of the Accountholder, I hereby certify, by my signature below, that each of the individuals designated in Section VI above as an "Authorized Signer" is authorized, acting alone, to (i) sign checks drawn on, and make cash withdrawals from, the Account, (ii) request stop payment orders for checks drawn on the Account, and (iii) initiate funds transfers by ACH, wire or other means out of the Account in accordance with the Accountholder's contractual arrangements with Wells Fargo regarding these services.

Wells Fargo may obtain credit reports or other information about the Accountholder. Wells Fargo may disclose information about each account to its affiliates, to credit reporting agencies, and to other persons or agencies that, in Wells Fargo's judgement, have a legitimate purpose for obtaining the information.

I acknowledge that the Accountholder has received a Commercial Account Agreement and agree that its terms and conditions, as amended from time to time, will govern the Account.

X_____

Authorized Signature | Position / Title

Printed Name | Date

BANK USE ONLY		ACCOUNT NO(S):	
Date Received / / 20	Banker Name	Banker Telephone ( ) -	Banker MAC -

FORWARD VIA GOLD BAG TO DOCUMENT MANAGEMENT OR MAC N9777-133

AU	RAU	Office Number	Family Name	Family Number

FORWARD VIA GOLD BAG TO DOCUMENT MANAGEMENT OR MAC N9777-133

COMMERCIAL ELECTRONIC OFFICE® ("CEO"®) SERVICE DESCRIPTION

WELLS FARGO

1. **Introduction.** This Service Description is part of the Service Documentation governing the Wells Fargo Bank, N.A. ("Bank") Commercial Electronic Office Service ("CEO"). "Service Documentation" is defined in Bank's Master Agreement for Treasury Management Services ("Master Agreement"). The Service Documentation includes the Acceptance of Services ("Acceptance"), and "Company" is the company identified in the Acceptance.

2. **Description of Service.** The CEO is Bank's electronic banking portal that is accessed via the Internet. Authorized Representatives (see section 3) may use the CEO to access (a) Bank Services in which Company has seperately enrolled (each, an "Accessed Service") and (b) third-party sites Bank may make available through the CEO. Bank offers different channels through which Company may access the CEO that may include without limitation personal computers and mobile devices. Bank may add or eliminate channels at any time. A Bank Service or third party site accessible through one channel may not be accessible through another channel. The Service Documentation includes the Service Description for each Accessed Service. In the event of a conflict between the Service Description for the Accessed Service and this Service Description, the Service Description for the Accessed Service will contol.

3. **Access to the CEO.** When Company enrolls in the CEO and as Bank may determine is necessary after enrollment, Bank will (in accordance with section 4) provide one or more secure means of accessing the Services (each, a "Log-On Credential") to the persons who are authorized to access the CEO on Company's behalf (each an, "Authorized Representative"). Log-On Credentials may include without limitation Company and user IDs, passwords, token IDs and other means of providing secure access to the CEO Service that Bank adopts after the date Company begins using the CEO and may be changed by Bank at any time. Bank will have no obligation to Company to authenticate separately any communication Bank receives in Company's name through the CEO, whether or not an Authorized Representative actually issued the communication. Bank may, at Bank's sole option, contact Company with respect to any communication Bank receives in Company's name, but Bank's election to contact Company with respect to one or more communication will not obligate Bank to contact Company with respect to any subsequent communication Bank receives in Company's name.

4. **Administration of the CEO.**

   4.1. **General.** Bank offers two options for administering the CEO: (a) self-administration and (b) Bank administration.

   4.2. **Self-Administration.** If Company enrolls in Bank's self-administration option, there are three categories of Authorized Representatives: Company Administrator, Administrator or User. Bank provides Bank's then-current Log-On Credentials only to Company's initial Company Administrator(s) who will (a) assign Bank's Log-On Credentials to other individuals and (b) designate each such individual as (i) a Company Administrator, who may perform all functions of Company's initial Company Administrator; (ii) an Administrator, who may perform all the functions of an Administrator including without limitation designating other Administrator(s) and User(s); or (iii) a User, who may access those Services as designated by a Company Administrator or an Administrator and

those in which Bank permits a User to self-enroll. Each Company Administrator and Administrator has the authority to enroll Company in additional Services. Company will promptly revoke the Log-On Credentials of any Authorized Representative when that individual is no longer an Authorized Representative.

4.3. Bank Administration. If Company does not enroll in Bank's self-administration option, there is one category of Authorized Representatives: Users. Bank will assign Bank's then-current Log-On credentials to each User Company designates. Each User Company designates will remain authorized until Bank has a reasonable time to act after receiving Company's notification that the User is no longer so authorized.

5. Restricting or Terminating Access to the CEO. Bank will not be obligated to permit any Authorized Representative to use any Service through the CEO if Bank determines such use is (a) not in accordance with any term applicable to the CEO, (b) not permitted by any state or federal law or regulation, (c) not authorized by Company or any third person whose authorization Bank believes is necessary for such use, or (d) should be denied for Company's or Bank's protection (without Bank's agreeing to, or being required to, make this determination in any circumstance).

6. Financial Information. Financial market data, quotes, news, research, and other financial information developed by third parties and transmitted to Bank (collectively, "Financial Information") may be available to Company at the CEO. The posting of any Financial Information or any other information or data at the CEO will not be a recommendation by Bank of any particular Service or transaction. Bank does not guarantee the accuracy or completeness, (a) of any Financial Information, (b) is not responsible for the actions or omissions of the third parties developing or transmitting Financial Information or (c) for any decision made or action taken by Company in reliance on any Financial Information.

7. CEO Workstation Service. This section contains additional terms applicable to Bank's CEO Workstation Service. The CEO Workstation enables Company to view and use for global cash positioning, forecasting and trending data that (a) Bank automatically populates from Company's deposit account(s) at Bank and other financial institutions Company directs to provide data to Bank and (b) Company manually populates. Bank will not verify the accuracy of information from other financial institutions, customer-populated data or forecasting information. Forecasting information is not a guarantee of actual performance. If Company uses the Workstation to convert funds in an account to a currency other than the currency in which the account is denominated, the rate used through the Workstation may differ from the rate actually used when the funds are converted on a given Business Day.

8. Company's Representations and Warranties. Company represents and warrants to Bank:

8.1. Company's governing body has duly authorized each Authorized Representative, regardless of whether Company enrolls in Bank's self-administration option, Bank Administration or whether the individual is designated to act as Company Administrator, Administrator or User; and

8.2. Company will preserve the confidentiality of the Log-On Credentials and immediately notify Bank if Company becomes aware or suspects that any Log-On Credential may have been compromised.

9. **Company's Agreement to Indemnify Bank.** Company will indemnify and hold Bank, its parent company, and its affiliates and each of their respective directors, officers, employees, and agents harmless from and against all losses, damages, claims, demands, charges, costs, or expenses (including reasonable fees and disbursements of legal counsel and accountants) awarded against or incurred or suffered by any of them arising directly or indirectly from or related to any material breach in a representation, warranty, covenant, or obligation of Company contained in this Service Description.

10. **Survival.** Sections 3, 4, 5, 6, 7, 8 and 9 will survive termination of the Service.

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COMMERCIAL DEPOSITORY SERVICE DESCRIPTION

WELLS FARGO

1. **Introduction.** This Service Description is part of the Service Documentation governing the Wells Fargo Bank, N.A. ("Bank") commercial depository services (each, a "Service"). "Service Documentation" is defined in Bank's Master Agreement for Treasury Management Services ("Master Agreement"). The Service Documentation includes the Acceptance of Services ("Acceptance"), and "Company" is the company identified in the Acceptance.

2. **Description of Service.** With the Service, Company may order currency and coin (collectively, "cash") from Bank's cash vault and Bank will make such cash available to an armored car service acting as Company's agent ("Agent") at Bank's cash vault.

3. **Cash Orders from Bank's Cash Vault.**

   3.1. **Cash Requests.** Company may request in writing, telephonically by operator-assisted call or by touch tone/automated response, or electronically via transmission, facsimile, or Bank's *Commercial Electronic Office® (CEO®)* portal (each a "Cash Request") that Bank make available to Company's Agent at Bank's cash vault, in an amount designated in the Cash Request, shipments of cash (each a "Cash Shipment") in bags or other containers ("Cash Bags"). Bank is authorized to act upon any Cash Request Bank receives in accordance with this Service Description, and which Bank believes in good faith to have been made by an authorized representative of Company. Bank has no obligation whatsoever to verify, and will not be liable for its failure to verify or investigate, any Cash Request.

   3.2. **Making Cash Available to Company's Agent.** Bank is authorized to make Cash Shipments available to any person whom Bank in good faith believes to be Company's Agent. Bank will have no further responsibility, and Company assumes all risk of loss, for cash made available to any such person. Bank will make Cash Shipments available only at the locations, on days, and during the hours published by Bank from time to time. Bank reserves the right to suspend the Service at any time without notice.

   3.3. **Company's Authorized Representatives.** Company will promptly certify to Bank the identity of: (a) the person with whom Bank is authorized to communicate regarding authorization codes or other security procedures; (b) Company's Agent authorized to accept delivery of cash; and (c) where applicable, the persons who are authorized users of the Service. Company will give prior written notice to Bank of any change in the person(s) or Agent so authorized by Company. Bank will be fully protected in relying on each such notification and on the obligation of Company to promptly notify Bank of any change in the person(s) or Agent so authorized by Company.

   3.4. **Security Procedures.** For requests made in writing or by facsimile, operator-assisted telephone call or transmission, a Customer ID assigned by Bank is required. For CEO requests, a User ID assigned by Bank is required. For touch-tone/automatic response telephone requests, an Access Code is required which can be assigned either by Bank or by Company. Operator limits may also be required. It is Company's responsibility to put into place internal procedures that will minimize the risk of an unauthorized person gaining access to the Customer ID, User ID(s) and Access Code(s). Such internal

procedures include without limitation requiring users to maintain such number(s) and code(s) in strict confidence. Company will notify Bank immediately in the event a breach of security is suspected.

3.5. Debit of Account. On the Business Day that Bank makes available any Cash Shipment to Company's Agent, Bank is authorized to debit Company's designated account at Bank's or Bank's affiliate ("Designated Account") for the aggregate amount of the shipment. Company will maintain collected balances in the Designated Account sufficient at all times to cover fully any debit. Bank has no obligation to release a requested Cash Shipment or any portion thereof to Company's Agent unless there are sufficient collected funds in the Designated Account to fully cover the amount of the Shipment at the time the Shipment is to be made available to Company's Agent. If Company fails to specify a Designated Account to Bank, Bank may debit any account which Company maintains with Bank for the amount of a requested Cash Shipment.

3.6. Packing Slip; Differences in Shipment Amount. Each Cash Shipment will be accompanied by a packing slip. The packing slip will disclose the aggregate amount of the Cash Shipment, the overall number of containers included in the Cash Shipment, and the number of containers delivered to Company's Agent for transmittal to Company. With respect to any Cash Shipment made available to Company's Agent, Company will notify Bank immediately in writing of any difference between the amount specified on the packing slip for that Shipment and the amount, as counted by Company, of the Shipment. In the event that the difference cannot be resolved, Bank's count of the amount of the disputed Shipment will be conclusive and binding on Company.

4. Delivery and Processing of Deposit Shipments at Bank's Cash Vault. The following procedures will govern Company's delivery of currency, coin, checks, other negotiable instruments or food coupons (each a "Deposit Shipment") to Bank's cash vault locations, and Bank's processing of such Deposit Shipments:

4.1. Use of Agent to Deliver Shipments. Company will deliver Deposit Shipments in deposit bags or other containers ("Deposit Bags") to one of Bank's cash vaults via an armored car service acting as Company's agent ("Agent"). Company is responsible for making all arrangements with its Agent for delivery of Deposit Shipments. Bank may accept Deposit Shipments from any person Bank believes in good faith to be Company's Agent. The delivery of a Deposit Bag to Bank or Bank's receipt for it on a manifest will not be deemed proof of Bank's receipt of the contents listed on the deposit slip contained in the Deposit Bag or Company's records. Bank will have no responsibility for any Deposit Bag or its contents delivered to one of Bank's cash vaults until the Deposit Bag is accepted by Bank in accordance with its procedures and the contents of the Deposit Bag are counted by Bank.

4.2. Delivery Procedures. In delivering a Deposit Shipment to Bank's cash vault, Company agrees to comply (and to cause its Agent to comply) with the following procedures:

- Deliver Deposit Bags only at the locations, on the days, and during the hours published by Bank from time to time;
- Properly endorse all checks and other negotiable instruments included in a Deposit Shipment;
- Use only Bank-approved Deposit Bags that are properly secured;

- Specify the number of Deposit Bags belonging to Company which are included in the overall shipment delivered to Bank, as well as the contents of each Deposit Bag, on a delivery manifest, a copy of which Company's Agent will provide to Bank at the time of delivery;

- Obtain the signature of Bank's employee who accepts delivery on that portion of the delivery manifest which the Agent retains; and

- Retain a copy of the receipt or other document covering each Deposit Bag delivered by Company to its Agent for at least one year from the date of delivery to Company's Agent.

Company agrees that Deposit Bags will be used only for the deposit of currency, coin, checks, other negotiable instruments or food coupons (collectively "items"), and will not be used in any unauthorized manner or for any unlawful purpose. As to any property other than items included in a Deposit Bag, Bank will not be deemed a bailee and will have no liability for any loss of or damage to such property which may occur.

4.3. Cut-off Time; Deposit to Designated Account. If a Deposit Shipment is received at one of Bank's cash vaults on a Business Day before Bank's published "cut-off time" for that cash vault, the aggregate amount of the deposits in such Shipment will be credited on that Business Day to the account with Bank specified on the deposit slip for that Shipment (the "Depository Account"). If a Deposit Shipment is received at a cash vault on a Business Day after Bank's "cut-off time," the aggregate amount of the deposits in that Shipment will be credited to the Depository Account on the next succeeding Business Day. Bank will not deposit any items received in any Deposit Shipment unless the account number of the Depository Account into which the deposit is to be made is specified on the deposit slip for that Shipment.

4.4. Processing of Deposit Shipments. Company authorizes Bank to open each Deposit Bag, count the contents, credit the amount of items to the Depository Account indicated on the deposit slip contained in the Deposit Bag and process any food coupons, all in accordance with Bank's customary procedures. All deposits are subject to verification, and Bank's count of the items will be conclusively deemed to be correct and complete for all purposes. No relationship of debtor and creditor will arise between Bank and Company until the count has been completed and the deposit credited to the Depository Account. Company acknowledges that it has had an opportunity to have Bank's applicable count and verification procedures explained to its representative and agrees that the same will be deemed commercially reasonable. Company understands that no photocopying or microfilming of items will be performed at any cash vault location.

4.5. Adjustment Procedures. If the aggregate amount of the items in any Deposit Shipment, as counted by Bank, is less than that reported on the deposit slip covering that Shipment, Bank will debit the Depository Account specified on the deposit slip by such difference and report the difference to Company. If that Depository Account has an insufficient collected and available balance to cover the debit, Bank will debit any of Company's other accounts with Bank for the difference, and Company agrees to promptly reimburse Bank for the difference (or any portion thereof) for which there are insufficient available balances in Company's accounts with Bank. If the aggregate amount of the items in any Deposit Shipment, as counted by Bank, is more than that reported on the deposit slip covering the Shipment, Bank will credit the Depository Account specified on the deposit slip for the difference and notify Company of the difference.

5. **Delivery and Processing of Deposit Shipments at Bank's Night Depository Locations.** The following procedures will govern Company's delivery of currency, coin, checks, other negotiable instruments or food coupons (each a "Night Deposit") to Bank's night depository locations, and Bank's processing of Night Deposits.

5.1. **Night Depository Locations; Issuance of Keys.** Company may make Night Deposits to its deposit account(s) with Bank by placing the items to be deposited into disposable bags furnished by Bank (each a "Night Bag") and then placing the Night Bags in the night depository receptacle ("Night Depository") at one of Bank's branches/stores (each a "Store") listed on Bank's Night Depository Set-up Form. Each office of Company listed on the Night Depository Set-up Form will receive one key to the Night Depository at a designated Store. Company will designate in writing to Bank the individuals to receive the key for each of its offices; Bank may require such individuals to sign a receipt for the keys they receive.

5.2. **Contents of Night Bags; Deposit of Night Bags.** Company agrees that Night Bags will be used only for the deposit of currency, coin, food coupons, checks or negotiable instruments properly endorsed by Company (collectively "items"), and will not be used in any unauthorized manner or for any unlawful purpose. As to any property other than items included in a Night Bag, Bank will not be deemed a bailee and will have no liability for any loss of or damage to such property which may occur. Each Night Bag must contain one or more deposit slips listing all the items contained in that Bag and their total dollar amount, and identifying the deposit account of Company into which the dollar amount of the deposit is to be credited (the "Designated Account"). After each Night Bag is placed in a Night Depository, the Night Depository must be securely locked. At the time each Night Bag is placed in a Night Depository the Bag must be securely closed and placed completely in the Night Depository.

5.3. **Processing of Night Deposits.** Bank may open each Night Bag and remove its contents without Company or any of its representatives being present. The contents of each Night Bag will be processed in accordance with Bank's standard procedures, and if placed in a Night Depository before Bank's established "cut-off time" on any Business Day, those items acceptable for deposit will be deposited into the Designated Account as of the close of business on that same Business Day. The cut-off time for deposits made through the night depository may be different from that for deposits made at the teller line. Night Deposits placed in a Night Depository after Bank's established "cut-off time" will be credited to the Designated Account on the next succeeding Business Day. Company understands and agrees that the contents of a Night Bag will not be credited to the Designated Account, nor will the relationship between Company and Bank be that of a debtor to a creditor with respect to any item in a Bag, until Bank has accepted the item for deposit into the Designated Account after counting all the items in the Bag and calculating the total dollar amount of all such items.

5.4. **Counting and Adjustment Procedures.** If Company's records regarding the total dollar amount of the items in any Night Bag differ from Bank's calculation of the total dollar amount of the items in the Bag, Company has the burden of proving that its records show the correct amount in the Bag or Bank's total will be accepted as final. If there is a difference between Bank's total and Company's total for the amount of items in a Night Bag (as Company's total is shown on the deposit slip or slips in the Bag), Bank will send Company a statement indicating the amount of the difference. In the event that the difference cannot be resolved, Bank's count of the dollar amount will be conclusive and binding on Company.

5.5. **Claims of Lost or Stolen Items.** Company will have the burden of proving the amount of any item which it claims was lost or stolen while it was at a designated Store and that disappearance of the item occurred while it was at the designated Store. Company agrees to notify Bank immediately if Company determines that any Night Bag or any item in a Night Bag has been lost or stolen while at one of Bank's Stores. Company agrees that it will have total responsibility for each Night Bag and its contents until the Bag has dropped completely into a Night Depository.

6. **Special Instructions.** Company may submit to Bank in writing any special handling instructions it may have in connection with cash orders or deposits of items at Bank's cash vault or night depository locations. Bank may at its option accept or reject the instructions and so notify Company. Even if accepted, Bank may stop complying with the instructions upon prior notice to Company if, in Bank's opinion, continued compliance would increase Bank's costs or risks, interfere with its established or revised procedures, or diminish the efficiency of Bank's operations. Any loss attributable to increased risk resulting from a special handling procedure will be borne solely by Company.

7. **Survival**. Sections 3.6, 4.4., 4.5., 5.4., 5.5., and 7 will survive termination of the Service.

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WELLS FARGO RETURNED ITEM SERVICES
SERVICE DESCRIPTION

1. **Introduction.** This Returned Item Services Service Description ("Service Description") and the other Service Documentation as defined in the Master Agreement for Treasury Management Services between Wells Fargo Bank, N.A. ("Bank"), and the company identified in the Acceptance of Services ("Company") between Bank and Company govern Bank's Returned Item Services (each, a "Service").

2. **Description of Bank's Returned Items Services.** Bank's Returned Item Services enable Company to have Bank (a) act as Company's returned Item processor with respect to Items payable to Company that are presented to Bank or another financial institution for payment and returned to Bank unpaid (each, a "Returned Item") in accordance with Company's Special Instructions to Bank for Returned Items ("Special Instructions") and (b) originate debits, and report and process credits received, for Company's returned check fee ("Returned Item Service Fee Recovery"). Company shall communicate its Special Instructions regarding Company's Returned Items to Bank, and Bank shall communicate to Company regarding the Services, using the media, format and communication channel(s) to which Company and Bank agree.

3. **Conditions to Provision of Bank's Service.** As conditions to Bank's provision of the Services, Company shall at all times (a) maintain Company's demand deposit account(s) at Bank (each, an "Account") in good standing; (b) subscribe to Bank's *Commercial Electronic Office®* ("*CEO®*") Service; and (c) comply with all Rules Applicable to Bank's Returned Item Services as set forth in this Service Description.

4. **Rules Applicable to Bank's Returned Item Services.** Bank will provide its Services to Company in accordance with

   4.1. the Service Documentation including without limitation the User Guide that Bank makes available to Company at www.wellsfargo.com; and

   4.2. State and federal laws and regulations and clearinghouse rules applicable to a Returned Item which may include Federal Reserve Board Regulation CC Subpart C relating to the collection of checks ("Reg CC"), Federal Reserve Board Regulation E ("Reg E") and, in the case of Bank's Returned Item Service Fee Recovery Service when Bank originates an ACH entry on Company's behalf, the National Automated Clearinghouse Association Operating Rules, as supplemented by any applicable operating rules of any automated clearing house of which Bank is a member (together, the "NACHA Rules"), all as amended from time to time.

5. **Special Instructions.** Bank will process Company's Returned Items in accordance with Company's Special Instructions, unless Bank determines in Bank's sole discretion that doing so with respect to a Returned Item would prevent Bank from effectively providing Bank's Service to Company.

6. **Bank's Right to Chargeback Returned Items.** Bank may chargeback a Returned Item to any account Company owns in whole or in part at Bank or any affiliate of Bank without

regard to whether the returned Item was initially deposited to Company's Account or to an account at another financial institution.

7. **Returned Item Service Fee Recovery.** Bank determines the state whose laws establish the maximum returned check fee that Company may assess a customer who issues a Returned Item to Company based on information about Company's retail locations that Company provides to Bank when Company subscribes to this Service and upon any subsequent changes in Company's retail locations. If Company fails to provide information to Bank regarding a location in a timely fashion, Bank will assess the lowest maximum fee permitted in the states for which Company has provided location information.

8. **ACH Entries.**

   8.1. **Payment Obligations; Settlement; Returned Debit Entries.** In the case of Services for which Bank originates ACH debit entries on Company's behalf, each credit to Company's Account will be made on the applicable settlement date. Bank may charge Company's Account for any debit, correcting or reversing entry which is later returned to Bank. Company authorizes Bank upon prior oral or written notice to Company to place a hold on an equal amount of funds in Company's Account or to take any other action Bank deems appropriate to ensure Bank receives payment for any debit, correcting or reversing entry which is later returned to Bank.

   8.2 **Reimbursement.** Company will reimburse Bank for any loss or expense Bank incurs, including reasonable attorney's fees and legal expenses, as the result of (a) a breach of any warranty Bank makes under the NACHA Rules in connection with providing the Services to Company, (b) a breach of any representation or warranty that Company makes in this Service Description, or (c) an action Company asks Bank to take in connection with Bank's providing the Services to Company. Company authorizes Bank to recover any such amount by debit to any account Company owns in whole or in part at Bank or any affiliate of Bank.

9. **Company's Representations and Warranties.** Company represents and warrants Banking that:

   9.1. The information about Company's retail locations that Company provides to Bank in accordance with Section 7 of this Service Description is accurate.

   9.2. Company has received and shall maintain current copies of the Rules Applicable to Services including without limitation Reg CC, Reg E and the NACHA Rules and is in compliance therewith.

10. **Company's Agreement to Indemnify Bank.** Company shall indemnify, defend, and save harmless Bank, its parent company, and its affiliates and each of their respective directors, officers, employees, and agents (collectively in this Paragraph 10, "Indemnified Persons") from and against all liabilities, losses, damages, claims, obligations, demands, charges, costs, or expenses (including reasonable fees and disbursements of legal counsel and accountants) (collectively, "Losses and Liabilities") awarded against or incurred or suffered by Indemnified Persons arising directly or indirectly from or related to the following :

10.1. Any negligent or intentional act or omission by Company in the performance of its obligations under this Service Description and the other Service Documentation including without limitation Company's obligation to provide Bank with information about Company's locations.

10.2. Any material breach in a representation, warranty, covenant, or obligation of Company contained in this Service Description and the other Service Documentation;

10.3. The violation of any applicable law, statute, or regulation or of the Rules Applicable to Bank's Returned Items Services including without limitation Reg CC, Reg E and the NACHA Rules in the performance of Company's obligations under this Service Description and the other Service Documentation; and

10.4. A breach of any warranty Bank makes under the NACHA Rules in connection with Bank's Services under this Service Description, any failure by Bank to assess the correct Returned Item Service fee based and any delay in the return of any Returned Item.

11. **Bank's Assessment of Services.** Company agrees Bank may at any time or times modify this Addendum with prior notice to Company, and the Addendum as modified shall supersede this Addendum and be binding upon Company.

12. **Survival.** Sections 6, 7, 8, 9, and 10 of this Service Description will survive termination of the Service.

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RETURNED ITEM DECISIONING SERVICE DESCRIPTION

This Service Description contains provisions which, in addition to the provisions contained in the Master Agreement for Treasury Management Services between Bank and Company (the "Agreement"), will govern the Returned Item Decisioning Service (the "Service").

1. **The Service**. Using the *Commercial Electronic Office® (CEO®*) portal, Bank will notify Company of returned items to its account(s) during the period specified by Bank on each Banking Day. Returned items will be listed by the default disposition (redeposit or chargeback) selected by Company. Company will review items and accept or change each item's disposition prior to the daily deadline specified by Bank. Returned items not accepted or changed by this deadline will be processed according to their default deposition.

2. **Requirement for Service**. Company shall have met requirements for receiving services offered through the CEO® portal, including the execution of any necessary documentation.

RECEIVABLES MANAGER
SERVICE DESCRIPTION

WELLS FARGO

1. **Introduction.** This Service Description is part of the Service Documentation governing the Wells Fargo Bank, N.A. ("Bank") Receivables Manager services (each, a "Service"). "Service Documentation" is defined in Bank's Master Agreement for Treasury Management Services ("Master Agreement"). The Service Documentation includes the Acceptance of Services ("Acceptance"), and "Company" is the company identified in the Acceptance.

2. **Description of Service.** The Service enables Company to receive consolidated electronic files and/or human readable documents containing information (each, a "File") regarding credits and/or debits to the deposit accounts at Bank that Company enrolls in the Service (each, an "Account") and associated remittance information. The User Guide details (a) the types of payments for which Bank provides the Service, (b) the options Bank offers for formatting Files, (c) the secure transmission platforms Bank offers to deliver Files to Company, (d) the schedule Bank follows in providing the Service, and (e) Bank's Service level goals.

3. **Re-association Service.** If Company enrolls in Bank's Re-association Service, Bank will accept a File containing remittance information from a trading partner of Company and attempt to re-associate payments the trading partner makes separately by ACH or wire transfer, provided the trading partner (a) sends the remittance information to Bank in advance of the payment and (b) includes an originating company ID and a transaction reference number with both the remittance information and the associated payment.

4. **Company's Receipt of Files; Acknowledgments.** Bank will not monitor Files transmitted to Company through the Service including without limitation any acknowledgment Company's system may generate upon its receipt of a File. If Company does not receive a File when it expects to, Company will notify Bank. If Company requests Bank resend a File within fourteen days after Bank initially transmits the File to Company, Bank will attempt to honor such request but will have no liability for not doing so.

5. **Incorrect, Incorrectly Formatted Information.** Bank is not responsible for the accuracy of and will not verify remittance information it receives from Company's trading partners and provides to Company through the Service.

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E-BOX® SERVICE DESCRIPTION

WELLS FARGO

1. **Introduction.** This Service Description is part of the Service Documentation governing the Wells Fargo Bank, N.A. ("Bank") E-Box service ("Service"). "Service Documentation" is defined in Bank's Master Agreement for Treasury Management Services ("Master Agreement"). The Service Documentation includes the Acceptance of Services ("Acceptance"), and "Company" is the company identified in the Acceptance.

2. **Description of Service.** Bank (a) receives electronic information ("Remittance Information") about payments Company's customers make to Company through online bill payment services and other payment channels described in Bank's Reference Guide for the Service (each, a "Payment"); (b) processes Payments for credit to Company's account at Bank ("Account"); and (c) provides information reporting on Payments to Company through Bank's separate Receivables Manager Service ("Remittance File"). The specific processing services Bank will provide to Company are detailed in the Statement of Work to which Company and Bank agree separately ("SOW"). Each Business Day, Bank credits Company's Account for Funded Payments (see section 3) via a consolidated Automated Clearing House ("ACH") credit entry ("File"). Bank originates each File in accordance with the National Automated Clearing House Association Operating Rules and any applicable local ACH rules (collectively, the "ACH Rules"). In order to enroll in the Service, Company will also enroll in Bank's Receivables Manager Service.

3. **Funded Payments.** A "Funded Payment" is a payment for which Bank receives Remittance Information and the funds relating to the Payment. Bank will process Payments for which Bank has received Remittance Information but not funding (each, an "Unfunded Payment") in accordance with the SOW.

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WELLS FARGO REMOTE DEPOSIT CAPTURE SERVICE DESCRIPTION

(Wells Fargo Electronic Deposit℠, Desktop Deposit®, Remote Deposit Capture)

1. **Introduction.** This Service Description is part of the Service Documentation governing the Wells Fargo Bank, N.A. ("Bank") Remote Deposit Capture services (each, a "Service"). "Service Documentation" is defined in Bank's Master Agreement for Treasury Management Services ("Master Agreement"). The Service Documentation includes the Acceptance of Services ("Acceptance") between Company and Bank, and "Company" is identified in the Acceptance.

2. **Description of Service.** The Service enables Company to create electronic images of certain Paper Items and transmit those images and other information including without limitation MICR data in an electronic file ("Electronic File") to Bank for review and processing for credit to Company's deposit account at Bank ("Account") in accordance with this Service Description. "Paper Item" is defined in Bank's Commercial Account Agreement, and an "Electronic Item" is the electronic image of the front and back of each Paper Item and other information captured from the Paper Item (and will be deemed to be an "item" for purposes of the Uniform Commercial Code). For each Electronic Item Bank determines is eligible for processing (see section 4), Bank will:

   2.1. create a substitute check as defined in Bank's Commercial Account Agreement that Bank will present directly or indirectly to the bank (a) on which the original Paper Item to which the Electronic Item relates is drawn, or (b) at or through which the Paper Item is payable (each, the "Paying Bank");

   2.2. include the Electronic Item in an electronic file for presentment directly or indirectly to the Paying Bank; or

   2.3. post any Electronic Item for which Bank is the Paying Bank.

3. **Creating Electronic Items and Transmitting Company's Electronic File to Bank.** To create Electronic Items and transmit Company's Electronic File to Bank, Company will use either (a) Bank provided software and Bank provided, certified or approved hardware, or (b) Company's software and hardware or third party provided software and hardware, provided each generates Electronic Items and Electronic Files that meet Bank's then current standards and specifications. Any third party processor Company uses to prepare and/or transmit Company's Electronic File is Company's agent, and Company will be responsible for ensuring its agent complies with Company's responsibilities under this Service Description. In particular, each Electronic File Company's agent transmits to Bank will include only Electronic Items payable or endorsed to Company, unless Bank consents in writing to permit Company's agent to include Electronic Items payable to multiple customers of Bank.

4. **Processing Company's Electronic File.** Bank will review each Electronic Item and process the Electronic Items Bank determines are eligible for processing on the Business Day Company transmits Company's Electronic File to Bank, if Bank receives Company's Electronic File before the processing deadline Bank separately discloses to Company ("Cut-Off Time") on that Business Day and on the next Business Day if Company transmits Company's Electronic File to Bank after Bank's Cut-Off Time. "Business Day" is defined in Bank's Commercial Account Agreement.

5. **Exception Items.** Each Business Day on which Bank processes Company's Electronic File, Bank may, without liability to Company, reject Electronic Items Bank determines are ineligible for the Service (each, an "Exception Item"). "Exception Item" includes without limitation an Electronic Item that (a) is illegible or contains MICR data that is not machine-readable, (b) was previously processed as an Electronic Item, or (c) is drawn on a bank located outside the United States and is not payable at or through a bank located within the United States. Bank will notify Company of each Exception Item through Bank's *Commercial Electronic Office®* service or other communication channel at Bank's discretion. Company will deposit an Exception Item to Company's Account only by depositing the original Paper Item to which the Exception Item relates or as otherwise agreed by Bank and Company. Even if Bank does not identify an Exception Item when Bank processes the Electronic File that includes the Exception Item, the substitute check or purported substitute check Bank creates from the Electronic Item may be returned to Bank because, among other reasons, the Paying Bank determines it is illegible or missing an image. Bank's failure to identify an Exception Item will not limit Company's obligations to Bank under section 9.

6. **Deposits to Company's Account.** Bank will be deemed to have accepted each Electronic Item for deposit to Company's Account (other than any Exception Item)) (a) on the Business Day Bank processes the Electronic Item (b) at the Bank office where Company's Account is maintained. Funds from these Electronic Items will be made available in accordance with Bank's Funds Availability Policy applicable to Company's Account deemed to be collected in accordance with Bank's Electronic Deposit Collected Funds Schedule which Bank will provide to Company upon request and may amend from time to time.

7. **Third-Party Senders.** This section contains additional terms applicable when Company uses the Service to create and process Electronic Items on behalf of its customers. Prior to creating an Electronic Item on behalf of its customer, Company will (a) provide Bank with the information Bank requires to enable Bank to understand the nature of the customer's business including without limitation its name, Taxpayer Identification Number, business activity and geographic location; (b) if expressly required by Bank, obtain Bank's written approval to use the Service for that customer, which approval Bank may withdraw upon written notice to Company; and (c) enter into a written agreement with that customer in which the customer (i) agrees to grant Bank ongoing access to audit its processes and activities relating to remote deposit capture and (ii) acknowledges Bank may at any time refuse to process Electronic Items for that customer.

8. **Company's Representations and Warranties.** Company represents and warrants to Bank Company will:

   8.1. use the Service only for Paper Items payable to or endorsed for deposit by Company;

   8.2. transmit to Bank only Electronic Items suitable for processing including without limitation legible Electronic Items containing machine-readable MICR data;

8.3. not transmit to Bank any Electronic Item that duplicates an Electronic Item previously transmitted to Bank or that did not originate as a Paper Item;

8.4. maintain control over and sole responsibility for secure retention and destruction of each original Paper Item for which Company has created an Electronic Item (including the security and integrity of nonpublic personal information appearing on the original Paper Item throughout the transmission flow and while in storage) and properly secure all hardware Company uses in connection with the Service at all times;

8.5. not transmit to Bank, deposit to Company's Account, or otherwise negotiate any original Paper Item with respect to which Company has transmitted an Electronic Item to Bank, unless Bank has notified Company that the Electronic Item is an Exception Item; and

8.6. If Company uses an agent to create Electronic Items and/or transmit Company's Electronic File to Bank, Company will ensure its agent includes in each Electronic File Bank Electronic Items payable only to Company, unless Bank consents in writing to permit the agent to include Electronic Items payable to multiple customers of Bank.

8.7. If Company uses the Service to create and process Electronic Items on behalf of its customers, Company (a) has conducted due diligence with respect to each customer and determined that each such customer is engaged in a legitimate business and that the size and frequency of the customer's deposits are normal and expected for the customer's type of business; and (b) will, in accordance with reasonable commercial standards, monitor each customer's business and deposits on an ongoing basis and notify Bank immediately if Company identifies any unusual activity by any customer of Company.

9. Company's Agreement to Indemnify Bank. Company will indemnify, defend, and save harmless Bank, its parent company, and its affiliates and each of their respective directors, officers, employees, and agents (collectively in this section 9, "Indemnitees") from and against all liabilities, losses, damages, claims, obligations, demands, charges, costs, or expenses (including reasonable fees and disbursements of legal counsel and accountants) awarded against or incurred or suffered (collectively, "Losses and Liabilities") by Indemnitees arising directly or indirectly from or related to:

9.1. Any negligent or intentional act or omission by Company in the performance of its obligations under this Service Description including without limitation failing to maintain control over and sole responsibility for secure retention and destruction of each original Paper Item for which Company has created an Electronic Item (including the security and integrity of nonpublic personal information appearing on the original Paper Item throughout the transmission flow and while in storage), in which event Losses and Liabilities will include without limitation consequential damages;

9.2. Any material breach in a representation, warranty, covenant, or obligation of Company contained in this Service Description;

9.3. Bank acting as a "reconverting bank" under the Check Clearing for the 21st Century Act through the creation of "substitute checks" or purported substitute checks using an Electronic Item, an Exception Item or an Electronic File, in which event Losses and Liabilities will include without limitation consequential damages; and

9.4. Bank presenting an Electronic Item to the Paying Bank for payment.

10. **Termination.** In addition to its rights to discontinue providing Services under the Master Agreement, Bank may discontinue providing the Service to Company immediately upon notice if Bank determines in its sole discretion that Company has breached any of Company's obligations under sections 8 or 9 of this Service Description.

11. **Bank's Authority Under FIL-4-2009.** In FIL-4-2009, Risk Management of Remote Deposit Capture ("RDC") Guidelines, the FFIEC sets forth guidelines for agreements with RDC customers. In accordance with these guidelines, Bank has the authority upon reasonable prior notice to (a) mandate specific internal controls at Company's locations, (b) periodically audit or require audits of Company's RDC operations including Company's IT infrastructure at Company's expense, and (c) request additional information about Company.

12. **Survival.** Sections 8 and 9 of this Service Description will survive termination of the Service.

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ACH ORIGINATION SERVICE DESCRIPTION

WELLS FARGO

1. **Introduction.** This Service Description is part of the Service Documentation governing Wells Fargo Bank, N. A. ("Bank") ACH Origination service ("Service"). "Service Documentation" is defined in Bank's Master Agreement for Treasury Management Services ("Master Agreement"). The Service Documentation includes the Acceptance of Services ("Acceptance"), and "Company" is identified in the Acceptance.

2. **Description of Services.** The Service enables Company to originate automated clearing house ("ACH") credit and debit entries in accordance with the National Automated Clearing House Association Operating Rules and any applicable local ACH rules (collectively, the "ACH Rules"). Company will maintain one or more deposit account(s) at Bank or Bank's affiliate (each, an "Account"), that Bank may use to process such Entries. An "Entry" is an ACH debit or credit entry issued in Company's name, and a "File" is the data file or batch release used to transmit one or more Entries to Bank. Section 5 of this Service Description describes (a) the means Bank offers to Company for transmitting Files to Bank (each, an "Initiation Method") and (b) the means Bank will use to verify Company's authorization of a File or a communication amending or canceling an Entry or File (each, a "Security Procedure"). When Bank acts with respect to an Entry as both the originating depository financial institution ("ODFI") and receiving depository financial institution ("RDFI"), as ODFI and RDFI are defined by the ACH Rules, the Entry is an "on-us Entry."

3. **Preparation of Entries and Files; Processing Schedules.** Company will prepare each File in accordance with the ACH Rules and the guidelines Bank separately makes available to Company. Bank will process each File in accordance with Bank's then current processing schedule and any instructions regarding the date an Entry is to be settled that Company furnishes with the Entry provided (a) Bank receives the File by Bank's applicable cutoff time on a Business Day and (b) the ACH is open for business. Files will be deemed received by Bank when the transmission of the File to Bank is completed and authenticated in compliance with the Security Procedure. If Bank receives a File after Bank's applicable cutoff time or on a day when the ACH is not open for business, the File will be treated as having been received prior to Bank's applicable cutoff time on the next Business Day on which the ACH is open for business. A "Business Day" is every day except Saturday, Sunday and federal holidays.

4. **Inconsistency of Name and Number.** If an Entry describes a "Receiver" (as defined in the ACH Rules), both by name and identifying number, the RDFI may pay the Entry on the basis of the identifying number, even if the number identifies a person different from the named Receiver. If an Entry describes the RDFI both by name and identifying number, Bank, a gateway operator or another financial institution handling the Entry may rely on the identifying number to identify the RDFI, even if the identifying number refers to an institution other than the named RDFI.

5. **Initiation Methods and Security Procedures.** This section lists the Initiation Methods and describes the Security Procedures Bank offers for ACH origination. Company's elections regarding Initiation Methods and Security Procedures are set forth in the Acceptance.

5.1. Commercial Electronic Office® (CEO®) Initiation Method.

CEO is Bank's electronic banking portal that is accessed via the Internet. Authorized users may access Bank's CEO Internet ACH Service through the portal. CEO security procedures include log-on credentials specified by Bank (that may include a Company ID,

user ID and password) and any other authentication or authorization process Bank requires from time to time. Bank will use the CEO security procedures to authenticate each File received through CEO in Company's name.

5.2. Direct Origination Initiation Method.

Secure Application File Exchange Transmission ("SAFE-T"). This transmission platform offers a variety of transmission protocols including hypertext transfer protocol secured (https), FTP over SSL (FTP/S), secure FTP (S-FTP), and Applicability Statement 2 (AS2) that Bank uses to authenticate each File transmitted to Bank in Company's name.

IBM® - Sterling Connect:Direct® with Secure Plus+. Secure Plus+ is an add-on to Connect:Direct® to enhance security by means of Secure Socket Layer ("SSL") or Transport Layer Security ("TLS"). Connect:Direct® is a registered trademark of Sterling Commerce, Inc., an IBM Company.

5.3. Payment Manager® Initiation Method.

Secure Application File Exchange Transmission ("SAFE-T"). This transmission platform offers a variety of transmission protocols including hypertext transfer protocol secured (https), FTP over SSL (FTP/S), secure FTP (S-FTP), and Applicability Statement 2 (AS2) that Bank uses to authenticate each File transmitted to Bank in Company's name.

Machine-to-Machine ("M2M"). This transmission method uses an XML message interface that is based on the Interactive Financial eXchange (IFX) message standard using SOAP structured messages. Data is communicated via the Internet using 128-bit encryption and Secure Socket Layers (SSL). Bank uses digital certificates to authenticate each File transmitted to Bank in Company's name.

IBM® - Sterling Connect:Direct® with Secure Plus+. Secure Plus+ is an add-on to Connect:Direct® to enhance security by means of Secure Socket Layer ("SSL") or Transport Layer Security ("TLS"). Connect:Direct® is a registered trademark of Sterling Commerce, Inc., an IBM Company.

Value-Added Network ("VAN"). With this transmission method, a third party serves as an intermediary for transmitting data between Company and Bank. Procedures for transmitting Files may vary by VAN. Bank follows the procedures of the VAN selected by Company to authenticate each File transmitted to Bank through the VAN in Company's name.

5.4. SWIFT® Initiation Method.

SWIFT has established procedures for controlling access to SWIFT messaging services (each, an "Access Control") that may include without limitation access codes, message authentication codes, secure card readers, digital signatures, and Hardware Security Modules. In addition, SWIFT authenticates certain messages including without limitation Files based on SWIFT message type prior to accepting them for routing as SWIFT messages (each, an "Authenticated Message"). This authentication may include confirming that the sender and recipient of the message have exchanged bilateral keys ("BKE"), entered into a relationship management application ("RMA") agreement, or taken other steps to secure the transmission of SWIFT messages between them as SWIFT requires from time to time (each, an "Authentication Procedure").

5.5. Security Procedure Elected by Company's Third Party Service Provider.
Company is utilizing a Third Party Service Provider ("TPSP") as defined in the ACH Rules to originate Entries and Files on Company's behalf. Bank will authenticate each File transmitted to Bank in Company's name in accordance with the security procedure the Company's TPSP has elected. Company will notify Bank of any change to Company's TPSP in a manner affording Bank a reasonable opportunity to act on the information.

5.6. Non-Standard Security Procedure.
If Company has refused to utilize any of the security procedures described above, then the Security Procedure Company will use is described on Attachment B to the Acceptance.

6. **Company's Payment Obligations.** As of the applicable settlement date, Company will maintain available funds in each Account sufficient to cover the credit Entries originated against it. Company's obligation to pay Bank for each credit Entry matures when Bank transmits the credit Entry to the ACH or gateway operator or posts an on-us Entry. Bank is authorized to debit the Account for the total amount of all credit Entries originated from it at any time. If requested by Bank, Company will pay to Bank, in immediately available funds, an amount equal to all credit Entries Company originates through Bank before the date Bank delivers the credit Entries to the ACH or gateway operator or posts an on-us Entry. If Company fails to comply with Bank's request, Bank may refuse to send the Entries to the ACH or gateway operator or post an on-us Entry. Bank may take such other actions as it deems necessary or appropriate to ensure Bank receives payment for Company's credit Entries including without limitation (a) upon notice to Company, placing a hold on funds in any account at Bank or any affiliate of Bank that Company owns in whole or in part sufficient to cover Company's credit Entries and (b) setting off against any amount Bank or an affiliate of Bank owes Company. In addition, Bank may charge the Account or any other Company account at Bank or any affiliate of Bank for any debit, correcting or reversing Entry which is later returned to Bank.

7. **Provisional Credit.** A credit to Company's Account for an Entry is provisional until Bank receives final settlement for the Entry. If Bank does not receive final settlement, Bank is entitled to debit Company's Account or any other accounts Company owns in whole or in part at Bank or any affiliate of Bank for the amount of the Entry. Company will pay any shortfall remaining after such debit to Bank immediately upon demand.

8. **Rejected Entries.** Bank may reject an Entry or File if Company fails to comply with the terms of this Service Description. Bank will attempt to notify Company promptly so Company may cure the defect but will have no liability to Company for rejecting an Entry or File or any loss resulting from Bank's failure to provide notice. If Company requests Bank repair an Entry or File and Bank attempts to do so, Bank will not be liable if it is unable to make the requested repair. Company will pay all charges and expenses Bank incurs in connection with any repair or attempted repair.

9. **Cancellation, Amendment, Reversal.** Company has no right to cancel, amend or reverse an Entry or File after its receipt by Bank. If Company requests Bank cancel, amend or reverse an Entry or File, Bank may, at its sole discretion, attempt to honor such request but will have no liability for its failure to do so. Company will reimburse Bank for any expenses, losses or damages Bank incurs in effecting or attempting to effect Company's request.

10. **Returned Entries.** Bank will have no obligation to re-transmit a returned Entry or File to the ACH or gateway operator, or to take any further action with respect to a returned on-us Entry, if Bank complied with the terms of this Service Description with respect to the original Entry or

File. Company will reimburse Bank for any returned debit Entries on the same day Company receives notice of such returned Entry.

11. **Reconstruction of Entries and Files.** Company will retain sufficient records to permit it to reconstruct each Entry and File it delivers to Bank for a period of five (5) Business Days after the applicable settlement date and will submit the reconstructed Entry or File to Bank upon request.

12. **Audit.** Company grants Bank ongoing access to Company's Files and the right to audit periodically such Files and Company's ACH processes and controls so Bank can verify Company's compliance with this Service Description.

13. **Bank's Internal Risk Parameters.** Bank establishes internal risk parameters to identify out-of-pattern or suspect Entries or Files and protect Company and Bank from potential losses. These parameters may include without limitation limits on debit and credit settlements on a single Business Day and/or over multiple consecutive Business Days. Bank may pend or delete an Entry or File exceeding the applicable parameters. In addition, any transaction TYPE (debit or credit) or SEC (standard entry class) as defined in the ACH Rules may, at Bank's option, be conditioned upon Bank's prior approval. Upon notice to Company, Bank may discontinue processing a TYPE and/or SEC of transactions Bank has previously processed for Company.

14. **International Entries.**

    14.1. **General.** This section contains additional terms applicable when the financial institution holding the account designated to receive an Entry is in a jurisdiction ("Receiving Country") other than the United States (each, an "International Entry"). Bank will process each International Entry in accordance with (a) the laws and payment system rules of the Receiving Country (b) any agreement governing International Entries between Bank and the gateway operator through which Bank processes the International Entry, the terms of which Bank communicates to Company prior to Company's use of the Service or from time to time thereafter, and (c) the ACH Rules. If there is a conflict among these three clauses, they will govern in the order set forth in this subsection.

    14.2. **Credit Entries.** With respect to credit Entries Bank agrees to originate in the currency of a designated foreign government or intergovernmental organization ("Foreign Currency"), Bank will convert the amount to be transferred from U.S. dollars ("USD") to the Foreign Currency at Bank's sell rate for exchange in effect on the Business Day the Entry is transmitted by Bank to the ACH or gateway operator. If the financial institution designated to receive the funds does not pay the Receiver specified in the Entry, or if the Entry is subsequently determined to be erroneous, Bank will not be liable for a sum in excess of the amount of the original Entry after it has been converted from the Foreign Currency to USD at Bank's buy rate for exchange at the time the Entry is returned to Bank.

    14.3. **Debit Entries.** With respect to debit Entries Bank agrees to originate in a Foreign Currency, Bank will convert the amount of each Entry from the Foreign Currency to U.S. Dollars at Bank's buy rate for exchange in effect on the settlement date of the Entry. If the financial institution designated to receive the Entry subsequently returns it, Bank may charge the applicable Account (or any other accounts Company owns in whole or in part at Bank or any affiliate of Bank) for the amount equal to the value of the returned Entry, after Bank has converted the Foreign Currency to USD at Bank's sell rate for exchange at the time the Entry is returned to Bank. Bank will not be liable for a sum in excess of the original amount of the Entry after conversion.

14.4. Acts or Omissions of Third Parties. Bank will not be liable for any failure or delay by a gateway operator, any intermediary financial institution, or the financial institution designated to receive the Entry in the Receiving Country in processing or failing to process any Entry Bank transmits to the Receiving Country, or for acts or omissions by a third party including without limitation the delay or failure of any third party to process, credit or debit any Entry.

15. Third-Party Sender Activities. This section contains additional terms applicable when Company is a Third-Party Sender, as defined by the ACH Rules.

15.1. General. Prior to originating any Entry on behalf of a customer of Company, Company will (a) notify Bank in writing of any other financial institution Company is using to originate transactions as a Third-Party Sender and thereafter notify Bank before Company adds any new financial institution for this purpose; (b) provide Bank with the information Bank requires to enable it to understand the nature of Company's customer's business including without limitation the name, Taxpayer Identification Number, business activity and geographic location of Company's customer; (c) if specifically required by Bank, obtain Bank's written approval to initiate or continue to initiate Entries for that customer, which approval Bank may rescind upon written notice to Company; and (d) enter into a written agreement with that customer whereby that customer agrees:

15.1.1. to assume the responsibilities of an originator under the ACH Rules and to be bound by the ACH Rules as in effect from time to time;

15.1.2. ACH entries may not be initiated in violation of the laws or regulations of the United States including without limitation the regulations issued by the Office of Foreign Assets Control;

15.1.3. to grant Bank ongoing access to audit it and any ACH entry that it has transmitted to Company for transmission to Bank; and

15.1.4. Bank may at any time refuse to process an ACH entry for that customer.

15.2. Representations and Warranties. Company represents and warrants to Bank Company (a) has conducted due diligence with respect to each customer of Company for which Company is originating transactions through Bank and determined that each such customer is engaged in a legitimate business and that the type, size and frequency of transactions that each such customer is originating is normal and expected for the customer's type of business; and (b) will, in accordance with reasonable commercial standards, monitor each customer's business and transactions on an ongoing basis and notify Bank promptly if Company identifies any unusual activity by Company's customer.

16. Perfect NOC Service. This section contains additional terms applicable to Bank's Perfect NOC Service. Bank maintains a database of Notifications of Change (each, a "NOC") that Bank receives and uses this database to update Company's Entries in accordance with the Service options Company selects from time to time. Bank will notify Company of each NOC Bank receives in connection with Company's Entries.

17. Smart Decision Service. This section contains additional terms applicable to Bank's Smart Decision Service. Bank will process for credit to the Account specified by Company checks and other instruments payable to Company (each, an "Item") that Company delivers to Bank. Company will use the depository channels through which Bank offers the Service including electronic channels and other channels specified by Bank through which Bank accepts Items for

processing. When Company uses electronic depository channels, Company transmits an "Electronic File" to Bank that includes electronic images of Items (each, an "Electronic Image") and other information regarding Items in the Electronic File. Each Business Day, Bank processes Company's Electronic File and other Items according to the processing criteria Bank has on file for Company, the issuer of an Electronic Image or Item, and Bank (each, respectively, a "Company Preference," an "Issuer Preference," or a "Bank Preference.") Based on these Preferences, Bank will (a) convert each eligible Electronic Image and Item to an ACH debit Entry on the deposit account on which it was drawn; (b) process remaining Electronic Images in accordance with Bank's separate Service Documentation governing the electronic depository channel Company used to deliver the Electronic Image to Bank; or (c) process remaining Items in accordance with Bank's Commercial Account Agreement. If a Company Preference or an Issuer Preference conflicts with a Bank Preference, Bank will follow the Bank Preference.

18. Warranties.

18.1. General. Company acknowledges Bank makes certain warranties under the ACH Rules with respect to each Entry. Company will reimburse Bank for any loss Bank incurs, including Bank's reasonable attorneys' fees and legal expenses, as the result of a breach of a warranty made by Bank in connection with any Entry Bank originates upon the instructions received from Company, except to the extent that the loss resulted from Bank's own gross negligence or intentional misconduct.

18.2. Smart Decision Service. If Company subscribes to Bank's Smart Decision Service, Company warrants Company (a) will transmit to Bank only Electronic Images that are suitable for processing, including, but not limited to, Electronic Images that are legible and contain machine-readable MICR data; (b) will not deposit to the Account or otherwise negotiate any original Paper Item from which Company has previously created and submitted to Bank an Electronic Image, unless Bank has notified Company the Electronic Image is not legible or contains MICR data that is not machine readable; and (c) has received copies of the then-current ACH Rules and Reg E and will comply with both at all times Bank provides the Service.

19. Indemnification. Company acknowledges Bank indemnifies certain persons under the ACH Rules. Company agrees to reimburse Bank for any loss Bank incurs, including its reasonable attorneys' fees and legal expenses, as the result of the enforcement of any such indemnity, except to the extent the loss resulted solely from Bank's own gross negligence or intentional misconduct. In addition, Company will indemnify Bank from and against all liabilities, losses, damages, claims, obligations, demands, charges, costs, or expenses (including reasonable fees and disbursements of legal counsel and accountants) awarded against or incurred or suffered by Bank arising directly or indirectly from or related to any material breach in a representation, warranty, covenant, or obligation of Company contained in this Service Description.

20. Termination. In addition to the termination provisions contained in the Master Agreement, Bank may terminate the Services immediately upon notice to Company if Bank determines in its sole discretion: (a) the number of returned debit Entries originated under this Service Description is excessive; or (b) Company has breached a warranty provided under the ACH Rules or this Service Description or otherwise failed to comply with the ACH Rules.

21. Survival. Sections 3, 4, and 6-19 will survive termination of the Services.

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TARGET BALANCE ACCOUNT SERVICE DESCRIPTION

WELLS FARGO

1. **Introduction.** This Service Description is part of the Service Documentation governing the Wells Fargo Bank, N.A. ("Bank") Payment Authorization Service ("Service"). "Service Documentation" is defined in Bank's Master Agreement for Treasury Management Services ("Master Agreement"). The Service Documentation includes the Acceptance of Services ("Acceptance"), and "Company" is the company identified in the Acceptance.

2. **Description of Service.** If Company maintains multiple accounts at Bank, Company may designate in writing one such account as its "Principal Account" and one or more additional accounts as "Target Balance Accounts". For each Target Balance Account, Company will separately specify to Bank in writing the Ledger Balance or Collected Balance which Company wishes to maintain in such account (the "Target Balance"). At the end of each Business Day, Bank will determine the applicable balance on deposit in each Target Balance Account. If the applicable balance in a Target Balance Account exceeds its Target Balance, Bank will transfer from the Target Balance Account to the Principal Account such funds as are necessary to bring the applicable balance to the Target Balance. If the applicable balance is less than the Target Balance, Bank will transfer from the Principal Account to the Target Balance Account such funds as are necessary to bring the applicable balance to the Target Balance. Bank may, but will not be required to, transfer funds if the transfer would create an overdraft or exceed the Collected Balance then on deposit in the Principal Account.

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WIRE TRANSFER SERVICE DESCRIPTION

WELLS FARGO

1. **Introduction.** This Service Description is part of the Service Documentation governing the Wells Fargo Bank, N.A. ("Bank") wire transfer service ("Service"). "Service Documentation" is defined in Bank's Master Agreement for Treasury Management Services ("Master Agreement"). The Service Documentation includes the Acceptance of Services ("Acceptance"), and "Company" is the company identified in the Acceptance.

2. **Description of the Service.** The Service enables Company to instruct Bank to transfer funds in accordance with Article 4A of the Uniform Commercial Code as amended from time to time ("UCC 4A") and the rules and regulations of any funds transfer system Bank uses to effect the transfer. In this Service Description, an instruction to Bank (including any communication cancelling or amending an instruction) in Company's name to transfer funds from Company's account at Bank or Bank's affiliate (each, an "Account") is a "Payment Order" (as defined in UCC4A). Section 5 of this Service Description describes (a) the means Bank offers to Company for transmitting Payment Orders to Bank (each, an "Initiation Method") and (b) the means Bank will use to verify Company's authorization of a Payment Order or a communication amending or canceling a Payment Order (each, a "Security Procedure").

3. **Preparation of Payment Orders; Processing Schedules.** Company will prepare each Payment Order in accordance with guidelines Bank separately makes available from time to time. Bank will execute each Payment Order in accordance with Bank's then current processing schedule and any instructions Company furnishes with the Payment Order regarding the date a Payment Order is to be executed. A Payment Order will be deemed received by Bank when Bank has verified it in compliance with the Security Procedure. If Bank receives a Payment Order after Bank's applicable cutoff time on any Business Day, Bank will treat the Payment Order as having been received prior to Bank's applicable cutoff time on Bank's next Business Day. A "Business Day" is every day except Saturday, Sunday, and federal holidays.

4. **Inconsistency of Name and Number.** If a Payment Order describes the person to receive the funds that are the subject of the Payment Orders both by name and identifying number, Bank may execute the Payment Order on the basis of the identifying number, even if the number identifies a person different from the named person. If a Payment Order describes a financial institution both by name and identification number, the identification number may be relied upon to identify the financial institution, even if the identification number refers to a financial institution other than the named financial institution.

5. **Initiation Methods and Security Procedures.** This section lists the Initiation Methods and Security Procedures Bank offers for wire transfers. Company's elections regarding Initiation Methods and Security Procedures is/are set forth in the Acceptance.

   5.1. Voice Initiation Method.
   Bank's voice initiation security procedure consists of confirming the personal identification number ("PIN") accompanying a Payment Order corresponds with a valid PIN assigned to Company for voice-initiated Payment Orders.

   5.1.1. Telephone Verification Service. If Bank receives a voice-initiated, non-repetitive Payment Order that exceeds the applicable pre-designated limit, Bank will make one attempt to telephone person(s) designated by Company on the most current

setup form for Company in Bank's records to verify the Payment Order. If Bank is unable to complete the call, Bank will not process the Payment Order.

5.2. Commercial Electronic Office® (CEO®) Initiation Method.

CEO is Bank's electronic banking portal that is accessed via the Internet. Authorized users may access Bank's CEO Internet Wire Transfer Service through the portal. CEO security procedures include log-on credentials specified by Bank (that may include a Company ID, user ID and password) and any other authentication or authorization process Bank requires from time to time. Bank will use the CEO security procedures to authenticate each Payment Order received through CEO in Company's name.

5.3. Direct Origination Initiation Method.

Secure Application File Exchange Transmission ("SAFE-T"). This transmission platform offers a variety of transmission protocols including hypertext transfer protocol secured (https) FTP over SSL (FTP/S), secure FTP (S-FTP), and Applicability Statement 2 (AS2) that Bank uses to authenticate each Payment Order transmitted to Bank in Company's name.

IBM® - Sterling Connect:Direct® with Secure Plus+. Secure Plus+ is an add-on to Connect:Direct® to enhance security by means of Secure Socket Layer ("SSL") or Transport Layer Security ("TLS"). Connect:Direct® is a registered trademark of Sterling Commerce, Inc., an IBM Company.

5.4. Payment Manager® Initiation Method.

Secure Application File Exchange Transmission ("SAFE-T"). This transmission platform offers a variety of transmission protocols including hypertext transfer protocol secured (https), FTP over SSL (FTP/S), secure FTP (S-FTP), and Applicability Statement 2 (AS2) that Bank uses to authenticate each Payment Order transmitted to Bank in Company's name.

Machine-to-Machine ("M2M"). This transmission method uses an XML message interface that is based on the Interactive Financial eXchange (IFX) message standard using SOAP structured messages. Data is communicated via the Internet using 128-bit encryption and Secure Socket Layers (SSL). Bank uses digital certificates to authenticate each Payment Order transmitted to Bank in Company's name.

IBM® - Sterling Connect:Direct® with Secure Plus+. Secure Plus+ is an add-on to Connect:Direct® to enhance security by means of Secure Socket Layer ("SSL") or Transport Layer Security ("TLS"). Connect:Direct® is a registered trademark of Sterling Commerce, Inc., an IBM Company.

Value-Added Network ("VAN"). With this transmission method, a third party serves as an intermediary for transmitting data between Company and Bank. Procedures for transmitting Payment Orders may vary by VAN. Bank follows the procedures of the VAN selected by Company to authenticate each Payment Order transmitted to Bank through the VAN in Company's name.

5.5. SWIFT® Initiation Method.

SWIFT has established procedures for controlling access to SWIFT messaging services (each, an "Access Control") that may include without limitation access codes, message authentication codes, secure card readers, digital signatures, and Hardware Security Modules. In addition, SWIFT authenticates certain messages including without limitation Payment Orders based on SWIFT message type prior to accepting them for routing as SWIFT messages (each, an "Authenticated Message"). This authentication may include confirming that the sender and recipient of the message have exchanged bilateral keys ("BKE"), entered into a relationship management application ("RMA") agreement, or taken other steps to secure the transmission of SWIFT messages between them as SWIFT requires from time to time (each, an "Authentication Procedure").

5.6. Non-Standard Security Procedure.

If Company has refused to utilize any of the security procedures described above, then the Security Procedure Company will use is described on Attachment B to the Acceptance.

6. **Authorization to Pay.** Company authorizes Bank to (a) execute any Payment Order Bank verifies in accordance with the Security Procedure and (b) debit the account specified in the Payment Order (and if no account is specified, the Account or any other account of Company at Bank or an affiliate) even if a debit results in an overdraft on the execution date (as defined in UCC4A). Company will maintain sufficient available funds in the account specified in the Payment Order at the time of each debit.

7. **Company's Duty to Report Erroneous or Unauthorized Tranfer Instructions.** Company will exercise ordinary care to determine whether a Payment Order accepted by Bank was either erroneous or not authorized and to notify Bank of the relevant facts within a reasonable time not exceeding fourteen (14) days after Company receives notification from Bank that the Payment Order was accepted or that the Account was debited with respect to the Payment Order, whichever is earlier. Company will be liable to Bank for the loss Bank incurs as a result of Company's failure to act in accordance with this section.

8. **Rejected Payment Orders.** If a Payment Order is rejected for any reason Bank will attempt to notify Company promptly so Company may cure the defect but will have no liability to Company for a rejected Payment Order or any loss resulting from Bank's failure to provide notice.

9. **Cancellation, Amendment, Reversal.** A Payment Order will be final and not subject to cancellation, amendment or reversal by Company, except Bank may, at Company's request, make an effort to effect such cancellation, amendment or reversal without incuring any liability for its failure or inability to do so.

10. **International Wire Transfers.** A Payment Order expressed in U.S. Dollars will be sent in U.S. Dollars. Company may request that prior to executing a Payment Order, Bank convert the amount to be transferred from U.S. Dollars to the currency of a designated foreign government or intergovernmental organization ("Foreign Currency") at Bank's sell rate for exchange in effect on the date Bank executes the Payment Order. If the financial institution designated to receive the funds does not pay the beneficiary specified in a Payment Order payable in Foreign Currency and the funds are returned to Bank, Bank will not be liable for a sum in excess of the value of the funds after they have been converted from Foreign Currency to U.S. Dollars at Bank's buy rate for exchange at the time the cancellation of the Payment Order is confirmed by

Bank. Bank will not be liable for any failure or delay by any financial institution or other third party in the designated foreign country in executing or failing to execute any Payment Order Bank transmits to a foreign country.

11. **Drawdown Requests.** A "drawdown request" is an instruction from Company to another depository institution to debit (a) an account at that institution and transfer the funds to Bank (each, an "outgoing drawdown request") or (b) the Account and transfer the funds to that institution (each, an "incoming drawdown request"). In this Service Description, "Payment Order" includes drawdown requests. Bank may execute an incoming drawdown request that conforms with instructions it receives through Fed Wire, SWIFT, CHIPs or any other funds transfer system, provided such instructions are not inconsistent with instructions Company separately provides in writing. The authority to execute the incoming drawdown request will continue until Bank receives express written notice from Company that such authority is revoked.

12. **Limitation of Bank's Liability.** If Bank executes Company's Payment Order by sending instructions to another financial institution, Bank may send the payment order by any transmission method and by any route Bank in its sole discretion considers reasonable. Bank will not be liable for any third party's failure to or delay or error in processing a Payment Order. If the beneficiary bank does not pay the beneficiary specified in the Payment Order, a refund will be made only after Bank has received confirmation of the effective cancellation of the Payment Order and Bank is in free possession of the funds debited or earmarked in connection with the Payment Order. If Bank is notified it did not transfer the full amount stated in a Payment Order, Bank's sole obligation will be to promptly execute a second Payment Order in the amount of the stated deficiency. If Bank executes a Payment Order in excess of the amount stated in the Payment Order, to the extent Company does not receive the benefit of the Payment Order, Bank will only be liable for any loss of the principal amount transferred in excess of the amount stated in the Payment Order. Additionally, Bank will be liable for the amount of interest Company has lost due to the transfer of the excess amount, computed at the then current Federal Funds rate. However, Bank's liability for loss of interest will be limited to twenty (20) calendar day's interest. This section sets forth Bank's complete liability for a Payment Order issued or received under this Service Description.

13. **Survival.** Sections 4, 5, 6, 7, 8, 9, 10, 11 and 12 will survive the termination of Services.

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INFORMATION REPORTING SERVICE DESCRIPTION

WELLS FARGO

1. **Introduction.** This Service Description is part of the Service Documentation governing the Wells Fargo Bank, N.A. ("Bank") Information Reporting services (each, a "Service"). "Service Documentation" is defined in Bank's Master Agreement for Treasury Management Services ("Master Agreement"). The Service Documentation includes the Acceptance of Services ("Acceptance"), and "Company" is the company identified in the Acceptance.

2. **Description of Services.** The Services enable Company to view and or receive files containing data and/or images (each, a "File") regarding specified transactions on each deposit account at Bank that Company enrolls in the Service (each, an "Account"). The means used to transmit Files to Company include without limitation BAI File Transfer, Bank's Commercial Electronic Office® ("CEO"®), and CD-ROM. Depending on the Service Company elects, the transactions may include checks or other instruments (each, an "Item") (a) posted to Company's Account; (b) cashed or collected by Bank or accepted for deposit to Company's Account; and (c) returned unpaid to Company's Account. "Item" is defined in Bank's Commercial Account Agreement.

3. **Information From Company's Accounts at Other Financial Institutions.** If the Service Company elects permits Company to have information from deposit accounts Company maintains at other financial institutions imported to Bank and included in a report Bank provides to Company in connection with the Service, Bank will not verify the accuracy or completeness of the information.

4. **Software Sublicense.** If a software sublicense is required for Company to access the Service ("Software Sublicense"), Bank will make the terms of the Software Sublicense available to Company as part of the set up process for the Service. Company will be required to accept the Software Sublicense before being allowed to access the Service. Bank may terminate any Service requiring use of a Software Sublicense immediately on written notice to Company, if Company fails to comply with the Software Sublicense. Company's obligations under this section 4 will survive the termination of Service.

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IMAGE FILE IMPORT SERVICE DESCRIPTION

WELLS FARGO

1. **Introduction.** This Service Description and the other Service Documentation as defined in the Master Agreement for Treasury Management Services ("Master Agreement") between Wells Fargo Bank, N.A. ("Bank"), and the company identified in the signature block of the Acceptance of Services ("Company") between Bank and Company govern Bank's Image File Import Service (the "Service").

2. **Description of the Service.** The Service enables Company to receive files containing images of and data regarding (each, a "File") specified transactions on each account at Bank that Company enrolls in the Service (each, an "Account"). The transactions include checks or other instruments (each, an "Item") (a) posted to Company's Account; (b) cashed or collected by Bank or accepted for deposit to Company's Account (each, a "Deposited Item"); and (c) returned unpaid to Company's Account (each, a "Returned Deposited Item"). The data Bank provides will include an index and images of each Item, Deposited Item and Returned Deposited Item together with, in the case of Deposited Items, images of coupons and other information that are received and processed by Bank along with the Deposited Item. Company may retrieve Files through the delivery channels Bank makes available.

3. **Conditions to Provision of the Service.** As conditions to Bank's provision of the Service, Company will (a) at all times maintain the Account(s) in good standing; (b) subscribe to the applicable Treasury Management Services for which images and data are provided through the Service; and (c) agree to the terms of the software sublicense (see Section 6) if Company has elected to use the WellsImage® Viewer Software (the "Software") to view certain Items or Deposited Items.

4. **Rules Applicable to the Service.** Bank will provide the Service to Company in accordance with (a) the Service Documentation; and (b) state and federal laws and regulations, including the National Automated Clearing House Association Rules ("NACHA Rules") applicable to Paper Item conversion.

5. **Paper Item Conversion.** NACHA Rules allow for the conversion of certain Items into ACH items. Images of posted Items that have been converted pursuant to the NACHA Rules may not be available through the Service.

6. **Software Sublicense.** Company will use the Software in accordance with the terms of a non-exclusive, non-assignable sublicense ("Software Sublicense") from Bank. The Software Sublicense will be presented to Company during installation, and Company will be required to accept it before being allowed to use the Software. This Section will survive termination of this Service.

7. **Termination.** In addition to the termination provisions of the Master Agreement, the Service may also be terminated by Bank immediately on written notice to Company, if Company fails to comply with its obligations under the Software Sublicense.

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STOPS—IMAGES—SEARCH {"SIS") SERVICE DESCRIPTION

This Service Description contains provisions which, in addition to the provisions contained in the Master Agreement for Treasury Management Services between Bank and Company (the "Agreement"), will govern the Stops—Images--Search {"SIS"} Service (the "Service").

1. **The Service**. Company may, using a computer or a computer and browser acceptable to Bank, request stop payment orders on checks drawn on Company's deposit account(s) or Company's account(s) with another financial institution maintained in connection with the Controlled Disbursement Service (a "Controlled Disbursement Account") and, where applicable, request photocopies of checks that have cleared Company's deposit account(s) or Controlled Disbursement Account(s).

2. **Stop Payments.**

   2.1 Requirements. Bank may pay a check against Company's deposit account(s) whenever it is presented and without regard to its date. If Company does not want Bank to pay a check, it must place a stop payment order which is valid for the period specified when Company opened its deposit account and must be received within sufficient time for Bank to act.

   2.2 Limitations. A stop payment order will be ineffective with respect to (a) a check deposited to an account at a Wells Fargo Bank if it cannot be charged back without creating an overdraft in that account, and (b) a check that was cashed by any Wells Fargo Bank. Company authorizes Bank to accept telephone stop payment orders from any person who Bank in good faith believes is acting on Company's behalf. In Texas, Company must confirm an oral stop payment order in writing.

3. **Survival.** The provisions of this Service Description designated as Sections 2 and 3 will survive termination of the Service.

WELLS FARGO

WELLSIMAGE® CD SERVICE DESCRIPTION

1. **Introduction.** This Service Description and the other Service Documentation as defined in the Master Agreement for Treasury Management Services ("Master Agreement") between Wells Fargo Bank, N.A. ("Bank"), and the company identified in the signature block of the Acceptance of Services ("Company") between Bank and Company govern Bank's WellsImage CD Service (the "Service").

2. **Description of the Service.** The Service enables Company to receive a WellsImage CD-ROM ("CD-ROM") containing (a) an index of each Paper Item that has been paid against each Company checking account at Bank that is enrolled in the Service (each, an "Account") for the specified CD-ROM cycle; and (b) images of the front and back of each paid Paper Item. After the end of each CD-ROM cycle, CD-ROMs will be sent to Company at the address(es) designated by Company. CD-ROMs may be viewed using the WellsImage Viewer™ Software (the "Software") which will be provided pursuant to Section 7 below. "Paper Item" is defined in Bank's Commercial Account Agreement.

3. **Condition to Provision of the Service.** As conditions to Bank's provision of the Service, Company will (a) at all times maintain the Account(s) in good standing, and, (b) agree to the terms of the Software Sublicense (see Section 7).

4. **Rules Applicable to the Service.** Bank will provide the Service to Company in accordance with (a) the Service Documentation including, without limitation, the WellsImage Viewer User Guide(s) that Bank makes available to Company; and (b) state and federal laws and regulations, including the National Automated Clearing House Association Rules ("NACHA Rules") applying to Paper Item conversion.

5. **Paper Item Conversion.** The NACHA Rules allow for the conversion of certain Paper Items into ACH items. Images of Paper Items converted pursuant to the NACHA Rules may not be available through the Service.

6. **Images and Replacement CD-ROMs**. If a Paper Item on a CD-ROM index is not imaged on the CD-ROM (and the image is available), Bank will, upon request and without charge, send an image copy of the front and back of the Paper Item. However, each Paper Item will be indexed and the data contained on the Paper Item will be provided on the CD-ROM whether or not an image of the Paper Item is available. In addition, Bank will, at Company's request, recreate a CD-ROM, but only for a period of sixty (60) days after the CD-ROM is first created.

7. **Software Sublicense.** Company must use the Software in accordance with the terms of a non-exclusive, non-assignable sublicense ("Software Sublicense") from Bank. The Software Sublicense will be presented to Company during installation and Company will be required to accept it before being allowed to use the Software. This Section will survive termination of this Service.

8. **Termination.** In addition to the termination provisions of the Master Agreement, the Service may also be terminated by Bank immediately on written notice to Company if Company fails to comply with its obligations under the Software Sublicense.

ACCOUNT RECONCILIATION PLAN SERVICE
SERVICE DESCRIPTION

1. **Introduction.** This Service Description is part of the Service Documentation governing the Wells Fargo Bank, N.A. ("Bank") Account Reconciliation Plan service ("Service"). "Service Documentation" is defined in Bank's Master Agreement for Treasury Management Services ("Master Agreement"). The Service Documentation includes the Acceptance of Services ("Acceptance"), and "Company" is the company identified in the Acceptance.

2. **Description of Services.** Bank's ARP Services enable Company to use Bank to (a) store information about Items Company issues on demand deposit accounts that Company enrolls in the Services (each, an "Account"); and (b) process the information in accordance with the Service option(s) that Company elects during the set up process for the Services and from time to time thereafter. Bank's User Guide for the Services details the Service options. "Item" is defined in Bank's Commercial Account Agreement.

3. **Issued Check Information.** If Company elects Bank's full ARP Service, each Business Day prior to the cutoff time Bank seperately discloses,Company will provide Bank with the issue date, serial number and dollar amount of each Item Company issues on the Account ("Issued Check Information") using the communication channel(s) Company elects. If Company elects Bank's Deposit Location Reporting Service, Company will provide Bank with a list of Company's location numbers and names and may amend the list from time to time by notifying Bank in writing.

4. **Stop Payment Orders.** If Company uses the Service to place a stop payment order on any Item, Company understands that (a) Bank's Commercial Account Agreement governs the stop payment order; (b) each stop payment order is subject to Bank's verification that the Item described in the stop payment order has not been paid; and (c) this verification may occur a minimum of ninety (90) minutes after the time Company transmits the stop payment order to Bank.

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CheXstor® SERVICE DESCRIPTION

WELLS FARGO

1. **Introduction.** This Service Description is part of the Service Documentation governing the Wells Fargo Bank, N.A. ("Bank") CheXstor service ("Service"). "Service Documentation" is defined in Bank's Master Agreement for Treasury Management Services ("Master Agreement"). The Service Documentation includes the Acceptance of Services ("Acceptance"), and "Company" is the company identified in the Acceptance.

2. **Description of Service.** The Service enables Company to have Bank maintain microfilm records of all Items paid on each deposit account of Company at Bank that Company enrolls in the Service (each an "Account"). Bank will maintain microfilm records for a period of seven years or any longer period required by applicable law ("Record Period"). Each Item Bank microfilms will be shredded and recycled. As part of the Service, Bank will provide a photocopy of any Item posted against the Account which Company requests during the Record Period. Company may request a photocopy electronically via Bank's *Commercial Electronic Office®* or by contacting Bank at the telephone number on Company's account statement.

3. **Liability.** If Bank fails to provide in a timely manner a copy of an Item Company requests during the Record Period, Bank will reimburse Company for (and Bank's liability will be limited to) any direct monetary loss Company incurs as a result of the Item's unavailability (not to exceed the amount of the Item). Bank will require Company to substantiate any claimed loss.

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CONTROLLED DISBURSEMENT SERVICE DESCRIPTION

WELLS FARGO

1. **Introduction.** This Service Description is part of the Service Documentation governing Wells Fargo Bank, N.A. ("Bank")'s controlled disbursement service ("Service"). "Service Documentation" is defined in Bank's Master Agreement for Treasury Management Services ("Master Agreement"). The Service Documentation includes the Acceptance of Services ("Acceptance"), and "Company" is the company identified in the Acceptance.

2. **Required Account(s) and Services.** Company, as defined in the Acceptance, will establish and maintain:

   (a) one or more demand deposit accounts with Bank or Bank's affiliate (each, a "Funding Account");

   (b) one or more checking accounts (each, a "Disbursement Account") at Bank or Bank's affiliate(s) (each, a "Disbursing Bank"); and

   (c) the information reporting service specified by Bank ("Information Reporting Service").

   Each Funding Account and Disbursement Account and the Information Reporting Service will be identified in the Service Documentation. Each Funding Account will be linked to one or more Disbursement Accounts maintained by Company. Company will use each Disbursement Account solely to issue checks (or payable-through drafts) and electronic debits (each, a "Debit") in accordance with this Service Description. Company will not issue any Debits on any Disbursement Accounts until Bank notifies Company that such Disbursement Account is operational. Company irrevocably authorizes Disbursing Bank to release to Bank all information requested by Bank with respect to each Disbursement Account.

   Each Disbursement Account and Funding Account will be governed by Wells Fargo Bank, N.A.'s Commercial Account Agreement ("Account Agreement"), except that if Company's Funding or Disbursement Account is Bank's Choice III account, "Account Agreement" will mean Wells Fargo Bank, N. A.'s Business Account Agreement. The term "Bank" as used in the Account Agreement will mean the bank at which such Disbursement Account or Funding Account is maintained.

3. **Determination of Total Net Presentment.** Each Business Day as defined in the applicable Account Agreement, by the reporting times Bank separately discloses to Company from time to time, Bank will make the Total Net Presentment for each Disbursement Account available to Company by means of the Information Reporting Service. The Total Net Presentment consists of the total dollar amount of:

   (a) Debits that have posted in the first and, if applicable, second presentment on that Business Day; and

   (b) Adjustments to the Disbursement Account reported on Bank's CD Summary report, including without limitation Debits posted after the last presentment on the prior Business Day (these Debits are referred to collectively as the "Prior Day Funding Adjustments").

   If the Total Net Presentment is not made available through the Information Reporting Service by

the applicable reporting time, Bank will have no liability, and Company will estimate the Total Net Presentment.

4. **Company's Obligation to Deposit Funds in Funding Account.** Each Business Day, by the applicable cutoff time Bank separately discloses to Company from time to time, Company will deposit good and collected funds in Funding Account so that the balance in Funding Account, determined in accordance with the applicable Account Agreement, is sufficient to cover either the Total Net Presentment or Company's estimate of the Total Net Presentment.

   If Company fails to transfer funds in accordance with its obligation under the preceding sentence or if such transfer was based on Company's estimate of the Total Net Presentment and such estimated amount was less than the actual Total Net Presentment, Bank may, at its sole option,

   (a) advance to Funding Account(s) sufficient funds to pay the Debits presented for payment on the Disbursement Account and transfer such funds to the Disbursement Account; or

   (b) return, or cause Disbursing Bank to return, any Debits, in any order, unpaid (even though Bank or the Disbursing Bank may have previously established a pattern of paying such Debits). If Bank returns or causes Disbursing Bank to return the Debits, Bank is authorized to instruct the Disbursing Bank to return to Bank any funds Bank transferred to Disbursing Bank pursuant to Section 5.

5. **Transfer of Funds to Disbursement Account.** Each Business Day, Bank will (a) transfer from the Funding Account to the Disbursement Account the amount necessary to cover the Total Net Presentment as shown on the CD Summary Report for that Business Day and (b) advance funds to the Disbursement Account in the amount sufficient to cover Debits that posted to Disbursement Account after the last presentment on that Business Day (and this amount advanced by Bank will be reported on the CD Summary Report for the next Business Day)

6. **Disbursing Bank's Obligation to Pay Debits.** No Disbursing Bank will have any obligation whatsoever to pay any Debit if sufficient good and collected funds to cover the Debit are not in the Disbursement Account on which the Debit is drawn at the time the Disbursing Bank makes its payment decision.

7. **Company's Agreement to Repay Bank's Advances to Disbursement Account(s).** Company will unconditionally pay Bank on demand without setoff or counterclaim in good and collected funds the full amount of any advance Bank makes pursuant to Section 4(a) and Section 5 plus Bank's fees and costs incurred in connection with such advance.

8. **Security Interest.** As security for the Obligations (as defined in this Section 8), Company pledges to Bank, and grants a lien to Bank on, and a security interest in, the following and the proceeds thereof (collectively, the "Collateral") as security for the prompt satisfaction of the Obligations: (a) all amounts from time to time on deposit in, or withdrawable from, Funding Account, all of Company's other accounts with Bank and Bank's affiliates and each Disbursement Accounts, and (b) any of Company's property, or property in which Company has an interest, now or at any time delivered, conveyed, transferred, assigned, pledged or paid to Bank in any manner whatsoever. "Obligations" includes any and all advances, debts, loans, obligations and liabilities that Company owes Bank and Bank's affiliates pursuant to the terms of this Service Description, including without limitation any advances Bank makes to Funding Account(s) pursuant to Section 4(a) of this Service Description and any advances Bank makes to Disbursement Account(s) pursuant to Section 5 of this Service Description. Bank's receipt at any time of any kind of security, including without limitation cash, will not be deemed a waiver of any of Bank's rights or powers under any agreement Company has signed in Bank's favor.

Company will sign and deliver to Bank, on demand, all such security, control or other agreements, financing statements and other documents as Bank may at any time request which are necessary or desirable (in Bank's sole opinion) to grant to Bank a perfected security interest in and to any or all of the Collateral. At the time any Obligation becomes due and payable, Bank may sell or otherwise apply or dispose of any and all Collateral, received or to be received, in such parcel or parcels, at such time or times, at such place or places, for such price or prices and upon such terms and conditions as Bank may deem proper, and Bank may apply the net proceeds of the sale or sales, application or other disposition, together with any sums credited by or due from Bank to Company, to the payment of any and all of the Obligations, all without prejudice to Bank's rights against Company with respect to any and all of the Obligations which may be or remain outstanding or unpaid. Company expressly waives any right to require Bank to make any presentment or demand, or give any notices of any kind, including, but not limited to, any notice of nonpayment or nonperformance, protest, notice of protest, notice of dishonor, notice of intent to accelerate or notice of acceleration. Any requirement of reasonable notice to Company with respect to the sale or other disposition of Collateral will be met if the notice is given at least five calendar days before the date any sale, application or other disposition will be made. Bank's rights and remedies under any agreements or instruments signed by Company in Bank's favor are in addition to, and not exclusive of, any rights or remedies otherwise available to Bank under applicable law.

9. **Fees.** Fees for this Service may, in whole or in part, be based on the applicable fees charged by each Disbursing Bank and will be separately disclosed to Company. Fees will not be prorated if the Service terminates before the end of a calendar month.

10. **Protection Against Fraudulent Checks.** Company and Bank acknowledge that there is a growing risk of loss resulting from the increasing use of counterfeit and certain other types of fraudulent checks. Company recognizes that controlled disbursement service customers are especially susceptible to losses from these checks. Company is aware that Bank offers services known as "Image Positive Pay" and "Reverse Positive Pay" which are effective means of controlling risk from counterfeit checks and certain other types of fraudulent checks. Bank has advised Company that if it does not use either of these Services, Bank will be unable to prevent losses from counterfeit and certain other types of fraudulent checks and Company will be treated as having assumed the risk of those losses.

11. **Company's Enquiries and Instructions Regarding Disbursement Account.** Company will direct all enquiries and instructions (including by way of example and not by way of limitation stop payment orders) to Bank. In no event will any such enquiries or instructions be directed to Disbursing Bank.

12. **Liability and Indemnification.** In addition to the liability and indemnification provisions in the Master Agreement, neither Bank nor any Disbursing Bank will be liable for any claim, demands, judgments or expenses ("Losses") paid, suffered or incurred by Company, and Company will indemnify Bank and each Disbursing Bank from and hold each of them harmless against any Losses paid, suffered or incurred by them, arising directly or indirectly as a result of or in connection with:

    (a) Company's performance or failure to perform its obligations in accordance with this Service Description;

    (b) Bank's or any Disbursing Bank's acting on any information furnished by or on behalf of Company in any Service Documentation or otherwise;

    (c) Bank's or any Disbursing Bank's return of any Check unpaid because Company has not deposited good and collected funds in the Funding Account related to the Disbursement

Account on which a Debit is drawn sufficient to cover the Total Net Presentment;

(d) Bank's or Disbursing Bank's dishonor and return of any Debit unpaid if Company issues the Debit before Bank notifies Company the Disbursement Account on which it was drawn is operational;

(e) Bank's or any Disbursing Bank's nonpayment of a Debit, unless such nonpayment results directly and proximately from, respectively, Bank's or Disbursing Bank's gross negligence or willful misconduct;

(f) Bank or Disbursing Bank's late return of any Debit as a result of, and any presentment-related problem resulting from, the failure of any Debit which has not been tested and approved by Bank or Disbursing Bank to conform in any respect to Bank's or Disbursing Bank's check specifications including without limitation failure to include Bank's or Disbursing Bank's full name and address and Bank's full name on any check or payable through draft,

(g) Except as otherwise provided under Bank's Account Reconciliation, Image Positive Pay, Reverse Positive Pay, Payable-Through Draft, Share Draft or Payable-If-Desired Service Descriptions, if Bank provides Company with one or more of those services, Bank's payment of any check or payable-through draft which is unauthorized or contains a forged, unauthorized, incorrect or illegible endorsement, a forged or unauthorized signature, an alteration of amount or payee, or any other error, discrepancy or deficiency; or

(h) Bank's exercise of its rights, or Bank's performance of its obligations, in accordance with this Service Description or Bank's Account Reconciliation, Image Positive Pay, Reverse Positive Pay, Payable-Through, Share Draft, or Payable-If-Desired Service Descriptions, if Bank provides Company with one or more of those Services.

13. **Termination.** Bank may terminate this Service, close the Funding Account, and instruct the Disbursing Bank(s) to close Disbursement Account(s), immediately upon Bank's sending Company written or oral notice (confirmed in writing) of such action if:

(a) Company fails at any time to fund the Funding Account as required in this Service Description,

(b) any lawsuit or other action or proceeding is filed or instituted by any federal or state agency alleging, or any Disbursing Bank receives an opinion of counsel, that this Service or any material term or condition of this Service violates any law or regulation,

(c) Bank's agreement with any Disbursing Bank concerning this Service is suspended or terminated for any reason with respect to all Bank's customers receiving the Service or with respect only to Company,

(d) the occurrence of any default by Company under the other Service Documentation or under any other agreement or instrument signed by Company in Bank's or the Disbursing Bank's favor including without limitation any loan agreement or promissory note,

(e) Bank determines that one or more conditions exist or events have occurred which might indicate, or result in, a material adverse change in Company's operations, business, property or assets or its condition (financial or otherwise).

Upon termination of this Service, Company will, in accordance with such instructions as Bank or the Disbursing Bank may give, cease to issue Debits on the Disbursement Account(s), and the Disbursing Bank will close the Disbursement Account(s) and stop processing Debits. Company will continue to be liable for all Debits issued on the Disbursement Account(s) prior to termination and for all Debits the Disbursing Bank is obligated to pay. The provisions of Sections 4, 7, 8, 10, 12 and 13 of this Service Description will survive termination of the Service.

14. **Governing Law.** Except to the extent governed by federal law and regulations, the law and regulations of the state in which the Disbursing Bank is located will govern its performance of the Service.

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PAYMENT AUTHORIZATION SERVICE DESCRIPTION

WELLS FARGO

1. **Introduction.** This Service Description is part of the Service Documentation governing the Wells Fargo Bank, N.A. ("Bank") Payment Authorization Service ("Service"). "Service Documentation" is defined in Bank's Master Agreement for Treasury Management Services ("Master Agreement"). The Service Documentation includes the Acceptance of Services ("Acceptance"), and "Company" is the company identified in the Acceptance.

2. **Description of Service.** Company may, by executing and delivering to Bank a Payment Authorization Service Set-up Form, elect to utilize the Service for deposit accounts which Company maintains at Bank (each an "account"). Under the terms of the Service, Bank will without Company's specific approval as to any particular Item, (a) automatically return unpaid (marked "REFER TO MAKER") Items drawn against the account which are presented to Bank, and which exceed the "Maximum Dollar Authorized Payment Amount" specified on the Setup Form, (b) refuse encashment of Items drawn against the account which are presented to Bank through its branch/store network, and which exceed the "Maximum Check Cashing Amount" specified on the Setup Form, (c) refuse withdrawal requests against the account which are presented to Bank through its branch/store network, and which exceed the "Maximum over the Counter Withdrawal Amount" specified on the Setup Form, and/or (d) refuse encashment of Items drawn against the account which are presented to Bank through its branch/store network, and which are made payable to an individual.

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IMAGE POSITIVE PAY SERVICE DESCRIPTION

WELLS FARGO

1. **Introduction.** This Service Description is part of the Service Documentation governing the Wells Fargo Bank, N.A. ("Bank") Image Positive Pay service ("Service"). "Service Documentation" is defined in Bank's Master Agreement for Treasury Management Services ("Master Agreement"). The Service Documentation includes the Acceptance of Services ("Acceptance"), and "Company" is the Bank customer identified in the Acceptance.

2. **Description of Service.** The Service enables Company to instruct Bank to pay or return counterfeit Checks, Checks otherwise not validly issued and certain altered Checks presented to Bank for payment on the deposit account(s) at Bank that Company enrolls in the Service (each, an "Account"). Each Business Day, Bank electronically compares the serial number and numeric amount of Checks presented to Bank for payment before Bank's separately-disclosed cutoff time on the prior Business Day to Company's Check Issue Data (see section 5). In accordance with section 7, Bank will notify Company of each Check that does not match Company's Check Issue Data (each, an "Exception Item") and will pay or return each Exception Item in accordance with this Service Description. "Check" refers to each check presented for payment on Company's Account, whether it is counterfeit, not validly issued, altered or validly issued by Company. A "Business Day" is every day except Saturdays, Sundays, and federal holidays. Except as otherwise provided in this Service Description, enrollment in Bank's Account Reconcilement Plan ("ARP") Service is required.

3. **Service Options.** Company may enroll an Account in one of three options of the Service. The Service options differ based on (a) when Bank electronically compares a Check to Company's Check Issue Data (before or after posting the Check to Company's Account); (b) Bank's handling of errors on Checks; (c) the content of Bank's report to Company of discrepancies between a Check and Company's Check Issue Data ("Exceptions Report"); and (d) the time by which Company must notify Bank of Company's pay or return decision ("Decision Deadline"), as specified in the Exceptions Report. Each discrepancy is an "Exception," and each Check with a discrepancy is an "Exception Item."

   3.1. **Perfect Presentment® Positive Pay.** Bank electronically compares a Check to Company's Check Issue Data prior to posting the Check to Company's Account. Each Check with error(s) that Bank can correct, such as an encoding error, will be corrected, so that the Exceptions Report includes only unresolved Exception Items. This option is offered only on an Account enrolled in Bank's Controlled Disbursement Service.

   3.2. **Positive Pay and Positive Pay Only.** Bank electronically compares a Check to Company's Check Issue Data after posting the Check to Company's Account. Bank then reviews each Exception Item, and reverses and reposts each Exception Item with error(s) that Bank can correct, such as encoding errors, so that the Exception Report includes only unresolved Exception Items. Enrollment in Bank's ARP Service is not required for Positive Pay Only.

   3.3. **Basic Positive Pay.** Bank electronically compares a Check to Company's Check Issue Data after posting the Check to Company's Account and provides Company with an Exceptions Report containing all Exception Items including Checks with encoding errors.

4. **Payee Validation.** Bank offers Payee Validation with Perfect Presentment Positive Pay, Positive Pay and Positive Pay Only. In addition to performing the electronic comparison described in section 2, Bank electronically compares the payee's name on each Check to the payee's name in Company's Check Issue Data. If there is a discrepancy between the two names that is not within parameters Bank establishes from time to time in its sole discretion, Bank will, in its sole discretion, (a) include the Check as an Exception Item in Company's Exceptions Report (and the discrepancy will constitute an Exception), or (b) manually review the Check. There are two Payee Validation Options:

   4.1. **Standard Payee Validation Option.** Bank validates the payee's name on each Check exceeding the dollar threshold determined by Bank from time to time without notice to Company. Bank will indemnify Company against actual direct money losses incurred by Company as a result of an unauthorized alteration of the payee's name on each Check paid by Bank (excluding hand-written Checks).

   4.2. **Customized Payee Validation Option.** Bank validates the payee's name on each Check exceeding the dollar threshold that Company elects. Company will indemnify Bank against actual direct money losses Bank incurs as a result of an unauthorized alteration of the payee's name on a Check below Company's defined dollar threshold, and Bank will indemnify Company against actual losses Company directly incurs as a result of an unauthorized alteration of the payee's name on a Check equal to or greater than Company's defined dollar threshold (excluding hand-written Checks).

   Bank will not perform Payee Validation with respect to a Check if (i) Company fails to include the payee's name on the Check in Company's Check Issue Data; (ii) Bank does not receive Company's Check Issue Data for the Check before the cutoff time Bank separately discloses; or (iii) Company requests Bank to add the payee's name manually to Check Issue Data Company has previously provided to Bank.

5. **Check Issue Data.** The "Check Issue Data" for any Check is the Check's complete serial number and numeric amount, and if Company has selected Payee Validation, the payee's name (or truncated name). As detailed in Bank's User Guide for the Service, a "truncated name" is the portion of a payee's name Company includes in its Check Issue Data based on the option it has elected from the options for truncation Bank offers from time to time. Each Business day not later than the cutoff time Bank separately discloses, Company will provide the Check Issue Data for all Checks issued through that Business Day to Bank in the format, through the medium, and at the place(s) Bank specifies. In performing the Service, Bank will use only the Check Issue Data Company provides to Bank. Bank will not electronically or manually compare a Check with an issue date after the current Business Day against the Checks presented for payment on the Account until the issue date contained on the future-dated Check register matches the current Business Day's calendar date. Bank will not accept Check Issue Data that contains an issue date more than forty-five (45) calendar days in the future.

6. **Payment of Matching Checks.** If a Check presented to Bank matches the Check Issue Data Company has provided to Bank (a "Matching Check"), Bank will make final payment on the Check and charge the Check to Company's Account (subject to section 13).

7. **Notification of Exception Item; Image of Exception Item.**

   7.1. **Electronic Comparison.** When Bank identifies an Exception Item through its electronic comparison process, Bank notifies Company of the Exception Item through the Exceptions Report Bank makes available to Company through CEO.

7.2. **Manual Review.** When Bank manually reviews a Check in accordance with section 4 and identifies a payee name discrepancy, Bank will use its best efforts but in no event make more than one attempt to notify Company of the discrepancy by telephoning Company at the number Bank has on file for Company.

7.3. **Holdover Exception Items.** This subsection applies when Company has enrolled its Controlled Disbursement Account in Bank's Perfect Presentment Positive Pay Service. A "Holdover Exception Item" is an Exception Item Bank identifies after Bank prepares and transmits the Exceptions Report to Company. Bank will use its best efforts but in no event make more than one attempt to notify Company of each Holdover Exception Item by telephoning Company at the number Bank has on file for Company.

7.4. **Image of Exception Item.** Bank will use reasonable efforts to provide an image of any Exception Item (including a Holdover Exception Item) to Company, but Bank will have no liability if Bank is unable to do so prior to Company's Decision Deadline.

8. **Default Options for Checks Listed in Exception Report.** Bank offers two options for processing Checks listed in the Exceptions Report for which Company fails to instruct Bank to pay or return before the Decision Deadline (each, "Company's Default Option"). Company may elect to have Bank pay each such Check or to return each such Check.

9. **Company's Instructions to Bank; Failure to Instruct By Decision Deadline.**

9.1. **Company's Pay or Return Decision.** Company will make its pay or return decision based on the information about the serial number and amount of the Exception Item in the Exceptions Report, and if Company has elected Payee Validation, on any payee information Bank provides to Company.

9.2. **Instructions Prior to Decision Deadline.** If, prior to Company's Decision Deadline, Company instructs Bank to pay or return an Exception Item, Bank will follow Company's instructions (subject to section 13). For each Exception Item, Company will use the same communications channel to instruct Bank that Bank used to notify Company of the Exception Item. If Bank included the Exception Item on the Exception Report Bank makes available to Company through CEO, Company will use CEO to communicate its instruction regarding the Exception Item to Bank. If Bank attempted to contact Company by telephone, Company will telephone Bank to communicate its instruction.

9.3. **No Instructions Prior to Decision Deadline.** If Company does not instruct Bank prior to Company's Decision Deadline with respect to an Exception Item described in subsection 7.1, Bank will process the Check in accordance with Company's Default Option. If Bank is unable to obtain Company's instructions prior to the Decision Deadline regarding an Exception Item described in subsection 7.2, Bank will return the Exception Item unpaid (regardless of Company's Default Option). If Bank is unable to obtain Company's instructions prior to the Decision Deadline regarding a Holdover Exception Item described in subsection 7.3, Bank will process the Holdover Exception Item in accordance with Company's Default Option.

10. **Teller Line Checks.** A Check presented for encashment at Bank's teller line is a "teller line Check". A teller line Check that is not included in Company's Check Issue Data on file with Bank at the time it is presented for encashment is a "teller line Exception Item". Bank will take those steps to review and cash or refuse to cash a teller line Exception Item as Bank in its sole discretion determines are commercially reasonable. Company may instruct Bank to exclude all teller line Checks from this process, in which event each teller line Check will be deemed to be a Matching Check, even if it is not included in Company's Check Issue Data on file with Bank at the time it is presented for encashment.

11. **Limitation of Liability and Indemnification.** Each Check Company has authorized or is deemed to have authorized Bank to pay in accordance with this Service Description (including each Matching Check) will be paid without Bank performing any Check verification procedure other than those described in this Service Description. Bank will have no liability for paying a Check if (a) there is an alteration in its serial number or amount; (b) Company has elected Payee Validation and Bank fails to identify an alteration or other exception in the payee's name because Company has truncated the name in Company's Check Issue Data; (c) it is counterfeit, bears a forged or unauthorized signature; or (d) it was otherwise not validly issued. Each Check that Bank pays in accordance with this Service Description will be deemed to be properly payable, and each Check that Bank returns in accordance with this Service Description will be deemed not to be properly payable. Without limiting the indemnification provisions contained in the other Service Documentation, Company (i) indemnifies and holds Bank harmless from any and all liabilities, losses, damages, claims, obligations, demands, charges, costs, or expenses (including reasonable fees and disbursements of legal counsel and accountants) that Bank may suffer or incur as a result of Bank's payment or return of a Check at Company's instruction or otherwise in accordance with sections 9 or 10 of this Service Description, and (ii) releases and forever discharges Bank from all claims and damages, whether known or unknown, liquidated or unliquidated, contingent, direct or indirect, which Company has, or claims to have against Bank relating to the payment or return of any Check in accordance with this Service Description. This Section 11 will survive termination of the Service.

12. **Stop Payment; Cancel and Void Instructions; Stale-Dated Checks.** Company will not use the Service as a substitute for Bank's stop payment service. Company will follow Bank's standard stop payment procedures if it desires to stop payment on a Check that was validly issued. Company will use (a) a cancel instruction only to delete an outstanding Check included in its Check Issue Data and (b) a void instruction only to notify Bank that a Check included in Company's Check Issue Data has been destroyed and will not be re-issued. If Company elects to use Bank's "stale-dated" feature, Bank will return each Matching Check that is stale-dated unless Company instructs Bank to pay the Check. A Check is "stale-dated" when it is a Matching Check with an issue date exceeding the number of months Company elects as its stale date.

13. **Bank's Right to Return Checks.** Nothing in this Service Description will limit Bank's right to return any Check that Company has authorized Bank to pay in accordance with this Service Description if Bank determines in Bank's sole discretion that (a) the Check is not properly payable for any reason (without Bank's agreeing to, or being required to, make such determination in any circumstance), or (b) there are insufficient collected and available funds in the Account to pay the Check. As between Company and Bank, any determination by Bank not to pay a Check will not constitute wrongful dishonor of such Check.

14. **Survival.** Sections 4, 5, 7, 9, 10, 11 and 13 will survive termination of the Service.

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WELLS FARGO

SMART DECISION® SERVICE DESCRIPTION

1. **Introduction.** This Service Description and the other Service Documentation as defined in the Master Agreement for Treasury Management Services between Wells Fargo Bank, N.A. ("Bank"), and the Company identified in the signature block of the Acceptance of Services ("Company") between Company and Bank govern Bank's Smart Decision Service ("Service").

2. **Description of Service.** Bank will process for credit to each account at Bank that Company enrolls in the Service ("Account") checks or other instruments payable to Company (each, an "Item") that Company delivers to Bank via the depository channels through which Bank offers the Service. These depository channels include (a) electronic channels through which Company transmits electronic files of electronic images of Items (each, an "Electronic Image") and other information (collectively, the "Electronic File") and (b) other channels through which Bank accepts Items for processing. Bank will convert each eligible Electronic Image and each eligible Item to an automated clearing house ("ACH") debit entry (each, an "Entry") on the deposit account on which it was drawn or otherwise process the Electronic Image in accordance with the separate Service Documentation governing the electronic depository channel Company uses to deliver the Electronic Image to Bank or process the original Item in accordance with Bank's Commercial Account Agreement.

3. **Rules Applicable to the Service.** Bank will provide the Service to Company in accordance with

   3.1. this Service Description;

   3.2. the Service Documentation; and

   3.3. the National Automated Clearinghouse Association Operating Rules, as supplemented by any applicable operating rules of any automated clearing house of which Bank is a member and Federal Reserve Board Regulation E ("Regulation E") (together, the "ACH Rules"). If Bank processes an Item as an Entry, Bank is the originating depository financial institution ("ODFI"), Company is the "Originator," and the person issuing the Paper Item is the "Receiver," as these terms are defined in the ACH Rules.

   In the event of a conflict between this Service Description and the other Service Documentation, this Service Description will control.

4. **Conditions to Provision of the Service.** As conditions to Bank's provision of the Service, Company will at all times (a) subscribe to Bank's *Commercial Electronic Office®* ("*CEO®*") Service, (b) maintain each Account in good standing, and (c) comply with the Rules Applicable to the Service.

5. **Preferences.** A Preference is a criterion Bank uses to determine the means Bank will use to process an Item. Each Business Day, Bank will process Company's Electronic File and Items in accordance with Company Preferences and Preferences from the issuer of an Item (each, an "Issuer Preference") that Bank has on file as of Bank's Cut-Off Time on the prior Business Day. If a Company Preference or an Issuer Preference conflicts with a Bank Preference with respect to an Electronic Image or an Item, Bank will process the Electronic Image or Item in accordance with the Bank Preference.

6. **Payment Obligations; Provisional Credit, Settlement; Returned Debit Entries.** When Bank processes an Electronic Image or an Item as an Entry, Bank will credit Company's Account for the Entry on the applicable settlement date. A credit to Company's Account for an Entry is provisional until Bank receives final settlement for the Entry. If Bank does not receive final settlement for the Entry, Bank may debit Company's Account or any other accounts Company owns in whole or in part at Bank or any affiliate of Bank for the amount of the Entry. When Bank process an Electronic Image in accordance with the applicable Service Documentation, Bank will credit Company's Account for the Electronic Image and process any chargeback related to the Electronic Image in accordance with that Service Documentation. When Bank processes the original Item in accordance with Bank's Commercial Account Agreement, Bank will credit Company's Account for the Item and process any chargeback related to it in accordance with the Account Agreement. Company will pay Bank for any shortfall remaining after such debit or chargeback immediately upon demand.

7. **Bank's Internal Risk Parameters.** Bank establishes internal risk parameters to identify out-of-pattern or suspect transactions and protect Company and Bank from potential losses. These parameters may include without limitation limits on Company's debit and credit settlements on a single Business Day and/or over multiple consecutive Business Days. Bank reserves the right to pend or delete an Entry or file exceeding the applicable parameters as Bank would if Bank had reason to believe the Entry or file had not been duly authorized or should not be honored for Company's or Bank's protection.

8. **Third-Party Sender Activities.** If Company is a Third-Party Sender, as defined by the ACH Rules, this Section will apply to Company's use of Bank's Services.

8.1. Prior to originating any Entry on behalf of a customer of Company ("Customer"), Company will (a) notify Bank in writing of any other financial institution Company is using to originate transactions as a Third-Party Sender and thereafter notify Bank before Company adds any new financial institution for this purpose; (b) provide Bank with the information Bank requires to enable it to understand the nature of the business of that Customer including without limitation the name, TIN, business activity and geographic location of that Customer; (c) if specifically required by Bank, obtain Bank's written approval to initiate or continue to initiate Entries for that Customer, which approval Bank may rescind upon written notice to Company; and (d) enter into a written agreement with that Customer in which that Customer agrees:

8.1.1. to assume the responsibilities of an originator under the ACH Rules and to be bound by the ACH Rules as in effect from time to time;

8.1.2. Entries may not be initiated in violation of the laws or regulations of the United States including without limitation the regulations issued by the Office of Foreign Assets Control;

8.1.3. to grant Bank ongoing access to audit it and any ACH file that it has transmitted to Company for transmission to Bank; and

8.1.4. Bank may at any time refuse to process an Entry for that customer.

8.2. Company represents and warrants to Bank that Company (a) has conducted due diligence with respect to each Customer for which Company is originating transactions through Bank and determined that each Customer is engaged in a legitimate business and that the type, size and frequency of transactions that each such Customer is originating is normal and expected for the Customer's type of

business; and (b) will, in accordance with reasonable commercial standards, monitor each Customer's business and transactions on an ongoing basis and notify Bank immediately if Company identifies any unusual activity.

9. **Company's Representations and Warranties.** Company represents and warrants to Bank that:

9.1. Company will transmit to Bank only Electronic Images that are suitable for processing, including, but not limited to, Electronic Images that are legible and contain machine-readable MICR data.

9.2. Company will not deposit to the Account or otherwise negotiate any original Paper Item from which Company has previously created and submitted to Bank an Electronic Image, unless Bank has notified Company that the Electronic Image is not legible or contains MICR data that is not machine readable.

9.3. Company has received copies of the Rules Applicable to the Service including without limitation the then-current ACH Rules and Reg E and will comply therewith at all times that Bank provides the Service.

10. **Company's Agreement to Indemnify Bank.** Without limiting the indemnification provisions contained in the other Service Documentation, Company will indemnify, defend, and save harmless Bank, its parent company, and its affiliates and each of their respective directors, officers, employees, and agents (collectively in this Paragraph 10, "Indemnitees") from and against all liabilities, losses, damages, claims, obligations, demands, charges, costs, or expenses (including reasonable fees and disbursements of legal counsel and accountants) awarded against or incurred or suffered (collectively, "Losses and Liabilities") by Indemnitees arising directly or indirectly from or related to the following (except for Losses and Liabilities arising directly or indirectly from or related to Bank's own gross negligence or intentional misconduct):

10.1. Any negligent or intentional act or omission by Company in the performance of its obligations under this Service Description including without limitation failing to maintain control over and properly dispose of original Items for which Company has transmitted an Electronic File to Bank in which event Losses and Liabilities will include consequential damages;

10.2. Any material breach in a representation, warranty, covenant, or obligation of Company contained in this Service Description;

10.3. The violation of any applicable law, statute, or regulation in the performance of Company's obligations under this Service Description; and

10.4. A breach of any warranty Bank makes under the ACH Rules.

10.5. Bank presenting an Electronic Item to the paying bank for payment.

11. **Survival.** Paragraphs 6, 8 and 10 will survive termination of the Service.

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WELLS FARGO

Wells Fargo Business Elite Card

(Visa® Business Elite Card and MasterCard® Business Elite Card)

Customer Agreement
Effective October 2011

This Business Elite Card Customer Agreement ("Agreement") governs the Visa® or MasterCard® Business Elite Card Account ("Account") that Wells Fargo Bank, N.A. ("Bank", "we") is establishing for use by your **business organization** ("Customer", "you") and your designated representative(s) whose name appears on a Business Elite Card issued at your request ("Authorized User"). An individual who personally guarantees an Account may also designate a non-cardholder as an Authorized User by notifying Bank in writing with the full name, social security number, and contact phone number of the Authorized User. Authorized Users have the ability to view, change, and perform transactions on the Account. Designation of an Authorized User may be revoked by providing written notice to Bank that such designation is to be terminated, effective upon Bank's receipt of such notification. Customer accepts and agrees to be bound by the terms and conditions of the Agreement from the time the Account is opened. Use of the Account, or a request for a transfer from the Account by an Authorized User, shall be evidence of the Customer's acceptance of the terms and conditions of this Agreement, including but not limited to applicable Finance Charges and Other Charges. The Account will be used for business purposes only. In no event shall the Account be used for any transaction that is illegal under any applicable law. Customer represents that it is not a Money Service Business as defined by federal law, or has identified itself to Bank as such a business and has complied with all applicable laws, rules and regulations governing such businesses. Customer agrees to comply with each and every term and condition of this Agreement as set forth below:

CREDIT LIMIT. The Credit Limit of an Account is shown in separate correspondence provided to Customer at the time an Account is opened, and on each of the monthly periodic (billing)statements issued for that Account. Customer agrees not to use or permit the use of an Account in any way that will cause an Account to exceed its Credit Limit. Customer agrees that it is responsible for repaying outstanding advances under the Account, including but not limited to those that exceed its Credit Limit. Bank may, at its option, assess an Overlimit Fee, close the Account, exercise any of its other Remedies under this Agreement, and reduce your Credit Limit without notice to you, except in those situations where notice is required by law. Account may be further subject to a Cash Credit Limit that is less than the total Credit Limit. If your Account is subject to a Cash Credit Limit, that amount will be shown on the monthly periodic (billing) statements.

PROMISE TO PAY. Customer agrees to pay Bank, when due, the total of all purchases and advances made on the Account. Customer also promises to pay the total of any Finance Charges and Other Charges due on an Account, as stated in this Agreement, and all costs and expenses including any attorney's fees incurred in enforcing this Agreement.

CARD SERVICES. Customer will be issued one or more Business Elite Cards as requested by Customer. An Account bearing a distinct account number and Credit Limit will be established for each Business Elite Card issued for use by an Authorized User. The following services are available, up to the amount of the Credit Limit on each Account:

Purchases: A Business Elite Card may be used to purchase goods or services wherever Visa or MasterCard credit cards are accepted.

Cash Advances: Cash may be advanced from an Account by presenting the Business Elite Card at financial institutions that accept Visa or MasterCard credit cards. For cash withdrawals there is a $500 daily limit. Withdrawals from non-Wells Fargo ATMs may be subject to additional limits placed on them by the ATM owner. If the ATM owner imposes a surcharge or convenience

fee in connection with the withdrawal of cash using your Business Elite Card, the amount of that fee will be included as part of the total Cash Advance amount. You can also get a Cash Advance and perform balance inquiries using your Business Elite Card with a Personal Identification Number ("PIN") at all Wells Fargo® ATMs, or any ATM which displays any of the logos appearing on the back of your Business Elite Card. If your Account is subject to a Cash Credit Limit, authorizations for Cash Advances will not be granted if they would cause your cash balance to exceed the Cash Credit Limit.

AUTHORIZATIONS. All transactions on your Account are subject to prior approval by Bank ("Authorizations"). Bank reserves the right to limit the number of Authorizations given during any period of time (day, weekend, week, etc.) and Bank may deny an Authorization if Bank suspects that the Account is being used without Customer's permission. If Bank's Authorization system is not working fully, we may be unable to give an Authorization even though the transaction would not exceed the Credit Limit and the Account is in good standing. For security reasons, Bank cannot explain the details of how the authorization system works. Bank shall not be liable for failing to give any such Authorization. Bank may, but is not required to, authorize transactions that will cause the balance on an Account to exceed the Credit Limit, and Customer agrees it is liable for any such transactions as well as the associated Overlimit Fees and Finance Charges.

WELLS FARGO BUSINESS CARD REWARDS PROGRAM℠. The Business Card Rewards program allows Customers to earn points redeemable for specific rewards. If Customer elects to participate in the Business Card Rewards program, a $50 enrollment fee will be billed annually to each Account enrolled separately in the program. In the event the Primary Account holder elects to have Sub-Account holder's points credited to the Primary Account, there will be no extra charge for this benefit except for the annual enrollment fee charged to the Primary Account holder's Account. Complete details provided upon enrollment.

Business Card Rewards program fees will not be refunded in whole or in part after assessment even if the Account is subsequently suspended, closed, or terminated for any reason.

BILLING OPTIONS: Account may be established with Individual Billing or Consolidated Billing.

- Individual Billing: Each Elite Business Card will produce a separate periodic statement that must be paid individually.
- Consolidated Billing: A single Control Account with no card issued is established for billing purposes. Sub-Accounts are linked to the Control Account, and all transactions from the sub-Accounts are moved to the Control Account for billing. All payments must be made to the Control Account.

PAYMENTS. Customer will receive a separate periodic statement every month for each Account. The New Balance shown on the statement is the total of all unpaid obligations that have been posted to an Account as of the Statement Closing Date shown on the statement. Customer may pay the Total Amount Due shown on the statement or any greater amount, but Bank must receive at least the Total Amount Due shown on the statement, in immediately available U.S. funds drawn on a U.S. bank, by the Current Payment Due Date shown on the statement. The Current Payment Due Date will be at least 25 days after the Statement Closing Date, and the calendar day due will vary from month to month. We may refuse to accept any payments by third-party check or draft that have been endorsed to us or which have been drawn by anyone other than you.

Current Payment Due: If the Account is revolving, the Current Amount Due is equal to 5% of the New Balance ($500 minimum). However, if the New Balance is less than $500, the entire New Balance is the Current Payment Due.

If the Company credit limit is $100,000, the Current Amount Due and the Total Amount Due are equal to the New Balance shown on the statement. Customer may be required to have payments automatically deducted from its checking or savings account.

Total Amount Due: The Total Amount Due shown on the statement is equal to the sum of the Current Payment Due PLUS any Past Due Amount, PLUS any payment due on promotional balances required by the terms of promotion. If there is no Past Due Amount or promotional balance, then the Total Amount Due shown on the statement will equal the Current Payment Due.

Payments After Account Closure: When an Account closes for any reason, Bank may require that future monthly payments be equal to the amount of the Current Payment Due as calculated on the last statement before account closure. Using this amount will reduce the time required to pay the balance in full compared to the time it would take if you pay the minimum Current Payment Due each month based on a declining balance.

Other Payment Information:

- Fees for additional Bank products/services charged to your Account may or may not be included in the Current Payment Due. If fees for these products are to be included in the Current Payment Due, those fees will be described in the separate information provided with those products/services.
- Your monthly payments and any credits will be applied in an order determined by Bank at its sole discretion. Generally, payments are first applied to any Bank Fees and Finance Charges then to balances with lower interest rates and then to balances with higher interest rates.
- Payments that are received at the payment processing address (printed on each statement) by 5 p.m. on any business day will be credited as of the day of receipt. Payments received after 5 p.m. or on non-business days may be credited as of the next business day. Payments made at other Bank locations may not be credited for up to five business days.
- We may, at our discretion, withhold a portion of the available credit on your Account up to the amount of any payment(s) in order to ensure that the check or other payment instrument is honored.
- We may accept late payments, partial payments, post-dated checks, or any form of payment containing a restrictive endorsement, without losing any of our rights under this Agreement. Our acceptance of checks or money orders labeled "payment in full", or words to that effect, will not constitute an accord and satisfaction nor a waiver of any rights we have to receive full payment. If you intend to pay your Account in full with an amount less than the total balance owing on your Account, payments must be sent to: Wells Fargo Loss Control, PO Box 53476, Phoenix, AZ 85072. Please note that such payments will not discharge your full debt.

FINANCE CHARGE. The total Finance Charge is the sum of the Periodic Finance Charge plus the Transaction Finance Charge assessed on the Account to which it pertains for the billing period, subject to the Minimum Finance Charge. The method used to determine the balance or balances upon which these finance charges are computed is as follows:

A. Periodic Finance Charge: For each type of balance on your Account (i.e. the Cash Advance balance, the Purchase balance or Other balance) the Periodic Finance Charge is calculated by multiplying the Average Daily Balance ("ADB") during the billing cycle by the number of days in the billing cycle and then multiplying this product by the applicable Daily Finance Charge Rate ("Daily Rate"). Periodic Finance Charge = (ADB) x (#days) x (Daily Rate)

B. Calculation of Average Daily Balance ("ADB"): To calculate your ADB each month, we calculate the daily balance for each day in the billing period ("Daily Balance"), add the Daily Balances together, and divide that total amount by the number of days in the billing period. ADBs for Cash Advances, Purchases, and Other categories are calculated separately and may be subject to different rates.

For each category of balance (Cash Advances, Purchases, and Other), we calculate the Daily Balance by starting with the beginning balance related to that category plus any new activity (Cash Advances, Purchases, and Other) posted as of that day, plus any related unpaid Finance, Transaction, or Other Charges, and add a Periodic Finance Charge equal to the previous day's balance multiplied by the applicable Daily Finance Charge Rate. We subtract the amount of any payments or credits applied to that balance category.

The ADB for Purchases will not include any part of the New Balance from the previous periodic statement or any new purchases posted to the Account during the current billing period if the New Balance from the previous statement is paid by the Payment Due Date shown on that previous statement, or if the New Balance from the previous statement was zero.

The ADB for Cash Advances includes any Cash Balance that was unpaid at the end of the previous billing period until such existing balance is paid in full. The Cash Advances ADB will also include any new Cash Advance activity.

The ADB for Other balances may be treated like Purchase balances or Cash Advance balances depending on the promotion under which the Other balance was created.

C. When Periodic Finance Charge Begins and Ends. The Periodic Finance Charge for Purchases begins on the date the transaction was made, except that no Periodic Finance Charge will be imposed during the current billing period on new Purchases posted to an Account during the current billing period if Customer has paid the New Balance shown on the previous

periodic statement in full by the Current Payment Due Date shown on the previous periodic statement. This period of time after the Statement Closing Date and through the Current Payment Due Date is referred to as the "grace period" and applies to Purchases only and not to Cash Advances. If your New Balance consists of only Purchases, you may avoid Finance Charges by paying that amount in full by the due date.

There is no interest-free grace period on Cash Advance balances. The Periodic Finance Charge for Cash Advances will begin on the transaction date. Finance Charges continue to be assessed on Cash Advance balances until that Cash Advance balance is paid in full.

The grace period for Other balances will be the same as the grace period for Purchase or Cash Advance balances depending on the promotion under which the Other balance was created.

D. Daily Finance Charge Rate: The Daily Finance Charge Rate will either be a fixed rate or a variable rate. Please refer to separate correspondence from the Bank provided at the time your Account is opened or at a later date to determine your interest rate. A Default interest rate (see below) may be imposed if you default under this Agreement. The Daily Finance Charge Rate for Cash Advances, Purchases, and Other balances may differ. The Daily Finance Charge Rate is calculated by dividing the applicable interest rate by 365.

If your Account is subject to a variable rate, that rate will be determined for each monthly billing cycle by taking the highest Wells Fargo Prime Rate in effect during the Determination Date Range and adding a Spread. The Determination Date Range for changing your variable interest rate will be the 30 calendar days previous to each of your Statement Closing Dates, so the Daily Finance Charge Rate shown on your statement may or may not change in the month following a change in the Wells Fargo Prime Rate. Any changes in your Daily Finance Charge Rate will apply to both current and future balances on the Account and the Daily Finance Charge Rate will continue to vary even if the Account is closed.

The Bank initially determines your Spread based on the evaluation of your credit risk. The Bank may subsequently change the Spread at Bank's sole discretion. Please refer to separate correspondence from the Bank regarding your Spread.

E. Wells Fargo Prime Rate: For purposes of this calculation, the Wells Fargo Prime Rate is the rate announced by the Bank from time to time as its "Prime Rate."

F. Minimum Finance Charge: There will be a Minimum Finance Charge of $1 for each billing period in which a Finance Charge is assessed.

G. Transaction Finance Charge: The Transaction Finance Charge is a one-time charge made each time certain types of Cash Advances are posted to the Account.

- The charge for each advance or transfer is 3% of the amount of the advance and subject to a $10 minimum.

OTHER CHARGES. The total of Other Charges that may be charged to the Account is the sum of:

Fees That May Be Assessed Annually: Bank may assess an Annual Fee for the first year and each year thereafter for each Account.

If Customer elects to participate in the Business Card Rewards program or other loyalty/rewards programs, an enrollment/ maintenance fee may be billed annually. Details provided upon enrollment.

Annual Fees will not be refunded in whole or in part after assessment even if the Account is subsequently suspended, closed, or terminated for any reason.

Late Charge: If Bank does not receive at least the Total Amount Due by the Current Payment Due Date shown on your periodic statement, Bank may assess a Late Charge as follows:

Balance	Fee
< $100	$25
$100.01 - 5,000	$39
> $5000.01	$75

We may individually contact Customers to inform them of other Late Charge amounts in cases of default.

Overlimit Fee: If your Account balance exceeds your Credit Limit, Bank may assess an Overlimit Fee that is 1.5% of the overlimit amount, subject to a $39 minimum and a $75 maximum, any time your balance exceeds your Credit Limit. An Overlimit Fee may be assessed each month in which the balance on the Account exceeds the Credit Limit.

Returned Payment Fee: If payment on an Account is made with a check or other item that is not honored for any reason, Bank may assess a $29 fee. If a payment is returned for insufficient funds Bank may assess a $29 fee even if the payment is resubmitted and subsequently paid. If Customer pays more than one Account with an item, a $29 fee may be assessed to each affected Account. The bank on which the check or item was drawn may impose a separate fee for the dishonored item.

Research Fee: Certain Bank services incurred in connection with the Account are subject to additional fees. If Customer requests that Bank research the Account, for example, to update Customer's business records, $5 may be assessed for each sales slip copy Bank provides, $3 may be assessed for each monthly statement Bank provides and $20 per hour may be assessed for other Bank research services. The hourly charge will apply as follows:

1-15 Minutes $5

16-30 Minutes $10

31-45 Minutes $15

46-60 Minutes $20

These fees will not be charged if Customer makes a good faith inquiry about a suspected error on a periodic statement.

Foreign Currency or Cross Border Transactional Fee: If Customer originates a domestic transaction in a foreign currency, Bank may assess a 2% Foreign Currency Conversion Fee on the U.S. dollar amount of the transaction, or If Customer originates an international transaction (i.e., any transaction occurring in any country outside of the United States, whether or not a foreign currency is converted), Bank may assess a 2% Cross Border Transactional Fee on the U.S. dollar amount of the transaction. The Fee will be designated as a Foreign Currency Conversion Fee or a Cross Border Transactional Fee and will be displayed as a separate transaction on your periodic statement.

Bank may waive any of the fees in this Agreement at Bank's discretion, however, Bank reserves the right to begin charging any fee that was previously waived without providing prior notice to you.

DEFAULT. The following constitute defaults under this Agreement: (1) a payment is not made when it is due; (2) the terms of this Agreement are breached in any way; (3) Customer defaults under the terms of any other obligation to Bank or anyone else; (4) a bankruptcy petition is filed by or against Customer or any guarantor of Customer's Account; (5) a significant change occurs in the ownership or organizational structure of Customer or in the type or volume of Customer's business; (6) Customer becomes insolvent or is dissolved, or Bank otherwise believes in good faith that the prospect of payment and/or performance under this Agreement is impaired; (7) payments to Account are returned or reversed for any reason; (8) Customer fails to submit required information the Bank deems necessary; (9) Customer's Account balance exceeds the Credit Limit; or (10) Bank observes excessive or suspicious Account usage or suspects an Account is involved in kiting. Customer will be charged the applicable Finance Charge Rate after any default under this Agreement.

BANKER'S LIEN AND RIGHT OF SET-OFF. Bank has a general lien under South Dakota law on any of Customer's personal property in Bank's possession. In the event Customer does not make payment on an Account as agreed, Bank may exercise its right of set-off against any obligation Bank owes to Customer, including a set-off against any deposit account(s) Customer has with Bank to the extent permitted by law.

REMEDIES. In the event of any default or failure to meet any condition under the preceding paragraphs, Bank may, at its option and without prior notification:

(1 close any or all Accounts to all use, including other types of accounts that the owner or guarantor is responsible for or is a signer on;

(2) accelerate payment of the full balance on any or all Accounts and thereby require immediate payment of the full balance of such Accounts, including, without limitation, any Finance Charge and Other Charges;

(3) fix monthly Account payments at a higher amount;

(4) immediately terminate any promotional rates and/or raise the interest rate on existing and new balances. Generally the Default interest rate will be equal to Wells Fargo Prime Rate +22.74%. However, we may assess different or higher Default interest rates after individually contacting customers;

(5) fix the Late Charge at a higher amount; and/or

(6) terminate enrollment in any Rewards program and/or forfeit any accumulated points or cash-back balance earned but not yet redeemed.

ARBITRATION PROGRAM.

(a) Binding Arbitration: Upon the demand of any party, whether made before the institution of any judicial proceeding or not more than 60 days after service of a complaint, third party complaint, cross-claim, counterclaim or any answer thereto or any amendment to any of the above, any Dispute (as defined below) shall be resolved by binding arbitration in accordance with the terms of this Arbitration Program. A "Dispute" shall include any action, dispute, claim, or controversy of any kind, whether in contract or in tort, statutory or common law, legal or equitable, or otherwise, now existing or hereafter arising between the parties in any way arising out of, pertaining to or in connection with (1) any agreement, document or instrument to which this Arbitration Program is attached or in which it appears or is referenced, or any related agreements, documents, or instruments (collectively, the "Document" or "Documents"); (2) all past, present, or future loans, lines of credit, notes, instruments, drafts, credits, accounts, deposit accounts, safe deposit boxes, safekeeping agreements, guarantees, letters of credit, goods or services, or other transactions, contracts or agreements of any kind whatsoever; (3) any past, present or future incidents, omissions, acts, errors, practices, or occurrences causing injury to either party whereby the other party or its agents, employees or representatives may be liable, in whole or in part; or (4) any other aspect of the past, present or future relationships of the parties including any agency, independent contractor or employment relationship but excluding claims for workers' compensation and unemployment benefits ("Relationship"). Any party to this Arbitration Program may by summary proceedings bring any action in court to compel arbitration of any Dispute. Any party who fails or refuses to submit to binding arbitration following a lawful demand by the opposing party shall bear all costs and expenses incurred by the opposing party in compelling arbitration of any Dispute. The parties agree that by engaging in activities with or involving each other as described above, they are participating in transactions involving interstate commerce or "commerce" as that term is used in the Federal Arbitration Act, Title 9 of the United States Code ("FAA"). The parties understand that by this agreement they have decided that their disputes shall be resolved by binding arbitration rather than in court, and once decided by arbitration no dispute can later be brought, filed or pursued in court before a judge or jury.

(b) Governing Rules: All Disputes between the parties submitted to arbitration shall be resolved by binding arbitration administered by the American Arbitration Association (the "AAA"), or some other administrator if mutually agreeable to the parties, in accordance with the Commercial Arbitration Rules of the AAA, the Federal Arbitration Act (Title 9 of the United States Code) and to the extent the foregoing are inapplicable, unenforceable or invalid, the applicable substantive law designated in the Documents relating to the Dispute. In the event of any inconsistency between this Arbitration Program and such rules and statutes, this Arbitration Program shall control. Judgment upon any award rendered hereunder may be entered in any court having jurisdiction; provided, however, that nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or a similar state law which may be applicable, such as Texas Banking Code art. 342-609.

(c) No Waiver: Preservation of Remedies; Multiple Parties. No provision of, nor the exercise of any rights under, this Arbitration Program shall limit the right of any party, during any Dispute, to seek, use, and employ ancillary or preliminary remedies, judicial or otherwise, for the purposes of realizing upon, preserving, protecting, foreclosing or proceeding under forcible entry and detainer for possession of any real or personal property, and any such action shall not be deemed an election of remedies. Such rights shall include, without limitation, rights and remedies relating to (1) foreclosing against any real or personal property collateral or other security; (2) exercising self-help remedies including set-off rights; or (3) obtaining provisional or ancillary remedies such as injunctive relief, sequestration, attachment, garnishment, or the appointment of a receiver from a court having jurisdiction. Such rights can be exercised at any time except to the extent such action is contrary to a final award or decision in any arbitration proceeding. The institution and maintenance of an action for judicial relief or pursuit of provisional or ancillary remedies or exercise of self-help remedies shall not constitute a waiver of the right of any party, including the plaintiff,

to submit the Dispute to arbitration, nor render inapplicable the compulsory arbitration provisions hereof. In Disputes involving indebtedness or other monetary obligations, each party agrees that the other party may proceed against all liable persons, jointly or severally, or against one or more of them, less than all, without impairing rights against other liable persons. Nor shall a party be required to join the principal obligor or any other liable persons, such as sureties or guarantors, in any proceeding against a particular person. A party may release or settle with one or more liable persons without releasing or impairing rights to proceed against any persons not so released. This Arbitration Program shall not apply to a dispute concerning indebtedness secured by real estate if the single action rule statutes of California, Idaho or any other applicable law would preclude enforcement of a mortgage, lien or security interest securing such indebtedness as a result of the arbitration of such dispute, unless the holder of such mortgage, lien or security interest specifically elects in writing to proceed with the arbitration.

(d) Arbitrator Powers and Qualifications: Awards. Arbitrators are empowered to resolve Disputes by summary rulings. Arbitrators shall resolve all Disputes in accordance with the applicable substantive law. Any arbitrator selected shall be required to be a practicing attorney and shall be required to be experienced and knowledgeable in the substantive laws applicable to the subject matter of the Dispute. All statutes of limitation applicable to any Dispute shall apply to any proceeding in accordance with this Arbitration Program. With respect to a Dispute in which the claims or amounts in controversy do not exceed $1,000,000, a single arbitrator shall be chosen and shall resolve the Dispute by rendering an award not to exceed $1,000,000, including all damages of any kind whatsoever, including costs, fees and expenses. Submission to a single arbitrator shall be a waiver of all Parties' claims to recover more than $1,000,000. A Dispute involving claims or amount in controversy exceeding $1,000,000 shall be decided by a majority vote of a panel of three arbitrators (an "Arbitration Panel"), the determination of any two of the three arbitrators constituting the determination of the Arbitration Panel, provided, however,that all three Arbitrators on the Arbitration Panel must actively participate in all hearings and deliberations. Arbitrators, including any Arbitration Panel, may grant any remedy or relief deemed just and equitable and within the scope of this Arbitration Program and may also grant such ancillary relief as is necessary to make effective any award. Arbitrators, including any Arbitration Panel, shall have the power to award recovery of all costs and fees (including attorney's fees, administrative fees, and arbitrator's fees) to prevailing party. Arbitrators shall be empowered to impose sanctions and to take such other actions as they deem necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the applicable State Rules of Civil Procedure and applicable law. Arbitrator(s) shall be empowered, at the written request of any Party in any Dispute, 1) to consolidate in a single proceeding any multiple party claims that are substantially identical or based upon the same underlying transaction; 2) to consolidate any claims and Disputes between other Parties which arise out of or relate to the subject matter hereof, including all claims by or against borrowers, guarantors, sureties and/or owners of collateral; and 3) to administer multiple arbitration claims as class actions in accordance with Rule 23 of the Federal Rules of Civil Procedure. In any consolidated proceeding the first arbitrator(s) selected in any proceeding shall conduct the consolidated proceeding unless disqualified due to conflict of interest. Arbitrator(s) and Arbitration Panels shall be required to make specific, written findings of fact and conclusions of law. The determination of an Arbitrator or Arbitration Panel shall be binding on all parties and shall not be subject to further review or appeal except as otherwise allowed by applicable law.

(e) Miscellaneous: To the maximum extent practicable, the AAA, the Arbitrator (or Arbitration Panel, as appropriate) and the parties shall take any action necessary to require that an arbitration proceeding hereunder shall be concluded within 180 days of the filing of the Dispute with the AAA. Arbitration proceedings hereunder shall be conducted at a location mutually agreeable to the parties, or if they cannot agree, then in the state of the applicable substantive law designated in the Documents relating to the Dispute at a location selected by the Administrator. With respect to any Dispute, each party agrees that all discovery activities shall be expressly limited to matters directly relevant to the Dispute and any Arbitrator, Arbitration Panel and the AAA shall be required to fully enforce this requirement. Each party agrees to keep all Disputes subject to arbitration proceedings strictly confidential, except for disclosures of information required in the ordinary course of business of the parties or by applicable law or regulation. This Arbitration Program shall be construed in accordance with the Federal Arbitration Act, other applicable Federal law, and applicable law of the state of South Dakota unless and except to the extent that another state's law is specifically designated for certain purposes herein. With respect to proceedings involving residents of Colorado, the provisions of CRS 13-22-201 et seq. and CRS 13-21-102(5) shall apply. With respect to proceedings involving residents of the State of Washington, the Arbitrator(s) shall not have the power to award punitive or exemplary damages except where such damages are specifically provided for by a Washington statute upon which the award could have been based if litigated in a Washington court. This Arbitration Program constitutes the entire agreement of the parties with respect to its subject matter and supersedes all prior arrangements and other communications on dispute resolution except with respect to Arbitration Programs governing

disputes to which the Arbitration Program does not apply by virtue of paragraph (c) hereof. The provisions of this Arbitration Program shall survive any termination, amendment, or expiration of the Documents or the Relationship, unless the parties otherwise expressly agree in writing. This Arbitration Program may be amended, changed, or modified only by a specific modification in writing agreed to by all affected parties. If any term, covenant, condition or provision of this Arbitration Program is found to be unlawful, invalid or unenforceable, such defect shall not affect the legality, validity or enforceability of the remaining parts of this Arbitration Program, and all such remaining parts hereof shall be valid and enforceable and have full force and effect as if the illegal, invalid or unenforceable part had not been included.

LIMITATION ON LAWSUITS. Customer agrees that any lawsuit based upon any cause of action which Customer may have against Bank must be filed within one year from the date that it arises or Customer will be barred from filing the lawsuit. This limitation is intended to include tort, contract, and all other causes of action for which Customer and Bank may lawfully contract to set limitations for bringing suit.

TELEPHONE TRANSFERS. Customer authorizes Bank to make transfers, up to the lowest of the available (1) Credit Limit,(2) Cash Credit Limit, or (3) $500 Daily Limit, If applicable, between the Account and other designated accounts specified in writing, upon Bank's receipt of instructions from any of Customer's owners or principals. Ten days after a Customer applies for telephone transfer capabilities, the first telephone transfer request can be made. Each telephone transfer request may take up to three business days for processing. Bank will have no liability for any transfer made upon the written or verbal request of any person believed by Bank in good faith to have been authorized by Customer to submit the request. Customer will indemnify and hold Bank harmless from and against any damages, liabilities, costs or expenses (including attorney's fees) arising out of any claim by Customer or any third party against Bank in connection with Bank's performance of transfers as described above.

Foreign Currency Transaction Procedures: If a Foreign Currency Transaction occurs, and the transaction is not converted to U.S. dollars by the merchant itself, MasterCard International or Visa International, depending on which card is used, will convert the transaction into a U.S. dollar amount by using its currency conversion procedure in effect at the time the transaction is processed. Currently, their regulations and procedures provide that the currency conversion rate they use is either (1) a wholesale market rate, which rate may vary from the rate Visa International or MasterCard International itself receives or (2) a government-mandated rate for the applicable currency as determined under Visa or MasterCard regulations and procedures, as applicable. This rate may differ from the rate in effect when the transaction occurred or when it was posted to the cardholder's Account. Bank may assess a Foreign Currency Conversion Fee by increasing the currency conversion rate, as described above, by 2%.

Point Of Sale Currency Conversion: Some merchants outside of the United States offer cardholders the option of having card transactions converted to U.S. dollars by the merchant itself during the transaction. If that option is chosen the transaction is actually originated in U.S. dollars and the currency conversion rate is determined solely by the merchant.

CREDIT REPORTS AND RE-EVALUATION OF CREDIT. Customer authorizes Bank to obtain business and personal credit bureau reports in the name of the Customer and guarantor(s) at any time. Customer agrees to submit to Bank current financial information in the name of the Customer and to submit or cause guarantor(s) to submit to Bank current financial information in the name of the guarantor(s) at any time upon request. Such information shall be used for the purposes of evaluating or re-evaluating Customer's and guarantor(s)' creditworthiness. Customer also authorizes Bank to use such information and to share it with its affiliates in order to determine whether the business is qualified for other products and services offered by Bank and its affiliates. Upon determination that Customer's or guarantor(s)' creditworthiness has changed adversely or does not satisfy Bank's current credit standards, Bank may close or lower the Credit Limit on any or all Accounts. Bank may report its credit experience with Customer and its Account(s) to third parties. Customer agrees that Bank may release information about Customer or Customer's Account to other Wells Fargo companies.

Important Notice About Credit Reporting. Bank may report information about your Account(s) to credit bureaus and/or consumer reporting agencies in the name of your business organization and in the name of any guarantor(s). Late payments, missed payments, or other defaults on your Account(s) may be reflected in your and guarantor(s) credit report(s) and/or consumer report(s).

ECOA INFORMATION. If any application for additional business credit is denied, you have the right to a written statement of the specific reasons for the denial. To obtain the statement, please contact the Business Direct Loan Center, PO Box 29482,

Phoenix, AZ 85038, or call (800) 231-9244, within 60 days from the date you are notified of our decision. We will send you a written statement of reasons for the denial within 30 days of receiving your request for the statement.

Notice: The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income is derived from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning Wells Fargo Bank, N.A. is Office of the Comptroller of the Currency, Customer Assistance Group, 1301 McKinney Street, Suite 3450, Houston, TX 77010.

RIGHT TO TERMINATE AN ACCOUNT. Bank may terminate any or all of Customer's Accounts at any time, or reduce the amount of Customer's Credit Limit on any or all of its Accounts, without notice, subject to applicable law, even though Customer may not have defaulted on any Account. If Bank terminates an Account, the Customer agrees to destroy any Business Elite Card(s) on that Account. Customer agrees that it will continue to be responsible for full payment of the balance on the closed Account(s) and all charges to the Account(s), including, without limitation: Purchases and Cash Advances that post after termination of the Account and any Finance Charge and Other Charges. Any principal/owner or guarantor of Customer may cancel the Account at any time upon written notification to Bank.

CHANGE IN TERMS OF AN ACCOUNT. Bank may unilaterally change any of the terms of any of Customer's Accounts at Bank's sole discretion at any time. Bank will provide Customer with such notice as is required by law, by mailing such notice to Customer at the latest address shown in Bank's records. If Customer has elected to receive statements electronically, notices may be delivered to Customer electronically in the same manner that statements are delivered, and Bank will have met that notice requirement by sending Customer an email or other electronic message, to the email or electronic address on file, that either contains the notice or directs Customer to an Internet-accessible location where the notice may be viewed. Customer is responsible for maintaining a valid email or other electronic address, as applicable, and is responsible for updating this address if it changes. Bank at all times reserves the right to deliver any statement, notice or other communication to Customer in writing at the latest postal address shown in Bank's records. Subject to applicable law and provided Bank does not notify Customer otherwise, any changes will apply to the current balance of its Accounts as well as to future balances.

LIABILITY FOR UNAUTHORIZED USE. Bank will not hold Customer liable for the unauthorized use of Account subject to the following:

(1) Customer must notify Bank immediately if Customer suspects or knows that a Business Elite Card is lost or stolen, or in the possession of an unauthorized person, by calling 1-800-231-5511;

(2) Customer must follow up the telephone notification within ten days by providing written notice of the suspected or actual loss or theft of a Business Elite Card to: Wells Fargo Bank, N.A. Fraud Claims, PO Box 4039, Concord, CA 94524;

(3) Use of a Business Elite Card by an Authorized User at any time, even if an Authorized User is no longer associated with or employed by Customer, does not constitute unauthorized use, subject to applicable law.

BILLING ERRORS. Customer agrees to notify Bank of any billing errors regarding a merchant transaction posted to the Account within 30 days after receipt of the statement reflecting the error. If Bank is unable to resolve the error with the responsible merchant, Customer agrees to pay Bank the amount in question and further pursuit of the issue with the merchant will become Customer's responsibility.

LAWS GOVERNING THIS AGREEMENT. The laws of the state of South Dakota (excluding its conflict of law provisions) and of the United States of America shall govern this Agreement. If any part of this Agreement cannot be enforced, this fact will not affect the rest of this Agreement. Bank may delay or forego enforcing any of its rights or remedies under this Agreement without losing them. Notwithstanding anything to the contrary, this Agreement shall not require or permit the payment, taking, reserving, receiving, collection or charging of any sums constituting interest that exceed any maximum amount of interest permitted by applicable law. Any such excess interest shall be credited against the then unpaid principal balance or refunded to Customer. Without limiting the foregoing, all calculations to determine whether interest exceeds the maximum amount shall be made by amortizing, pro-rating, allocating and spreading such sums over the full term of the loan, including all prior and subsequent renewals and extensions. Chapter 346 of the Texas Finance Code (which regulates certain revolving credit accounts) shall not apply to any revolving loan Accounts existing under this Agreement.

TELEPHONE MONITORING AND CONTACTING YOU. From time to time Bank may monitor and record telephone calls regarding your Account to assure the quality of our service. You agree, in order for Bank to service the Account or to collect any amounts you may owe, that we may from time to time make calls and send text messages to you, using prerecorded/artificial voice messages and/or through the use of an automatic dialing device, at any telephone number associated with your account, including mobile telephone numbers that could result in charges to you. You also expressly consent to Bank sending email messages regarding your Account to your email address.

TELEPHONE SERVICE. You may contact us toll free at 1-800-231-5511. If you need to contact us from outside the United States, you can call the same toll free telephone number using the respective country code. Visit www.wellsfargo.com/intl for more details.

TTY/TDD SERVICE. For TTY/TDD service, contact a telephone relay service provider.

PAYMENT ADDRESS: WF Business Payment Processing, PO Box 6415 Carol Stream, IL 60197.

INQUIRY & CORRESPONDENCE ADDRESS: Wells Fargo Business Correspondence, PO Box 29482, Phoenix, AZ 85038.

CHANGES OF ADDRESS, TELEPHONE NUMBER, OR NAME. Customer agrees to immediately notify Bank in writing of any change of business or mailing address, telephone numbers, or business name.

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WELLS FARGO

Standing together.

Adam S., Wells Fargo investment manager

Bryan W., Wells Fargo customer

Gigi D., Wells Fargo director of national partnerships

Bruce H., Wells Fargo customer

Juliet Z., Wells Fargo phone banker

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Wells Fargo & Company
(NYSE:WFC)

We're a diversified financial services company —community-based and relationship-oriented— serving people across the nation and around the world.

Our corporate headquarters is in San Francisco, but all our stores, regional commercial banking centers, ATMs, *Wells Fargo PhoneBank*,[SM] and internet sites are headquarters for satisfying all our customers' financial needs and helping them succeed financially, through banking, insurance, investments, mortgage, and commercial and consumer finance.

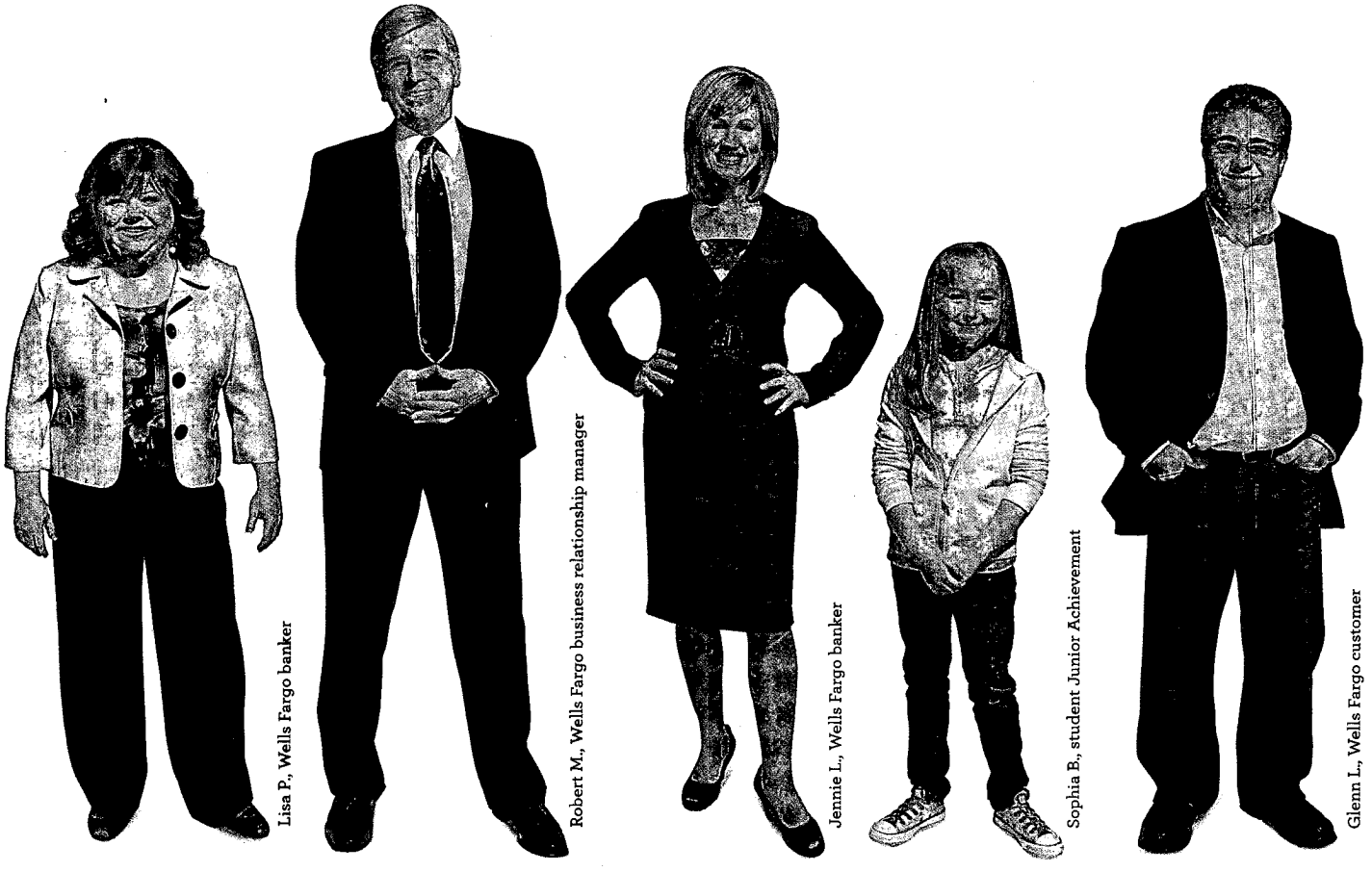
Assets: $1.3 trillion, 4th among peers

Market value of stock: $163 billion, 2nd among peers (12/31/10)

Customers: 70 million, (one of every three U.S. households)

Team members: 281,000

Stores: 9,000



Lisa P., Wells Fargo banker

Robert M., Wells Fargo business relationship manager

Jennie L., Wells Fargo banker

Sophia B., student Junior Achievement

Glenn L., Wells Fargo customer

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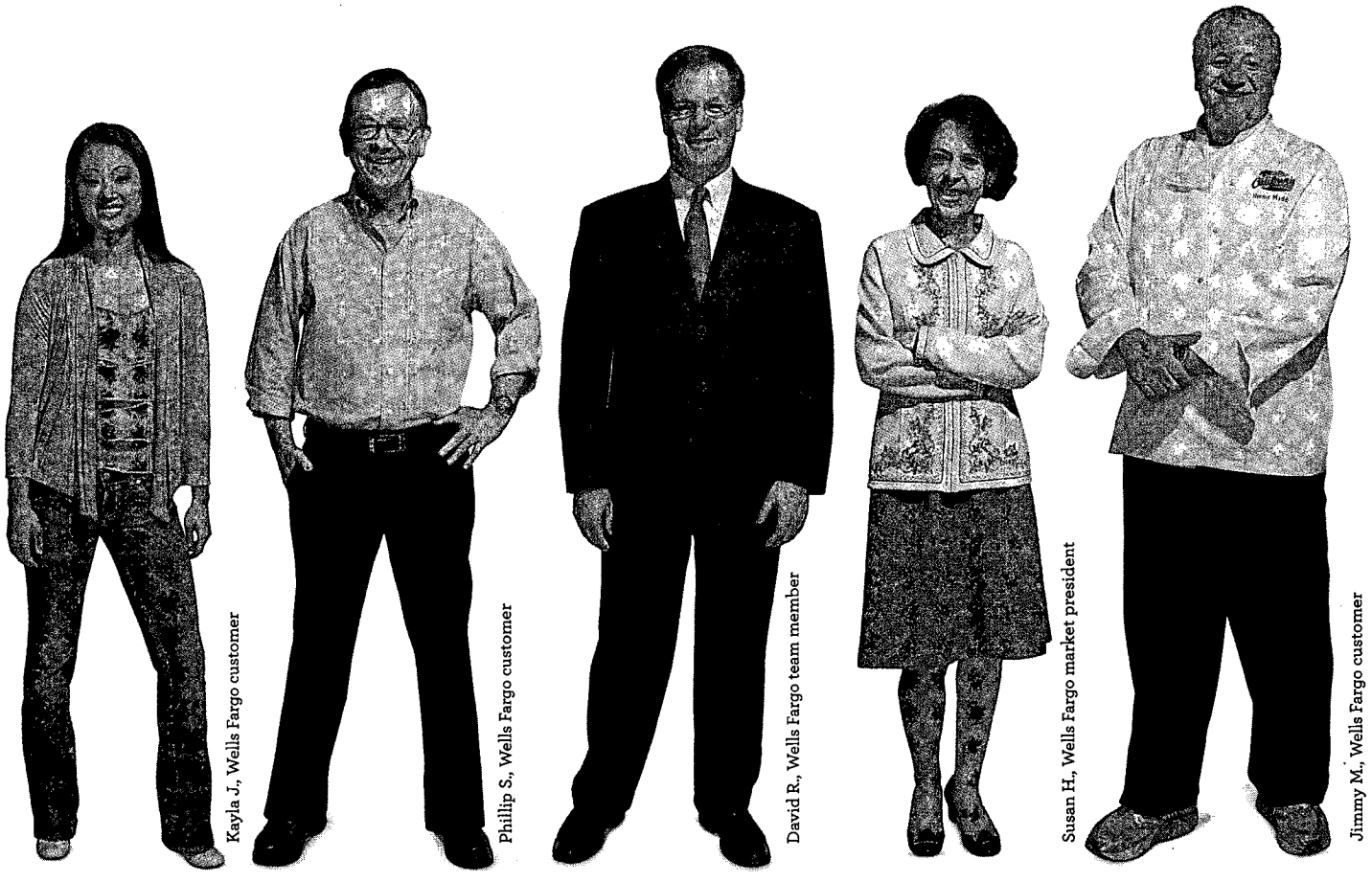
As the world continues to weather this global economic downturn, customers and communities need more from their financial services providers. They need financial solutions. They want help navigating storms of financial uncertainty to calmer waters. Our customers, more than ever, need a safe, trustworthy, capable financial services company that can help them buy a home. Pay for educating their children. Build a business. Save for retirement. Customers and communities want a friend who's there to help them succeed financially. This is about relationships. This is about being there with more than just outstanding service and useful products. We want our customers to be proud that they chose Wells Fargo and reward that friendship with even more of their business. This is the story of how our unmatched record of creating long-term relationships is helping unlock opportunities for our customers and the communities we serve. **Standing together.**



Kayla J., Wells Fargo customer

Phillip S., Wells Fargo customer

David R., Wells Fargo team member

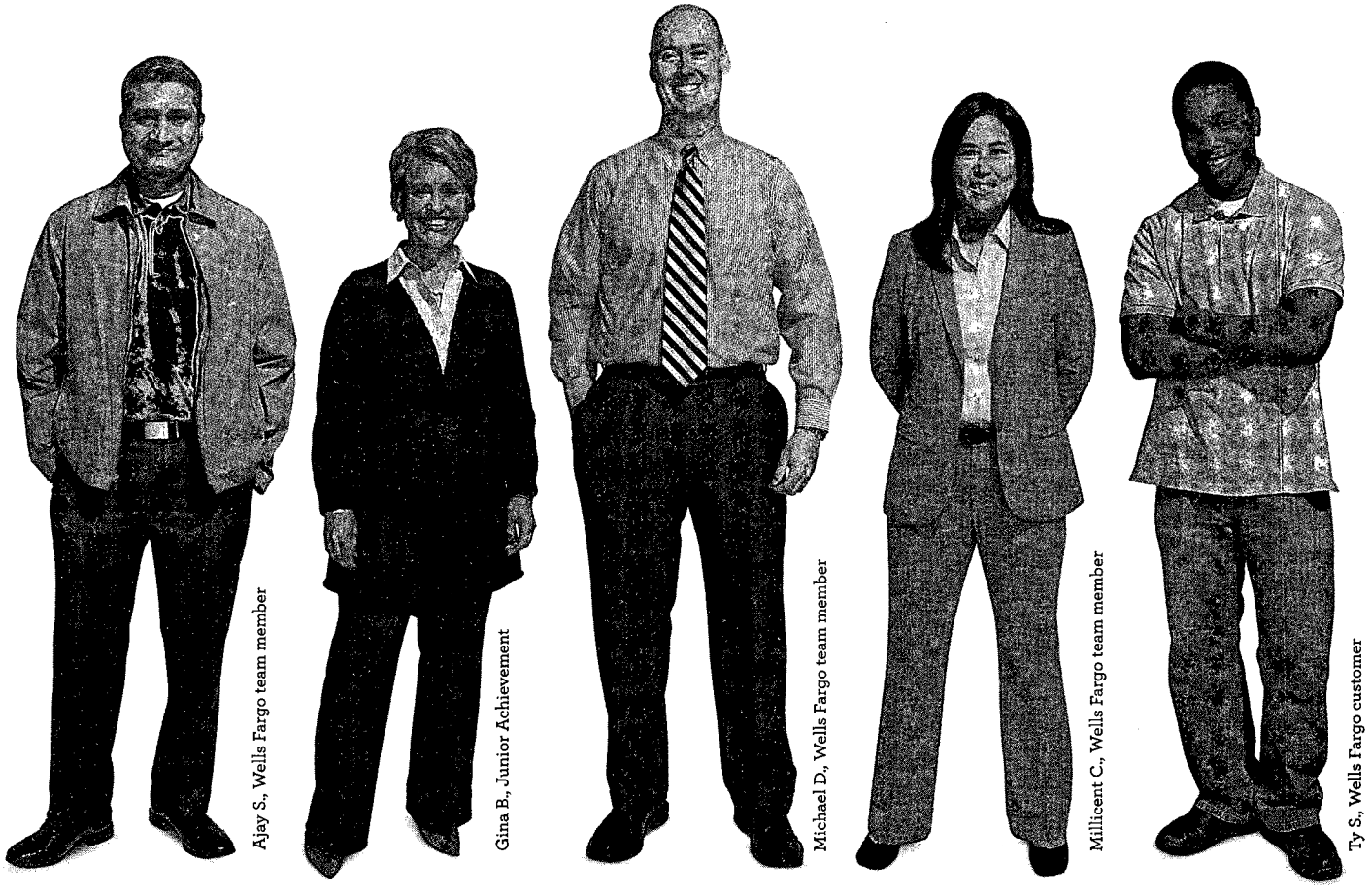
Susan H., Wells Fargo market president

Jimmy M., Wells Fargo customer

To our owners,

John G. Stumpf
Chairman, President and Chief Executive Officer
Wells Fargo & Company

In 2010 we stood together with our customers. Seventy million of them. One of every three American households, in more communities than any other bank. One of every four U.S. home mortgage customers. Our customers worked harder than ever to earn a living or find a job. They paid down debt. They tightened their budgets. They saved, invested, paid their bills, and applied for loans. Many started a business or expanded one. They supported their neighborhoods and communities. In all of this, we helped them succeed financially.



Ajay S., Wells Fargo team member

Gina B., Junior Achievement

Michael D., Wells Fargo team member

Millicent C., Wells Fargo team member

Ty S., Wells Fargo customer

The recession may be officially over, but it still casts a dark shadow, though perhaps not as long a one. Unemployment stayed stubbornly, and unacceptably, around 9 percent, but the U.S. economy, ever so slowly, seemed to pick up steam. We helped generate that momentum. We provided $665 billion in loans and lines of credit to households and businesses, down 6.5 percent from a year ago, but up in the fourth quarter to the highest quarterly level since we acquired Wachovia at year-end 2008. Since the beginning of 2009, we helped more than 3.5 million mortgage customers buy a home or refinance their mortgage at a lower rate, saving them hundreds of dollars a month on mortgage payments, money they can save, invest, or use to pay down other debt.

We had loan growth in the last half of the year in many portfolios, including asset-backed finance, auto dealer services, capital finance, private student lending, SBA, commercial banking, and commercial real estate.

Some of our loan growth came from customers who brought us their business from other banks not diversified enough by geography, loan portfolio, or product line, or banks that don't offer the convenience or trusted brand that we do. When I first went to work in financial services in 1976, there were about 14,000 banks in the United States. Today there are about 7,000, yet there's more choice than ever before because banking is just a segment of the much broader, much larger financial services industry.

As a result of the value we created for our customers, we achieved our second consecutive year of record earnings, $12.36 billion ($12.28 billion in 2009). That was despite the negative effect before taxes of $810 million of new federal regulations limiting overdraft fees. Our diluted earnings per common share were $2.21, up 26 percent from a year ago.[1]

We earned $85.2 billion in revenue, still the single most important measure of our customers' willingness to entrust us with more of their business. This was down from $88.7 billion last year. Profit before taxes and providing for loan loss reserves — the truest test of the earnings horsepower of the stagecoach — was $34.8 billion.[2] We earned after-tax profit of $1.01 for every $100 in assets (97 cents last year). We earned 10.33 cents for every shareholder dollar (9.88 cents last year). Our stock price increased almost 15 percent for the year as the marketplace signaled its confidence in our company and the economy (compared with +13 percent for the S&P 500).

Loan losses trending down

As the economy improved, so did the quality of our loan portfolio. The rate of our credit losses trended down. The loans we deemed uncollectable, called net charge-offs, declined for four consecutive quarters. Net loan charge-offs in fourth quarter 2010 were $3.8 billion, down 29 percent from their peak a year ago.

As a result, we were able to release $2.0 billion from our reserves. In 2011 we expect our credit quality will improve again and also expect our reserves to decline again unless there's some significant, unexpected downturn in the economy. Our loan losses declined for four consecutive quarters, down or relatively flat in commercial loans, credit cards, and home equity. The loans we acquired two years ago through the Wachovia merger, which we wrote down at the acquisition by about 40 cents on the dollar, have performed as we expected or better. Nonperforming loans (not accruing interest) rose moderately from a year ago, but declined sizably in the last quarter of the year. We expect nonperforming assets to stay high because the recession, as they say, still has a tail. We had $0.89 set aside for potential loan losses for every dollar of loans that were not accruing interest, compared with $1.03 last year.

Growing capital the right way: Earning it

Capital — usually a mix of equity and debt — is what a bank must hold in reserve to support its businesses. A bank uses capital to invest and grow consistently over time and to absorb any unexpected losses along the way. Coming into the credit crisis two years ago, for example, Wells Fargo was very well capitalized. This enabled us to acquire Wachovia and double the size of our company.

The best way to grow capital is the old-fashioned way: earn it yourself internally rather than relying on unpredictable markets. We've grown our capital internally at a higher, more consistent rate than any of our large peers because we've earned more per dollar of assets than they did. How do we do it? Our foundation for this growth is not a financial equation, but, rather, our very clear, time-tested vision that we've made steady progress toward for almost a quarter century. ***We want to satisfy all our customers' financial needs and help them succeed financially.*** Thanks to our vision and diversified business model, centered on what's best for our customers and building lifelong relationships with them, our capital is stronger today than it's ever been. Our Tier 1 capital (the ratio of a bank's core equity capital to its total risk-weighted assets) rose to 11.2 percent from 9.3 percent a year ago. Our Tier 1 common ratio (a measure of the best kind of capital) was 8.3 percent of risk-weighted assets, up from 6.5 percent a year ago. Our Tier 1 common capital ratio was 28 percent higher than a year ago.[3]

New international standards may require banks globally to hold top-quality capital eventually totaling seven percent of their risk-weighted assets (some banks have as little as two percent now). Those regulations aren't final yet, but — based on those new international standards — we expect to be above the seven percent threshold under the proposed rules, as we currently understand them, sometime in 2011. By being above seven percent in 2011, we'll be above the new standards well before they start going into effect in 2013. They're not scheduled to be fully in effect until 2018.

To retain more capital and further strengthen our ability to earn more of our customers' business, our Board reduced Wells Fargo's quarterly common stock dividend from 34 cents to five cents a share in March 2009. We want to increase our dividend as soon as is practical. To do so, we submitted in early 2011 a capital plan, as requested, to the Federal Reserve.

1 "Diluted" includes stock option grants and securities that can be converted into stock; EPS for 2009 reduced for dividends and deemed dividend when TARP preferred stock redeemed.

2 Total revenue minus non-interest expense; measures our ability to generate capital to cover credit losses through a credit cycle.

3 Please see Note 25 (Regulatory and Agency Capital Requirements) to Financial Statements and the "Financial Review – Capital Management" section in this Report for more information.

Our performance

in millions, except per share amounts	2010	2009	% Change
FOR THE YEAR			
Wells Fargo net income	$ 12,362	12,275	1%
Wells Fargo net income applicable to common stock	11,632	7,990	46
Diluted earnings per common share	2.21	1.75	26
Profitability ratios:			
Wells Fargo net income to average total assets (ROA)	1.01%	0.97	4
Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders' equity (ROE)	10.33	9.88	5
Efficiency ratio [1]	59.2	55.3	7
Total revenue	$ 85,210	88,686	(4)
Pre-tax pre-provision profit [2]	34,754	39,666	(12)
Dividends declared per common share	0.20	0.49	(59)
Average common shares outstanding	5,226.8	4,545.2	15
Diluted average common shares outstanding	5,263.1	4,562.7	15
Average loans	$ 770,601	822,833	(6)
Average assets	1,226,938	1,262,354	(3)
Average core deposits [3]	772,021	762,461	1
Average retail core deposits [4]	572,881	588,072	(3)
Net interest margin	4.26%	4.28	–
AT YEAR-END			
Securities available for sale	$ 172,654	172,710	–
Loans	757,267	782,770	(3)
Allowance for loan losses	23,022	24,516	(6)
Goodwill	24,770	24,812	–
Assets	1,258,128	1,243,646	1
Core deposits [3]	798,192	780,737	2
Wells Fargo stockholders' equity	126,408	111,786	13
Total equity	127,889	114,359	12
Tier 1 capital [5]	109,353	93,795	17
Total capital [5]	147,142	134,397	9
Capital ratios:			
Total equity to assets	10.16%	9.20	10
Risk-based capital: [5]			
Tier 1 capital	11.16	9.25	21
Total capital	15.01	13.26	13
Tier 1 leverage [5]	9.19	7.87	17
Tier 1 common equity [6]	8.30	6.46	28
Book value per common share	$ 22.49	20.03	12
Team members (active, full-time equivalent)	272,200	267,300	2

1 The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).

2 Pre-tax pre-provision profit (PTPP) is total revenue less noninterest expense. Management believes that PTPP is a useful financial measure because it enables investors and others to assess the Company's ability to generate capital to cover credit losses through a credit cycle.

3 Core deposits are noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits (Eurodollar sweep balances).

4 Retail core deposits are total core deposits excluding Wholesale Banking core deposits and retail mortgage escrow deposits.

5 See Note 25 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

6 See the "Financial Review – Capital Management" section in this Report for additional information.

We await its assessment of that plan. We know the value of dividends to you, our shareholders. We thank you for your loyalty and your patience.

Our capital position is among the strongest of any large bank in the world, but capital isn't meant to be hoarded, it's meant to be used. Strongly capitalized banks such as Wells Fargo should be allowed to put more of their capital to work for economic growth, lending to creditworthy customers, investing in communities, and returning more capital to their shareholders so they can invest it. At the same time, our #1 financial goal remains unchanged: Have a conservative financial structure as measured by asset quality, capital levels, diversity of revenue sources, and dispersing risk by geography, loan size, and industry.

How's the merger going? So far, so great

Two years ago—to offer more value and convenience to our current customers and to our new customers—we began the largest, most complex banking merger in U.S. history. We're now in the final innings of integrating Wachovia. We're creating single computer systems for our combined businesses that serve all 70 million of our customers, so their hometown bank is always right around the corner and we can serve them across the country and around the world when, where, and how they want to be served.

The past two years, we've completed almost a hundred conversions to the One Wells Fargo brand. Amazing! One ATM system. One credit card system. One mortgage system. One mutual funds system. One brokerage system. One retirement services system. One system for trust services. We're now creating one operating system for retail banking, the nation's most extensive financial services network. We've already integrated our Community Banking operations in Alabama, Arizona, California, Colorado, Delaware, Georgia, Illinois, Kansas, Mississippi, Missouri, Nevada, New Jersey, Tennessee, and Texas.

So far, each of our conversions has gone extremely well. That might look like a miracle to some observers, but not to us. Our success so far simply has been the result of an immense amount of planning, hard work, focus, skill, and sacrifice by tens of thousands of our dedicated team members who are visible or invisible to our customers. We can't thank them and their families enough.

We're determined to finish the job with the same focus that has served us so well the last two years. We still need to bring 70 percent of Wachovia banking customers fully into the Wells Fargo retail banking system in 2011. We'll do that when we combine operating systems under the Wells Fargo brand for our banking stores in New York and Connecticut (March), Pennsylvania (April), and Florida, Maryland, North Carolina, South Carolina, Virginia, and Washington D.C. later in the year.

In just the past two years, by every measure, this merger has delivered significant benefit for all our stakeholders, more than even we first expected. One plus one, indeed, can equal three. We originally estimated the integration would cost $7.9 billion. Our latest estimate: about $6 billion. We originally thought we'd save $5 billion in expenses after the integration and that's still true. To date, we've used only about half our initial write-down through purchase accounting of Wachovia's loan portfolios. Those portfolios have performed better than we expected at the time of our merger.

For our team members, the merger has doubled their career opportunities across a company twice our former size, the nation's 12th-largest private employer with more U.S.-based team members than any other financial services company. For our customers, it means more products, more convenience, more opportunities for sound financial advice and price-value. For our communities, it means more capital: financial, human, and social, and the presence of a strong, stable, and growing financial services provider, employer, and taxpayer (7th-largest U.S. taxpayer in 2010 among all industries). For our shareholders, it means an even more attractive, long-term investment.

The merger enables us to earn even more of our customers' business. In California, where we're now the state's most extensive community bank, we grew checking accounts in 2010 by a net 8.2 percent. In Florida, yet to convert to our brand, checking accounts rose a net 10 percent, despite the state's struggling economy and slower population growth. That's virtually all new business, customers who either left other banks and came to us, or chose to open their first checking account with us.

When Wells Fargo and Wachovia merged two years ago, customers of the combined new bank had $745.4 billion of core deposits with us. At year-end 2010, despite the recent recession, our core deposits were $798.2 billion, up seven percent. Our two million Wachovia credit card customers (consumer and business) have converted to Wells Fargo. They can view and print up to 24 months of online statements, choose to end paper delivery, benefit from free online money management tools, and be protected against liability for fraud that's promptly reported.

Many huge revenue opportunities of the merger remain to be seized. For example, there are about three million Wells Fargo mortgage customers in the 15 states plus the District of Columbia who became our customers through our merger with Wachovia. Only about 29 percent of them bank with us. Only about one of every five of our banking households nationwide with a mortgage, have a Wells Fargo mortgage. Huge opportunity!

Community Banking: Cross-sell milestone

If anyone tells you it's easy to earn more business from current customers in financial services, don't believe them. We should know. We've been at it almost a quarter century. We've been called, true or not, the "king of cross-sell." To succeed at it, you have to do a thousand things right. It requires long-term persistence, significant investment in systems and training, proper team member incentives and recognition, taking the time to understand your customers' financial objectives, then offering them products and solutions to satisfy their needs so they can succeed financially. You can't expect much progress in earning more business from current customers in just one quarter or even in a year or two. That's why many banks give up on it. The bad news is it's hard to do. The good news is it's hard to do, because once you build it, it's a competitive advantage that can't be copied. If it were easy, everyone would be doing it.

Thirteen years ago, when I was head of Community Banking for Norwest Bank in Texas (before Norwest acquired Wells Fargo), our company set an ambitious goal to have our average banking household have eight products with us. Many analysts, focused only on the next quarter, yawned. That year, we averaged nearly four products per retail banking household. The next year, at the merger of Norwest and Wells Fargo, it was 3.2. 1999: 3.4. 2000: 3.7. 2001: 3.8. 2002: 4.2. 2003: 4.3. 2004: 4.6. 2005: 4.8. 2006: 5.2. 2007: 5.5. 2008: 5.7. 2009: our legacy Wells Fargo households, just under 6.0.

This year, we crossed a major cross-sell threshold. Our banking households in the western U.S. now have an average of 6.14 products with us. For our retail households in the east, it's 5.11 products and growing. Across all 39 of our Community Banking states and the District of Columbia, we now average 5.70 products per banking household (5.47 a year ago). One of every four of our banking households already has eight or more products with us. Four of every ten have six or more. Even when we get to eight, we're only halfway home. The average banking household has about 16. I'm often asked why we set a cross-sell goal of eight. The answer is, it rhymed with "great." Perhaps our new cheer should be: "Let's go again, for ten!"

More sales don't always bring better service, but better service almost always brings more sales. That's why our service quality scores are an early indicator of our sales trends. Our service scores are rising. Almost eight of every ten of our Regional Banking customers said they're "extremely satisfied" with their recent call or visit with our banking stores or contact centers. For the second year in a row, we ranked #1 among large banks, according to the American Customer Satisfaction Index, an independent measure of how satisfied U.S. customers are with the quality of consumer goods and services.

We grew market share in several other Community Banking businesses. Consumer checking accounts rose a net 7.5 percent. Average checking and savings deposits across the company were up 10 percent. We have more than two-and-a-half million business customer relationships. Business checking accounts rose a net 4.8 percent last year, while store-based business solutions increased 22 percent in the West. Sales of *Wells Fargo Business Services*® Packages (business checking account and at least three other business products) rose 42 percent, purchased by two of every three new business checking account customers in the West. Our average Business Banking customer in the West now has 4.04 products with us (3.76 a year ago). We extended $14.9 billion of new lending (to existing or new borrowers, and increases to lines of credit) to small businesses in 2010, up 2.9 percent from last year.

We continue to be the nation's #1 small business and SBA lender. Our Auto Dealer Services team grew its share of the used-vehicle lending market from 4.3 percent in the first quarter of 2009 to 5.4 percent at year-end 2010, retaining its #1 national ranking, and solidifying relationships with 11,000 dealers. In the West, eight of every ten new customers who opened a checking account also purchased Wells Fargo *Packages*® (a checking account and at least three other products) — with sales rising 21 percent. We ended the year with 18.3 million active online banking customers, up 10.3 percent from a year earlier, and 4.7 million active mobile customers, up 88 percent from a year earlier. *Global Finance* ranked us the best online bank in North America for consumers, corporate, and institutional customers.

"The percent of our mortgage customers late on their payments or in the foreclosure process was about a fourth less than the industry average."

New regulations prohibit banks from automatically covering ATM withdrawals and everyday debit card transactions that customers make from accounts short of funds. They now must choose if they want those transactions denied at the counter or if they want us to cover those shortages. We want them to make smart financial choices, use our free online tools, and have a personal financial plan. We eliminated overdraft fees for consumer and most business deposit customers when they overdraw their account by $5 or less.

Our student lending in the private market rose 43 percent in our Wachovia community banking states and our national market share rose to 25 percent (16 percent a year ago). A new law regrettably removed private-sector lenders from the federal student market, but there's still an important role for private lenders. We're very much in the student loan business, as we've been for 42 years. College costs continue to rise. Government-guaranteed loans provide only about $7,500 or less for college costs. Students, families, and schools still need our help to be financially successful, especially Wachovia customers, because their company had exited the student loan business right before it merged with Wells Fargo.

Home Mortgage: Helping keep customers in their homes

We originated $386 billion in mortgages this year, providing one of every four home loans making us, again, the nation's largest home mortgage lender. We provided 1.8 million mortgages, at historically low rates, for customers to buy a home or refinance their mortgage. Applications for mortgages in the pipeline at year-end were $73 billion, up 28 percent from a year ago. We serviced $1.8 trillion in mortgages, one of every six U.S. mortgage households, the nation's second-largest servicing portfolio.

Americans are resilient. They proved it again this year. Ninety-two percent of our customers made their home payments on time. Delinquency rates declined. The percent of our mortgage customers late on their payments or in the foreclosure process was about a fourth less than the industry average. Only three of every 100 of our home equity customers were two or more payments past due.

We avoided foreclosure for about three-fourths of those customers 60 days or more past due who chose to work with us. In 2009 and 2010, we adjusted loan terms, lowered rates or reduced principal (or a combination of the three) for 620,000 loans to help customers stay in their homes. For 73,000 loans,

we forgave $3.8 billion in principal (by far, the industry leader in this measure). That was an average reduction of $51,000 per loan. To do this work, we hired 10,000 home preservation staff for a total of 16,000. We assign one specialist to work with a customer from start-to-finish on a modification.

In 2010 however, we didn't always measure up. For example, when we became aware we hadn't managed some aspects of the foreclosure affidavit process well, our first concern was to confirm that no customer experienced an unwarranted foreclosure because of an incorrect affidavit. We then reviewed certain pending foreclosure affidavits, and enhanced our policies and processes to help ensure full consistency and compliance.

We plan to double in 2011 the number of home preservation events we hosted last year. Through 19 large-scale events since the beginning of 2009, we've worked face-to-face with 19,000 customers struggling to make their mortgage payments. We met with 31,000 more customers at our 27 home preservation centers across the country.

Our commitment to our customers and our country in managing home loan challenges has been unwavering, and it will continue in 2011.

Wholesale Banking: Ripe with opportunity

Our Wholesale bankers were careful planners and stewards of their businesses during the economic downturn. As a result, they're now earning even more of our customers' business as the economy revives. For example, they managed Microsoft's $4.7 billion senior notes offering. They're providing $750 million to finance LEED® certified commercial buildings and community development projects. They're providing insurance to help reduce customers' business risks. They're satisfying the global financial needs of more of our clients through our international group's 36 offices in 34 countries.

Investment Banking

Helping our corporate and middle market clients raise capital to grow their businesses is an art and a science. You have to focus on what's best for the customer. You have to provide extensive research and deep, thoughtful knowledge about the client's industry. You have to have a very experienced team that can provide superior execution. All this has to be supported by a strong capital position. Because of our strength in all these areas many large companies are now entrusting billions of dollars of bond and equity financing with Wells Fargo, including MetLife, HSBC, Walmart, Hewlett Packard and Hertz. Many other companies turned to Wells Fargo Securities in 2010 for their mergers and acquisitions, including Penske, Capital Source, Snyder's of Hanover, Lance, Inergy, and Atlas Pipeline.

Supporting municipalities, healthcare and education

Many banks are averse to doing business with governments, education, healthcare and non-profits because of what they perceive as high risk and low returns. We're proud to serve these sectors. We provide a wide range of financial solutions for our 4,400 government, education, healthcare and non-profit clients. Our loans to these institutions rose 40 percent for the year. Their deposits with us rose 35 percent. We also identified more opportunities to serve them, and this benefits communities and our shareholders. In 2010, we facilitated hundreds of transactions to support municipalities, hospitals and universities, including a $300 million credit facility for the Los Angeles Department of Water & Power, part of a comprehensive, long-term relationship with the city.

Helping American business grow

We serve thousands of companies across America that have annual revenue from $10 million to $750 million. Bankers may call this the "middle market," but it's really The Big Middle. Companies such as this are at the forefront of the U.S. economic recovery. They employ tens of millions of Americans. They make things people use every day. They're the lifeblood of the tax base in our communities. Their shop floors are where America gets things done, makes things better and makes better things. As CEO of Wells Fargo, I'm privileged to visit the plants and offices of many of our commercial customers every year across the country. They appreciate our relationship approach, consistent underwriting through the business cycle, local decision-making, and the depth and breadth of our products, which we believe are the best in our industry.

The CEOs and CFOs of many of our commercial customers, and many of our large corporate customers, are telling us they see the economy improving. Many are adding inventory, expanding operations, using lines of credit and qualifying for new credit. One example is Aetna Plywood, a wholesale distributor of wood and composite products based in Maywood, Illinois. It's been a loyal customer of Wells Fargo for several years. Its sales declined during the recession, but its owner and president, Larry Rassin, says sales picked up in 2010 as its clients began making delayed improvements in their stores. "It's a slow progression of continued growth," he says, "and we believe it will continue."

We want to be the commercial bank of choice for companies like Aetna Plywood in every one of our markets. We want to have more lead relationships than any competitor in every market we serve. We want to satisfy every financial need of commercial customers, large and small. We made significant progress toward these ambitious goals in 2010. We're already #1 in market share for middle-market companies. Our Commercial Banking team attracted more new customers in 2010 than in any single year in our company's history.

Our average Commercial Banking relationship in the West (legacy Wells Fargo) had eight products with us in 2010. In the East, where the Wachovia conversion is in the home stretch, customer relationships are strong and we're earning more of their business.

Average core deposits for Wholesale Banking customers rose 15 percent. Loan balances grew in asset-backed finance and global financial institutions. New loan commitments rose in commercial real estate. Our commercial customers have scanned, sent and deposited from their offices more than $1 trillion of checks with us the last three years securely via the internet through our *Desktop Deposit* service. This saved them, and our environment, 1.64 million miles driving back and forth to the bank, and 91,000 gallons of gas.

Financial planning and investing: One visit doesn't do it all
As we stand together with our customers, helping them manage their investments and plan their financial future, we're reminded every day that this isn't a one-time event any more than one visit to a doctor's office ensures good health. Our relationships with Wealth, Brokerage and Retirement customers are built on providing thoughtful, objective, and frequent advice—understanding each customer's individual goals, risk tolerance, and needs, monitoring progress, and helping them make changes when it's right for them to do so.

When our customers achieve financial success—however they define it—then we'll achieve our goal: becoming the nation's most respected provider of wealth, brokerage, and retirement services. The opportunity to earn more business from our own customers is enormous. Only nine of every 100 of our banking households have brokerage relationships with us. Only six of every 100 have their IRA with us. We want all our investment customers to bank with us. We want all our banking customers to think of us first for all their investment needs. Our average banking household that has a Wealth, Brokerage or Retirement relationship with us has an average of 9.80 products with us (up from 9.67 in first quarter 2010).

Wealth Our team-based approach gives our customers access to experts with deep knowledge and extensive experience in many disciplines. We manage, administer, or have custody of $198 billion in assets, including $48 billion in deposits, for our high-net-worth clients. Client deposits rose a strong 13 percent, a key measure of our ability to earn more of their business. Investment management and trust revenue was up 11 percent from 2009 on strong investment results and continued growth in the trust services provided to clients.

Brokerage We believe every customer should have a financial plan. Wells Fargo Advisors, the nation's third-largest retail brokerage network with 15,200 full-service financial advisors and 4,400 licensed bankers, is helping make that goal a reality. Today, more than two-thirds of our affluent customers have a financial plan. This year, we grew customer assets 6 percent to $1.2 trillion. Managed-account assets, now at $235 billion, rose $38 billion, or 20 percent. The number of loans originated through Wells Fargo Advisors financial advisors rose 71 percent, totaling $7.2 billion.

Retirement Our 2010 Retirement Survey showed that working in retirement is becoming the norm for middle-class Americans, the latest evidence that retirement is changing drastically and that people need help more than ever. We work with customers as they plan and prepare for their retirement, and we also administer 401(k), pension, and other retirement plans for companies. Customer assets in retirement plans that we administer rose 6 percent, or $14 billion, to $231 billion for the year. Our national market share rose to 3.7 percent (3.1 percent a year ago). We strengthened our rank as one of the nation's top-five IRA providers, growing IRA assets 10 percent, or $24 billion, to $266 billion.

Now the hard part: Making rules that work for America
The Dodd-Frank Wall Street Reform and Consumer Protection Act may change the landscape of financial services more than any other law in my three-decade career in the industry. It's 2,319 pages. (The Sarbanes-Oxley Act of 2002 was 66 pages. Those were the good old days!) Its 240 rules will affect checking accounts, debit cards, credit cards, home loans, and brokerage accounts. We support any protection for customers nationally to ensure all financial services providers, not just banks, are held to the same high standard of responsibility that we've tried to hold ourselves to for almost 160 years. Our customers expect nothing less. We're working with legislators and regulators to help make sure this happens.

Dodd-Frank and other new regulations, however, would reduce the prices banks can charge for some products. One example: a reduction of 80 percent or more, scheduled to take effect in July 2011, in the fee banks charge retailers when customers use their debit cards at the cash register. Government price controls such as this make no sense. They distort our market-based, free-enterprise economy. What's next? Will the government require car dealers to sell a new vehicle for $5,000 or grocers a gallon of milk for 50 cents? Banks should be fairly compensated for the value that debit cards create for merchants and their customers by reducing fraud risk and the cost of carrying cash or handling checks. An 80 percent cut in this fee wouldn't even enable us to cover the cost of providing the service.

The key to growing our economy
There are three priorities for our economy. The first is creating good jobs. The second is creating good jobs. The third is creating good jobs. Negative home equity, depressed housing prices, and mortgage foreclosures are not the cause of our sluggish economy. They're the result of homeowners losing their jobs. I started as a loan collector in banking 34 years ago. Back then, when a borrower wasn't making payments, it usually was because of divorce, a death in the family, medical emergency or, most often, unemployment. It's the same today. Americans want to pay their bills and will if they have the resources to do so. The U.S. economy did add a million jobs last year, but that's cold comfort to the almost one in every 11 Americans looking for work. We're telling all our creditworthy business customers as often as we can: More credit is available. Many of our small business and commercial customers have the cash and resources to rehire and expand, but there's hesitation because of the legislative and regulatory landscape, customer spending habits, and government debt. This can paralyze and confuse business owners, entrepreneurs, investors, and consumers. Government and private enterprise need to stand together to alleviate this uncertainty by promoting fiscal discipline and economic opportunity.

Wells Fargo is hiring. At year-end 2010, we had 6,500 unfilled jobs in our company. We want to create a welcoming home for talent, a place where team members can build a varied, challenging, satisfying career that can last a lifetime. We consider team members an asset to invest in, not an expense to be managed. We invested 3 percent of our total payroll dollars for the year in team member training, an

average of 36 hours for every team member. We've added 3,000 bankers in our stores the past two years and opened 47 banking stores during the last year, many in Wachovia Community Banking states.

Regardless of the economic cycle, any successful business must reduce cost and complexity without impairing customer service. This means that in a company our size, jobs are being created, changed, or eliminated every day. In 2010, we closed our network of 638 Wells Fargo Financial stores because we now can serve those consumer and commercial finance customers through our national network, expanded through the Wachovia merger, of 6,314 Community Banking stores, and through other Wells Fargo businesses. In addition to our banking stores, we also have a mortgage presence in 2,200 locations including standalone mortgage stores and other business-partner sites. Because "people as a competitive advantage" is one of our primary values, we identified positions elsewhere in our company for thousands of team members affected by this difficult decision. We also moved other businesses and functions that were part of Wells Fargo Financial to other parts of our company. We're proud that by year-end, three of every four affected team members, or 11,200, had moved into other positions or departments with our company. *That* is standing together with team members.

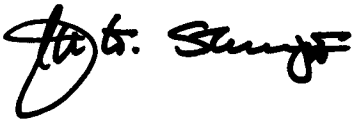
In appreciation

In April 2011, Dick McCormick retires from our Board after 28 years of service to our company. We believe this makes him the longest-serving Board member in our company's history. Dick joined the Board of our predecessor company, Norwest Corporation, in 1983 when we were an Upper Midwest bank with $20 billion in assets, more than 900 stores, and 17,700 team members (including me, a 29-year-old loan administrator who had joined the company a year earlier). Dick brought to our Board not just decades of senior leadership in the telecommunications industry, but year after year, we benefited from his thorough, pragmatic knowledge of our industry, markets, and businesses, his institutional memory, and his ability to ask the tough questions in a respectful and courteous way, with integrity, humility, and kindness. He embodies for us the best of corporate governance. We thank Dick and his wife, Mary Pat, for all they've done for our company, and wish them and their family all the best.

We thank all our team members for standing together with our customers, taking the time to understand and satisfy their financial needs, helping them create a financial plan, serving them when, where, and how they want to be served. We thank them for their outstanding execution to date of the Wells Fargo-Wachovia merger as we embark on the third and final year of the integration. Recognizing their outstanding effort, our Board approved in January 2011 a profit-sharing contribution of 2 percent of pay for all eligible team members on our U.S. payroll into their 401(k) plans. We thank our customers for entrusting us with even more of their business and returning to us for their next financial services product. Beginning on the next page, we tell you the stories of how we stand together with our customers and our communities. And we thank you, our owners, for your confidence in Wells Fargo as we begin our 160th year.

We're more optimistic than ever about the future of our company, our communities, and our country. Every decision we make is guided by our vision—***to satisfy all our customers' financial needs and help them succeed financially***—and by our values: people, ethics, "what's right for our customers," diversity, and leadership. They remain our compass, our road map, our gyroscope. That's the way our ancestors who raised their families, the pioneers who built our communities, the team members who built our company, were guided. They didn't need GPS, smart phones, and electronic tablets to find their way. Their values guided them. We do this by choice, not chance. We don't wake up every morning having to ask ourselves which way we're going. We just stand with our customers, try to do what's right for them, and keep riding the stagecoach in the same direction it's been headed since 1852.

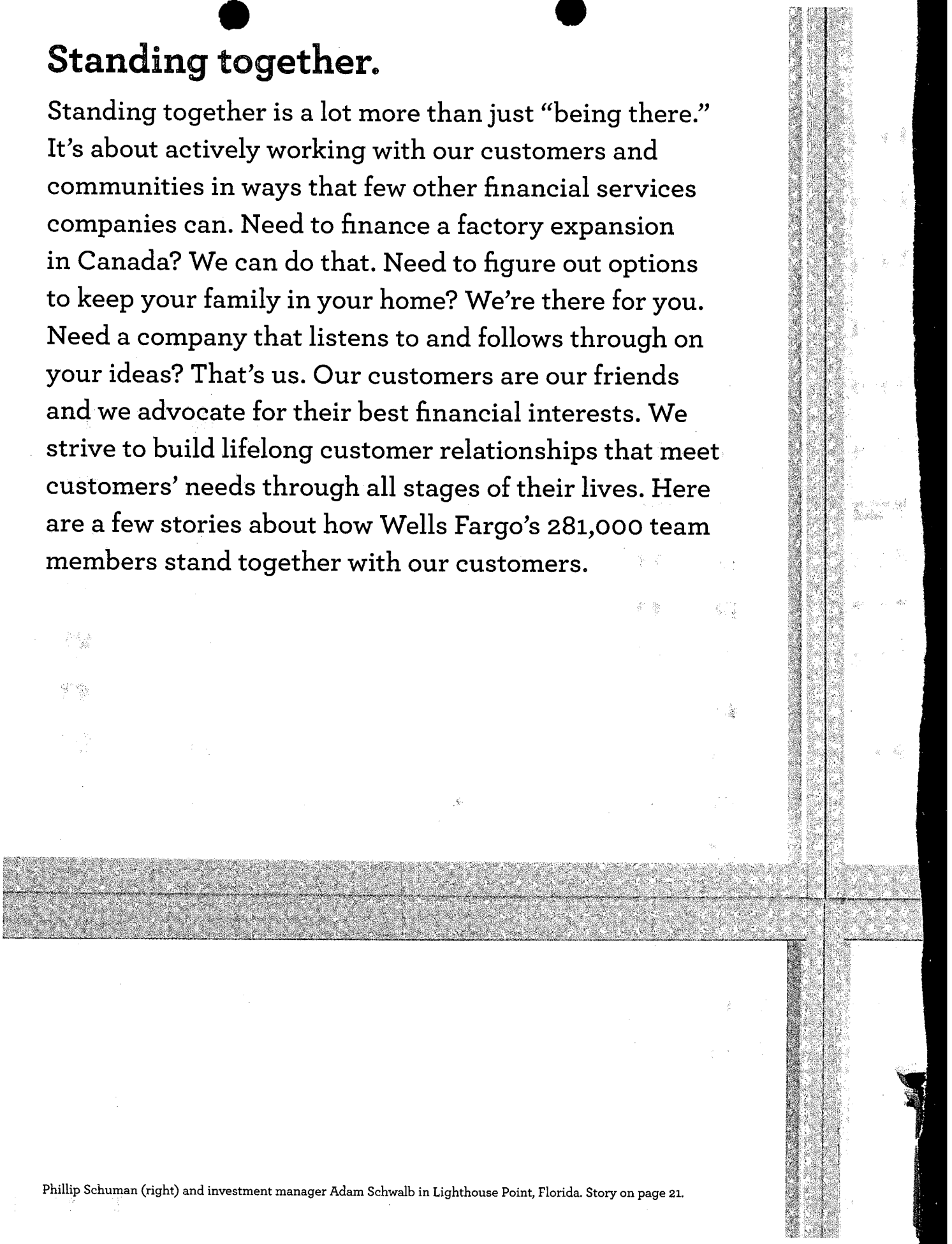
When we stand together, we can thrive together.



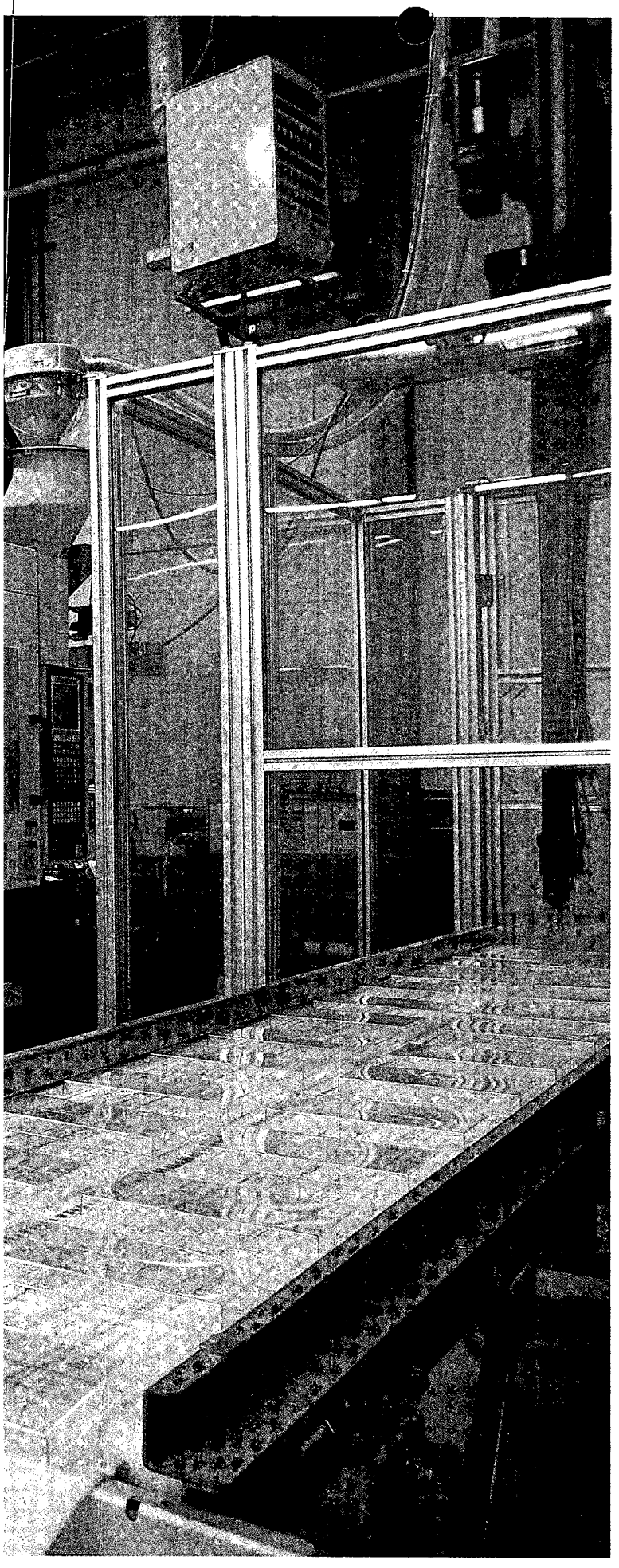
John G. Stumpf
Chairman, President and Chief Executive Officer

Standing together.

Standing together is a lot more than just "being there." It's about actively working with our customers and communities in ways that few other financial services companies can. Need to finance a factory expansion in Canada? We can do that. Need to figure out options to keep your family in your home? We're there for you. Need a company that listens to and follows through on your ideas? That's us. Our customers are our friends and we advocate for their best financial interests. We strive to build lifelong customer relationships that meet customers' needs through all stages of their lives. Here are a few stories about how Wells Fargo's 281,000 team members stand together with our customers.



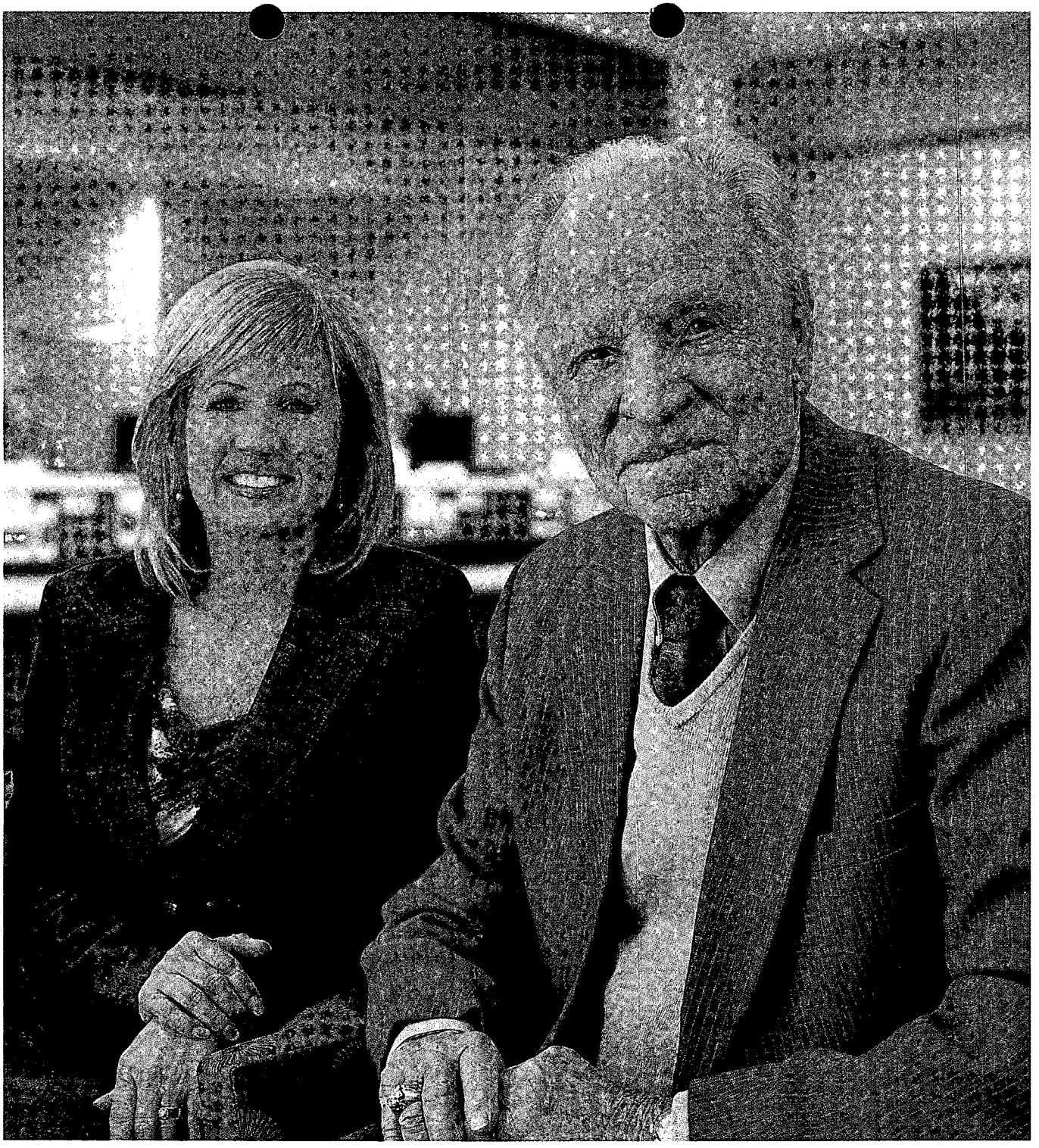
Phillip Schuman (right) and investment manager Adam Schwalb in Lighthouse Point, Florida. Story on page 21.



"We're a relationship-based business, and now we're standing by CMG in a new way as it continues to grow."

Canada connection

Custom Molders Group had a challenge. The New Jersey-based company supplies millions of plastic packaging components for major candy makers. Four years ago, the business opened a plant in Canada, but its bank of 30 years—Wachovia—didn't offer cross-border financing, so the business had to turn to a new lending partner. Then the merger with Wells Fargo happened and a new option opened. **Glenn Loh** (center), CMG's chief financial officer, worked with his business relationship manager at Wells Fargo, **Robert Maroney** (right), as well as **Michael Donoghue** (left) to tap a unique Wells Fargo equipment financing unit based in Canada represented by Karl Libonati. That meant Loh's Custom Molders Group could keep its finances as simple as possible and with its longtime trusted financial provider. "We're a relationship-based business, and now we're standing by CMG in a new way as it continues to grow," said Maroney.

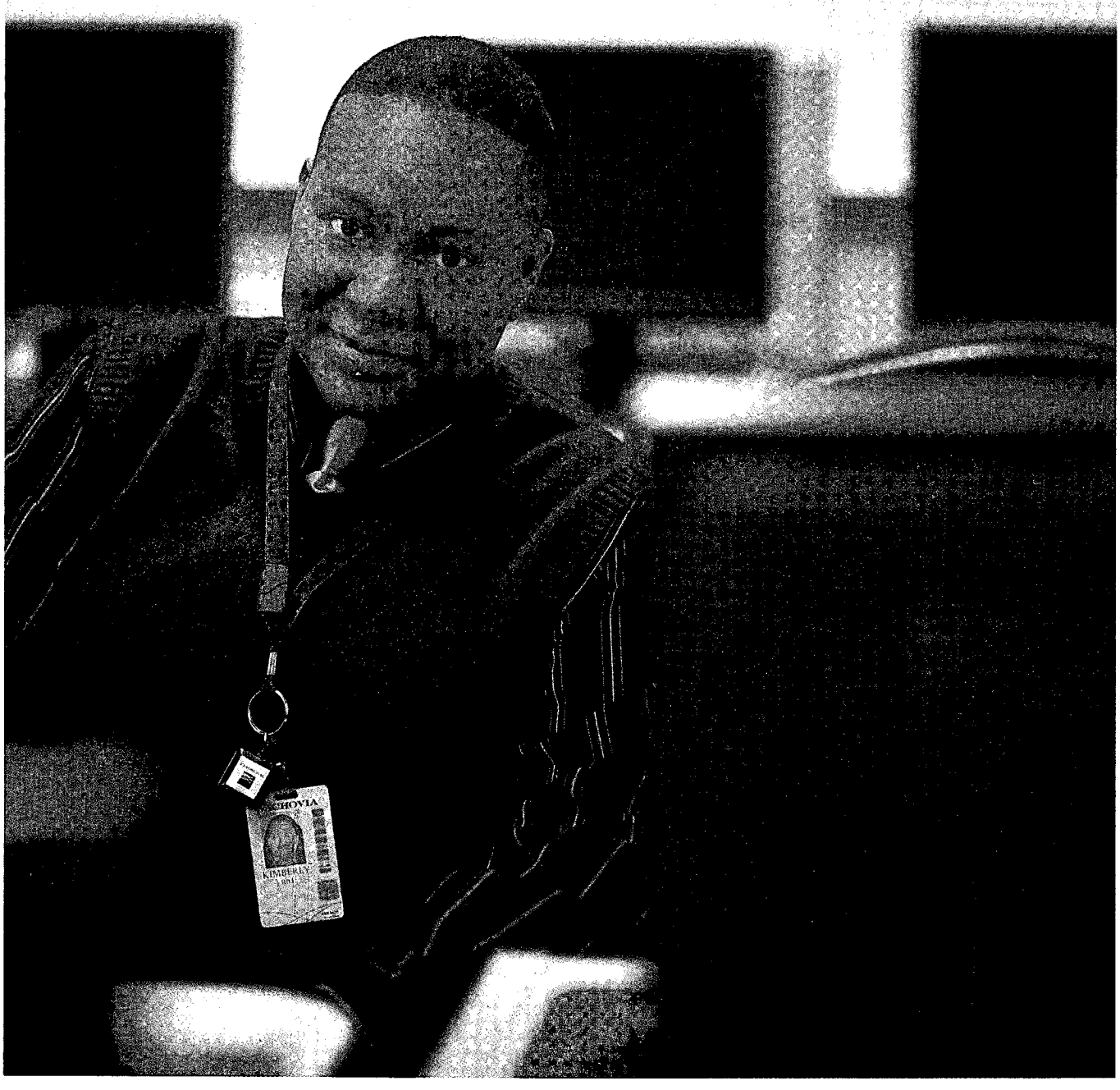


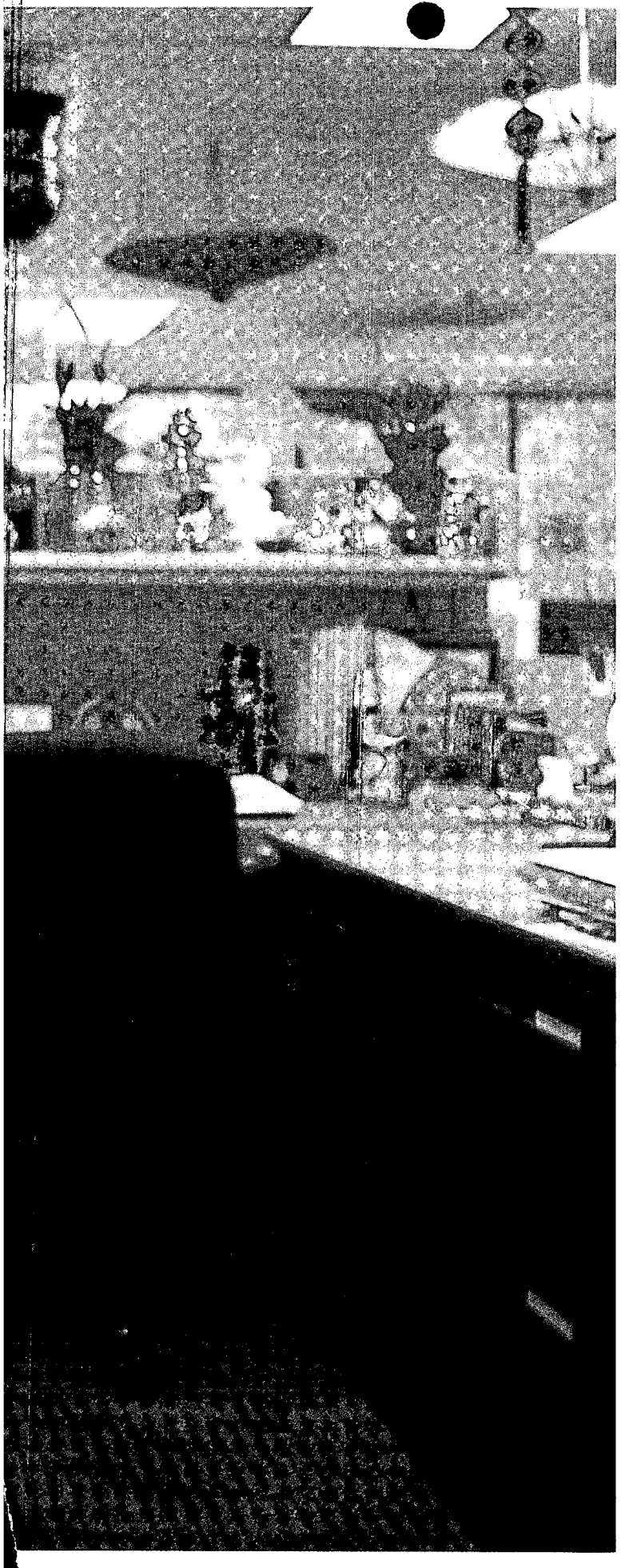
63 years of service

Bruce Holt's bank has stood by him since 1948. That's when he opened his first account with Birmingham (Alabama) Trust after his discharge from the Army. While the names on his bank changed over the years—including from Wachovia to Wells Fargo in 2010—he puts a premium on one factor: Does the bank help him when he needs it the most? "I've loved Wells Fargo," said Holt, a retired railroad engineer who turns 90 this year. "I tell my family, my friends: 'Go to Wells Fargo; they're so friendly and know how to treat you right.'" **Jennie Lee** is Holt's banker at Holt's neighborhood banking store in Gardendale, just north of Birmingham. "Mr. Holt usually comes in a couple times a week to talk with us, to make a deposit, and just share stories. He's a huge fan of Wells Fargo and we're all huge fans of Mr. Holt."

Protecting customers

Kimberly Hill helps weddings be as beautiful as they can be. How? She's a trainer with Wells Fargo's Liability and Fraud Claims department, the team that stands behind customers when they call with a problem they have with a purchase made on their *Wells Fargo*® Debit Card. "Wilted flowers for a wedding, the wrong refrigerator delivered, heading off fraud, we stand by our customers when they need us most," said Hill, based in Charlotte, North Carolina. "Earlier this year, we called a customer on vacation in Europe after we saw an unusual $3,000 purchase cross our computers. Sure enough, it was fraud, and the customer was so grateful we prevented it." Hill has trained hundreds of team members on how to make sure customers are cared for and protected when transactions need help.





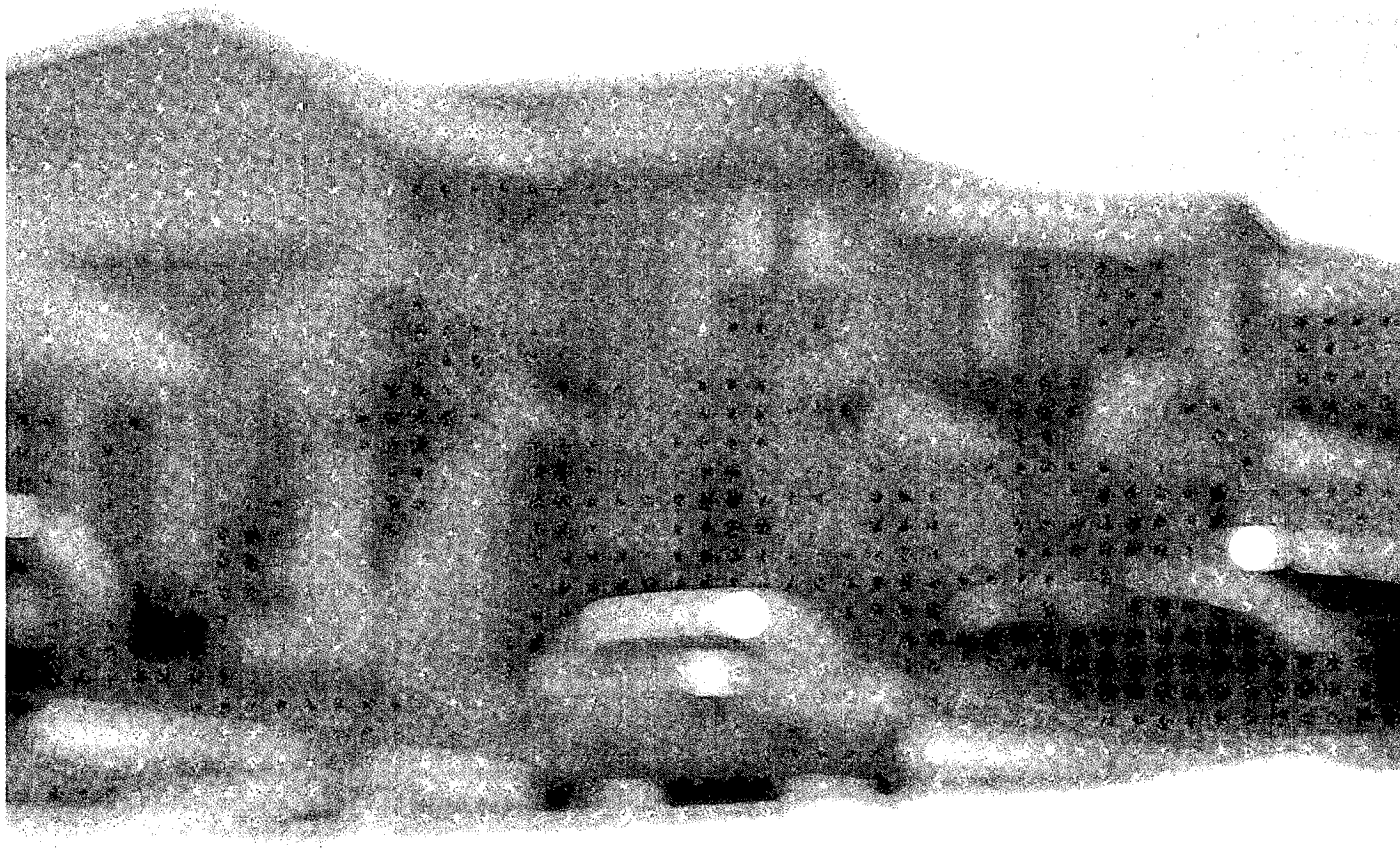
Coast-to-coast service

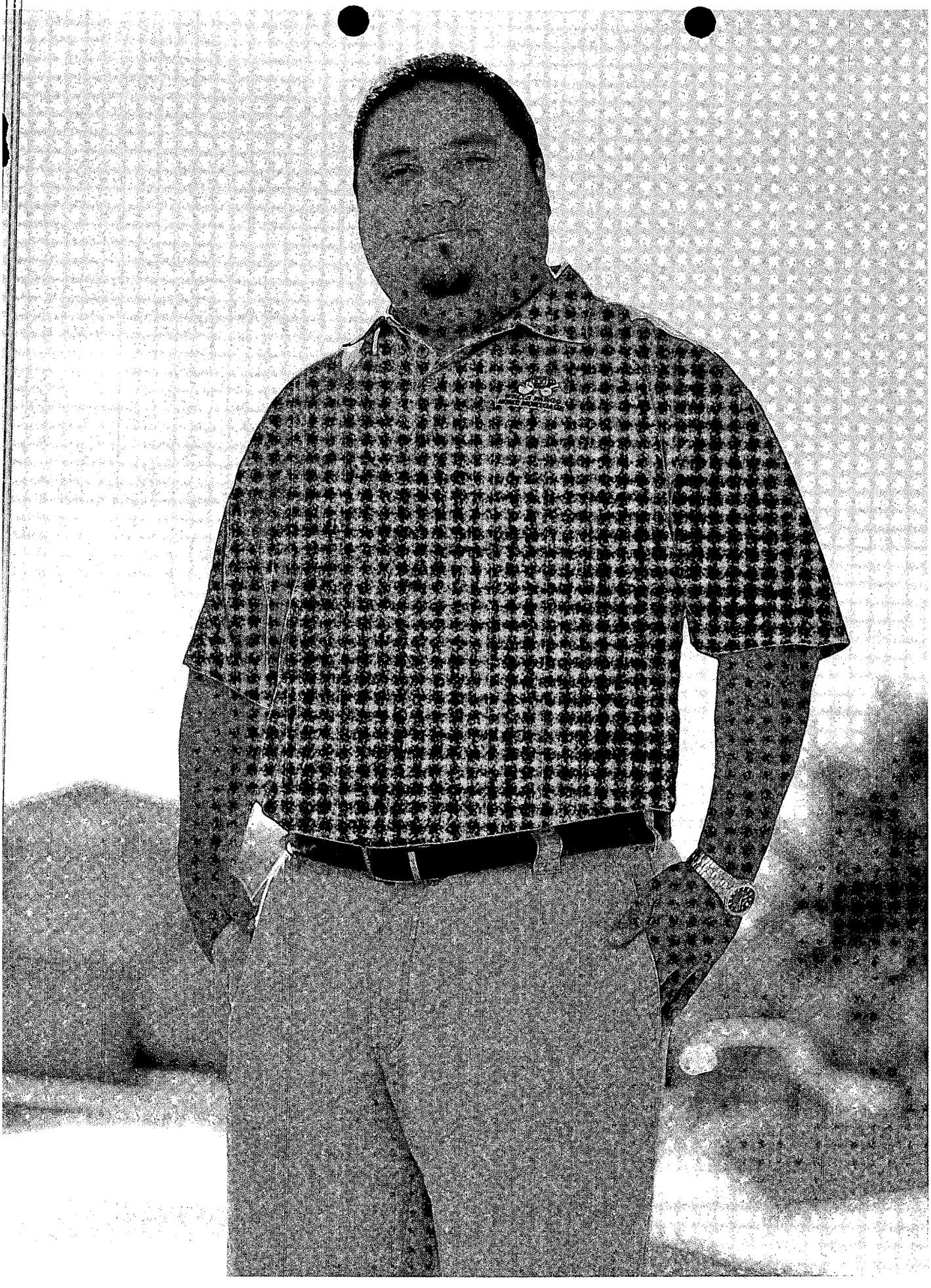
When **Juliet Zhu** says, "請問有什麼可以幫到您呢?" her customers know exactly what she's talking about. Zhu, based in El Monte, California, is a phone banker with the Chinese Language Sales team, serving customers across the nation and around the world. In December, the seven-year company veteran started a call with her usual greeting ("How can I help you today?"), and discovered a customer-to-be in Norcross, Georgia, who needed fast help. "He didn't speak English and needed to open an account so he could send money to his family in China," Zhu said. She started the process, then—because the request was so urgent—asked him to go to a Wells Fargo banking store in Norcross to complete the account opening. He said he didn't know how to talk to a banker, but "I explained what to say, and he wrote it down and the local banker did the rest. We earned a new customer because we spoke his language, had the right products and could meet his urgent request fast." The customer opened several accounts and is sending money to China through the *ExpressSend*® service, Wells Fargo's way for customers to send money to remittance network members in other countries.

"We earned a new customer because we spoke his language, had the right products and could meet his urgent request."

Helping homeowners

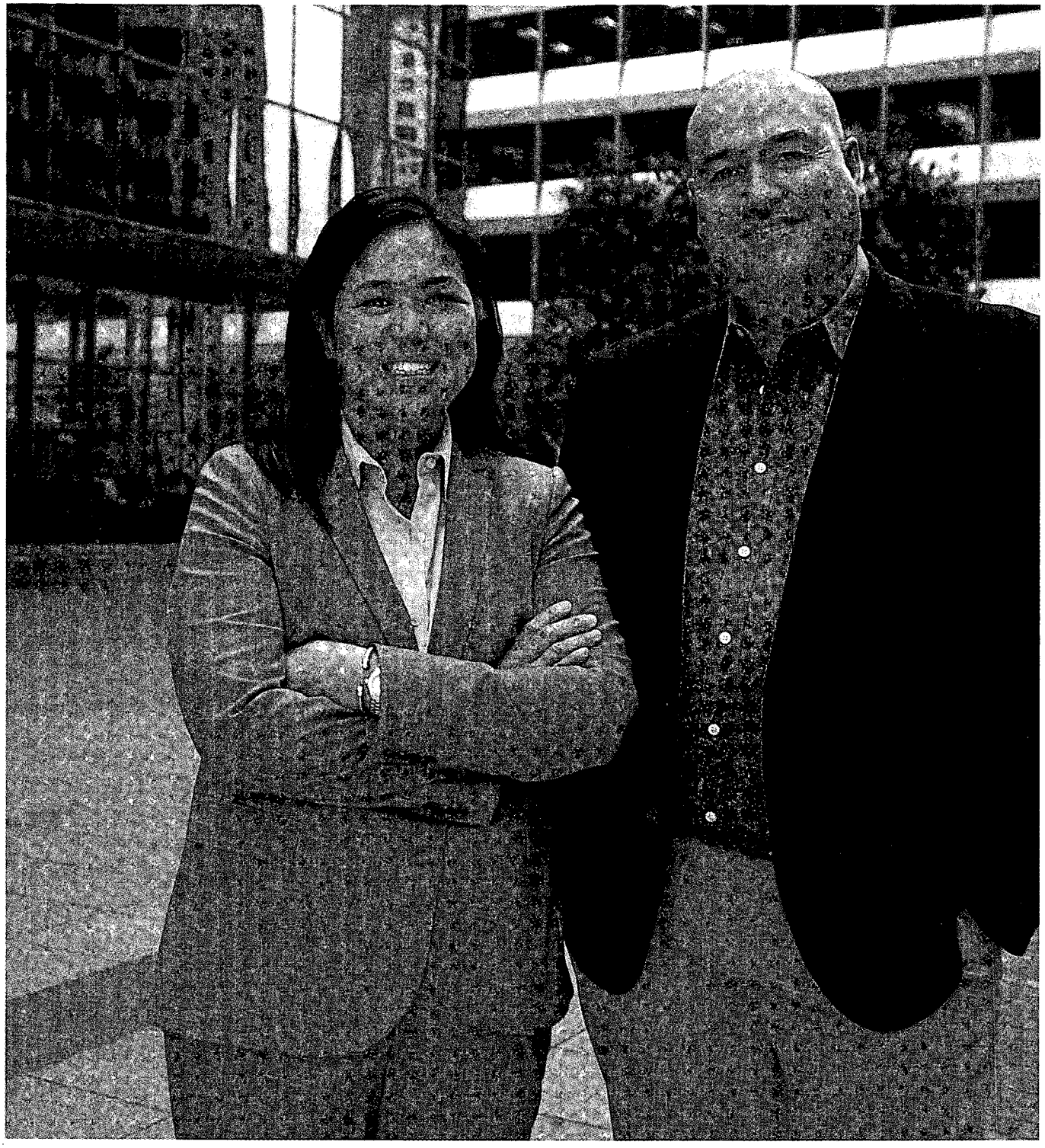
Edward Ramirez stands together with communities across the nation to help keep people in their homes. He's one of hundreds of team members who traveled coast-to-coast to meet, in person, with troubled mortgage customers at 13 Home Preservation Workshops in 2010. At the workshops, customers met with home-preservation specialists such as Ramirez in private settings to discuss their options. There were dozens of bilingual team members on hand, too. "Each of us met with hundreds of customers, each person on the verge of losing a home," said Ramirez, who's based in San Antonio, Texas, and volunteered at a dozen workshops. "We worked to come up with solutions on the spot and what a great feeling it was when we could help." More than 20 workshops are planned for 2011. "These workshops show that Wells Fargo is a caring, responsible member of our community," said Bill Sanchez, a counselor for the Tampa Bay Community Development Corporation, which partnered with Wells Fargo at the Tampa workshop in 2010.

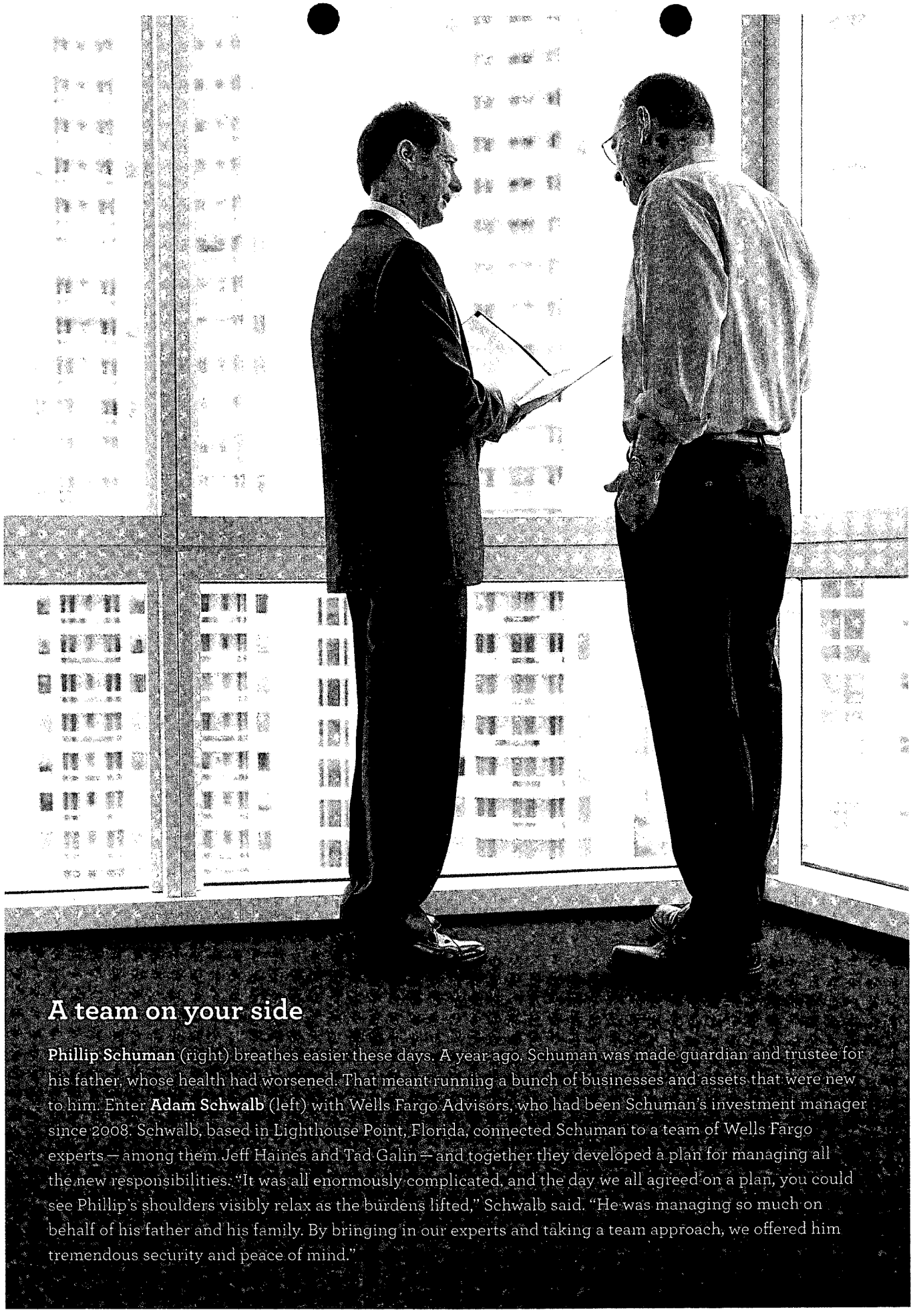




Listening

Bryan Wilson had a question: Could his software development business—Wind River of Alameda, California—use credit cards in a new way to better manage outgoing payments? Rather than spark and fade, however, he brought his question to Wells Fargo. Wilson was one of dozens of customers who took part in 22 Advisory Council forums that Wells Fargo hosted in 2010. The councils are day-long conferences for business customers to talk shop with other finance pros and help Wells Fargo improve products, sales, and service. "We're here to listen and better understand how we can help our business customers succeed financially," said Wells Fargo's **Millicent Calinog**, chair of the Advisory Councils. "The forums have helped us and our customers tremendously while building deeper relationships."





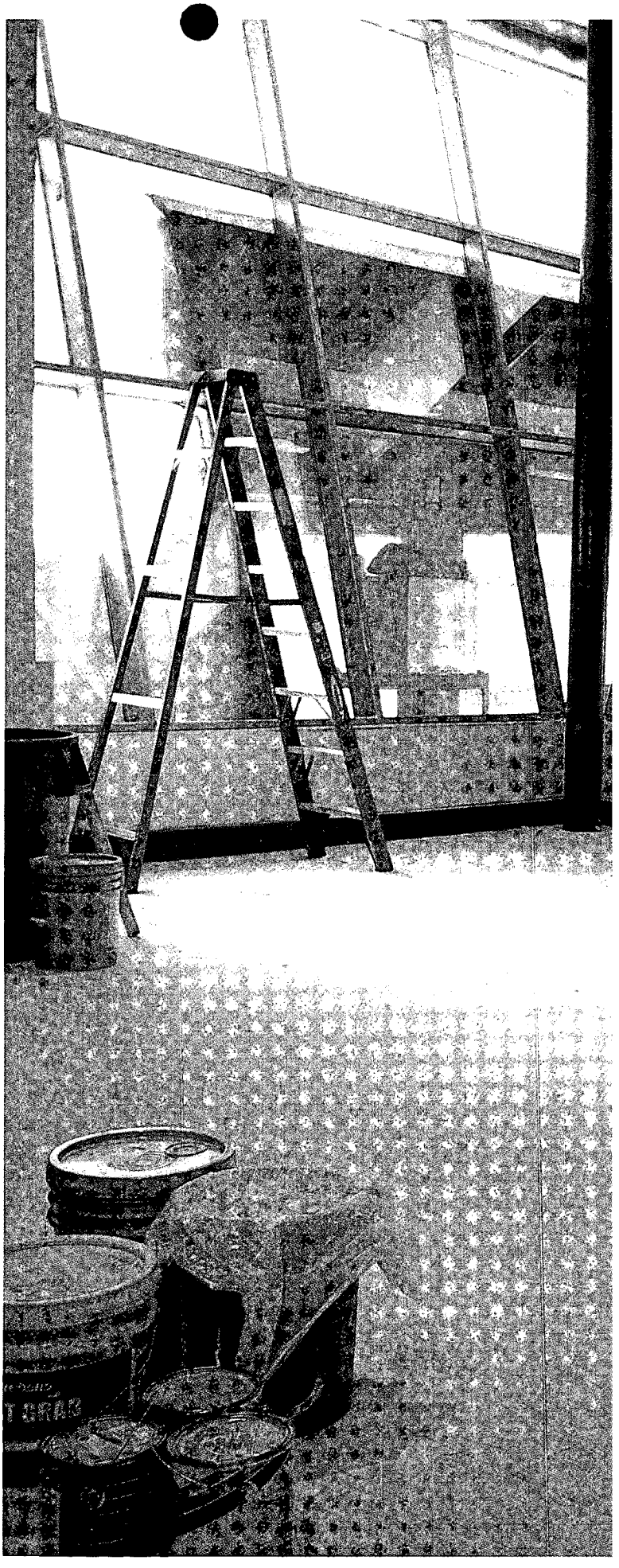
A team on your side

Phillip Schuman (right) breathes easier these days. A year ago, Schuman was made guardian and trustee for his father, whose health had worsened. That meant running a bunch of businesses and assets that were new to him. Enter **Adam Schwalb** (left) with Wells Fargo Advisors, who had been Schuman's investment manager since 2008. Schwalb, based in Lighthouse Point, Florida, connected Schuman to a team of Wells Fargo experts — among them Jeff Haines and Tad Galin — and together they developed a plan for managing all the new responsibilities. "It was all enormously complicated, and the day we all agreed on a plan, you could see Phillip's shoulders visibly relax as the burdens lifted," Schwalb said. "He was managing so much on behalf of his father and his family. By bringing in our experts and taking a team approach, we offered him tremendous security and peace of mind."

Standing together in Las Vegas

Relationships are everything to Las Vegas restaurateur **Jimmy Maddin**. A Wachovia customer since 2007, he's not only kept his personal and business accounts with Wells Fargo through the merger, he's now turning to Wells Fargo for help launching a new business venture—Hotel California Restaurant & Cantina—that could employ 100 local people. "What's important to me is working with a bank that's there for the good times and the bad times," said Maddin. "Everyone loves you when things are good. A friend is always there, period. That's especially true when you're trying to grow a business in a region like ours where the economy has been pretty rough." That's where banker **Lisa Patton** comes in. She helps Maddin manage business-service accounts by connecting him with other Wells Fargo partners while taking care of his personal financial needs, too. "We want to make it easy for all our customers to bring us more of their business," Patton said. "We build relationships that last a lifetime, starting with doing what's best for our customers."

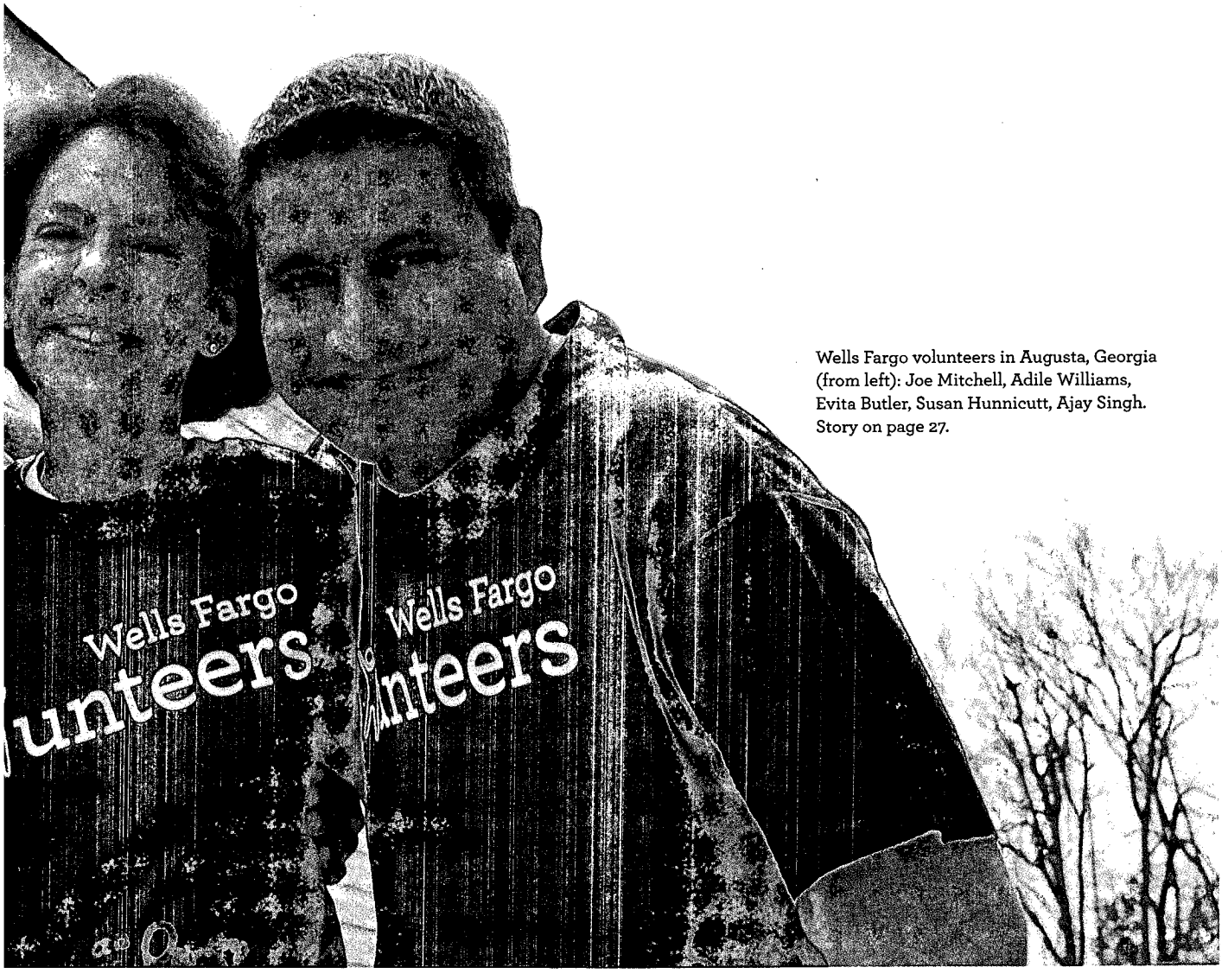
"We build relationships that last a lifetime, starting with doing what's best for our customers."



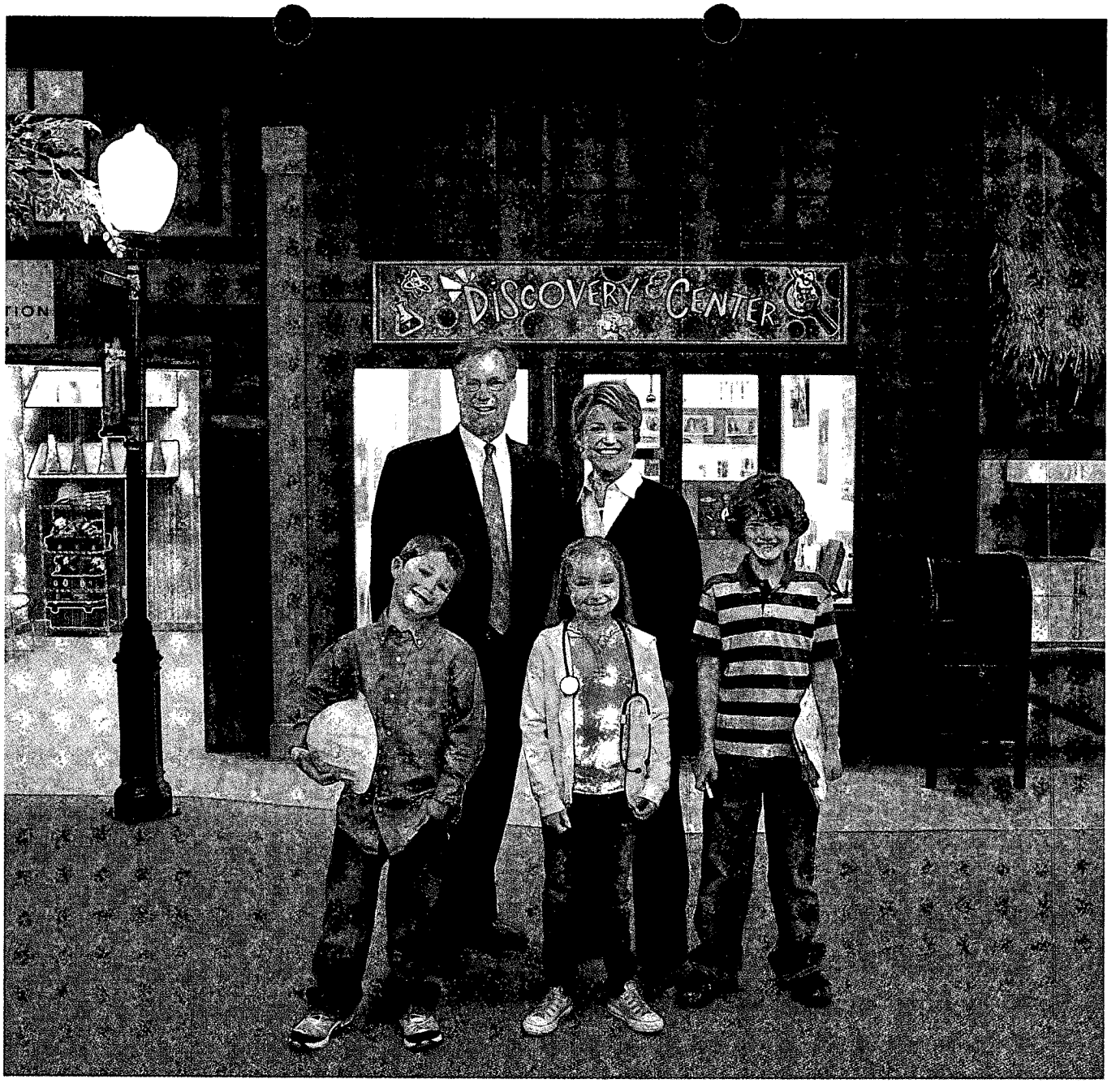
Wells Fargo
volunteer
Wells Fargo
volunteer

Standing together with our communities.

What is a partner? Someone who works by your side, cares about your future, and has your best interests at heart. Wells Fargo believes in partnerships not only in the way we do business, but in the way we participate in community life. And never before in our company's history has our support for communities been so vital. Our team members volunteer tens of thousands of hours each year, sharing their time and talents to help nonprofits. We also provide millions of dollars to support the good work of organizations large and small. It's all because our success depends on the success of the people we serve. Here are a few stories of how we stand together with communities across the nation.



Wells Fargo volunteers in Augusta, Georgia (from left): Joe Mitchell, Adile Williams, Evita Butler, Susan Hunnicutt, Ajay Singh. Story on page 27.



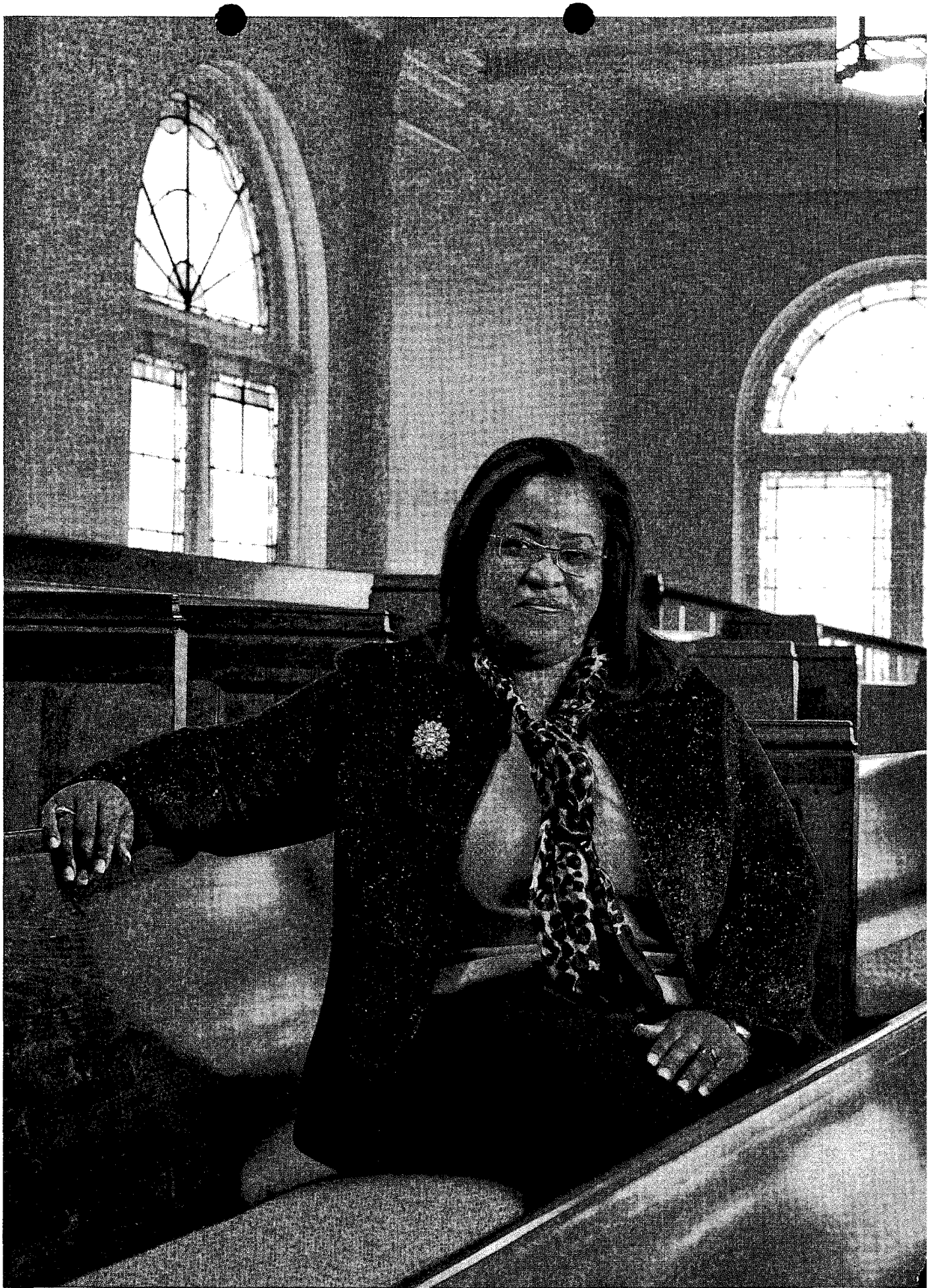
Increasing financial smarts

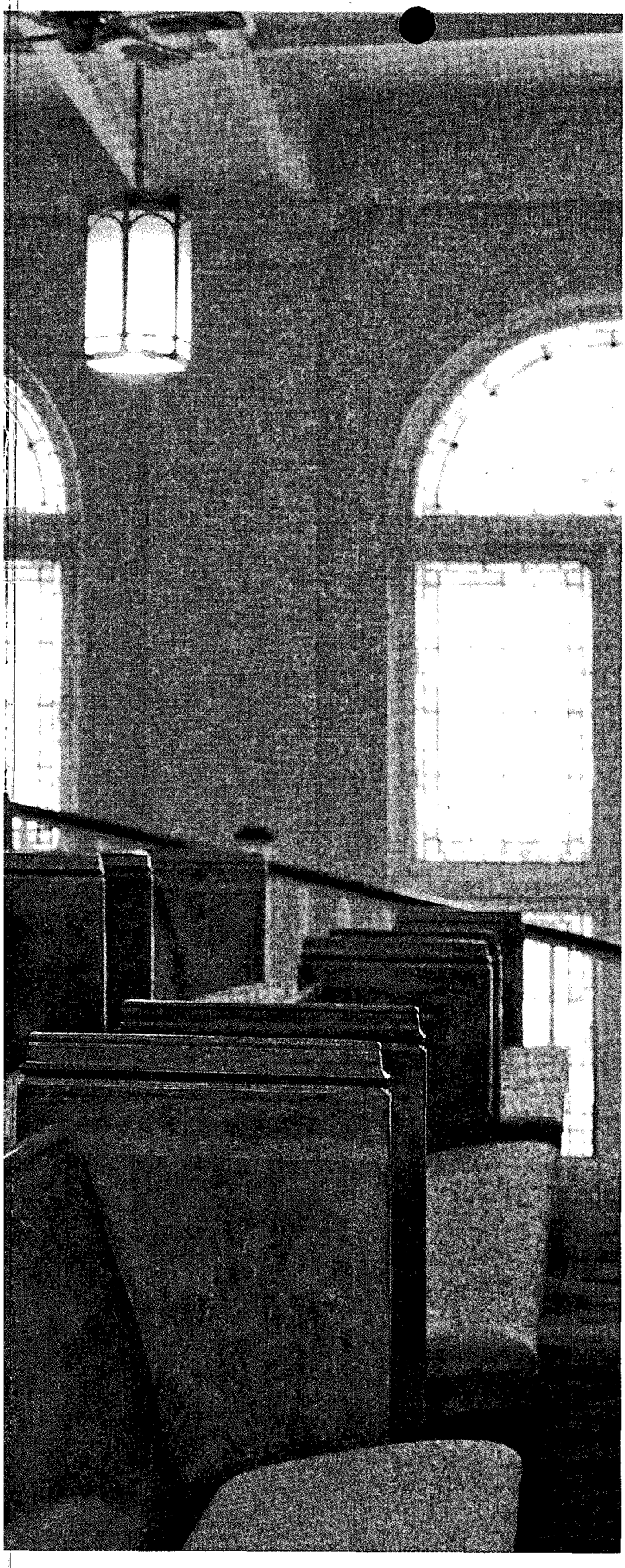
Ask Junior Achievement's **Gina Blayney** about Wells Fargo's commitment to her organization and get ready to talk a long time. More than 2,300 team members volunteered with Junior Achievement in 2010 around the nation teaching financial literacy, entrepreneurship, and workforce readiness to 46,000 students, such as **Jacob**, **Sophia**, and **Nathan**. Wells Fargo's **David Rader** is on Junior Achievement's board for the region serving Minnesota, North Dakota, and Western Wisconsin where Wells Fargo has provided the most corporate volunteers for 15 consecutive years. "Wells Fargo has been an innovative partner, providing so much more than just volunteers," said Blayney, executive director for Junior Achievement Upper Midwest. For instance, Wells Fargo donated a portion of a former banking store in Maplewood, Minnesota, that Junior Achievement converted to a BizTown site (pictured). It's a replica city where students role play the economic happenings of a real city. Other team members serve on local advisory boards and help recruit more team member volunteers. Wells Fargo also contributed to expand Junior Achievement's online financial-education curriculum. "We need to do all we can to assure children can make smart financial decisions and Wells Fargo has been an invaluable supporter to Junior Achievement."

Boosting hope

Things are looking up for a challenged Augusta, Georgia, neighborhood that's now home to **Sharna Roundtree** and her three children and the site of a new Salvation Army Kroc Community Center. Wells Fargo was instrumental to both. The Wells Fargo Housing Foundation partnered with the city, team members, and a local nonprofit to renovate a foreclosed home. Twenty-five team member volunteers then spent 181 hours alongside Roundtree cleaning and rebuilding the house. The company also rallied local support—and donated $250,000 through the Foundation—for the community center, where as many as 20 service organizations will have offices to direct families to the help they need when completed in 2011. "When a community is hurting, providing hope can take any number of forms," said Market President **Susan Hunnicutt**. "I am proud that our company continues to help individuals and support the community at large."

Homeowner Sharna Roundtree (left), with team members (from left): Joe Mitchell, Josh Linton, Ajay Singh, Susan Hunnicutt, Carol Counts, Adile Williams, Allen Farr, Kim Lewis, Arnitra Lockhart, Lynne Harris, Evita Butler





Financial lessons

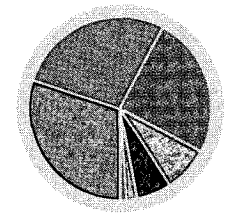
Managing your finances is tough enough without having to do it all alone. That philosophy is behind an innovative partnership to improve the lives of African Americans though financial literacy training—at church. Wells Fargo and the Citizenship Education Fund, an affiliate of the Rev. Jesse L. Jackson Sr.'s Rainbow PUSH Coalition, are teaming to teach the basics to African American clergy and parishioners, who in turn will pass the lessons along. "Education is the solution to today's financial challenges," said **Gigi Dixon**, Wells Fargo's director of national partnerships, who is based in Charlotte, North Carolina. "And we've found that sometimes the best way to approach unfamiliar financial subjects is to reach people where they are comfortable and then build on that." In its initial phases, the partnership involves 1,500 churches at six sites across the U.S., where participants use the Wells Fargo *Hands on Banking®* curriculum. Dixon said, "It's all part of our commitment to the long-term economic development of the African American community."

"Sometimes the best way to approach unfamiliar financial subjects is to reach people where they are comfortable and then build on that."

Wells Fargo contributed $219 million to 19,000 non-profits in 2010, an average of:

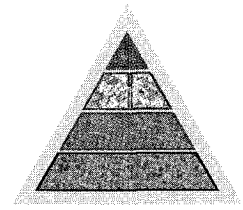
Evita Butler, Augusta, Georgia

Where we give



Education	30%
Community Development	28%
Human Services	25%
Arts and Culture	8%
Civic	6%
Environmental	2%
Other	1%

Our community commitment



- **Social capital** applying our best thinking as leaders in making communities better places to live and work
- **Team member volunteerism** encouraging and celebrating the good work team members do in their communities
- **Financial contributions** giving with purpose and focus
- **Compliance** conducting business ethically and responsibly according to legal requirements and our own standards

$55 million donated by team members during annual Community Support and United Way Campaign

1.3 million hours volunteered by team members — Average value of a volunteer hour: $20.85, equivalent to $28.1 million in time contributed

$1.24 billion* in Community Development Lending — Includes affordable housing, community service, and economic development loans

$66 million to educational organizations — $17 million in matched educational donation from team members

Environmental progress

- $6 billion in environmental financing
- Set a goal to reduce our U.S.-based greenhouse gas emissions by 20 percent below 2008 levels by 2018
- New banking stores will use about 20 percent less energy and 40 percent less water than conventional buildings of the same type

**preliminary estimate; subject to change pending March 1, 2011, regulatory filing*

Board of Directors

John D. Baker II *1, 2, 3*
Executive Chairman
Patriot Transportation Holding, Inc.
Jacksonville, Florida
(Transportation, real estate management)

John S. Chen *6*
Chairman, CEO
Sybase, Inc.
Dublin, California
(Computer software)

Lloyd H. Dean *1, 2, 3, 7*
President, CEO
Catholic Healthcare West
San Francisco, California
(Healthcare)

Susan E. Engel *3, 4, 6*
Chief Executive Officer
Portero, Inc.
New York, New York
(Online luxury retailer)

Enrique Hernandez, Jr. *1, 2, 4, 7*
Chairman, CEO
Inter-Con Security Systems, Inc.
Pasadena, California
(Security services)

Donald M. James *4, 6*
Chairman, CEO
Vulcan Materials Company
Birmingham, Alabama
(Construction materials)

Richard D. McCormick *4, 6*
Chairman Emeritus
US WEST, Inc.
Denver, Colorado
(Communications)

Mackey J. McDonald *5, 6*
Retired Chairman, CEO
VF Corporation
Greensboro, North Carolina
(Apparel manufacturer)

Cynthia H. Milligan *1, 2, 3, 5, 7*
Dean Emeritus
College of Business Administration
University of Nebraska – Lincoln, Nebraska
(Higher education)

Nicholas G. Moore *1, 3, 7*
Retired Global Chairman
PricewaterhouseCoopers
New York, New York
(Accounting)

Philip J. Quigley *1, 5, 7*
Retired Chairman, President, CEO
Pacific Telesis Group
San Francisco, California
(Telecommunications)

Judith M. Runstad *2, 3, 4*
Of Counsel
Foster Pepper PLLC
Seattle, Washington
(Law firm)

Stephen W. Sanger *5, 6, 7*
Retired Chairman
General Mills, Inc.
Minneapolis, Minnesota
(Packaged foods)

John G. Stumpf
Chairman, President, CEO
Wells Fargo & Company

Susan G. Swenson *1, 5*
President, CEO
Sage Software – North America
Irvine, California
(Business software and services supply)

Standing Committees
1. *Audit and Examination*
2. *Corporate Responsibility* *
3. *Credit*
4. *Finance*
5. *Governance and Nominating*
6. *Human Resources*
7. *Risk* *

* *Effective January 1, 2011*

Executive Officers, Corporate Staff

John G. Stumpf, Chairman, President, CEO *

Paul R. Ackerman, Treasurer

Caryl J. Athanasiu, Chief Operational Risk Officer

Patricia R. Callahan, Chief Administrative Officer *†

Jon R. Campbell, Social Responsibility

David M. Carroll, Wealth, Brokerage and Retirement Services *

Hope A. Hardison, Human Resources

Bruce E. Helsel, Corporate Development

Laurel A. Holschuh, Corporate Secretary

David A. Hoyt, Wholesale Banking *

Richard D. Levy, Controller *

Michael J. Loughlin, Chief Risk Officer *

Kevin McCabe, Chief Auditor

Avid Modjtabai, Technology and Operations *

Mark C. Oman, Home and Consumer Finance *

Kevin A. Rhein, Card Services and Consumer Lending *

Joseph J. Rice, Chief Credit Officer

James H. Rowe, Investor Relations

Eric D. Shand, Chief Loan Examiner

Timothy J. Sloan, Chief Financial Officer *†

James M. Strother, General Counsel *

Oscar Suris, Corporate Communications

Carrie L. Tolstedt, Community Banking *

Joseph R. York, Investment Portfolio

* *"Executive officers" according to Securities and Exchange Commission rules*

† *Effective February 8, 2011*

Senior Business Leaders

COMMUNITY BANKING

Group Head

Carrie L. Tolstedt

Regional Banking

Regional Presidents

Paul W. "Chip" Carlisle, Texas, Arkansas, Border Banking
- John T. Gavin, Dallas-Fort Worth
- Glenn V. Godkin, Houston
- Don C. Kendrick, Central Texas
- Suzanne M. Ramos, Border Banking
- Kenneth A. Telg, Greater Texas

Thomas W. Honig, Mountain West
- Nathan E. Christian, Colorado
- Kirk L. Kellner, Nebraska, Kansas
- Michael J. Matthews, Wyoming
- Joy N. Ott, Montana
- Dana B. Reddington, Idaho
- Richard Strutz, Alaska
- Greg A. Winegardner, Utah
- Patrick G. Yalung, Washington

Gerrit van Huisstede, Desert Mountain
- Kirk V. Clausen, Nevada
- Pamela M. Conboy, Arizona
- Donald J. Pearson, Oregon
- Lisa J. Riley, New Mexico

James O. Prunty, Great Lakes
- Mary E. Bell, Indiana, Ohio
- Frederick A. Bertoldo, Michigan, Wisconsin
- James D. Hanson, Greater Minnesota
- Scott Johnson, Iowa, Illinois
- Daniel P. Murphy, North Dakota, South Dakota

Laura A. Schulte, Eastern Region
- Shelley Freeman, Florida
  - Scott M. Coble, North Florida
  - Kathryn G. Dinkin, Southeast Florida
  - Carl A. Miller, Greater Gulf Coast
  - Frank M. Newman III, Gold Coast
  - Larisa F. Perry, Central Florida
- Darryl G. Harmon, Southeast
  - Jerome J. Byers, Atlanta
  - Michael S. Donnelly, MidSouth/ Tennessee, Alabama, Mississippi
- Ebbert E. (Pete) Jones, Jr., Mid-Atlantic
  - Andrew M. Bertamini, Baltimore
  - Timothy A. Butturini, Greater Virginia
  - Michael L. Golden, Greater Washington, D.C.
  - Deborah E. O'Donnell, Western Virginia
- Stanhope A. Kelly, Carolinas
  - Kendall K. Alley, Charlotte
  - Jack O. Clayton, Triangle/Eastern North Carolina
  - Leslie L. Hayes, Western/Triad North Carolina
  - Forrest R. (Rick) Redden, South Carolina
- Michelle Y. Lee, Northeast
  - Lucia D. Gibbons, Northern New Jersey
  - Joseph F. Kirk, New York, Connecticut
  - Brenda K. Ross-Dulan, Southern New Jersey
  - Hugh C. Long II, Penn-Del
  - Vincent J. Liuzzi III, Greater Philadelphia, Delaware
  - Gregory S. Redden, Greater Pennsylvania

Lisa J. Stevens, California
- Michael F. Billeci, San Francisco Bay Area
- Felix S. Fernandez, Northern California
- James W. Foley, Greater San Francisco Bay Area
- David A. Galasso, Central California
- Robert W. Myers, Orange County
- John K. Sotoodeh, Los Angeles Metro
- Kim M. Young, Southern California

Diversified Products Group

Michael R. James
- Marc L. Bernstein, Small Business Segment and Business Direct Lending
- Jerry G. Bowen, Auto Dealer Commercial Services
- Kevin Moss, Home Equity Lending
- David J. Rader, SBA Lending
- Todd A. Reimringer, Business Payroll Services
- Debra B. Rossi, Merchant Payment Solutions
- Thomas A. Wolfe, Wells Fargo Dealer Services
- Robert D. Worth, Business Banking Support Group
- Kenneth A. Zimmerman, Consumer and Small Business Deposits

Internet Services Group

James P. Smith

Customer Connection

Diana L. Starcher

HOME AND CONSUMER FINANCE

Group Head

Mark C. Oman

Wells Fargo Home Mortgage

Michael J. Heid
- John P. Gibbons, Capital Markets

Cara K. Heiden
- Franklin R. Codel, National Retail Sales/ Fulfillment Services
- Mary C. Coffin, Mortgage Servicing/ Post Closing
- Joe F. Jackson, Wells Fargo Ventures
- Eric P. Stoddard, Correspondent Lending
- Kathleen L. Vaughan, Wholesale Lending

CARD SERVICES AND CONSUMER LENDING

Group Head

Kevin A. Rhein
- Daniel I. Ayala, Global Remittance Services
- R. Kirk Bare, Education Financial Services
- Robert A. Hurzeler, Auto Finance
- Edward M. Kadletz, Consumer and Business Debit Card/Prepaid Products
- Michael R. McCoy, Consumer Credit Card
- Robert A. Ryan, Wells Fargo Rewards and Enhancement Services
- R. Brent Vallat, Personal Credit Management

WEALTH, BROKERAGE AND RETIREMENT

Group Head

David M. Carroll
- Christine A. Deakin, Business Services
- Daniel J. Ludeman, Wells Fargo Advisors
- Clyde W. Ostler, Family Wealth
- John M. Papadopulos, Retirement
- Jay S. Welker, Wealth Management

WHOLESALE BANKING

Group Head

David A. Hoyt

Asset Management Group

Michael J. Niedermeyer
- Robert W. Bissell, Wells Capital Management, Inc.
- Thomas K. Hoops, Affiliated Managers
- Karla M. Rabusch, Wells Fargo Funds Management, LLC

Commercial Banking

Petros G. Pelos
- Carlos Evans, Eastern Commercial Banking

Commercial Real Estate

A. Larry Chapman
- Charles H. "Chip" Fedalen, Real Estate Banking Group
- Christopher J. Jordan, Hospitality Finance Group
- Robin W. Michel, Middle Market Real Estate Group
- Stephen F. St. Thomas, Real Estate Capital Investments Group

Corporate Banking Group

J. Michael Johnson
- J. Nicholas Cole, Wells Fargo Restaurant Finance
- James D. Heinz, U.S. Corporate Banking
- Kyle G. Hranicky, Energy Group
- John R. Hukari, Equity Funds Group
- Jay J. Kornmayer, Gaming Division
- David B. Marks, Credit and Risk Management
- Brian J. Van Elslander, Financial Sponsors Group
- Daniel P. Weiler, Financial Institutions Group; Power and Utilities Group

Insurance Services Group

David J. Zuercher
- Neal R. Aton, Wells Fargo Insurance Services USA, Inc. and Wells Fargo Insurance, Inc.
- Michael P. Day, Rural Community Insurance Services, Inc.

International Group

Richard J.L. Yorke
- Peter P. Connolly, Global Transaction Banking
- Sanjiv S. Sanghvi, Global Banking Group
- Charles H. Silverman, Global Financial Institutions

Special Situations Group

Mark L. Myers

Specialized Lending, Servicing and Trust

J. Edward Blakey
- Brian Bartlett, Corporate Trust Services
- Joseph R. Becquer, Commercial Mortgage Servicing
- Julie Caperton, Asset Backed Finance
- Adam Davis, Real Estate Capital Markets
- Lesley A. Eckstein, Community Lending and Investment
- John M. McQueen, Wells Fargo Equipment Finance, Inc.
- Alan Wiener, Multi-family Housing

Wells Fargo Capital Finance

Henry K. Jordan
- Scott R. Diehl, Corporate Finance
- William J. Mayer, Commercial and Retail Finance

Wells Fargo Securities

John R. Shrewsberry
- Christopher Bartlett, Equity Sales and Trading
- Walter Dolhare and Tim Mullins, Fixed Income Sales and Trading
- Robert Engel and Jonathan Weiss, Investment Banking and Capital Markets
- Benjamin V. Lambert, Eastdil Secured, LLC
- Diane Schumaker-Krieg, Research and Economics
- Phil D. Smith, Government and Institutional Banking
- George Wick, Principal Investments

Wholesale Credit and Risk Management

David J. Weber
- Michael P. Sadilek, Workout

Wholesale Services

Stephen M. Ellis
- Deborah M. Ball, Wholesale Internet Services
- Michael J. Kennedy, Payment Strategies
- Daniel C. Peltz, Treasury Management Group

CORPORATE FINANCE

Group Head

Timothy J. Sloan

Norwest Equity Partners

John E. Lindahl, Managing Partner

Norwest Venture Partners

Promod Haque, Managing Partner

Corporate Properties

Donald E. Dana

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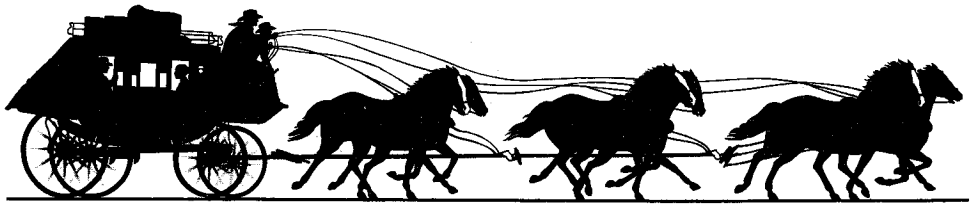
Together we'll go far



This Annual Report, including the Financial Review and the Financial Statements and related Notes, contains forward-looking statements, which may include forecasts of our financial results and condition, expectations for our operations and business, and our assumptions for those forecasts and expectations. Do not unduly rely on forward-looking statements. Actual results may differ materially from our forward-looking statements due to several factors. Some of these factors are described in the Financial Review and in the Financial Statements and related Notes. For a discussion of other factors, refer to the "Forward-Looking Statements" and "Risk Factors" sections in this Report and the "Regulation and Supervision" section of our Annual Report on Form 10-K for the year ended December 31, 2010 (2010 Form 10-K).

See the Glossary of Acronyms at the end of this Report for terms used throughout this Report.

Financial Review

Overview

Wells Fargo & Company is a $1.3 trillion diversified financial services company providing banking, insurance, trust and investments, mortgage banking, investment banking, retail banking, brokerage and consumer finance through banking stores, the internet and other distribution channels to individuals, businesses and institutions in all 50 states, the District of Columbia (D.C.) and in other countries. We ranked fourth in assets and second in the market value of our common stock among our large bank peers at December 31, 2010. When we refer to "Wells Fargo," "the Company," "we," "our" or "us" in this Report, we mean Wells Fargo & Company and Subsidiaries (consolidated). When we refer to the "Parent," we mean Wells Fargo & Company. When we refer to "legacy Wells Fargo," we mean Wells Fargo excluding Wachovia Corporation (Wachovia).

Our vision is to satisfy all our customers' financial needs, help them succeed financially, be recognized as the premier financial services company in our markets and be one of America's great companies. Our primary strategy to achieve this vision is to increase the number of products our customers buy from us and to offer them all of the financial products that fulfill their needs. Our cross-sell strategy, diversified business model and the breadth of our geographic reach facilitate growth in both strong and weak economic cycles, as we can grow by expanding the number of products our current customers have with us, gain new customers in our extended markets, and increase market share in many businesses. We continued to earn more of our customers' business in 2010 in both our retail and commercial banking businesses and in our equally customer-centric securities brokerage and investment banking businesses.

Reflecting solid growth in a variety of businesses, Wells Fargo net income was a record $12.4 billion in 2010. Diluted earnings per common share were $2.21. Pre-tax pre-provision profit (PTPP) was $34.8 billion in 2010, which covered almost 2.0 times annual net charge-offs. PTPP is total revenue less noninterest expense. Management believes that PTPP is a useful financial measure because it enables investors and others to assess the Company's ability to generate capital to cover credit losses through a credit cycle.

Our combined company retail bank household cross-sell, reported for the first time in December 2010, was 5.70 products per household, up from 5.47 a year ago. Cross-sell for the combined company, which is lower than legacy Wells Fargo stand-alone cross-sell, indicates the opportunity to earn more business from our Wachovia customers. The cross-sell for customers in the West was 6.14 products, compared with 5.11 for customers in the East. Our goal is eight products per customer, which is approximately half of our estimate of potential demand for an average U.S. household. One of every four of our retail banking households has eight or more products. Business banking cross-sell offers another potential opportunity for growth, with cross-sell of 4.04 products in our Western footprint (including legacy Wells Fargo and converted Wachovia customers).

Wells Fargo remained one of the largest providers of credit to the U.S. economy. We continued to lend to creditworthy customers and, during 2010, made $665 billion in new loan commitments to consumer, small business and commercial customers, including $386 billion of residential mortgage originations. We are an industry leader in loan modifications for homeowners. As of December 31, 2010, more than 620,000 Wells Fargo mortgage customers were in active trial or had completed the loan modifications since the beginning of 2009. We also continued to support our communities by making a $400 million charitable contribution to the Wells Fargo Foundation in 2010, covering three years of estimated future funding.

Our core deposits grew 2% from December 31, 2009. Average core deposits funded 100% of total average loans in 2010, up from 93% in 2009. We continue to attract high quality core deposits in the form of checking and savings deposits, which grew 6% to $720.9 billion at December 31, 2010, from $679.9 billion a year ago, as we continued to gain new customers and deepen our relationships with existing customers.

On December 31, 2008, Wells Fargo acquired Wachovia, one of the nation's largest diversified financial services companies. Wachovia's assets and liabilities were included in the December 31, 2008, consolidated balance sheet at their respective fair values on the acquisition date. Because the acquisition was completed on December 31, 2008, Wachovia's results of operations were not included in our 2008 income statement. Beginning in 2009, our consolidated results and associated financial information, as well as our consolidated average balances, include Wachovia.

We are beginning our third year of the Wachovia integration, which we expect to substantially complete by the end of 2011.

Our progress to date remains on track and on schedule, with business and revenue synergies exceeding our expectations at the time the merger was announced. The Wachovia merger has already proven to be a financial success, with substantially all of the expected savings already realized and growing revenue synergies reflecting market share gains in many businesses, including mortgage, auto dealer services and investment banking.

We continued to invest in core businesses while maintaining a strong balance sheet. In 2010, we opened 47 retail banking stores for a retail network total of 6,314 stores. We converted a total of 749 Wachovia banking stores in Alabama, Arizona, California, Georgia, Illinois, Kansas, Mississippi, Nevada, Tennessee and Texas, as well as the Wachovia credit card business and ATM network. The conversion of the remaining Wachovia eastern markets is expected to be substantially completed by the end of 2011.

We continued taking actions to further strengthen our balance sheet, including reducing our non-strategic and liquidating loan portfolios, which have declined $54.6 billion since the Wachovia acquisition, including $26.3 billion in 2010, to $115.7 billion at December 31, 2010. We significantly built capital in 2010, up $12.9 billion, or 12%, from a year ago. Our capital growth since our merger with Wachovia has been driven by record retained earnings and other sources of internal capital generation, as well as three common stock offerings between October 2008 and December 2009 totaling over $33 billion. This included the $12.2 billion offering in fourth quarter 2009, which allowed us to repay in full the U.S. Treasury's Troubled Asset Relief Program (TARP) preferred stock investment. We substantially increased the size of the Company with the Wachovia merger, and experienced cyclically elevated credit costs. However, our capital ratios at December 31, 2010, were higher than they were prior to the Wachovia acquisition. Tier 1 common equity increased to $81.3 billion at December 31, 2010, or 8.30% of risk-weighted assets. The Tier 1 capital ratio increased to 11.16% and Tier 1 leverage ratio increased to 9.19%. See the "Capital Management" section in this Report for more information regarding Tier 1 common equity.

We experienced continued and significant improvement in our credit portfolio, with most metrics showing positive movement by the end of 2010. Net charge-offs declined in 2010 from the peak in fourth quarter 2009, with almost every major loan category recording lower charge-offs by the end of 2010. Delinquencies continued to decline from the peak at the end of 2009 and, in the fourth quarter 2010, nonaccrual loans declined for the first time since the Wachovia merger. The improvement in credit quality was also evident in the portfolio of purchased credit-impaired (PCI) loans acquired through the Wachovia merger, which overall has performed better than originally expected. Reflecting improved performance in our loan portfolios, the provision for credit losses was $2.0 billion less than net charge-offs for 2010. Absent significant deterioration in the economy, we expect future reductions in the allowance for credit losses. The improvement in losses, a more favorable economic outlook and improved credit statistics in several portfolios further increase our confidence that our credit cycle is turning, provided economic conditions do not deteriorate.

We believe it is important to maintain a well controlled operating environment as we complete the integration of the Wachovia businesses and grow the combined company. We manage our credit risk by establishing what we believe are sound credit policies for underwriting new business, while monitoring and reviewing the performance of our loan portfolio. We manage the interest rate and market risks inherent in our asset and liability balances within established ranges, while ensuring adequate liquidity and funding. We maintain strong capital levels to facilitate future growth.

As a result of PCI accounting for loans acquired in the merger with Wachovia, ratios of the Company, including the growth rate in nonperforming assets (NPAs) since December 31, 2008, may not be directly comparable with periods prior to the merger or with credit-related ratios of other financial institutions. In particular:

- Wachovia's high risk loans were written down pursuant to PCI accounting at the time of merger. Therefore, the allowance for credit losses is lower than otherwise would have been required without PCI loan accounting; and
- Because we virtually eliminated Wachovia's nonaccrual loans at December 31, 2008, quarterly growth in our nonaccrual loans during 2010 and 2009 was higher than it would have been without PCI loan accounting. Similarly, our net charge-offs rate was lower than it otherwise would have been.

Table 1: Six-Year Summary of Selected Financial Data

(in millions, except per share amounts)		2010	2009	2008	2007	2006	2005	% Change 2010/ 2009	Five-year compound growth rate
Income statement									
Net interest income	$	**44,757**	46,324	25,143	20,974	19,951	18,504	**(3)** %	**19**
Noninterest income		**40,453**	42,362	16,734	18,546	15,817	14,591	**(5)**	**23**
Revenue		**85,210**	88,686	41,877	39,520	35,768	33,095	**(4)**	**21**
Provision for credit losses		**15,753**	21,668	15,979	4,939	2,204	2,383	**(27)**	**46**
Noninterest expense		**50,456**	49,020	22,598	22,746	20,767	18,943	**3**	**22**
Net income before noncontrolling interests		**12,663**	12,667	2,698	8,265	8,567	7,892	**-**	**10**
Less: Net income from noncontrolling interests		**301**	392	43	208	147	221	**(23)**	**6**
Wells Fargo net income		**12,362**	12,275	2,655	8,057	8,420	7,671	**1**	**10**
Earnings per common share		**2.23**	1.76	0.70	2.41	2.50	2.27	**27**	**-**
Diluted earnings per common share		**2.21**	1.75	0.70	2.38	2.47	2.25	**26**	**-**
Dividends declared per common share		**0.20**	0.49	1.30	1.18	1.08	1.00	**(59)**	**(28)**
Balance sheet (at year end)									
Securities available for sale	$	**172,654**	172,710	151,569	72,951	42,629	41,834	**-** %	**33**
Loans		**757,267**	782,770	864,830	382,195	319,116	310,837	**(3)**	**19**
Allowance for loan losses		**23,022**	24,516	21,013	5,307	3,764	3,871	**(6)**	**43**
Goodwill		**24,770**	24,812	22,627	13,106	11,275	10,787	**-**	**18**
Assets		**1,258,128**	1,243,646	1,309,639	575,442	481,996	481,741	**1**	**21**
Core deposits (1)		**798,192**	780,737	745,432	311,731	288,068	253,341	**2**	**26**
Long-term debt		**156,983**	203,861	267,158	99,393	87,145	79,668	**(23)**	**15**
Wells Fargo stockholders' equity		**126,408**	111,786	99,084	47,628	45,814	40,660	**13**	**25**
Noncontrolling interests		**1,481**	2,573	3,232	286	254	239	**(42)**	**44**
Total equity		**127,889**	114,359	102,316	47,914	46,068	40,899	**12**	**26**

(1) Core deposits are noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits (Eurodollar sweep balances).

Table 2: Ratios and Per Common Share Data

	Year ended December 31,		
	2010	2009	2008
Profitability ratios			
Wells Fargo net income to average assets (ROA)	**1.01 %**	0.97	0.44
Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders' equity (ROE)	**10.33**	9.88	4.79
Efficiency ratio (1)	**59.2**	55.3	54.0
Capital ratios			
At year end:			
Wells Fargo common stockholders' equity to assets	**9.41**	8.34	5.21
Total equity to assets	**10.16**	9.20	7.81
Risk-based capital (2)			
Tier 1 capital	**11.16**	9.25	7.84
Total capital	**15.01**	13.26	11.83
Tier 1 leverage (2)(3)	**9.19**	7.87	14.52
Tier 1 common equity (4)	**8.30**	6.46	3.13
Average balances:			
Average Wells Fargo common stockholders' equity to average assets	**9.17**	6.41	8.18
Average total equity to average assets	**9.96**	9.34	8.89
Per common share data			
Dividend payout (5)	**9.0**	27.9	185.4
Book value	**$ 22.49**	20.03	16.15
Market price (6)			
High	**34.25**	31.53	44.68
Low	**23.02**	7.80	19.89
Year end	**30.99**	26.99	29.48

(1) The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).
(2) See Note 25 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.
(3) Due to the Wachovia transaction that closed on December 31, 2008, the Tier 1 leverage ratio, which considers period-end Tier 1 capital and quarterly averages in the computation of the ratio, does not reflect average assets of Wachovia for the full period ended December 31, 2008.
(4) See the "Capital Management" section in this Report for additional information.
(5) Dividends declared per common share as a percentage of earnings per common share.
(6) Based on daily prices reported on the New York Stock Exchange Composite Transaction Reporting System.

Earnings Performance

Net income for 2010 was $12.4 billion ($2.21 diluted per share) with $11.6 billion applicable to common stock, compared with net income of $12.3 billion ($1.75 diluted per share) with $8.0 billion applicable to common stock for 2009. Preferred stock dividends and accretion of preferred stock discount included $3.5 billion in 2009 for Series D preferred stock issued to the U.S. Treasury Department in 2008, which reduced 2009 diluted earnings by $0.76 per share. These preferred shares were redeemed December 23, 2009, when we repaid the U.S. Treasury Department's TARP preferred stock investment.

Our 2010 earnings were influenced by a slow recovery from the recession that dominated 2009 and most of 2008 and by a continuation of a low rate environment. These economic conditions caused declining loan demand, solid deposit generation and continued elevated credit losses. Earnings for 2009 were influenced by the worsening of the recession that began in 2008, and low market rates. Both 2010 and 2009 were affected by merger integration costs.

Revenue, the sum of net interest income and noninterest income, was $85.2 billion in 2010 compared with $88.7 billion in 2009 and $41.9 billion in 2008. In 2010, net interest income of $44.8 billion represented 53% of revenue, compared with $46.3 billion (52%) in 2009 and $25.1 billion (60%) in 2008.

Noninterest income was relatively stable in 2010 at $40.5 billion, representing 47% of revenue, compared with $42.4 billion (48%) in 2009 and $16.7 billion (40%) in 2008. The increase in 2009 to 48% from 40% in 2008 was primarily due to a higher percentage of trust and investment fees (11% in 2009, up from 7% in 2008) and very strong mortgage banking results (14% in 2009, up from 6% in 2008, predominantly from legacy Wells Fargo).

Noninterest expense was $50.5 billion in 2010, compared with $49.0 billion in 2009 and $22.6 billion in 2008. Noninterest expense as a percentage of revenue was 59% in 2010, 55% in 2009 and 54% in 2008. Noninterest expense for 2010 included $1.9 billion of Wachovia merger-related integration expense compared with $895 million in 2009.

Table 3 presents the components of revenue and noninterest expense as a percentage of revenue for year-over-year results.

Table 3: Net Interest Income, Noninterest Income and Noninterest Expense as a Percentage of Revenue

(in millions)	2010	% of revenue	2009	% of revenue	2008	% of revenue
	Year ended December 31,					
Interest income						
Trading assets	**$ 1,121**	**1 %**	$ 944	1 %	$ 189	- %
Securities available for sale	**10,236**	**12**	11,941	13	5,577	13
Mortgages held for sale (MHFS)	**1,736**	**2**	1,930	2	1,573	4
Loans held for sale (LHFS)	**101**	**-**	183	-	48	-
Loans	**39,808**	**47**	41,659	47	27,651	66
Other interest income	**437**	**1**	336	-	181	-
Total interest income	**53,439**	**63**	56,993	64	35,219	84
Interest expense						
Deposits	**2,832**	**3**	3,774	4	4,521	11
Short-term borrowings	**106**	**-**	231	-	1,478	4
Long-term debt	**4,888**	**6**	5,786	7	3,789	9
Other interest expense	**227**	**-**	172	-	-	-
Total interest expense	**8,053**	**9**	9,963	11	9,788	23
Net interest income (on a taxable-equivalent basis)	**45,386**	**53**	47,030	53	25,431	61
Taxable-equivalent adjustment	**(629)**	**(1)**	(706)	(1)	(288)	(1)
Net interest income	**44,757**	**53**	46,324	52	25,143	60
Noninterest income						
Service charges on deposit accounts	**4,916**	**6**	5,741	6	3,190	8
Trust and investment fees (1)	**10,934**	**13**	9,735	11	2,924	7
Card fees	**3,652**	**4**	3,683	4	2,336	6
Other fees (1)	**3,990**	**5**	3,804	4	2,097	5
Mortgage banking (1)	**9,737**	**11**	12,028	14	2,525	6
Insurance	**2,126**	**2**	2,126	2	1,830	4
Net gains from trading activities	**1,648**	**2**	2,674	3	275	1
Net gains (losses) on debt securities available for sale	**(324)**	**-**	(127)	-	1,037	2
Net gains (losses) from equity investments	**779**	**1**	185	-	(757)	(2)
Operating leases	**815**	**1**	685	1	427	1
Other	**2,180**	**3**	1,828	2	850	2
Total noninterest income	**40,453**	**47**	42,362	48	16,734	40
Noninterest expense						
Salaries	**13,869**	**16**	13,757	16	8,260	20
Commission and incentive compensation	**8,692**	**10**	8,021	9	2,676	6
Employee benefits	**4,651**	**5**	4,689	5	2,004	5
Equipment	**2,636**	**3**	2,506	3	1,357	3
Net occupancy	**3,030**	**4**	3,127	4	1,619	4
Core deposit and other intangibles	**2,199**	**3**	2,577	3	186	-
FDIC and other deposit assessments	**1,197**	**1**	1,849	2	120	-
Other (2)	**14,182**	**17**	12,494	14	6,376	15
Total noninterest expense	**50,456**	**59**	49,020	55	22,598	54
Revenue	**$ 85,210**		$ 88,686		$ 41,877	

(1) See Table 7 – Noninterest Income in this Report for additional detail.
(2) See Table 8 – Noninterest Expense in this Report for additional detail.

Earnings Performance *(continued)*

Net Interest Income

Net interest income is the interest earned on debt securities, loans (including yield-related loan fees) and other interest-earning assets minus the interest paid for deposits, short-term borrowings and long-term debt. The net interest margin is the average yield on earning assets minus the average interest rate paid for deposits and our other sources of funding. Net interest income and the net interest margin are presented on a taxable-equivalent basis in Table 5 to consistently reflect income from taxable and tax-exempt loans and securities based on a 35% federal statutory tax rate.

Net interest income on a taxable-equivalent basis was $45.4 billion in 2010, compared with $47.0 billion in 2009, and $25.4 billion in 2008. The net interest margin was 4.26% in 2010, down 2 basis points from 4.28% in 2009 and 2009 was down 55 basis points from 4.83% in 2008. During 2010, net interest income was affected by prepayments of higher yielding mortgage-backed securities, relatively soft commercial loan demand, and planned runoff of liquidating loan portfolios. The impact of these factors was mitigated by disciplined deposit pricing and reduced market funding costs. For 2009, changes in net interest income from 2008 were primarily due to the impact of acquiring Wachovia. Although the addition of Wachovia increased earning assets and net interest income, it decreased the net interest margin because Wachovia's net interest margin was lower than that of legacy Wells Fargo.

Table 4 presents the components of earning assets and funding sources as a percentage of earning assets to provide a more meaningful analysis of year-over-year changes that influenced net interest income.

The mix of earning assets and their yields are important drivers of net interest income. During 2010, there were slight shifts in our earning asset mix from loans and investments to more liquid assets. Although total loans increased during fourth quarter 2010, the soft loan demand earlier in 2010 and in 2009, as well as the impact of liquidating certain loan portfolios, reduced average loans in 2010 to 72% of average earning assets from 75% for 2009 and from 76% in 2008. Also, average mortgage-backed securities (MBS) dropped to 10% in 2010 from 12% in 2009 and 13% in 2008. Average short-term investments and trading account assets increased to 9% in 2010 from 4% in 2009 and 2% in 2008.

Average interest-bearing deposits increased to 59% of average earning assets for 2010, from 58% for 2009 and 51% for 2008. Average short-term borrowings decreased to 4% of average earning assets from 5% for 2009 and 13% for 2008. Average interest-bearing deposits increased as a percentage of funding for earning assets in 2010, yet the cost of deposits declined significantly as the mix shifted from higher cost certificates of deposit to checking and savings products, which were at lower yields in 2010 due to the prolonged low interest rate environment. Core deposits are a low-cost source of funding and thus an important contributor to growth in net interest income and the net interest margin. Core deposits include noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits (Eurodollar sweep balances). Average core deposits rose to $772.0 billion in 2010 from $762.5 billion in 2009 and funded 100% and 93% of average loans, respectively. In 2008, core deposits of legacy Wells Fargo funded 82% of average loans. About 90% of our core deposits are now in checking and savings deposits, one of the highest percentages in the industry.

Table 5 presents the individual components of net interest income and the net interest margin. The effect on interest income and costs of earning asset and funding mix changes described above, combined with rate changes during 2010, are analyzed in Table 6.

Table 4: Average Earning Assets and Funding Sources as a Percentage of Average Earning Assets

(in millions)	Year ended December 31, 2010 Average balance	2010 % of earning assets	2009 Average balance	2009 % of earning assets
Earning assets				
Federal funds sold, securities purchased under resale agreements and other short-term investments	$ 62,961	6 %	$ 26,869	2 %
Trading assets	29,920	3	21,092	2
Debt securities available for sale:				
Securities of U.S. Treasury and federal agencies	1,926	-	2,480	-
Securities of U.S. states and political subdivisions	16,392	2	12,702	1
Mortgage-backed securities:				
Federal agencies	75,875	7	87,197	8
Residential and commercial	33,191	3	41,618	4
Total mortgage-backed securities	109,066	10	128,815	12
Other debt securities (1)	34,752	3	32,011	3
Total debt securities available for sale (1)	162,136	15	176,008	16
Mortgages held for sale (2)	36,716	3	37,416	3
Loans held for sale (2)	3,773	-	6,293	1
Loans:				
Commercial:				
Commercial and industrial	149,576	14	180,924	16
Real estate mortgage	98,497	9	96,273	9
Real estate construction	31,286	3	40,885	4
Lease financing	13,451	1	14,751	1
Foreign	29,726	3	30,661	3
Total commercial	322,536	30	363,494	33
Consumer:				
Real estate 1-4 family first mortgage	235,568	22	238,359	22
Real estate 1-4 family junior lien mortgage	101,537	10	106,957	10
Credit card	22,375	2	23,357	2
Other revolving credit and installment	88,585	8	90,666	8
Total consumer	448,065	42	459,339	42
Total loans (2)	770,601	72	822,833	75
Other	5,849	1	6,113	1
Total earning assets	$ 1,071,956	100 %	$ 1,096,624	100 %
Funding sources				
Deposits:				
Interest-bearing checking	$ 60,941	6 %	$ 70,179	6 %
Market rate and other savings	416,877	39	351,892	32
Savings certificates	87,133	8	140,197	13
Other time deposits	14,654	1	20,459	2
Deposits in foreign offices	55,097	5	53,166	5
Total interest-bearing deposits	634,702	59	635,893	58
Short-term borrowings	46,824	4	51,972	5
Long-term debt	185,426	18	231,801	21
Other liabilities	6,863	1	4,904	-
Total interest-bearing liabilities	873,815	82	924,570	84
Portion of noninterest-bearing funding sources	198,141	18	172,054	16
Total funding sources	$ 1,071,956	100 %	$ 1,096,624	100 %
Noninterest-earning assets				
Cash and due from banks	$ 17,618		19,218	
Goodwill	24,824		23,997	
Other	112,540		122,515	
Total noninterest-earning assets	$ 154,982		165,730	
Noninterest-bearing funding sources				
Deposits	$ 183,008		171,712	
Other liabilities	47,877		48,193	
Total equity	122,238		117,879	
Noninterest-bearing funding sources used to fund earning assets	(198,141)		(172,054)	
Net noninterest-bearing funding sources	$ 154,982		165,730	
Total assets	$ 1,226,938		1,262,354	

(1) Includes certain preferred securities.

(2) Nonaccrual loans are included in their respective loan categories.

Table 5: Average Balances, Yields and Rates Paid (Taxable-Equivalent Basis) (1)(2)(3)

(in millions)	2010 Average balance	2010 Yields/ rates	2010 Interest income/ expense	2009 Average balance	2009 Yields/ rates	2009 Interest income/ expense
Earning assets						
Federal funds sold, securities purchased under resale agreements and other short-term investments	$ 62,961	0.36 %	$ 230	26,869	0.56 %	$ 150
Trading assets	29,920	3.75	1,121	21,092	4.48	944
Debt securities available for sale (4):						
Securities of U.S. Treasury and federal agencies	1,926	3.24	61	2,480	2.83	69
Securities of U.S. states and political subdivisions	16,392	6.09	980	12,702	6.42	840
Mortgage-backed securities:						
Federal agencies	75,875	5.14	3,697	87,197	5.45	4,591
Residential and commercial	33,191	10.67	3,396	41,618	9.09	4,150
Total mortgage-backed securities	109,066	6.84	7,093	128,815	6.73	8,741
Other debt securities (5)	34,752	6.45	2,102	32,011	7.16	2,291
Total debt securities available for sale (5)	162,136	6.63	10,236	176,008	6.73	11,941
Mortgages held for sale (6)	36,716	4.73	1,736	37,416	5.16	1,930
Loans held for sale (6)	3,773	2.67	101	6,293	2.90	183
Loans:						
Commercial:						
Commercial and industrial	149,576	4.80	7,186	180,924	4.22	7,643
Real estate mortgage	98,497	3.89	3,836	96,273	3.50	3,365
Real estate construction	31,286	3.36	1,051	40,885	2.91	1,190
Lease financing	13,451	9.21	1,239	14,751	9.32	1,375
Foreign	29,726	3.49	1,037	30,661	3.95	1,212
Total commercial	322,536	4.45	14,349	363,494	4.07	14,785
Consumer:						
Real estate 1-4 family first mortgage	235,568	5.18	12,206	238,359	5.45	12,992
Real estate 1-4 family junior lien mortgage	101,537	4.45	4,519	106,957	4.76	5,089
Credit card	22,375	13.35	2,987	23,357	12.16	2,841
Other revolving credit and installment	88,585	6.49	5,747	90,666	6.56	5,952
Total consumer	448,065	5.68	25,459	459,339	5.85	26,874
Total loans (6)	770,601	5.17	39,808	822,833	5.06	41,659
Other	5,849	3.56	207	6,113	3.05	186
Total earning assets	$ 1,071,956	5.02 %	$ 53,439	1,096,624	5.19 %	$ 56,993
Funding sources						
Deposits:						
Interest-bearing checking	$ 60,941	0.12 %	$ 72	70,179	0.14 %	$ 100
Market rate and other savings	416,877	0.26	1,088	351,892	0.39	1,375
Savings certificates	87,133	1.43	1,247	140,197	1.24	1,738
Other time deposits	14,654	2.07	302	20,459	2.03	415
Deposits in foreign offices	55,097	0.22	123	53,166	0.27	146
Total interest-bearing deposits	634,702	0.45	2,832	635,893	0.59	3,774
Short-term borrowings	46,824	0.22	106	51,972	0.44	231
Long-term debt	185,426	2.64	4,888	231,801	2.50	5,786
Other liabilities	6,863	3.31	227	4,904	3.50	172
Total interest-bearing liabilities	873,815	0.92	8,053	924,570	1.08	9,963
Portion of noninterest-bearing funding sources	198,141	-	-	172,054	-	-
Total funding sources	$ 1,071,956	0.76	8,053	1,096,624	0.91	9,963
Net interest margin and net interest income on a taxable-equivalent basis (7)		4.26 %	$ 45,386		4.28 %	$ 47,030
Noninterest-earning assets						
Cash and due from banks	$ 17,618			19,218		
Goodwill	24,824			23,997		
Other (8)	112,540			122,515		
Total noninterest-earning assets	$ 154,982			165,730		
Noninterest-bearing funding sources						
Deposits	$ 183,008			171,712		
Other liabilities	47,877			48,193		
Total equity	122,238			117,879		
Noninterest-bearing funding sources used to fund earning assets	(198,141)			(172,054)		
Net noninterest-bearing funding sources	$ 154,982			165,730		
Total assets	$ 1,226,938			1,262,354		

(1) Because the Wachovia acquisition was completed at the end of 2008, Wachovia's assets and liabilities are included in average balances, and Wachovia's results are reflected in interest income/expense beginning in 2009.
(2) Our average prime rate was 3.25%, 3.25%, 5.09%, 8.05%, and 7.96% for 2010, 2009, 2008, 2007, and 2006, respectively. The average three-month London Interbank Offered Rate (LIBOR) was 0.34%, 0.69%, 2.93%, 5.30%, and 5.20% for the same years, respectively.
(3) Interest rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.
(4) Yields and rates are based on interest income/expense amounts for the period, annualized based on the accrual basis for the respective accounts. The average balance amounts include the effects of any unrealized gain or loss marks but those marks carried in other comprehensive income are not included in yield determination of affected earning assets. Thus yields are based on amortized cost balances computed on a settlement date basis.

	2008			2007			2006		
	Average balance	Yields/ rates	Interest income/ expense	Average balance	Yields/ rates	Interest income/ expense	Average balance	Yields/ rates	Interest income/ expense
$	5,293	1.71 %	$ 90	4,468	4.99 %	$ 223	5,515	4.80 %	$ 265
	4,971	3.80	189	4,291	4.37	188	4,958	4.95	245
	1,083	3.84	41	848	4.26	36	875	4.36	39
	6,918	6.83	501	4,740	7.37	342	3,192	7.98	245
	44,777	5.97	2,623	38,592	6.10	2,328	36,691	6.04	2,206
	20,749	6.04	1,412	6,548	6.12	399	6,640	6.57	430
	65,526	5.99	4,035	45,140	6.10	2,727	43,331	6.12	2,636
	12,818	7.17	1,000	6,295	7.52	477	6,204	7.10	439
	86,345	6.22	5,577	57,023	6.34	3,582	53,602	6.31	3,359
	25,656	6.13	1,573	33,066	6.50	2,150	42,855	6.41	2,746
	837	5.69	48	896	7.76	70	630	7.40	47
	98,620	6.12	6,034	77,965	8.17	6,367	65,720	8.13	5,340
	41,659	5.80	2,416	32,722	7.38	2,414	29,344	7.32	2,148
	19,453	5.08	988	16,934	7.80	1,321	14,810	7.94	1,175
	7,141	5.62	401	5,921	5.84	346	5,437	5.72	311
	7,127	10.50	748	7,321	11.68	855	6,343	12.39	786
	174,000	6.08	10,587	140,863	8.02	11,303	121,654	8.02	9,760
	75,116	6.67	5,008	61,527	7.25	4,463	57,509	7.27	4,182
	75,375	6.55	4,934	72,075	8.12	5,851	64,255	7.98	5,126
	19,601	12.13	2,378	15,874	13.58	2,155	12,571	13.29	1,670
	54,368	8.72	4,744	54,436	9.71	5,285	50,922	9.60	4,889
	224,460	7.60	17,064	203,912	8.71	17,754	185,257	8.57	15,867
	398,460	6.94	27,651	344,775	8.43	29,057	306,911	8.35	25,627
	1,920	4.73	91	1,402	5.07	71	1,357	4.97	68
$	523,482	6.69 %	$ 35,219	445,921	7.93 %	$ 35,341	415,828	7.79 %	$ 32,357
$	5,650	1.12 %	$ 64	5,057	3.16 %	$ 160	4,302	2.86 %	$ 123
	166,691	1.32	2,195	147,939	2.78	4,105	134,248	2.40	3,225
	39,481	3.08	1,215	40,484	4.38	1,773	32,355	3.91	1,266
	6,656	2.83	187	8,937	4.87	435	32,168	4.99	1,607
	47,578	1.81	860	36,761	4.57	1,679	20,724	4.60	953
	266,056	1.70	4,521	239,178	3.41	8,152	223,797	3.21	7,174
	65,826	2.25	1,478	25,854	4.81	1,245	21,471	4.62	992
	102,283	3.70	3,789	93,193	5.18	4,824	84,035	4.91	4,124
	-	-	-	-	-	-	-	-	-
	434,165	2.25	9,788	358,225	3.97	14,221	329,303	3.73	12,290
	89,317	-	-	87,696	-	-	86,525	-	-
$	523,482	1.86	9,788	445,921	3.19	14,221	415,828	2.96	12,290
		4.83 %	$ 25,431		4.74 %	$ 21,120		4.83 %	$ 20,067
$	11,175			11,806			12,466		
	13,353			11,957			11,114		
	56,386			51,068			46,615		
$	80,914			74,831			70,195		
$	87,820			88,907			89,117		
	28,658			26,287			24,221		
	53,753			47,333			43,382		
	(89,317)			(87,696)			(86,525)		
$	80,914			74,831			70,195		
$	604,396			520,752			486,023		

(5) Includes certain preferred securities.
(6) Nonaccrual loans and related income are included in their respective loan categories.
(7) Includes taxable-equivalent adjustments of $629 million, $706 million, $288 million, $146 million and $116 million for 2010, 2009, 2008, 2007 and 2006, respectively, primarily related to tax-exempt income on certain loans and securities. The federal statutory tax rate utilized was 35% for the periods presented.
(8) See Note 7 (Premises, Equipment, Lease Commitments and Other Assets) to Financial Statements in this Report for detail of balances of other noninterest-earning assets at December 31, 2010 and 2009.

Earnings Performance *(continued)*

Table 6 allocates the changes in net interest income on a taxable-equivalent basis to changes in either average balances or average rates for both interest-earning assets and interest-bearing liabilities. Because of the numerous simultaneous volume and rate changes during any period, it is not possible to precisely allocate such changes between volume and rate. For this table, changes that are not solely due to either volume or rate are allocated to these categories in proportion to the percentage changes in average volume and average rate.

Table 6: Analysis of Changes in Net Interest Income

	Year ended December 31,					
	2010 over 2009			2009 over 2008		
(in millions)	**Volume**	**Rate**	**Total**	Volume	Rate	Total
Increase (decrease) in interest income:						
Federal funds sold, securities purchased under resale agreements and other short-term investments	**$ 148**	**(68)**	**80**	156	(96)	60
Trading assets	**349**	**(172)**	**177**	715	40	755
Debt securities available for sale:						
Securities of U.S. Treasury and federal agencies	**(17)**	**9**	**(8)**	41	(13)	28
Securities of U.S. states and political subdivisions	**190**	**(50)**	**140**	369	(30)	339
Mortgage-backed securities:						
Federal agencies	**(622)**	**(272)**	**(894)**	2,229	(261)	1,968
Residential and commercial	**(1,113)**	**359**	**(754)**	1,823	915	2,738
Total mortgage-backed securities	**(1,735)**	**87**	**(1,648)**	4,052	654	4,706
Other debt securities	**123**	**(312)**	**(189)**	1,292	(1)	1,291
Total debt securities available for sale	**(1,439)**	**(266)**	**(1,705)**	5,754	610	6,364
Mortgages held for sale	**(35)**	**(159)**	**(194)**	635	(278)	357
Loans held for sale	**(69)**	**(13)**	**(82)**	169	(34)	135
Loans:						
Commercial:						
Commercial and industrial	**(1,425)**	**968**	**(457)**	3,904	(2,295)	1,609
Real estate mortgage	**81**	**390**	**471**	3,278	(2,329)	949
Real estate construction	**(306)**	**167**	**(139)**	1,140	(938)	202
Lease financing	**(120)**	**(16)**	**(136)**	602	372	974
Foreign	**(36)**	**(139)**	**(175)**	1,176	(712)	464
Total commercial	**(1,806)**	**1,370**	**(436)**	10,100	(5,902)	4,198
Consumer:						
Real estate 1-4 family first mortgage	**(150)**	**(636)**	**(786)**	9,055	(1,071)	7,984
Real estate 1-4 family junior lien mortgage	**(249)**	**(321)**	**(570)**	1,727	(1,572)	155
Credit card	**(123)**	**269**	**146**	457	6	463
Other revolving credit and installment	**(140)**	**(65)**	**(205)**	2,594	(1,386)	1,208
Total consumer	**(662)**	**(753)**	**(1,415)**	13,833	(4,023)	9,810
Total loans	**(2,468)**	**617**	**(1,851)**	23,933	(9,925)	14,008
Other	**(8)**	**29**	**21**	137	(42)	95
Total increase (decrease) in interest income	**(3,522)**	**(32)**	**(3,554)**	31,499	(9,725)	21,774
Increase (decrease) in interest expense:						
Deposits:						
Interest-bearing checking	**(13)**	**(15)**	**(28)**	136	(100)	36
Market rate and other savings	**224**	**(511)**	**(287)**	1,396	(2,216)	(820)
Savings certificates	**(729)**	**238**	**(491)**	1,601	(1,078)	523
Other time deposits	**(121)**	**8**	**(113)**	294	(66)	228
Deposits in foreign offices	**5**	**(28)**	**(23)**	91	(805)	(714)
Total interest-bearing deposits	**(634)**	**(308)**	**(942)**	3,518	(4,265)	(747)
Short-term borrowings	**(21)**	**(104)**	**(125)**	(259)	(988)	(1,247)
Long-term debt	**(1,209)**	**311**	**(898)**	3,544	(1,547)	1,997
Other liabilities	**65**	**(10)**	**55**	172	-	172
Total increase (decrease) in interest expense	**(1,799)**	**(111)**	**(1,910)**	6,975	(6,800)	175
Increase (decrease) in net interest income on a taxable-equivalent basis	**$ (1,723)**	**79**	**(1,644)**	24,524	(2,925)	21,599

Noninterest Income

Table 7: Noninterest Income

(in millions)	Year ended December 31, 2010	2009	2008
Service charges on deposit accounts	$ 4,916	5,741	3,190
Trust and investment fees:			
Trust, investment and IRA fees	4,038	3,588	2,161
Commissions and all other fees	6,896	6,147	763
Total trust and investment fees	10,934	9,735	2,924
Card fees	3,652	3,683	2,336
Other fees:			
Cash network fees	260	231	188
Charges and fees on loans	1,690	1,801	1,037
All other fees	2,040	1,772	872
Total other fees	3,990	3,804	2,097
Mortgage banking:			
Servicing income, net	3,340	5,791	1,233
Net gains on mortgage loan origination/sales activities	6,397	6,237	1,292
Total mortgage banking	9,737	12,028	2,525
Insurance	2,126	2,126	1,830
Net gains from trading activities	1,648	2,674	275
Net gains (losses) on debt securities available for sale	(324)	(127)	1,037
Net gains (losses) from equity investments	779	185	(757)
Operating leases	815	685	427
All other	2,180	1,828	850
Total	$ 40,453	42,362	16,734

Noninterest income of $40.5 billion represented 47% of revenue for 2010 compared with $42.4 billion or, 48%, for 2009. The decrease from 2009 was primarily the net result of an increase in trust and investment fees to 13% of 2010 revenues from 11% for 2009, offset by the decrease in mortgage banking to 11% of 2010 revenues from 14% for 2009.

Our service charges on deposit accounts decreased in 2010 by $825 million from 2009, although the deposit account portfolio increased for the year. This decrease was related to regulatory changes to debit card and ATM overdraft practices announced by the Federal Reserve Board (FRB) in fourth quarter 2009. In third quarter 2009, we also announced policy changes to help customers limit overdraft and returned item fees. The combination of these changes reduced our 2010 fee revenue by approximately $810 million.

We earn trust, investment and IRA (Individual Retirement Account) fees from managing and administering assets, including mutual funds, corporate trust, personal trust, employee benefit trust and agency assets. At December 31, 2010, these assets totaled $2.1 trillion, up 11% from $1.9 trillion at December 31, 2009. Trust, investment and IRA fees are largely based on a tiered scale relative to the market value of the assets under management or administration. The fees increased to $4.0 billion in 2010 from $3.6 billion a year ago.

We receive commissions and other fees for providing services to full-service and discount brokerage customers. These fees increased to $6.9 billion in 2010 from $6.1 billion a year ago. These fees include transactional commissions, which are based on the number of transactions executed at the customer's direction, and asset-based fees, which are based on the market value of the customer's assets. Brokerage client assets totaled $1.2 trillion at December 31, 2010, up 6% from a year ago. Commissions and other fees also include fees from investment banking activities including equity and bond underwriting.

Card fees were $3.7 billion in 2010, essentially flat from 2009. Legislative and regulatory changes enacted in 2010 caused a reduction in card fee income, which was offset by growth in purchase volume driven by improvements in the economy. The effect of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the Card Act) on card fees is fully reflected in our 2010 results.

Mortgage banking noninterest income is generated by servicing activities and loan origination/sales activities. This income was $9.7 billion in 2010, compared with $12.0 billion for 2009. The reduction in mortgage banking noninterest income was primarily driven by a $2.5 billion decline in net servicing income, partially offset by a $160 million increase in net gains on mortgage origination/sales.

Net servicing income includes both changes in the fair value of mortgage servicing rights (MSRs) during the period as well as changes in the value of derivatives (economic hedges) used to hedge the MSRs. Net servicing income for 2010 included a $1.5 billion net MSR valuation gain that was recorded to earnings ($3.0 billion decrease in the fair value of the MSRs offset by a $4.5 billion hedge gain) and for 2009 included a $5.3 billion net MSR valuation gain ($1.5 billion decrease in the fair value of MSRs offset by a $6.8 billion hedge gain). The $3.8 billion decline in the net MSR valuation gain results for 2010 compared with 2009 was primarily due to a decline in hedge carry income. See the "Risk Management – Mortgage Banking Interest Rate and Market Risk" section of this Report for a detailed discussion of our MSRs risks and hedging approach. Our portfolio of loans serviced for others was $1.84 trillion at December 31, 2010, and $1.88 trillion at December 31, 2009. At December 31, 2010, the ratio of MSRs to related loans serviced for others was 0.86%, compared with 0.91% at December 31, 2009.

Income from loan origination/sale activities was $6.4 billion in 2010 compared with $6.2 billion for 2009. The slight increase in 2010 was driven by higher margins on loan originations, offset by lower loan origination volume and higher provision for loan repurchase losses. Residential real estate originations were $386 billion in 2010 compared with $420 billion a year ago and mortgage applications were $620 billion in 2010 compared with $651 billion in 2009. The 1-4 family first mortgage unclosed pipeline was $73 billion at December 31, 2010, and $57 billion at December 31, 2009. For additional detail, see the "Risk Management – Mortgage Banking Interest Rate and Market Risk" section and Note 1 (Summary of Significant Accounting Policies), Note 9 (Mortgage Banking Activities) and Note 16 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

Earnings Performance *(continued)*

Net gains on mortgage loan origination/sales activities include the cost of any additions to the mortgage repurchase liability. Mortgage loans are repurchased from third parties based on standard representations and warranties and early payment default clauses in mortgage sale contracts. Additions to the mortgage repurchase liability that were charged against net gains on mortgage loan origination/sales activities during 2010 totaled $1.6 billion ($927 million for 2009), of which $144 million ($302 million for 2009) was related to our estimate of loss content associated with loan sales during the year and $1.5 billion ($625 million for 2009) was for subsequent increases in estimated losses on prior year's loan sales because of the current economic environment. For additional information about mortgage loan repurchases, see the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" section in this Report.

Income from trading activities was $1.6 billion in 2010, down from $2.7 billion a year ago. This decrease reflects a return to a more normal trading environment from a year ago as well as a continued reduction in risk levels while we continue to prioritize support for our customer-related activities.

Net gains on debt and equity securities totaled $455 million for 2010 and $58 million for 2009, after other-than-temporary impairment (OTTI) write-downs of $940 million for 2010 and $1.7 billion for 2009.

Noninterest income of $42.4 billion in 2009 represented 48% of revenue, up from $16.7 billion (40%) in 2008. The increase in noninterest income as a percentage of revenue was due to a higher percentage of trust and investment fees (11% in 2009, up from 7% in 2008) with the addition of Wells Fargo Advisors (formerly Wachovia Securities) retail brokerage business, Wachovia wealth management and retirement, and reinsurance businesses, and also due to strong mortgage banking results, primarily from legacy Wells Fargo (14% in 2009, up from 6% in 2008).

Noninterest Expense

Table 8: Noninterest Expense

	Year ended December 31,		
(in millions)	**2010**	2009	2008
Salaries	**$ 13,869**	13,757	8,260
Commission and incentive compensation	**8,692**	8,021	2,676
Employee benefits	**4,651**	4,689	2,004
Equipment	**2,636**	2,506	1,357
Net occupancy	**3,030**	3,127	1,619
Core deposit and other intangibles	**2,199**	2,577	186
FDIC and other deposit assessments	**1,197**	1,849	120
Outside professional services	**2,370**	1,982	847
Contract services	**1,642**	1,088	407
Foreclosed assets	**1,537**	1,071	414
Operating losses	**1,258**	875	142
Outside data processing	**1,046**	1,027	480
Postage, stationery and supplies	**944**	933	556
Travel and entertainment	**783**	575	447
Advertising and promotion	**630**	572	378
Telecommunications	**596**	610	321
Insurance	**464**	845	725
Operating leases	**109**	227	389
All other	**2,803**	2,689	1,270
Total	**$ 50,456**	49,020	22,598

Noninterest expense increased $1.4 billion (3%) in 2010 over 2009, primarily due to merger integration costs, Wells Fargo Financial restructuring costs and a charitable donation to the Wells Fargo Foundation. The increase in 2009 over 2008 was predominantly due to the acquisition of Wachovia, increased staffing and other costs related to problem loan modifications and workouts, special deposit assessments and operating losses.

Merger integration costs totaled $1.9 billion in 2010 and $1.1 billion in 2009, and primarily contributed to the increases in outside professional and contract services for both years. The acquisition of Wachovia resulted in an expanded geographic platform in our banking businesses and added capabilities in businesses such as retail brokerage, asset management and investment banking. As part of our integration investment to enhance both the short- and long-term benefits to our customers, we added platform team members in the Eastern market to align Wachovia's banking stores with Wells Fargo's sales and service model. We completed the second year of our merger integration, converting 749 Wachovia stores in Alabama, Arizona, California, Georgia, Illinois, Kansas, Mississippi, Nevada, Tennessee and Texas. We migrated major processing systems for credit card, mortgage, trust, and mutual funds. We expect to substantially complete our integration of Wachovia by the end of 2011.

In July 2010, we announced the restructuring of our Wells Fargo Financial consumer finance division, including the closing of 638 Wells Fargo Financial stores, realigning this business into other Wells Fargo business units and transitioning employees into other parts of our organization. The restructuring costs totaled $161 million, predominantly for severance and store closures.

Commission and incentive compensation expense increased proportionately more than salaries in both 2010 and 2009, due to higher revenues generated by businesses with revenue-based compensation, including the retail securities, brokerage and mortgage businesses.

Federal Deposit Insurance Corporation (FDIC) and other deposit assessments decreased in 2010 from 2009, predominantly due to a midyear 2009 FDIC special assessment of $565 million.

Problem loans and foreclosures increased workout-related salaries and foreclosure costs in both 2010 and 2009. Workout-related costs were influenced in both years by the higher volume of mortgage loan modifications driven by both federal and our own proprietary loan modification programs designed to help customers stay in their homes. Foreclosure costs have been affected by the high volume of foreclosed properties and the length of time the properties remained in inventory. During 2010, we began to see a decline in nonperforming loans and other indications of improvement in credit quality.

Operating losses increased in 2010 predominantly due to additional litigation accruals.

We continued to support our communities by making a $400 million charitable contribution to the Wells Fargo Foundation in 2010, covering three years of estimated future funding.

Income Tax Expense

The 2010 annual effective tax rate was 33.9% compared with 30.3% in 2009 and 18.5% in 2008. The increase in 2010 was primarily due to the new health care legislation and fewer favorable settlements with tax authorities. The increase in 2009 was primarily due to higher pre-tax earnings and increased tax expense (with a comparable increase in interest income) associated with purchase accounting for leveraged leases, partially offset by higher levels of tax exempt income, tax credits and the impact of changes in our liability for uncertain tax positions. We recognized a net tax benefit of approximately $150 million and $200 million during the fourth quarter and year-ended December 31, 2009, respectively, primarily related to changes in our uncertain tax positions, due to federal and state income tax settlements.

Effective January 1, 2009, we adopted new accounting guidance that changed the way noncontrolling interests are presented in the income statement such that the consolidated income statement includes amounts from both Wells Fargo interests and the noncontrolling interests. As a result, our effective tax rate is calculated by dividing income tax expense by income before income tax expense less the net income from noncontrolling interests.

Operating Segment Results

We define our operating segments by product and customer. In first quarter 2010, we conformed certain funding and allocation methodologies of Wachovia to those of Wells Fargo; in addition integration expense related to mergers other than the Wachovia merger is now included in the segment results. In fourth quarter 2010, we aligned certain lending businesses into Wholesale Banking from Community Banking to reflect our previously announced restructuring of Wells Fargo Financial. Prior periods have been revised to reflect these changes. Table 9 and the following discussion present our results by operating segment. For a more complete description of our operating segments, including additional financial information and the underlying management accounting process, see Note 23 (Operating Segments) to Financial Statements in this Report.

Table 9: Operating Segment Results – Highlights

	Year ended December 31,					
	Community Banking		Wholesale Banking		Wealth, Brokerage and Retirement	
(in billions)	**2010**	2009	**2010**	2009	**2010**	2009
Revenue	$ **54.7**	60.5	**22.2**	20.6	**11.7**	10.8
Net income	**7.1**	8.9	**5.8**	3.9	**1.0**	0.5
Average loans	**530.1**	552.7	**230.5**	260.2	**43.0**	45.7
Average core deposits	**536.4**	552.8	**170.0**	147.3	**121.2**	114.2

Community Banking offers a complete line of diversified financial products and services for consumers and small businesses including investment, insurance and trust services in 39 states and D.C., and mortgage and home equity loans in all 50 states and D.C. through its Regional Banking and Wells Fargo Home Mortgage business units.

Community Banking reported net income of $7.1 billion and revenue of $54.7 billion in 2010. Revenue declined from 2009 driven primarily by a decrease in mortgage banking income compared with a record year in 2009 (originations of $420 billion in 2009 compared with $384 billion in 2010), as well as lower deposit service charges due to changes to Regulation E and the planned reduction in certain liquidating loan portfolios. Core deposits declined due to planned certificates of deposit (CD) run-off; however, we continued to grow low cost deposits. We saw strong growth in the number of consumer and business checking accounts (up 7.5% and 4.8%, respectively, from December 31, 2009). Noninterest expense was flat from 2009, with Wells Fargo Financial restructuring costs and higher charitable contributions offset by continued expense management and realization of merger synergies. To benefit our customers we continued to add platform team members in regional banking's Eastern markets as we aligned Wachovia banking stores with the Wells Fargo sales and service model. The provision for credit losses decreased $4.1 billion from 2009 and credit quality indicators in most of our consumer and commercial loan portfolios were either stable or continued to improve. Net credit losses declined in almost all portfolios and we released $1.4 billion in reserves in 2010 compared with a $2.2 billion reserve build in 2009.

Wholesale Banking provides financial solutions across the U.S. and globally to middle market and large corporate customers with annual revenue generally in excess of $20 million. Products and businesses include commercial banking, investment banking and capital markets, securities investment, government and institutional banking, corporate banking, commercial real estate, treasury management, capital finance, international, insurance, real estate capital markets, commercial mortgage servicing, corporate trust, equipment finance, asset backed finance, and asset management.

On the strength of increasing credit demands from middle market and international businesses, solid investment banking and capital markets performance, and a modest rebound in commercial mortgages, Wholesale Banking generated earnings of $5.8 billion, up 49% from 2009, with revenue of $22.2 billion, up 8% from 2009. Growth in core deposits, up 15% from 2009, and the related increase in fees and commissions, helped offset the impact of lower loan balances in 2010. Total noninterest expense increased 5% as continued focus on expense management helped keep the rate of expense growth below the rate of revenue growth, resulting in an overall operating efficiency ratio of 51% versus 52% in 2009. Loan loss rates also improved from 2009 levels, which allowed for a $561 million release of the allowance for loan losses in 2010.

Our financial results in 2010 were driven by the performance of our many diverse businesses, including the real estate capital markets group, which re-entered the commercial MBS securitization market with its first deal in three years; investment banking, which helped drive more than $172 million of growth in trust and investment fees; commercial mortgage servicing, which capitalized on its strong competitive position to win the servicing rights on more than 70% of new commercial MBS deals; and commercial real estate, where re-pricing efforts lifted loan portfolio yields 49 basis points to add $180 million in revenue growth.

Wholesale Banking's performance was also supported by additional efficiencies created by the merger with Wachovia. Key achievements included funds management group consolidations, leasing and equipment finance system migrations, *Commercial Electronic Office®* (*CEO®*) access for Wachovia Global Connect customers, and building of treasury product solutions to prepare for full customer migrations in 2011.

Wealth, Brokerage and Retirement provides a full range of financial advisory services to clients using a planning approach to meet each client's needs. Wealth Management provides affluent and high net worth clients with a complete range of wealth management solutions including financial planning, private banking, credit, investment management and trust. Family Wealth meets the unique needs of the ultra high net worth customers. Brokerage serves customers' advisory, brokerage and financial needs as part of one of the largest full-service brokerage firms in the United States. Retirement is a national leader in providing institutional retirement and trust services (including 401(k) and pension plan record keeping) for businesses, retail retirement solutions for individuals, and reinsurance services for the life insurance industry.

Wealth, Brokerage and Retirement earned net income of $1.0 billion in 2010. Revenue of $11.7 billion included a mix of brokerage commissions, asset-based fees and net interest income. Net interest income growth was dampened by the continued low short-term interest rate environment. Equity market gains helped drive growth in fee income. During 2010 client assets grew 6% from a year ago, including managed account asset growth of 20%. Deposit balances grew 10% during 2010. Expenses increased slightly from the prior year due to growth in broker commissions partially offset by the realization of merger synergies during the year and the loss reserve for the auction rate securities (ARS) legal settlement in 2009. The wealth, brokerage and retirement businesses have strengthened partnerships across the Company, working with Community Banking and Wholesale Banking to provide financial solutions for clients.

Balance Sheet Analysis

During 2010, our total assets grew 1%, funded by core deposit growth of 2% and internal capital generation, partially offset by a reduction in our long-term borrowings. As a result of continued soft loan demand, our loans decreased 3% and most of our asset growth was therefore in more liquid earning assets. However, the strength of our business model continued to produce high rates of internal capital generation as reflected in our improved capital ratios. Tier 1 capital increased to 11.16% as a percentage of total risk-weighted assets, total capital to 15.01%, Tier 1 leverage to 9.19% and Tier 1 common equity to 8.30% at December 31, 2010, up from 9.25%, 13.26%, 7.87% and 6.46%, respectively, at December 31, 2009. At December 31, 2010, core deposits funded 105% of the loan portfolio, and we have significant capacity to add loans and higher yielding long-term MBS to generate future revenue and earnings growth.

The following discussion provides additional information about the major components of our balance sheet. Information about changes in our asset mix and about our capital is included in the "Earnings Performance – Net Interest Income" and "Capital Management" sections of this Report.

Securities Available for Sale

Table 10: Securities Available for Sale – Summary

	December 31,					
	2010			2009		
(in millions)	Cost	Net unrealized gain	Fair value	Cost	Net unrealized gain	Fair value
Debt securities available for sale	$ 160,071	7,394	167,465	162,314	4,804	167,118
Marketable equity securities	4,258	931	5,189	4,749	843	5,592
Total securities available for sale	$ 164,329	8,325	172,654	167,063	5,647	172,710

Table 10 presents a summary of our securities available-for-sale portfolio. Securities available for sale consist of both debt and marketable equity securities. We hold debt securities available for sale primarily for liquidity, interest rate risk management and long-term yield enhancement. Accordingly, this portfolio consists primarily of very liquid, high-quality federal agency debt and privately issued MBS. The total net unrealized gains on securities available for sale were $8.3 billion at December 31, 2010, up from net unrealized gains of $5.6 billion at December 31, 2009, due to a general decline in long-term yields and narrowing of credit spreads.

We analyze securities for OTTI quarterly, or more often if a potential loss-triggering event occurs. Of the $692 million OTTI write-downs in 2010, $672 million related to debt securities and $20 million to equity securities. For a discussion of our OTTI accounting policies and underlying considerations and analysis see Note 1 (Summary of Significant Accounting Policies – Securities) and Note 5 (Securities Available for Sale) to Financial Statements in this Report.

At December 31, 2010, debt securities available for sale included $19 billion of municipal bonds, of which 84% were rated "A-" or better, based on external, and in some cases internal, ratings. Additionally, some of these bonds are guaranteed against loss by bond insurers. These bonds are predominantly investment grade and were generally underwritten in accordance with our own investment standards prior to the determination to purchase, without relying on the bond insurer's guarantee in making the investment decision. These municipal bonds will continue to be monitored as part of

our on-going impairment analysis of our securities available for sale.

The weighted-average expected maturity of debt securities available for sale was 6.1 years at December 31, 2010. Because 69% of this portfolio is MBS, the expected remaining maturity may differ from contractual maturity because borrowers generally have the right to prepay obligations before the underlying mortgages mature. The estimated effect of a 200 basis point increase or decrease in interest rates on the fair value and the expected remaining maturity of the MBS available for sale are shown in Table 11.

Table 11: Mortgage-Backed Securities

(in billions)	Fair value	Net unrealized gain (loss)	Expected remaining maturity (in years)
At December 31, 2010	$ 115.8	5.9	4.5
At December 31, 2010, assuming a 200 basis point:			
Increase in interest rates	105.8	(4.1)	5.7
Decrease in interest rates	124.3	14.4	3.3

See Note 5 (Securities Available for Sale) to Financial Statements in this Report for securities available for sale by security type.

Loan Portfolio

Table 12: Loan Portfolios

	December 31,				
(in millions)	**2010**	2009	2008	2007	2006
Commercial	**$ 322,058**	336,465	389,964	160,282	128,731
Consumer	**435,209**	446,305	474,866	221,913	190,385
Total loans	**$ 757,267**	782,770	864,830	382,195	319,116

Balances decreased during 2010 for nearly all types of loans as demand remained soft in response to economic conditions. Non-strategic and liquidating loan portfolios decreased by $26.3 billion from 2009. Table 12 provides a breakdown by loan portfolio.

A discussion of average loan balances and a comparative detail of average loan balances is included in Table 5 under "Earnings Performance – Net Interest Income" earlier in this Report. Year-end balances and other loan related information are in Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Effective June 30, 2010, real estate construction outstanding balances and all other related data include certain commercial real estate (CRE) secured loans acquired from Wachovia previously classified as real estate mortgage. Balances for 2009 and 2008 have been revised to conform with the current presentation.

Table 13 shows contractual loan maturities for selected loan categories and sensitivities of those loans to changes in interest rates.

Table 13: Maturities for Selected Loan Categories

(in millions)	2010 Within one year	2010 After one year through five years	2010 After five years	2010 Total	December 31, 2009 Within one year	2009 After one year through five years	2009 After five years	2009 Total
Selected loan maturities:								
Commercial and industrial	$ 39,576	90,497	21,211	151,284	44,919	91,951	21,482	158,352
Real estate mortgage	27,544	44,627	27,264	99,435	25,339	42,179	30,009	97,527
Real estate construction	15,009	9,189	1,135	25,333	23,362	12,188	1,428	36,978
Foreign	25,087	5,508	2,317	32,912	21,266	5,715	2,417	29,398
Total selected loans	$ 107,216	149,821	51,927	308,964	114,886	152,033	55,336	322,255
Distribution of loans due after one year to changes in interest rates:								
Loans at fixed interest rates		$ 29,886	14,543			26,373	18,921	
Loans at floating/variable interest rates		119,935	37,384			125,660	36,415	
Total selected loans		$ 149,821	51,927			152,033	55,336	

Deposits

Deposits totaled $847.9 billion at December 31, 2010, compared with $824.0 billion at December 31, 2009. Table 14 provides additional detail regarding deposits. Comparative detail of average deposit balances is provided in Table 5 under "Earnings Performance – Net Interest Income" earlier in this Report. Total core deposits were $798.2 billion at December 31, 2010, up $17.5 billion from $780.7 billion at December 31, 2009. We continued to gain new deposit customers and deepen our relationships with existing customers.

Table 14: Deposits

(in millions)	2010	2010 % of total deposits	December 31, 2009	2009 % of total deposits	% Change
Noninterest-bearing	$ 191,231	23 %	$ 181,356	22 %	5
Interest-bearing checking	63,440	7	63,225	8	-
Market rate and other savings	431,883	51	402,448	49	7
Savings certificates	77,292	9	100,857	12	(23)
Foreign deposits (1)	34,346	4	32,851	4	5
Core deposits	798,192	94	780,737	95	2
Other time and savings deposits	19,412	2	16,142	2	20
Other foreign deposits	30,338	4	27,139	3	12
Total deposits	$ 847,942	100 %	$ 824,018	100 %	3

(1) Reflects Eurodollar sweep balances included in core deposits.

Off-Balance Sheet Arrangements

In the ordinary course of business, we engage in financial transactions that are not recorded in the balance sheet, or may be recorded in the balance sheet in amounts that are different from the full contract or notional amount of the transaction. These transactions are designed to (1) meet the financial needs of customers, (2) manage our credit, market or liquidity risks, (3) diversify our funding sources, and/or (4) optimize capital.

Off-Balance Sheet Transactions with Unconsolidated Entities

We routinely enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts or partnerships that are established for a limited purpose. Historically, the majority of SPEs were formed in connection with securitization transactions. For more information on securitizations, including sales proceeds and cash flows from securitizations, see Note 8 (Securitizations and Variable Interest Entities) to Financial Statements in this Report.

Newly Consolidated VIE Assets and Liabilities

Effective January 1, 2010, we adopted new consolidation accounting guidance and, accordingly, consolidated certain variable interest entities (VIEs) that were not included in our consolidated financial statements at December 31, 2009. On January 1, 2010, we recorded the assets and liabilities of the newly consolidated VIEs and derecognized our existing interests in those VIEs. We also recorded a $183 million increase to beginning retained earnings as a cumulative effect adjustment and recorded a $173 million increase to other comprehensive income (OCI).

Table 15 presents the net incremental assets recorded on our balance sheet by structure type upon adoption of new consolidation accounting guidance.

Table 15: Net Incremental Assets Upon Adoption of New Consolidation Accounting Guidance

(in millions)	Incremental assets as of Jan. 1, 2010
Structure type:	
Residential mortgage loans - nonconforming (1)	$ 11,479
Commercial paper conduit	5,088
Other	2,002
Total	$ 18,569

(1) Represents certain of our residential mortgage loans that are not guaranteed by government-sponsored entities (GSEs) ("nonconforming").

In accordance with the transition provisions of the new consolidation accounting guidance, we initially recorded newly consolidated VIE assets and liabilities on a basis consistent with our accounting for respective assets at their amortized cost basis, except for those VIEs for which the fair value option was elected. The carrying amount for loans approximates the outstanding unpaid principal balance, adjusted for allowance for loan losses. Short-term borrowings and long-term debt approximate the outstanding principal amount due to creditors.

Upon adoption of new consolidation accounting guidance on January 1, 2010, we elected fair value option accounting for certain nonconforming residential mortgage loan securitization VIEs. This election requires us to recognize the VIE's eligible assets and liabilities on the balance sheet at fair value with changes in fair value recognized in earnings.

Such eligible assets and liabilities consisted primarily of loans and long-term debt, respectively. The fair value option was elected for those newly consolidated VIEs for which our interests, prior to January 1, 2010, were predominantly carried at fair value with changes in fair value recorded to earnings. Accordingly, the fair value option was elected to effectively continue fair value accounting through earnings for those interests. Conversely, fair value option was not elected for those newly consolidated VIEs that did not share these characteristics. At January 1, 2010, the fair value for both loans and long-term debt for which the fair value option was elected was $1.0 billion each. The incremental impact of electing fair value option (compared to not electing) on the cumulative effect adjustment to retained earnings was an increase of $15 million.

Guarantees and Certain Contingent Arrangements

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby letters of credit, securities lending and other indemnifications, liquidity agreements, written put options, recourse obligations, residual value guarantees and contingent consideration.

For more information on guarantees and certain contingent arrangements, see Note 14 (Guarantees and Legal Actions) to Financial Statements in this Report.

Contractual Obligations

In addition to the contractual commitments and arrangements previously described, which, depending on the nature of the obligation, may or may not require use of our resources, we enter into other contractual obligations in the ordinary course of business, including debt issuances for the funding of operations and leases for premises and equipment.

Table 16 summarizes these contractual obligations as of December 31, 2010, excluding obligations for short-term borrowing arrangements and pension and postretirement benefit plans. More information on those obligations is in Note 12 (Short-Term Borrowings) and Note 19 (Employee Benefits and Other Expenses) to Financial Statements in this Report.

Table 16: Contractual Obligations

(in millions)	Note(s) to Financial Statements	Less than 1 year	1-3 years	3-5 years	More than 5 years	Indeterminate maturity	Total
Contractual payments by period:							
Deposits	11	$ 108,232	33,601	10,855	2,500	692,754 (1)	847,942
Long-term debt (2)	7, 13	36,223	35,529	19,585	65,646	-	156,983
Operating leases	7	1,134	2,334	1,732	3,405	-	8,605
Unrecognized tax obligations	20	22	-	-	-	2,630	2,652
Commitments to purchase debt securities		1,153	650	-	-	-	1,803
Purchase obligations (3)		383	278	40	1	-	702
Total contractual obligations		$ 147,147	72,392	32,212	71,552	695,384	1,018,687

(1) Includes interest-bearing and noninterest-bearing checking, and market rate and other savings accounts.
(2) Includes obligations under capital leases of $26 million.
(3) Represents agreements to purchase goods or services.

We are subject to the income tax laws of the U.S., its states and municipalities, and those of the foreign jurisdictions in which we operate. We have various unrecognized tax obligations related to these operations that may require future cash tax payments to various taxing authorities. Because of their uncertain nature, the expected timing and amounts of these payments generally are not reasonably estimable or determinable. We attempt to estimate the amount payable in the next 12 months based on the status of our tax examinations and settlement discussions. See Note 20 (Income Taxes) to Financial Statements in this Report for more information.

We enter into derivatives, which create contractual obligations, as part of our interest rate risk management process for our customers or for other trading activities. See the "Risk Management – Asset/Liability" section and Note 15 (Derivatives) to Financial Statements in this Report for more information.

Transactions with Related Parties

The Related Party Disclosures topic of the Codification requires disclosure of material related party transactions, other than compensation arrangements, expense allowances and other similar items in the ordinary course of business. We had no related party transactions required to be reported for the years ended December 31, 2010, 2009 and 2008.

All financial institutions must manage and control a variety of business risks that can significantly affect their financial performance. Key among those are credit, asset/liability and market risk.

Credit Risk Management

Our credit risk management process is governed centrally, but provides for decentralized management and accountability by our lines of business. Our overall credit process includes comprehensive credit policies, judgmental or statistical credit underwriting, frequent and detailed risk measurement and modeling, extensive credit training programs, and a continual loan review and audit process. In addition, banking regulatory examiners review and perform detailed tests of our credit underwriting, loan administration and allowance processes.

A key to our credit risk management is adhering to a well controlled underwriting process, which we believe is appropriate for the needs of our customers as well as investors who purchase the loans or securities collateralized by the loans. We approve applications and make loans only if we believe the customer has the ability to repay the loan or line of credit according to all its terms. Our underwriting of loans collateralized by residential real property includes appraisals or automated valuation models (AVMs) to support property values. AVMs are computer-based tools used to estimate the market value of homes. AVMs are a lower-cost alternative to appraisals and support valuations of large numbers of properties in a short period of time. AVMs estimate property values based on processing large volumes of market data including market comparables and price trends for local market areas. The primary risk associated with the use of AVMs is that the value of an individual property may vary significantly from the average for the market area. We have processes to periodically validate AVMs and specific risk management guidelines addressing the circumstances when AVMs may be used. Generally AVMs are used in underwriting to support property values on loan originations only where the loan amount is under $250,000. For underwriting residential property loans of $250,000 or more, we require property visitation appraisals by qualified independent appraisers.

We continually evaluate and modify our credit policies to address appropriate levels of risk. Accordingly, from time to time, we designate certain portfolios and loan products as non-strategic or high risk to limit or cease their continued origination as we actively work to limit losses and reduce our exposures.

Table 17 identifies our non-strategic and liquidating loan portfolios as of December 31, 2010, 2009 and 2008. These portfolios have decreased 32% since the merger with Wachovia at December 31, 2008, and decreased 19% from the end of 2009. The portfolios consist primarily of the Pick-a-Pay mortgages portfolio and PCI loans acquired in our acquisition of Wachovia as well as some portfolios from legacy Wells Fargo home equity and Wells Fargo Financial. The legacy Wells Fargo Financial debt consolidation portfolio included $1.2 billion and $1.6 billion at December 31, 2010 and 2009, respectively, that was considered prime based on secondary market standards. The remainder is non-prime but was originated with standards to reduce credit risk. These loans were originated through our retail channel with documented income, LTV limits based on credit quality and property characteristics, and risk-based pricing. In addition, the loans were originated without teaser rates, interest-only or negative amortization features. Credit losses in the portfolio have increased in the current economic environment compared with historical levels, but performance has remained similar to prime portfolios in the industry with overall loss rates of 4.15% in 2010 on the entire portfolio. Analysis of the Pick-a-Pay and the commercial and industrial and CRE domestic PCI portfolios is presented later in this section.

Table 17: Non-Strategic and Liquidating Loan Portfolios

	Outstanding balance December 31,		
(in billions)	**2010**	2009	2008
Commercial and industrial, CRE and foreign PCI loans (1)(2)	$ **7.9**	13.0	18.7
Pick-a-Pay mortgage (1)	**74.8**	85.2	95.3
Liquidating home equity	**6.9**	8.4	10.3
Legacy Wells Fargo Financial indirect auto	**6.0**	11.3	18.2
Legacy Wells Fargo Financial debt consolidation (2)(3)	**19.0**	22.4	25.3
Other PCI loans (1)(2)	**1.1**	1.7	2.5
Total non-strategic and liquidating loan portfolios	$ **115.7**	142.0	170.3

(1) Net of purchase accounting adjustments related to PCI loans.
(2) These portfolios were designated as non-strategic and liquidating in 2010. Prior periods have been adjusted to reflect this change.
(3) In July 2010, we announced the restructuring of our Wells Fargo Financial division and the exiting of the origination of non-prime portfolio mortgage loans.

Measuring and monitoring our credit risk is an ongoing process that tracks delinquencies, collateral values, FICO scores, economic trends by geographic areas, loan-level risk grading for certain portfolios (typically commercial) and other indications of credit risk. Our credit risk monitoring process is designed to enable early identification of developing risk and to support our determination of an adequate allowance for credit losses. The following analysis reviews the relevant concentrations and certain credit metrics of our significant portfolios. See Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for more analysis and credit metric information.

COMMERCIAL REAL ESTATE (CRE) The CRE portfolio consists of both CRE mortgages and CRE construction loans. The combined CRE loans outstanding totaled $124.8 billion at December 31, 2010, or 16% of total loans. Of the $124.8 billion, approximately $5.8 billion represents the net balance of PCI CRE loans. CRE construction loans totaled $25.3 billion at December 31, 2010, or 3% of total loans. CRE mortgage loans totaled $99.4 billion at December 31, 2010, or 13% of total loans, of which over 40% is to owner-occupants, who historically have a low level of default. The portfolio is diversified both geographically and by property type. The largest geographic concentrations are found in California and Florida, which represented 23% and 11% of the total CRE portfolio, respectively. By property type, the largest concentrations are office buildings at 23% and industrial/warehouse at 11% of the portfolio.

The underwriting of CRE loans primarily focuses on cash flows and creditworthiness, in addition to collateral valuations. To identify and manage newly emerging problem CRE loans, we employ a high level of surveillance and regular customer interaction to understand and manage the risks associated with these assets, including regular loan reviews and appraisal updates. As issues are identified, management is engaged and dedicated workout groups are put in place to manage problem assets. At December 31, 2010, the recorded investment in PCI CRE loans totaled $5.8 billion, down from $12.3 billion since the Wachovia acquisition at December 31, 2008, reflecting the reduction resulting from loan resolutions and write-downs.

Table 18 summarizes CRE loans by state and property type with the related nonaccrual totals. At December 31, 2010, the highest concentration of total loans by state was $28.2 billion in California, more than double the next largest state concentration, and the related nonaccrual loans totaled about $1.5 billion, or 5% of CRE loans in California. Office buildings, at $28.7 billion, were the largest property type concentration, more than double the next largest, and the related nonaccrual loans totaled $1.4 billion, or 5% of total CRE loans for office buildings. In aggregate, nonaccrual loans totaled 7% of the non-PCI outstanding balance at December 31, 2010.

Table 18: CRE Loans by State and Property Type

						December 31, 2010	
	Real estate mortgage		Real estate construction		Total		% of
(in millions)	Nonaccrual loans	Outstanding balance (1)	Nonaccrual loans	Outstanding balance (1)	Nonaccrual loans	Outstanding balance (1)	total loans
By state:							
PCI loans:							
Florida	$ -	459	-	578	-	1,037	*%
California	-	588	-	193	-	781	*
Georgia	-	301	-	250	-	551	*
North Carolina	-	180	-	353	-	533	*
New York	-	226	-	225	-	451	*
Other	-	1,101	-	1,350	-	2,451 (2)	*
Total PCI loans	$ -	2,855	-	2,949	-	5,804	*%
All other loans:							
California	$ 1,172	23,780	375	3,648	1,547	27,428	4 %
Florida	912	10,023	412	2,286	1,324	12,309	2
Texas	376	6,523	165	2,186	541	8,709	1
North Carolina	346	4,663	254	1,477	600	6,140	*
New York	56	4,440	17	1,111	73	5,551	*
Virginia	49	3,574	147	1,512	196	5,086	*
Georgia	374	3,726	181	885	555	4,611	*
Arizona	259	3,445	140	726	399	4,171	*
Colorado	106	2,868	76	698	182	3,566	*
New Jersey	109	2,641	40	513	149	3,154	*
Other	1,468	30,897	869	7,342	2,337	38,239 (3)	5
Total all other loans	$ 5,227	96,580	2,676	22,384	7,903	118,964	16 %
Total	$ 5,227	99,435	2,676	25,333	7,903	124,768	16 %
By property:							
PCI loans:							
Office buildings	$ -	953	-	317	-	1,270	*%
Apartments	-	565	-	704	-	1,269	*
1-4 family land	-	249	-	559	-	808	*
Retail (excluding shopping center)	-	341	-	90	-	431	*
1-4 family structure	-	29	-	353	-	382	*
Other	-	718	-	926	-	1,644	*
Total PCI loans	$ -	2,855	-	2,949	-	5,804	*%
All other loans:							
Office buildings	$ 1,214	24,841	233	2,598	1,447	27,439	4 %
Industrial/warehouse	730	13,058	76	931	806	13,989	2
Real estate - other	576	11,853	61	691	637	12,544	2
Apartments	368	8,309	305	3,451	673	11,760	2
Retail (excluding shopping center)	591	9,628	126	868	717	10,496	1
Shopping center	363	6,578	270	1,622	633	8,200	1
Land (excluding 1-4 family)	41	524	671	7,013	712	7,537	1
Hotel/motel	469	5,916	74	999	543	6,915	*
Institutional	112	2,646	9	179	121	2,825	*
1-4 family land	157	328	514	2,255	671	2,583	*
Other	606	12,899	337	1,777	943	14,676	2
Total all other loans	$ 5,227	96,580	2,676	22,384	7,903	118,964	16 %
Total	$ 5,227	99,435 (4)	2,676	25,333	7,903	124,768	16 %

* Less than 1%.
(1) For PCI loans, amounts represent carrying value.
(2) Includes 35 states; no state had loans in excess of $436 million.
(3) Includes 40 states; no state had loans in excess of $3.1 billion.
(4) Includes $40.0 billion of loans to owner-occupants where 51% or more of the property is used in the conduct of their business.

COMMERCIAL AND INDUSTRIAL LOANS AND LEASE FINANCING For purposes of portfolio risk management, we aggregate commercial and industrial loans and lease financing according to market segmentation and standard industry codes. Table 19 summarizes commercial and industrial loans and lease financing by industry with the related nonaccrual totals. While this portfolio has experienced deterioration in the current credit cycle, we believe this portfolio has experienced less credit deterioration than our CRE portfolios. For the year ended December 31, 2010, the commercial and industrial loans and lease financing portfolios had (1) a lower percentage of loans 90 days or more past due and still accruing (0.19% at year end; 0.24% for CRE), (2) a lower percentage of nonperforming loans to total loans outstanding (2.02% at year end; 6.33% for CRE), and (3) a lower loss rate to average total loans (1.50% for the year; 1.67% for CRE). We believe this portfolio is well underwritten and is diverse in its risk with relatively even concentrations across several industries. A majority of our commercial and industrial loans and lease financing portfolio is secured by short-term liquid assets, such as accounts receivable, inventory and securities, as well as long-lived assets, such as equipment and other business assets. Our credit risk management process for this portfolio primarily focuses on a customer's ability to repay the loan through their cash flow. Generally, the collateral securing this portfolio represents a secondary source of repayment.

Table 19: Commercial and Industrial Loans and Lease Financing by Industry

	December 31, 2010			
(in millions)	Nonaccrual loans	Outstanding balance (1)		% of total loans
PCI loans:				
Investors	$ -	111		* %
Media	-	107		*
Insurance	-	91		*
Technology	-	65		*
Healthcare	-	47		*
Residential construction	-	41		*
Other	-	256	(2)	*
Total PCI loans	$ -	718		* %
All other loans:				
Financial institutions	$ 167	10,468		1 %
Cyclical retailers	67	8,804		1
Food and beverage	32	8,392		1
Oil and gas	156	8,140		1
Healthcare	87	7,885		1
Transportation	34	6,427		*
Industrial equipment	113	6,284		*
Real estate – other	90	5,713		*
Business services	66	5,632		*
Technology	28	5,609		*
Investors	114	5,326		*
Utilities	107	4,793		*
Other	2,260	80,187	(3)	11
Total all other loans	$ 3,321	163,660		22 %
Total	$ 3,321	164,378		22 %

* Less than 1%.
(1) For PCI loans, amounts represent carrying value.
(2) No other single category had loans in excess of $35 million.
(3) No other single category had loans in excess of $4.6 billion. The next largest categories included public administration, hotel/restaurant, media, non-residential construction and securities firms.

During the recent credit cycle, we have experienced an increase in requests for extensions of commercial and industrial and CRE loans, which have repayment guarantees. All extensions granted are based on a re-underwriting of the loan and our assessment of the borrower's ability to perform under the agreed-upon terms. At the time of extension, borrowers are generally performing in accordance with the contractual loan terms. Extension terms generally range from six to thirty-six months and may require that the borrower provide additional economic support in the form of partial repayment, amortization or additional collateral or guarantees. In cases where the value of collateral or financial condition of the borrower is insufficient to repay our loan, we may rely upon the support of an outside repayment guarantee in providing the extension. In considering the impairment status of the loan, we evaluate the collateral and future cash flows as well as the anticipated support of any repayment guarantor. When performance under a loan is not reasonably assured, including the performance of the guarantor, we place the loan on nonaccrual status and we charge-off all or a portion of a loan based on the fair value of the collateral securing the loan.

Our ability to seek performance under the guarantee is directly related to the guarantor's creditworthiness, capacity and willingness to perform, which is evaluated on an annual basis, or more frequently as warranted. Our evaluation is based on the most current financial information available and is focused on various key financial metrics, including net worth, leverage, and current and future liquidity. We consider the guarantor's reputation, creditworthiness, and willingness to work with us based on our analysis as well as other lenders' experience with the guarantor. Our assessment of the guarantor's credit strength is reflected in our loan risk ratings for such loans. The loan risk rating is an important factor in our allowance methodology for commercial and industrial and CRE loans.

REAL ESTATE 1-4 FAMILY FIRST MORTGAGE LOANS The concentrations of real estate 1-4 family mortgage loans by state are presented in Table 20. Our real estate 1-4 family mortgage loans to borrowers in California represented approximately 14% of total loans (3% of this amount were PCI loans from Wachovia) at both December 31, 2010 and 2009, mostly within the larger metropolitan areas, with no single area consisting of more than 3% of total loans. Changes in real estate values and underlying economic or market conditions for these areas are monitored continuously within our credit risk management process.

Some of our real estate 1-4 family mortgage loans (representing first mortgage and home equity products) include an interest-only feature as part of the loan terms. At December 31, 2010, these loans were approximately 25% of total loans, compared with 26% at the end of 2009. Substantially all of these loans are considered to be prime or near prime. We believe we have manageable adjustable-rate mortgage (ARM) reset risk across our Wells Fargo originated and owned mortgage loan portfolios.

Table 20: Real Estate 1-4 Family Mortgage Loans by State

		December 31, 2010			
(in millions)		Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total real estate 1-4 family mortgage	% of total loans
PCI loans:					
California	$	21,630	49	21,679	3 %
Florida		3,076	56	3,132	*
New Jersey		1,293	36	1,329	*
Other (1)		7,246	109	7,355	*
Total PCI loans	$	33,245	250	33,495	4 %
All other loans:					
California	$	55,794	26,612	82,406	11 %
Florida		17,296	7,782	25,078	3
New Jersey		8,908	6,403	15,311	2
New York		8,169	3,709	11,878	2
Virginia		6,145	4,622	10,767	1
Pennsylvania		6,233	4,066	10,299	1
North Carolina		5,860	3,552	9,412	1
Texas		6,645	1,519	8,164	1
Georgia		4,886	3,472	8,358	1
Other (2)		77,054	34,162	111,216	15
Total all other loans	$	196,990	95,899	292,889	39 %
Total	$	230,235	96,149	326,384	43 %

* Less than 1%.
(1) Consists of 45 states; no state had loans in excess of $759 million.
(2) Consists of 41 states; no state had loans in excess of $7.2 billion. Includes $15.5 billion in Government National Mortgage Association (GNMA) pool buyouts.

PURCHASED CREDIT-IMPAIRED (PCI) LOANS As of December 31, 2008, certain of the loans acquired from Wachovia had evidence of credit deterioration since their origination, and it was probable that we would not collect all contractually required principal and interest payments. Such loans identified at the time of the acquisition were accounted for using the measurement provisions for PCI loans. PCI loans were recorded at fair value at the date of acquisition, and the historical allowance for credit losses related to these loans was not carried over.

PCI loans were written down to an amount estimated to be collectible. Accordingly, such loans are not classified as nonaccrual, even though they may be contractually past due, because we expect to fully collect the new carrying values of such loans (that is, the new cost basis arising out of our purchase accounting).

A nonaccretable difference was established in purchase accounting for PCI loans to absorb losses expected at that time on those loans. Amounts absorbed by the nonaccretable difference do not affect the income statement or the allowance for credit losses.

Substantially all commercial and industrial, CRE and foreign PCI loans are accounted for as individual loans. Conversely, Pick-a-Pay and other consumer PCI loans have been aggregated into several pools based on common risk characteristics. Each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Resolutions of loans may include sales of loans to third parties, receipt of payments in settlement with the borrower, or foreclosure of the collateral. Our policy is to remove an individual loan from a pool based on comparing the amount received from its resolution with its contractual amount. Any difference between these amounts is absorbed by the nonaccretable difference. This removal method assumes that the amount received from resolution approximates pool performance expectations. The remaining accretable yield balance is unaffected and any material change in remaining effective yield caused by this removal method is addressed by our quarterly cash flow evaluation process for each pool. For loans that are resolved by payment in full, there is no release of the nonaccretable difference for the pool because there is no difference between the amount received at resolution and the contractual amount of the loan. Modified PCI loans are not removed from a pool even if those loans would otherwise be deemed troubled debt restructurings (TDRs). Modified PCI loans that are accounted for individually are considered TDRs, and removed from PCI accounting, if there has been a concession granted in excess of the original nonaccretable difference.

During 2010, we recognized in income $989 million of nonaccretable difference related to commercial PCI loans due to payoffs and dispositions of these loans. We also transferred $3.4 billion from the nonaccretable difference to the accretable yield, of which $2.4 billion was due to sustained positive performance in the Pick-a-Pay portfolio evidenced through an increase in expected cash flows. Table 21 provides an analysis of changes in the nonaccretable difference related to principal that is not expected to be collected.

Table 21: Changes in Nonaccretable Difference for PCI Loans

(in millions)	Commercial	Pick-a-Pay	Other consumer	Total
Balance at December 31, 2008	$ 10,410	26,485	4,069	40,964
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	(330)	-	-	(330)
Loans resolved by sales to third parties (2)	(86)	-	(85)	(171)
Reclassification to accretable yield for loans with improving cash flows (3)	(138)	(27)	(276)	(441)
Use of nonaccretable difference due to:				
Losses from loan resolutions and write-downs (4)	(4,853)	(10,218)	(2,086)	(17,157)
Balance at December 31, 2009	**5,003**	**16,240**	**1,622**	**22,865**
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	**(817)**	**-**	**-**	**(817)**
Loans resolved by sales to third parties (2)	**(172)**	**-**	**-**	**(172)**
Reclassification to accretable yield for loans with improving cash flows (3)	**(726)**	**(2,356)**	**(317)**	**(3,399)**
Use of nonaccretable difference due to:				
Losses from loan resolutions and write-downs (4)	**(1,698)**	**(2,959)**	**(391)**	**(5,048)**
Balance at December 31, 2010	**$ 1,590**	**10,925**	**914**	**13,429**

(1) Release of the nonaccretable difference for settlement with borrower, on individually accounted PCI loans, increases interest income in the period of settlement. Pick-a-Pay and Other consumer PCI loans do not reflect nonaccretable difference releases due to pool accounting for those loans, which assumes that the amount received approximates the pool performance expectations.

(2) Release of the nonaccretable difference as a result of sales to third parties increases noninterest income in the period of the sale.

(3) Reclassification of nonaccretable difference to accretable yield for loans with increased cash flow estimates will result in increased interest income as a prospective yield adjustment over the remaining life of the loan or pool of loans.

(4) Write-downs to net realizable value of PCI loans are absorbed by the nonaccretable difference when severe delinquency (normally 180 days) or other indications of severe borrower financial stress exist that indicate there will be a loss of contractually due amounts upon final resolution of the loan.

Since the Wachovia acquisition, we have released $5.3 billion in nonaccretable difference for certain PCI loans and pools of loans, including $3.8 billion transferred from the nonaccretable difference to the accretable yield and $1.5 billion released through loan resolutions. We have provided $1.6 billion in the allowance for credit losses for certain PCI loans or pools of loans that have had loss-related decreases to cash flows expected to be collected. The net result is a $3.7 billion improvement in our initial projected losses on all PCI loans.

At December 31, 2010, the allowance for credit losses in excess of nonaccretable difference on certain PCI loans was $298 million. The allowance is necessary to absorb decreases in cash flows expected to be collected since acquisition and primarily relates to individual PCI loans. Table 22 analyzes the actual and projected loss results on PCI loans since the acquisition of Wachovia on December 31, 2008, through December 31, 2010.

Table 22: Actual and Projected Loss Results on PCI Loans

(in millions)	Commercial	Pick-a-Pay	Other consumer	Total
Release of unneeded nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	$ 1,147	-	-	1,147
Loans resolved by sales to third parties (2)	258	-	85	343
Reclassification to accretable yield for loans with improving cash flows (3)	864	2,383	593	3,840
Total releases of nonaccretable difference due to better than expected losses	2,269	2,383	678	5,330
Provision for worse than originally expected losses (4)	(1,562)	-	(62)	(1,624)
Actual and projected losses on PCI loans better than originally expected	$ 707	2,383	616	3,706

(1) Release of the nonaccretable difference for settlement with borrower, on individually accounted PCI loans, increases interest income in the period of settlement. Pick-a-Pay and Other consumer PCI loans do not reflect nonaccretable difference releases due to pool accounting for those loans, which assumes that the amount received approximates the pool performance expectations.

(2) Release of the nonaccretable difference as a result of sales to third parties increases noninterest income in the period of the sale.

(3) Reclassification of nonaccretable difference to accretable yield for loans with increased cash flow estimates will result in increased interest income as a prospective yield adjustment over the remaining life of the loan or pool of loans.

(4) Provision for additional losses recorded as a charge to income, when it is estimated that the cash flows expected to be collected for a PCI loan or pool of loans have decreased subsequent to the acquisition.

For further detail on PCI loans, see Note 1 (Summary of Significant Accounting Policies – Loans) and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

PICK-A-PAY PORTFOLIO The Pick-a-Pay portfolio was one of the consumer residential first mortgage portfolios we acquired from Wachovia. We considered a majority of the Pick-a-Pay loans to be PCI loans.

The Pick-a-Pay portfolio had an outstanding balance of $84.2 billion and a carrying value of $74.8 billion at December 31, 2010. It is a liquidating portfolio, as Wachovia ceased originating new Pick-a-Pay loans in 2008.

Real estate 1-4 family junior lien mortgages and lines of credit associated with Pick-a-Pay loans are reported in the Home Equity core portfolio. The Pick-a-Pay portfolio includes loans that offer payment options (Pick-a-Pay option payment loans), loans that were originated without the option payment feature, loans that no longer offer the option feature as a result of our modification efforts since the acquisition, and loans where the customer voluntarily converted to a fixed-rate product. The Pick-a-Pay portfolio is included in the consumer real estate 1-4 family first mortgage class of loans in Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report. Table 23 provides balances over time related to the types of loans included in the portfolio.

Table 23: Pick-a-Pay Portfolio - Balances Over Time

	December 31,					
	2010		2009		2008	
(in millions)	Unpaid principal balance	% of total	Unpaid principal balance	% of total	Unpaid principal balance	% of total
Option payment loans (1)	$ 49,958	59 %	$ 67,170	69 %	$ 99,937	86 %
Non-option payment adjustable-rate and fixed-rate loans (1)	11,070	13	13,926	14	15,763	14
Full-term loan modifications (1)	23,132	28	16,378	17	-	-
Total unpaid principal balance (1)	$ 84,160	100 %	$ 97,474	100 %	$ 115,700	100 %
Total carrying value	$ 74,815		$ 85,238		$ 95,315	

(1) Unpaid principal balance includes write-downs taken on loans where severe delinquency (normally 180 days) or other indications of severe borrower financial stress exist that indicate there will be a loss of contractually due amounts upon final resolution of the loan.

PCI loans in the Pick-a-Pay portfolio had an outstanding balance of $41.9 billion and a carrying value of $32.4 billion at December 31, 2010. The carrying value of the PCI loans is net of remaining purchase accounting write-downs, which reflected their fair value at acquisition. Upon acquisition, we recorded a $22.4 billion write-down in purchase accounting on Pick-a-Pay loans that were impaired.

Due to the sustained positive performance observed on the Pick-a-Pay portfolio compared to the original acquisition estimates, we have reclassified $2.4 billion from the nonaccretable difference to the accretable yield since the Wachovia merger. This improvement in the lifetime credit outlook for this portfolio is primarily attributable to the significant modification efforts as well as the portfolio's delinquency stabilization. This improvement in the credit outlook is expected to be realized over the remaining life of the portfolio, which is estimated to have a weighted-average life of approximately nine years. The accretable yield percentage at the end of 2010 was 4.54% compared with 5.34% at the end of 2009. Fluctuations in the accretable yield are driven by changes in interest rate indices for variable rate PCI loans, prepayment assumptions, and expected principal and interest payments over the estimated life of the portfolio. Changes in the projected timing of cash flow events, including loan liquidations, modifications and short sales, can also affect the accretable yield percentage and the estimated weighted-average life of the portfolio.

Pick-a-Pay option payment loans may be adjustable or fixed rate. They are home mortgages on which the customer has the option each month to select from among four payment options: (1) a minimum payment as described below, (2) an interest-only payment, (3) a fully amortizing 15-year payment, or (4) a fully amortizing 30-year payment.

The minimum monthly payment for substantially all of our Pick-a-Pay loans is reset annually. The new minimum monthly payment amount usually cannot increase by more than 7.5% of the then-existing principal and interest payment amount. The minimum payment may not be sufficient to pay the monthly interest due and in those situations a loan on which the customer has made a minimum payment is subject to "negative amortization," where unpaid interest is added to the principal balance of the loan. The amount of interest that has been added to a loan balance is referred to as "deferred interest." Total deferred interest of $2.7 billion at December 31, 2010, was down from $3.7 billion at December 31, 2009, due to loan modification efforts as well as falling interest rates resulting in the minimum payment option covering the interest and some principal on many loans. At December 31, 2010, approximately 75% of customers choosing the minimum payment option did not defer interest.

Deferral of interest on a Pick-a-Pay loan may continue as long as the loan balance remains below a pre-defined principal cap, which is based on the percentage that the current loan balance represents to the original loan balance. Loans with an original loan-to-value (LTV) ratio equal to or below 85% have a cap of 125% of the original loan balance, and these loans represent substantially all the Pick-a-Pay portfolio. Loans with an original LTV ratio above 85% have a cap of 110% of the

original loan balance. Most of the Pick-a-Pay loans on which there is a deferred interest balance re-amortize (the monthly payment amount is reset or "recast") on the earlier of the date when the loan balance reaches its principal cap, or the 10-year anniversary of the loan. For a small population of Pick-a-Pay loans, the recast occurs at the five-year anniversary. After a recast, the customers' new payment terms are reset to the amount necessary to repay the balance over the remainder of the original loan term.

Due to the terms of the Pick-a-Pay portfolio, there is little recast risk over the next three years. Based on assumptions of a flat rate environment, if all eligible customers elect the minimum payment option 100% of the time and no balances prepay, we would expect the following balances of loans to recast based on reaching the principal cap: $3 million in 2011, $4 million in 2012 and $32 million in 2013. In 2010, the amount of loans recast based on reaching the principal cap was $1 million. In addition, we would expect the following balances of loans to start fully amortizing due to reaching their recast anniversary date and also having a payment change at the recast date greater than the annual 7.5% reset: $34 million in 2011, $69 million in 2012 and $275 million in 2013. In 2010, the amount of loans reaching their recast anniversary date and also having a payment change over the annual 7.5% reset was $39 million.

Table 24 reflects the geographic distribution of the Pick-a-Pay portfolio broken out between PCI loans and all other loans. In stressed housing markets with declining home prices and increasing delinquencies, the LTV ratio is a useful metric in predicting future real estate 1-4 family first mortgage loan performance, including potential charge-offs. Because PCI loans were initially recorded at fair value, including write-downs for expected credit losses, the ratio of the carrying value to the current collateral value will be lower compared with the LTV based on the unpaid principal balance. For informational purposes, we have included both ratios in the following table.

Table 24: Pick-a-Pay Portfolio (1)

	December 31, 2010							
	PCI loans				All other loans			
(in millions)	Unpaid principal balance (2)	Current LTV ratio (3)	Carrying value (4)	Ratio of carrying value to current value	Unpaid principal balance (2)	Current LTV ratio (3)	Carrying value (4)	
California	$ 28,451	117 %	$ 21,623	88 %	$ 20,782	81 %	$ 20,866	
Florida	3,925	122	2,960	88	4,317	100	4,335	
New Jersey	1,432	91	1,242	78	2,568	77	2,578	
Texas	371	78	337	72	1,725	64	1,732	
Washington	525	96	488	89	1,288	80	1,293	
Other states	7,189	106	5,726	83	11,587	84	11,635	
Total Pick-a-Pay loans	$ 41,893		$ 32,376		$ 42,267		$ 42,439	

(1) The individual states shown in this table represent the top five states based on the total net carrying value of the Pick-a-Pay loans at the beginning of 2010.
(2) Unpaid principal balance includes write-downs taken on loans where severe delinquency (normally 180 days) or other indications of severe borrower financial stress exist that indicate there will be a loss of contractually due amounts upon final resolution of the loan.
(3) The current LTV ratio is calculated as the unpaid principal balance divided by the collateral value. Collateral values are generally determined using automated valuation models (AVM) and are updated quarterly. AVMs are computer-based tools used to estimate market values of homes based on processing large volumes of market data including market comparables and price trends for local market areas.
(4) Carrying value, which does not reflect the allowance for loan losses, includes remaining purchase accounting adjustments, which, for PCI loans may include the nonaccretable difference and the accretable yield and, for all other loans, an adjustment to mark the loans to a market yield at date of merger less any subsequent charge-offs.

To maximize return and allow flexibility for customers to avoid foreclosure, we have in place several loss mitigation strategies for our Pick-a-Pay loan portfolio. We contact customers who are experiencing difficulty and may in certain cases modify the terms of a loan based on a customer's documented income and other circumstances.

We also have taken steps to work with customers to refinance or restructure their Pick-a-Pay loans into other loan products. For customers at risk, we offer combinations of term extensions of up to 40 years (from 30 years), interest rate reductions, forbearance of principal, and, in geographies with substantial property value declines, we may offer permanent principal reductions.

In 2009, we rolled out the U.S. Treasury Department's Home Affordability Modification Program (HAMP) to the customers in this portfolio. As of December 31, 2010, more than 11,000 HAMP applications were being reviewed by our loan servicing department and more than 7,000 loans have been approved for the HAMP trial modification. We believe a key factor to successful loss mitigation is tailoring the revised loan payment to the customer's sustainable income. We continually reassess our loss mitigation strategies and may adopt additional or different strategies in the future.

In 2010, we completed more than 27,700 proprietary and HAMP loan modifications and have completed more than 80,400 modifications since the Wachovia acquisition, resulting in $3.7 billion of principal forgiveness to our customers. The majority of the loan modifications were concentrated in our PCI Pick-a-Pay loan portfolio. Approximately 49,000 modification offers were proactively sent to customers in 2010. As part of the modification process, the loans are re-underwritten, income is documented and the negative amortization feature is eliminated.

Most of the modifications result in material payment reduction to the customer. Because of the write-down of the PCI loans in purchase accounting, our post-merger modifications to PCI Pick-a-Pay loans have not resulted in any modification-related provision for credit losses. To the extent we modify loans not in the PCI Pick-a-Pay portfolio, we may establish an allowance for consumer loans modified in a TDR.

HOME EQUITY PORTFOLIOS The deterioration in specific segments of the legacy Wells Fargo Home Equity portfolios, which began in 2007, required a targeted approach to managing these assets. In fourth quarter 2007, a liquidating portfolio was identified, consisting of home equity loans generated through the wholesale channel not behind a Wells Fargo first mortgage, and home equity loans acquired through correspondents. The liquidating portfolio was $6.9 billion at December 31, 2010, compared with $8.4 billion at December 31, 2009. The loans in this liquidating portfolio represent less than 1% of our total loans outstanding at December 31, 2010, and contain some of the highest risk in our $117.5 billion Home Equity portfolio, with a loss rate of 10.90% compared with 3.62% for the core portfolio.

The loans in the liquidating portfolio are largely concentrated in geographic markets that have experienced the most abrupt and steepest declines in housing prices. The core portfolio was $110.6 billion at December 31, 2010, of which 98% was originated through the retail channel and approximately 19% of the outstanding balance was in a first lien position. Table 25 includes the credit attributes of the Home Equity portfolios. California loans represent the largest state concentration in each of these portfolios and have experienced among the highest early-term delinquency and loss rates.

Table 25: Home Equity Portfolios (1)

	Outstanding balance		% of loans two payments or more past due		Loss rate	
	December 31,		December 31,		December 31,	
(in millions)	**2010**	2009	**2010**	2009	**2010**	2009
Core portfolio (2)						
California	**$ 27,850**	30,264	**3.30 %**	4.12	**4.92**	5.42
Florida	**12,036**	12,038	**5.46**	5.48	**6.13**	4.73
New Jersey	**8,629**	8,379	**3.44**	2.50	**1.95**	1.30
Virginia	**5,667**	5,855	**2.33**	1.91	**1.86**	1.06
Pennsylvania	**5,432**	5,051	**2.48**	2.03	**1.24**	1.49
Other	**50,976**	53,811	**2.83**	2.85	**3.04**	2.44
Total	**110,590**	115,398	**3.24**	3.35	**3.62**	3.28
Liquidating portfolio						
California	**2,555**	3,205	**6.66**	8.78	**15.19**	16.74
Florida	**330**	408	**8.85**	9.45	**13.72**	16.90
Arizona	**149**	193	**6.91**	10.46	**20.89**	18.57
Texas	**125**	154	**2.02**	1.94	**2.81**	2.56
Minnesota	**91**	108	**5.39**	4.15	**9.57**	7.58
Other	**3,654**	4,361	**4.53**	5.06	**7.48**	6.46
Total	**6,904**	8,429	**5.54**	6.74	**10.90**	11.17
Total core and liquidating portfolios	**$ 117,494**	123,827	**3.37**	3.58	**4.08**	3.88

(1) Consists predominantly of real estate 1-4 family junior lien mortgages and first and junior lines of credit secured by real estate, excluding PCI loans.
(2) Includes $1.7 billion and $1.8 billion at December 31, 2010 and 2009, respectively, associated with the Pick-a-Pay portfolio.

CREDIT CARDS Our credit card portfolio totaled $22.3 billion at December 31, 2010, which represented 3% of our total outstanding loans and was smaller than the credit card portfolios of each of our large bank peers. Delinquencies of 30 days or more were 4.4% of credit card outstandings at December 31, 2010, down from 5.5% a year ago. Net charge-offs were 9.7% for 2010, down from 10.8% in 2009, reflecting previous risk mitigation efforts and overall economic improvements.

NONACCRUAL LOANS AND OTHER NONPERFORMING ASSETS

Table 26 shows the five-year trend for nonaccrual loans and other NPAs. We generally place loans on nonaccrual status when:

- the full and timely collection of interest or principal becomes uncertain;
- they are 90 days (120 days with respect to real estate 1-4 family first and junior lien mortgages) past due for interest or principal, unless both well-secured and in the process of collection; or
- part of the principal balance has been charged off and no restructuring has occurred.

Note 1 (Summary of Significant Accounting Policies – Loans) to Financial Statements in this Report describes our accounting policy for nonaccrual and impaired loans.

Wachovia nonaccrual loans were virtually eliminated at December 31, 2008 (acquisition date), due to the purchase accounting adjustments. As a result, the rate of growth for nonaccrual loans since acquisition has been higher than it would have been without the PCI loan accounting. The impact of purchase accounting on our credit data will diminish over time. Table 27 summarizes NPAs for each of the four quarters of 2010 and shows a decline in the total balance in fourth quarter 2010 for the first quarter since the acquisition of Wachovia.

Table 26: Nonaccrual Loans and Other Nonperforming Assets

					December 31,
(in millions)	**2010**	2009	2008	2007	2006
Nonaccrual loans:					
Commercial:					
Commercial and industrial	**$ 3,213**	4,397	1,253	432	331
Real estate mortgage	**5,227**	3,696	594	128	105
Real estate construction	**2,676**	3,313	989	293	78
Lease financing	**108**	171	92	45	29
Foreign	**127**	146	57	45	43
Total commercial (1)	**11,351**	11,723	2,985	943	586
Consumer:					
Real estate 1-4 family first mortgage (2)	**12,289**	10,100	2,648	1,272	688
Real estate 1-4 family junior lien mortgage	**2,302**	2,263	894	280	212
Other revolving credit and installment	**300**	332	273	184	180
Total consumer	**14,891**	12,695	3,815	1,736	1,080
Total nonaccrual loans (3)(4)	**26,242**	24,418	6,800	2,679	1,666
As a percentage of total loans	**3.47 %**	3.12	0.79	0.70	0.52
Foreclosed assets:					
GNMA (5)	**$ 1,479**	960	667	535	322
Other	**4,530**	2,199	1,526	649	423
Real estate and other nonaccrual investments (6)	**120**	62	16	5	5
Total nonaccrual loans and other nonperforming assets	**$ 32,371**	27,639	9,009	3,868	2,416
As a percentage of total loans	**4.27 %**	3.53	1.04	1.01	0.76

(1) Includes LHFS of $3 million and $27 million at December 31, 2010 and 2009, respectively.

(2) Includes MHFS of $426 million, $339 million, $193 million, $222 million, and $82 million at December 31, 2010, 2009, 2008, 2007 and 2006, respectively.

(3) Excludes loans acquired from Wachovia that are accounted for as PCI loans because they continue to earn interest income from accretable yield, independent of performance in accordance with their contractual terms.

(4) See Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for further information on impaired loans.

(5) Consistent with regulatory reporting requirements, foreclosed real estate securing GNMA loans is classified as nonperforming. Both principal and interest for GNMA loans secured by the foreclosed real estate are collectible because the GNMA loans are insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA).

(6) Includes real estate investments (loans with non-traditional interest terms accounted for as investments) that would be classified as nonaccrual if these assets were recorded as loans, and nonaccrual debt securities.

Table 27: Nonaccrual Loans and Other Nonperforming Assets During 2010

($ in millions)	December 31, 2010 Balances	% of total loans	September 30, 2010 Balances	% of total loans	June 30, 2010 Balances	% of total loans	March 31, 2010 Balances	% of total loans
Commercial:								
Commercial and industrial	$ 3,213	2.12 %	$ 4,103	2.79 %	$ 3,843	2.63 %	$ 4,273	2.84 %
Real estate mortgage	5,227	5.26	5,079	5.14	4,689	4.71	4,345	4.44
Real estate construction	2,676	10.56	3,198	11.46	3,429	11.10	3,327	9.64
Lease financing	108	0.82	138	1.06	163	1.21	185	1.33
Foreign	127	0.39	126	0.42	115	0.38	135	0.48
Total commercial	11,351	3.52	12,644	3.99	12,239	3.82	12,265	3.77
Consumer:								
Real estate 1-4 family first mortgage	12,289	5.34	12,969	5.69	12,865	5.50	12,347	5.13
Real estate 1-4 family junior lien mortgage	2,302	2.39	2,380	2.40	2,391	2.36	2,355	2.27
Other revolving credit and installment	300	0.35	312	0.35	316	0.36	334	0.37
Total consumer	14,891	3.42	15,661	3.58	15,572	3.49	15,036	3.30
Total nonaccrual loans	26,242	3.47	28,305	3.76	27,811	3.63	27,301	3.49
Foreclosed assets:								
GNMA	1,479		1,492		1,344		1,111	
All other	4,530		4,635		3,650		2,970	
Total foreclosed assets	6,009		6,127		4,994		4,081	
Real estate and other nonaccrual investments	120		141		131		118	
Total nonaccrual loans and other nonperforming assets	$ 32,371	4.27 %	$ 34,573	4.59 %	$ 32,936	4.30 %	$ 31,500	4.03 %
Change from prior quarter	$ (2,202)		1,637		1,436		3,861	

Total NPAs were $32.4 billion (4.27% of total loans) at December 31, 2010, and included $26.2 billion of nonaccrual loans and $6.0 billion of foreclosed assets. The growth rate in nonaccrual loans slowed in 2010, peaking in third quarter. Growth occurred in the real estate portfolios (commercial and residential) which consist of secured loans. Nonaccruals in all other loan portfolios were essentially flat or down year over year. New inflows to nonaccrual loans continued to decline. Table 28 provides an analysis of the changes in nonaccrual loans.

Table 28: Analysis of Changes in Nonaccrual Loans

	Quarter ended				
(in millions)	**Dec. 31, 2010**	**Sept. 30, 2010**	**June 30, 2010**	**Mar. 31, 2010**	Dec. 31, 2009
Commercial nonaccrual loans					
Balance, beginning of quarter	$ **12,644**	**12,239**	**12,265**	**11,723**	10,408
Inflows	**2,329**	**2,807**	**2,560**	**2,763**	3,856
Outflows	**(3,622)**	**(2,402)**	**(2,586)**	**(2,221)**	(2,541)
Balance, end of quarter	**11,351**	**12,644**	**12,239**	**12,265**	11,723
Consumer nonaccrual loans					
Balance, beginning of quarter	**15,661**	**15,572**	**15,036**	**12,695**	10,461
Inflows	**4,357**	**4,866**	**4,733**	**6,169**	5,626
Outflows	**(5,127)**	**(4,777)**	**(4,197)**	**(3,828)**	(3,392)
Balance, end of quarter	**14,891**	**15,661**	**15,572**	**15,036**	12,695
Total nonaccrual loans	**26,242**	**28,305**	**27,811**	**27,301**	24,418

Typically, changes to nonaccrual loans period-over-period represent inflows for loans that reach a specified past due status, offset by reductions for loans that are charged off, sold, transferred to foreclosed properties, or are no longer classified as nonaccrual because they return to accrual status. We have increased our loan modification activity to assist homeowners and other borrowers in the current difficult economic cycle. Loans are re-underwritten at the time of the modification in accordance with underwriting guidelines established for governmental and proprietary loan modification programs. For an accruing loan that has been modified, if the borrower has demonstrated performance under the previous terms and shows the capacity to continue to perform under the restructured terms, the loan will remain in accruing status. Otherwise, the loan will be placed in a nonaccrual status generally until the borrower has made six consecutive months of payments, or equivalent, inclusive of consecutive payments made prior to modification.

Loss expectations for nonaccrual loans are driven by delinquency rates, default probabilities and severities. While nonaccrual loans are not free of loss content, we believe the estimated loss exposure remaining in these balances is significantly mitigated by four factors. First, 99% of consumer nonaccrual loans and 95% of commercial nonaccrual loans are secured. Second, losses have already been recognized on 52% of the remaining balance of consumer nonaccruals and commercial nonaccruals have been written down by $2.6 billion. Residential nonaccrual loans are written down to net realizable value at 180 days past due, except for loans that go into trial modification prior to becoming 180 days past due, and which are not written down in the trial period (three months) as long as trial payments are being made on time. Third, as of December 31, 2010, 57% of commercial nonaccrual loans were current on interest. Fourth, the inherent risk of loss in all nonaccruals is adequately covered by the allowance for loan losses.

Commercial nonaccrual loans, net of write-downs, amounted to $11.4 billion at December 31, 2010, compared with $11.7 billion a year ago. Consumer nonaccrual loans amounted to $14.9 billion at December 31, 2010, compared with $12.7 billion a year ago. The $2.2 billion increase in nonaccrual consumer loans from a year ago was due to an increase in 1-4 family first mortgage loans. Residential mortgage nonaccrual loans increased largely due to slower disposition and assets brought on the balance sheet upon consolidation of VIEs. Federal government programs, such as HAMP, and Wells Fargo proprietary programs, such as the Company's Pick-a-Pay Mortgage Assistance program, require customers to provide updated documentation, and to demonstrate sustained performance by completing trial payment periods, before the loan can be removed from nonaccrual status. In addition, for loans in foreclosure, many states, including California and Florida, have enacted legislation that significantly increases the time frames to complete the foreclosure process, meaning that loans will remain in nonaccrual status for longer periods. At the conclusion of the foreclosure process, we continue to sell real estate owned in a timely fashion.

When a consumer real estate loan is 120 days past due, we move it to nonaccrual status. When the loan reaches 180 days past due it is our policy to write these loans down to net realizable value, except for modifications in their trial period. Thereafter, we revalue each loan regularly and recognize additional charges if needed. Of the $14.9 billion of consumer nonaccrual loans at December 31, 2010, 98% are secured by real estate and 33% have a combined LTV (CLTV) ratio of 80% or below.

Table 29 provides a summary of foreclosed assets.

Table 29: Foreclosed Assets

(in millions)	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	Mar. 31, 2010	Dec. 31, 2009
GNMA	$ 1,479	1,492	1,344	1,111	960
PCI loans:					
Commercial	967	1,043	940	697	405
Consumer	1,068	1,109	722	490	336
Total PCI loans	2,035	2,152	1,662	1,187	741
All other loans:					
Commercial	1,412	1,343	1,087	820	655
Consumer	1,083	1,140	901	963	803
Total all other loans	2,495	2,483	1,988	1,783	1,458
Total foreclosed assets	$ 6,009	6,127	4,994	4,081	3,159

NPAs at December 31, 2010, included $1.5 billion of foreclosed real estate that is FHA insured or VA guaranteed and expected to have little to no loss content, and $4.5 billion of foreclosed assets, which have been written down to the value of the underlying collateral. Foreclosed assets increased $2.9 billion, or 90%, in 2010 from the prior year. Of this increase, $1.3 billion were foreclosed loans from the PCI portfolio that are now recorded as foreclosed assets. At December 31, 2010, substantially all of our foreclosed assets of $6.0 billion have been in the portfolio one year or less.

Given our real estate-secured loan concentrations and current economic conditions, we anticipate continuing to hold a high level of NPAs on our balance sheet. The loss content in the nonaccrual loans has been recognized through charge-offs or provided for in the allowance for credit losses at December 31, 2010. The performance of any one loan can be affected by external factors, such as economic or market conditions, or factors affecting a particular borrower. We increased staffing in our workout and collection organizations to ensure troubled borrowers receive the attention and help they need. See the "Risk Management – Allowance for Credit Losses" section in this Report for additional information.

We process foreclosures on a regular basis for the loans we service for others as well as those we hold in our loan portfolio. However, we utilize foreclosure only as a last resort for dealing with borrowers who are experiencing financial hardships. We employ extensive contact and restructuring procedures to attempt to find other solutions for our borrowers, and on average we attempt to contact borrowers over 75 times by phone and nearly 50 times by letter during the period from first delinquency to foreclosure sale.

We employ the same foreclosure procedures for loans we service for others as we use for loans that we hold in our portfolio. We transmit customer and loan data directly from our system of record to outside foreclosure counsel to help ensure the quality of the customer and loan data included in our foreclosure affidavits. We continuously test this process to confirm the proper transmission of the data. Completed foreclosure affidavits that are submitted to the courts are reviewed, signed, and notarized as one of the last steps in a multi-step process intended to comply with applicable law and help ensure the quality of customer and loan data. As previously disclosed, in the course of completing a thorough review of our foreclosure affidavit preparation and execution procedures, we did identify practices where final steps relating to the execution of foreclosure affidavits, as well as some aspects of the notarization process were not adhered to. However, we do not believe that any of these practices led to unwarranted foreclosures. In addition, we have enhanced those procedures to help ensure that foreclosure affidavits are properly prepared, reviewed, and signed.

TROUBLED DEBT RESTRUCTURINGS (TDRs)

Table 30: Troubled Debt Restructurings (TDRs)

(in millions)	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	Mar. 31, 2010	Dec. 31, 2009
Consumer TDRs:					
Real estate 1-4 family first mortgage	$ 11,603	10,951	9,525	7,972	6,685
Real estate 1-4 family junior lien mortgage	1,626	1,566	1,469	1,563	1,566
Other revolving credit and installment	778	674	502	310	17
Total consumer TDRs	14,007	13,191	11,496	9,845	8,268
Commercial TDRs	1,751	1,350	656	386	265
Total TDRs	$ 15,758	14,541	12,152	10,231	8,533
TDRs on nonaccrual status	$ 5,185	5,177	3,877	2,738	2,289
TDRs on accrual status	10,573	9,364	8,275	7,493	6,244
Total TDRs	$ 15,758	14,541	12,152	10,231	8,533

Table 30 provides information regarding the recorded investment of loans modified in TDRs. We establish an allowance for loan losses when a loan is modified in a TDR, which was $3.9 billion and $1.8 billion at December 31, 2010 and 2009, respectively. Total charge-offs related to loans modified in a TDR were $812 million in 2010 and $479 million in 2009.

Our nonaccrual policies are generally the same for all loan types when a restructuring is involved. We underwrite loans at the time of restructuring to determine whether there is sufficient evidence of sustained repayment capacity based on the borrower's documented income, debt to income ratios, and other factors. Any loans lacking sufficient evidence of sustained repayment capacity at the time of modification are charged down to the fair value of the collateral, if applicable. If the borrower has demonstrated performance under the previous terms and the underwriting process shows the capacity to continue to perform under the restructured terms, the loan will remain in accruing status. Otherwise, the loan will be placed in nonaccrual status generally until the borrower demonstrates a sustained period of performance, generally six consecutive months of payments, or equivalent, inclusive of consecutive payments made prior to modification. Loans will also be placed on nonaccrual, and a corresponding charge-off is recorded to the loan balance, if we believe that principal and interest contractually due under the modified agreement will not be collectible.

We do not forgive principal for a majority of our TDRs, but in those situations where principal is forgiven, the entire amount of such principal forgiveness is immediately charged off. When a TDR performs in accordance with its modified terms, the loan either continues to accrue interest (for performing loans), or will return to accrual status after the borrower demonstrates a sustained period of performance.

If interest due on all nonaccrual loans (including loans that were, but are no longer on nonaccrual at year end) had been accrued under the original terms, approximately $1.3 billion of interest would have been recorded as income in 2010, compared with $362 million recorded as interest income.

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING

Loans included in this category are 90 days or more past due as to interest or principal and still accruing, because they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans of $11.6 billion at December 31, 2010, and $16.1 billion at December 31, 2009, are excluded from this disclosure even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.

Non-PCI loans 90 days or more past due and still accruing were $18.5 billion at December 31, 2010, and $22.2 billion at December 31, 2009. Those balances include $14.7 billion and $15.3 billion, respectively, in loans whose repayments are insured by the FHA or guaranteed by the VA.

Excluding these insured/guaranteed loans, loans 90 days or more past due and still accruing at December 31, 2010, were down $3.1 billion, or 45%, from December 31, 2009. The decline was due to loss mitigation activities including modifications and increased collection capacity/process improvements, charge-offs, lower early stage delinquency levels and credit stabilization.

Table 31 reflects loans 90 days or more past due and still accruing excluding the insured/guaranteed loans.

Table 31: Loans 90 Days or More Past Due and Still Accruing (Excluding Insured/Guaranteed Loans)

	December 31,				
(in millions)	**2010**	2009	2008	2007	2006
Commercial:					
Commercial and industrial	$ **308**	590	218	32	15
Real estate mortgage	**104**	1,014	70	10	3
Real estate construction	**193**	909	250	24	3
Foreign	**22**	73	34	52	44
Total commercial	**627**	2,586	572	118	65
Consumer:					
Real estate 1-4 family first mortgage (1)	**941**	1,623	883	286	154
Real estate 1-4 family junior lien mortgage (1)	**366**	515	457	201	63
Credit card	**516**	795	687	402	262
Other revolving credit and installment	**1,305**	1,333	1,047	552	616
Total consumer	**3,128**	4,266	3,074	1,441	1,095
Total	$ **3,755**	6,852	3,646	1,559	1,160

(1) Includes MHFS 90 days or more past due and still accruing.

NET CHARGE-OFFS

Table 32: Net Charge-offs

($ in millions)	Year ended December 31,		Quarter ended December 31,		Quarter ended September 30,		Quarter ended June 30,		Quarter ended March 31,	
	Net loan charge-offs	% of avg. loans	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)
2010										
Commercial:										
Commercial and industrial	$ 2,348	1.57 %	$ 500	1.34 %	$ 509	1.38 %	$ 689	1.87 %	$ 650	1.68 %
Real estate mortgage	1,083	1.10	234	0.94	218	0.87	360	1.47	271	1.12
Real estate construction	1,079	3.45	171	2.51	276	3.72	238	2.90	394	4.45
Lease financing	100	0.74	21	0.61	23	0.71	27	0.78	29	0.85
Foreign	145	0.49	28	0.36	39	0.52	42	0.57	36	0.52
Total commercial	4,755	1.47	954	1.19	1,065	1.33	1,356	1.69	1,380	1.68
Consumer:										
Real estate 1-4 family first mortgage	4,378	1.86	1,024	1.77	1,034	1.78	1,009	1.70	1,311	2.17
Real estate 1-4 family junior lien mortgage	4,723	4.65	1,005	4.08	1,085	4.30	1,184	4.62	1,449	5.56
Credit card	2,178	9.74	452	8.21	504	9.06	579	10.45	643	11.17
Other revolving credit and installment	1,719	1.94	404	1.84	407	1.83	361	1.64	547	2.45
Total consumer	12,998	2.90	2,885	2.63	3,030	2.72	3,133	2.79	3,950	3.45
Total	$ 17,753	2.30 %	$ 3,839	2.02 %	$ 4,095	2.14 %	$ 4,489	2.33 %	$ 5,330	2.71 %
2009										
Commercial:										
Commercial and industrial	$ 3,111	1.72 %	$ 927	2.24 %	$ 924	2.09 %	$ 704	1.51 %	$ 556	1.15 %
Real estate mortgage	637	0.66	315	1.29	184	0.77	119	0.49	19	0.08
Real estate construction	1,047	2.56	409	4.23	274	2.67	259	2.48	105	0.99
Lease financing	209	1.42	49	1.37	82	2.26	61	1.68	17	0.43
Foreign	197	0.64	46	0.62	60	0.79	46	0.61	45	0.56
Total commercial	5,201	1.43	1,746	2.02	1,524	1.70	1,189	1.29	742	0.78
Consumer:										
Real estate 1-4 family first mortgage	3,133	1.31	1,018	1.74	966	1.63	758	1.26	391	0.65
Real estate 1-4 family junior lien mortgage	4,638	4.34	1,329	5.09	1,291	4.85	1,171	4.33	847	3.12
Credit card	2,528	10.82	634	10.61	648	10.96	664	11.59	582	10.13
Other revolving credit and installment	2,668	2.94	686	3.06	682	3.00	604	2.66	696	3.05
Total consumer	12,967	2.82	3,667	3.24	3,587	3.13	3,197	2.77	2,516	2.16
Total	$ 18,168	2.21 %	$ 5,413	2.71 %	$ 5,111	2.50 %	$ 4,386	2.11 %	$ 3,258	1.54 %

(1) Quarterly net charge-offs as a percentage of average loans are annualized.

Table 32 presents net charge-offs for the four quarters and full year of 2010 and 2009. Net charge-offs in 2010 were $17.8 billion (2.30% of average total loans outstanding) compared with $18.2 billion (2.21%) in 2009. Total net charge-offs decreased in 2010 in part due to lower average loan balances and as a result of modestly improving economic conditions, aggressive loss mitigation activities aimed at working with our customers through their financial challenges, and a depletion of the pool of the most challenged vintages/relationships in the portfolio. Total net charge-offs decreased each quarter throughout the year from the peak loss level in fourth quarter of 2009. While loss levels remained elevated, the broad-based improvement across the portfolio was an encouraging trend.

Net charge-offs in the 1-4 family first mortgage portfolio totaled $4.4 billion in 2010. Our relatively high quality 1-4 family first mortgage portfolio continued to reflect relatively low loss rates, although until housing prices fully stabilize, these credit losses will continue to remain elevated.

Net charge-offs in the real estate 1-4 family junior lien portfolio were $4.7 billion in 2010. Loss levels increased throughout 2009 and peaked in the first quarter of 2010. Loss levels will remain elevated, however, until conditions in the real estate markets improve. More information about the Home Equity portfolio, which includes substantially all of our real estate 1-4 family junior lien mortgage loans, is available in Table 25 in this Report and the related discussion.

Credit card charge-offs decreased $350 million to $2.2 billion in 2010. Delinquency and loss levels improved in 2010 as the economy showed signs of stabilization.

Commercial and CRE net charge-offs were $4.8 billion in 2010 compared with $5.2 billion a year ago. Wholesale credit results improved from 2009 as market liquidity and improving market conditions helped stabilize performance results. Increased lending activity in fourth quarter 2010 in the majority of our commercial business lines further supported our belief of a turn in the demand for credit.

ALLOWANCE FOR CREDIT LOSSES The allowance for credit losses, which consists of the allowance for loan losses and the allowance for unfunded credit commitments, is management's estimate of credit losses inherent in the loan portfolio and unfunded credit commitments at the balance sheet date, excluding loans carried at fair value. The detail of the changes in the allowance for credit losses by portfolio segment (including charge-offs and recoveries by loan class) is in Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

We employ a disciplined process and methodology to establish our allowance for credit losses each quarter. This process takes into consideration many factors, including historical and forecasted loss trends, loan-level credit quality ratings and loan grade-specific loss factors. The process involves subjective as well as complex judgments. In addition, we review a variety of credit metrics and trends. However, these trends do not solely determine the adequacy of the allowance as we use several analytical tools in determining its adequacy. For additional information on our allowance for credit losses, see the "Critical Accounting Policies – Allowance for Credit Losses" section and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

At December 31, 2010, the allowance for loan losses totaled $23.0 billion (3.04% of total loans), compared with $24.5 billion (3.13%), at December 31, 2009. The allowance for credit losses was $23.5 billion (3.10% of total loans) at December 31, 2010, and $25.0 billion (3.20%) at December 31, 2009. The allowance for credit losses included $298 million and $333 million at December 31, 2010 and 2009, respectively, related to PCI loans acquired from Wachovia. The allowance for unfunded credit commitments was $441 million and $515 million at December 31, 2010 and 2009, respectively. In addition to the allowance for credit losses there was $13.4 billion and $22.9 billion of nonaccretable difference at December 31, 2010 and 2009, respectively, to absorb losses for PCI loans. For additional information on PCI loans, see the "Risk Management – Credit Risk Management – Purchased Credit-Impaired Loans" section and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

The ratio of the allowance for credit losses to total nonaccrual loans was 89% and 103% at December 31, 2010 and 2009, respectively. This ratio may fluctuate significantly from period to period due to such factors as the mix of loan types in the portfolio, borrower credit strength and the value and marketability of collateral. Over half of nonaccrual loans were home mortgages, auto and other consumer loans at December 31, 2010.

The ratio of the allowance for loan losses to annual net charge-offs was 130% and 135% at December 31, 2010 and 2009, respectively. The $1.5 billion decline in the allowance for loan losses in 2010 reflected lower loan balances and lower levels of inherent credit loss in the portfolio compared with previous year-end levels. When anticipated charge-offs are projected to decline from current levels, this ratio will decrease. As more of the portfolio experiences charge-offs, charge-off levels continue to increase and the remaining portfolio is anticipated to consist of higher quality vintage loans subjected to tightened underwriting standards administered during the downturn in the credit cycle. As charge-off levels peak, we anticipate coverage levels will decrease until charge-off levels return to more normalized levels. This ratio may fluctuate significantly from period to period due to many factors, including general economic conditions, customer credit strength and the marketability of collateral.

Total provision for credit losses was $15.8 billion in 2010, $21.7 billion in 2009 and $16.0 billion in 2008. The 2010 provision was $2.0 billion less than credit losses, compared with a provision that was $3.5 billion in excess of credit losses in 2009. Absent significant deterioration in the economy, we expect future reductions in the allowance for credit losses.

Primary drivers of the 2010 provision reduction were continued improvement in the consumer portfolios and related loss estimates and improvement in management's view of economic conditions. These drivers were partially offset by an increase in impaired loans and related allowance primarily associated with increased consumer loan modification efforts and a $693 million adjustment due to adoption of consolidation accounting guidance on January 1, 2010.

In 2009, the provision of $21.7 billion included a provision in excess of credit losses of $3.5 billion, which was primarily driven by three factors: (1) deterioration in economic conditions that increased the projected losses in our commercial portfolios, (2) additional allowance associated with loan modification programs designed to keep qualifying borrowers in their homes, and (3) the establishment of additional allowance for PCI loans.

In 2008, the provision of $16.0 billion included a provision in excess of credit losses of $8.1 billion, which included $3.9 billion to conform loss emergence coverage periods to the most conservative of legacy Wells Fargo and Wachovia within Federal Financial Institutions Examination Council guidelines. The remainder of the allowance build was attributable to higher projected loss rates across the majority of the consumer credit businesses, and some credit deterioration and growth in the wholesale portfolios.

In determining the appropriate allowance attributable to our residential real estate portfolios, the loss rates used in our analysis include the impact of our established loan modification programs. When modifications occur or are probable to occur, our allowance considers the impact of these modifications, taking into consideration the associated credit cost, including re-defaults of modified loans and projected loss severity. The loss content associated with existing and probable loan modifications has been considered in our allowance reserving methodology.

Changes in the allowance reflect changes in statistically derived loss estimates, historical loss experience, current trends in borrower risk and/or general economic activity on portfolio performance, and management's estimate for imprecision and uncertainty.

We believe the allowance for credit losses of $23.5 billion was adequate to cover credit losses inherent in the loan portfolio, including unfunded credit commitments, at December 31, 2010. The allowance for credit losses is subject to change and considers existing factors at the time, including economic or market conditions and ongoing internal and external examination processes. Due to the sensitivity of the allowance for credit losses to changes in the economic environment, it is possible that unanticipated economic deterioration would create incremental credit losses not anticipated as of the balance sheet date. Our process for determining the allowance for credit losses is discussed in the "Critical Accounting Policies – Allowance for Credit Losses" section and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

LIABILITY FOR MORTGAGE LOAN REPURCHASE LOSSES We sell residential mortgage loans to various parties, including (1) Freddie Mac and Fannie Mae (GSEs) who include the mortgage loans in GSE-guaranteed mortgage securitizations, (2) SPEs that issue private label MBS, and (3) other financial institutions that purchase mortgage loans for investment or private label securitization. In addition, we pool FHA-insured and VA-guaranteed mortgage loans that back securities guaranteed by GNMA. We may be required to repurchase these mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the securitization trust, investor or insurer for credit losses incurred on loans (collectively "repurchase") in the event of a breach of such contractual representations or warranties that is not remedied within a period (usually 90 days or less) after we receive notice of the breach.

We establish mortgage repurchase liabilities related to various representations and warranties that reflect management's estimate of losses for loans for which we could have repurchase obligation, whether or not we currently service those loans, based on a combination of factors. Currently, repurchase demands primarily relate to 2006 through 2008 vintages and to GSE-guaranteed MBS.

During 2010, we continued to experience elevated levels of repurchase activity measured by number of loans, investor repurchase demands and our level of repurchases. We repurchased or reimbursed investors for incurred losses on mortgage loans with balances of $2.6 billion. Additionally, in 2010, we negotiated global settlements on pools of mortgage loans of $675 million, which effectively eliminates the risk of repurchase on these loans from our outstanding servicing portfolio. We incurred net losses on repurchased loans, investor reimbursements and loan pool global settlements totaling $1.4 billion in 2010.

Adjustments made to our mortgage repurchase liability in recent periods have incorporated the increase in repurchase demands, mortgage insurance rescissions, and higher than anticipated losses on repurchased loans that we have experienced. Table 33 provides the number of unresolved repurchase demands and mortgage insurance rescissions. We generally do not have unresolved repurchase demands from the FHA and VA for loans in GNMA-guaranteed securities because those demands are relatively few and we quickly resolve them.

Table 33: Unresolved Repurchase Demands and Mortgage Insurance Recissions

($ in millions)	Government sponsored entities (1) Number of loans	Government sponsored entities (1) Original loan balance (3)	Private Number of loans	Private Original loan balance (3)	Mortgage insurance recissions with no demand (2) Number of loans	Mortgage insurance recissions with no demand (2) Original loan balance (3)	Total Number of loans	Total Original loan balance (3)
2010								
December 31	**6,501**	**$ 1,467**	**2,899**	**$ 680**	**3,248**	**$ 801**	**12,648**	**$ 2,948**
September 30	**9,887**	**2,212**	**3,605**	**882**	**3,035**	**748**	**16,527**	**3,842**
June 30	**12,536**	**2,840**	**3,160**	**707**	**2,979**	**760**	**18,675**	**4,307**
March 31	**10,804**	**2,499**	**2,320**	**519**	**2,843**	**737**	**15,967**	**3,755**
December 31, 2009	8,354	1,911	2,929	886	2,965	859	14,248	3,656

(1) Includes repurchase demands on 1,495 loans totaling $291 million and 1,536 loans totaling $322 million at December 31, 2010, and December 31, 2009, respectively, received from investors on mortgage servicing rights acquired from other originators. We have the right of recourse against the seller for these repurchase demands and would incur a loss only for counterparty risk associated with the seller.

(2) As part of our representations and warranties in our loan sales contracts, we represent that certain loans have mortgage insurance. To the extent the mortgage insurance is rescinded by the mortgage insurer, the lack of insurance may result in a repurchase demand from an investor.

(3) While original loan balance related to these demands is presented above, the establishment of the repurchase reserve is based on a combination of factors, such as our appeals success rates, reimbursement by correspondent and other third party originators, and projected loss severity, which is driven by the difference between the current loan balance and the estimated collateral value less costs to sell the property.

The level of repurchase demands outstanding at December 31, 2010, was down from a year ago in both number of outstanding loans and in total dollar balances as we continued to work through the demands. Customary with industry practice, we have the right of recourse against correspondent lenders with respect to representations and warranties. Of the repurchase demands presented in Table 33, approximately 20% relate to loans purchased from correspondent lenders. Due primarily to the financial difficulties of some correspondent lenders, we typically recover on average approximately 50% of losses from these lenders. Historical recovery rates as well as projected lender performance are incorporated in the establishment of our mortgage repurchase liability.

Our liability for repurchases, included in "Accrued expenses and other liabilities" in our consolidated financial statements, was $1.3 billion and $1.0 billion at December 31, 2010 and 2009, respectively. In 2010, $1.6 billion of additions to the liability were recorded, which reduced net gains on mortgage loan origination/sales activities. Our additions to the repurchase liability in 2010 reflect updated assumptions about the losses we expect on repurchases and future demands, particularly on the 2006-2008 vintages.

We believe we have a high quality residential mortgage loan servicing portfolio. Of the $1.8 trillion in the residential mortgage loan servicing portfolio at December 31, 2010, 92% was current, less than 2% was subprime at origination, and approximately 1% was home equity securitizations. Our combined delinquency and foreclosure rate on this portfolio was 8.02% at December 31, 2010, compared with 8.96% at December 31, 2009. In this portfolio 7% are private securitizations where we originated the loan and therefore have some repurchase risk; 58% of these loans are from 2005 vintages or earlier (weighted average age of 63 months); 81% were prime at origination; and approximately 70% are jumbo loans. The weighted-average LTV as of December 31, 2010, was 72%. In addition, the highest risk segment of these private securitizations are the subprime loans originated in 2006 and 2007. These subprime loans have seller representations and warranties and currently have LTVs close to or exceeding 100%, and represent 8% of the 7% private securitization portion of the residential mortgage servicing portfolio. We had only $114 million of repurchases related to private securitizations in 2010. Of the servicing portfolio, 4% is non-agency acquired servicing and 3% is private whole loan sales. We did not underwrite and securitize the non-agency acquired servicing and therefore we have no obligation on that portion of our servicing portfolio to the investor for any repurchase demands arising from origination practices.

Table 34 summarizes the changes in our mortgage repurchase reserve.

Table 34: Changes in Mortgage Repurchase Liability

(in millions)	Quarter ended Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	Mar. 31, 2010	Year ended December 31, 2010	2009
Balance, beginning of period	$ 1,331	1,375	1,263	1,033	1,033	620 (1)
Provision for repurchase losses:						
Loan sales	35	29	36	44	144	302
Change in estimate - primarily due to credit deterioration	429	341	346	358	1,474	625
Total additions	464	370	382	402	1,618	927
Losses	(506)	(414)	(270)	(172)	(1,362)	(514)
Balance, end of period	$ 1,289	1,331	1,375	1,263	1,289	1,033

(1) Reflects purchase accounting refinements.

The mortgage repurchase liability of $1.3 billion at December 31, 2010, represents our best estimate of the probable loss that we may incur for various representations and warranties in the contractual provisions of our sales of mortgage loans. There may be a range of reasonably possible losses in excess of the estimated liability that cannot be estimated with confidence. Because the level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. We maintain regular contact with the GSEs and other significant investors to monitor and address their repurchase demand practices and concerns. For additional information on our repurchase liability, see the "Critical Accounting Policies – Liability for Mortgage Loan Repurchase Losses" section and Note 9 (Mortgage Banking Activities) to Financial Statements in this Report.

The repurchase liability is only applicable to loans we originated and sold with representations and warranties. Most of these loans are included in our servicing portfolio. Our repurchase liability estimate involves consideration of many factors that influence the key assumptions of what our repurchase volume may be and what loss on average we may incur. Those key assumptions and the sensitivity of the liability to immediate adverse changes in them at December 31, 2010, are presented in Table 35.

Table 35: Mortgage Repurchase Liability – Sensitivity/Assumptions

(in millions)		Mortgage repurchase liability	
Balance at December 31, 2010	$	1,289	
Loss on repurchases (1)		36.0	%
Increase in liability from:			
10% higher losses	$	145	
25% higher losses		362	
Repurchase rate assumption		0.3	%
Increase in liability from:			
10% higher repurchase rates	$	108	
25% higher repurchase rates		269	

(1) Represents total estimated average loss rate on repurchased loans, net of recovery from third party originators, based on historical experience and current economic conditions. The average loss rate includes the impact of repurchased loans for which no loss is expected to be realized.

To the extent that economic conditions and the housing market do not recover or future investor repurchase demands and appeals success rates differ from past experience, we could continue to have increased demands and increased loss severity on repurchases, causing future additions to the repurchase liability. However, some of the underwriting standards that were permitted by the GSEs for conforming loans in the 2006 through 2008 vintages, which significantly contributed to recent levels of repurchase demands, were tightened starting in mid to late 2008. Accordingly, we do not expect a similar rate of repurchase requests from the 2009 and prospective vintages, absent deterioration in economic conditions or changes in investor behavior.

RISKS RELATING TO SERVICING ACTIVITIES In addition to servicing loans in our portfolio, we act as servicer and/or master servicer of residential mortgage loans included in GSE-guaranteed mortgage securitizations, GNMA-guaranteed mortgage securitizations and private label mortgage securitizations, as well as for unsecuritized loans owned by institutional investors. The loans we service were originated by us or by other mortgage loan originators. As servicer, our primary duties are typically to (1) collect payment due from borrowers, (2) advance certain delinquent payments of principal and interest, (3) maintain and administer any hazard, title or primary mortgage insurance policies relating to the mortgage loans, (4) maintain any required escrow accounts for payment of taxes and insurance and administer escrow payments, and (5) foreclose on defaulted mortgage loans or, to the extent consistent with the documents governing a securitization, consider alternatives to foreclosure, such as loan modifications or short sales. As master servicer, our primary duties are typically to (1) supervise, monitor and oversee the servicing of the mortgage loans by the servicer, (2) consult with each servicer and use reasonable efforts to cause the servicer to observe its servicing obligations, (3) prepare monthly distribution statements to security holders and, if required by the securitization documents, certain periodic reports required to be filed with the Securities and Exchange Commission (SEC), (4) if required by the securitization documents, calculate distributions and loss allocations on the mortgage-backed securities, (5) prepare tax and information returns of the securitization trust, and (6) advance amounts required by non-affiliated servicers who fail to perform their advancing obligations.

Each agreement under which we act as servicer or master servicer generally specifies a standard of responsibility for actions we take in such capacity and provides protection against expenses and liabilities we incur when acting in compliance with the specified standard. For example, most private label securitization agreements under which we act as servicer or master servicer typically provide that the servicer and the master servicer are entitled to indemnification by the securitization trust for taking action or refraining from taking action in good faith or for errors in judgment. However, we are not indemnified, but rather are required to indemnify the securitization trustee, against any failure by us, as servicer or master servicer, to perform our servicing obligations or any of our acts or omissions that involve willful misfeasance, bad faith or gross negligence in the performance of, or reckless disregard of, our duties. In addition, if we commit a material breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period following notice, which can generally be given by the securitization trustee or a specified percentage of security holders. Whole loan sale contracts under which we act as servicer generally include similar provisions with respect to our actions as servicer. The standards governing servicing in GSE-guaranteed securitizations, and the possible remedies for violations of such standards, vary, and those standards and remedies are determined by servicing guides maintained by the GSEs, contracts between the GSEs and individual servicers and topical guides published by the GSEs from time to time. Such remedies could include indemnification or repurchase of an affected mortgage loan.

During fourth quarter 2010, we completed our review of our foreclosure procedures related to affidavit preparation and execution. We identified practices where final steps relating to the execution of foreclosure affidavits, as well as some aspects of the notarization process were not adhered to. However, we do not believe that any of these practices led to unwarranted foreclosures. In addition, we have enhanced those procedures to help ensure that foreclosure affidavits are properly prepared, reviewed, and signed.

Any re-execution or redelivery of any documents in connection with foreclosures will involve costs that may not be legally or otherwise reimbursable to us to the extent they relate to securitized mortgage loans. Further, if the validity of any foreclosure action is challenged by a borrower, whether successfully or not, we may incur significant litigation costs, which may not be reimbursable to us to the extent they relate to securitized mortgage loans. In addition, if a court were to overturn a foreclosure due to errors or deficiencies in the foreclosure process, we may have liability to the borrower if the required process was not followed and such failure resulted in damages to the borrower. We could also have liability to a title insurer that insured the title to the property sold in foreclosure. Any such liabilities may not be reimbursable to us to the extent they relate to a securitized mortgage loan.

Other concerns cited within recent press reports are that securitization loan files may be lacking mortgage notes, assignments or other critical documents required to be produced on behalf of the trust. Although we believe that we delivered all documents in accordance with the requirements of each securitization involving our mortgage loans, if any required document with respect to a securitized mortgage loan sold by us is missing or defective, we would be obligated to cure the defect or to repurchase the loan.

Some commentators also have suggested that the common industry practice of recording a mortgage in the name of Mortgage Electronic Registration Systems, Inc. (MERS) creates issues regarding whether a securitization trust has good title to the mortgage loan. MERS is a company that acts as mortgagee of record and as agent for the owner of the related mortgage note. When mortgage notes are assigned, such as between an originator and a securitization trust, the change of ownership is recorded electronically on a register maintained by MERS, which then acts as agent for the new owner. The purpose of MERS is to save borrowers and lenders from having to record assignments of mortgages in county land offices each time ownership of the mortgage note is assigned. Although MERS has been in existence and used for many years, it has recently been suggested by some commentators that having a mortgagee of record that is different from the owner of the mortgage note "breaks the chain of title" and clouds the ownership of the loan. We do not believe that to be the case, and believe that the operative legal principle is that the ownership of a mortgage follows the ownership of the mortgage note, and that a securitization trust should have good title to a mortgage loan if the note is endorsed and delivered to it, regardless of whether MERS is the mortgagee of record or whether an assignment of mortgage is recorded to the trust.

However, in order to foreclose on the mortgage loan, it may be necessary for an assignment of the mortgage to be completed by MERS to the trust, in order to comply with state law requirements governing foreclosure. A delay by a servicer in processing any related assignment of mortgage to the trust could delay foreclosure, with adverse effects to security holders and potential for servicer liability. Our practice is to obtain assignments of mortgages from MERS during the foreclosure process.

The FRB and OCC have completed a joint interagency horizontal examination of foreclosure processing at large mortgage servicers, including Wells Fargo, to evaluate the adequacy of their controls and governance over bank foreclosure processes, including compliance with applicable federal and state law. The OCC and other federal banking regulators are finalizing actions that will incorporate remedial requirements and sanctions with respect to servicers within their relevant jurisdictions for identified deficiencies.

Asset/Liability Management

Asset/liability management involves the evaluation, monitoring and management of interest rate risk, market risk, liquidity and funding. The Corporate Asset/Liability Management Committee (Corporate ALCO), which oversees these risks and reports periodically to the Finance Committee of the Board of Directors (Board), consists of senior financial and business executives. Each of our principal business groups has its own asset/liability management committee and process linked to the Corporate ALCO process.

INTEREST RATE RISK Interest rate risk, which potentially can have a significant earnings impact, is an integral part of being a financial intermediary. We are subject to interest rate risk because:

- assets and liabilities may mature or reprice at different times (for example, if assets reprice faster than liabilities and interest rates are generally falling, earnings will initially decline);
- assets and liabilities may reprice at the same time but by different amounts (for example, when the general level of interest rates is falling, we may reduce rates paid on checking and savings deposit accounts by an amount that is less than the general decline in market interest rates);
- short-term and long-term market interest rates may change by different amounts (for example, the shape of the yield curve may affect new loan yields and funding costs differently); or
- the remaining maturity of various assets or liabilities may shorten or lengthen as interest rates change (for example, if long-term mortgage interest rates decline sharply, MBS held in the securities available-for-sale portfolio may prepay significantly earlier than anticipated, which could reduce portfolio income).

Interest rates may also have a direct or indirect effect on loan demand, credit losses, mortgage origination volume, the fair value of MSRs and other financial instruments, the value of the pension liability and other items affecting earnings.

We assess interest rate risk by comparing our most likely earnings plan with various earnings simulations using many interest rate scenarios that differ in the direction of interest rate changes, the degree of change over time, the speed of change and the projected shape of the yield curve. For example, as of December 31, 2010, our most recent simulation indicated estimated earnings at risk of approximately 5% of our most likely earnings plan over the next 12 months using a scenario in which the federal funds rate rises to 4.25% and the 10-year Constant Maturity Treasury bond yield rises to 5.10%. Simulation estimates depend on, and will change with, the size and mix of our actual and projected balance sheet at the time of each simulation. Due to timing differences between the quarterly valuation of MSRs and the eventual impact of interest rates on mortgage banking volumes, earnings at risk in any particular quarter could be higher than the average earnings at risk over the 12-month simulation period, depending on the path of interest rates and on our hedging strategies for MSRs. See the "Risk Management – Mortgage Banking Interest Rate and Market Risk" section in this Report for more information.

We use exchange-traded and over-the-counter (OTC) interest rate derivatives to hedge our interest rate exposures. The notional or contractual amount, credit risk amount and estimated net fair value of these derivatives as of December 31, 2010 and 2009, are presented in Note 15 (Derivatives) to Financial Statements in this Report. We use derivatives for asset/liability management in three main ways:

- to convert a major portion of our long-term fixed-rate debt, which we issue to finance the Company, from fixed-rate payments to floating-rate payments by entering into receive-fixed swaps;
- to convert the cash flows from selected asset and/or liability instruments/portfolios from fixed-rate payments to floating-rate payments or vice versa; and
- to hedge our mortgage origination pipeline, funded mortgage loans and MSRs using interest rate swaps, swaptions, futures, forwards and options.

MORTGAGE BANKING INTEREST RATE AND MARKET RISK We originate, fund and service mortgage loans, which subjects us to various risks, including credit, liquidity and interest rate risks. Based on market conditions and other factors, we reduce credit and liquidity risks by selling or securitizing some or all of the long-term fixed-rate mortgage loans we originate and most of the ARMs we originate. On the other hand, we may hold originated ARMs and fixed-rate mortgage loans in our loan portfolio as an investment for our growing base of core deposits. We determine whether the loans will be held for investment or held for sale at the time of commitment. We may subsequently change our intent to hold loans for investment and sell some or all of our ARMs or fixed-rate mortgages as part of our corporate asset/liability management. We may also acquire and add to our securities available for sale a portion of the securities issued at the time we securitize MHFS.

Notwithstanding the continued downturn in the housing sector, and the continued lack of liquidity in the nonconforming secondary markets, our mortgage banking revenue remained strong, reflecting the complementary origination and servicing

strengths of the business. The secondary market for agency-conforming mortgages functioned well during the year.

Interest rate and market risk can be substantial in the mortgage business. Changes in interest rates may potentially reduce total origination and servicing fees, the value of our residential MSRs measured at fair value, the value of MHFS and the associated income and loss reflected in mortgage banking noninterest income, the income and expense associated with instruments (economic hedges) used to hedge changes in the fair value of MSRs and MHFS, and the value of derivative loan commitments (interest rate "locks") extended to mortgage applicants.

Interest rates affect the amount and timing of origination and servicing fees because consumer demand for new mortgages and the level of refinancing activity are sensitive to changes in mortgage interest rates. Typically, a decline in mortgage interest rates will lead to an increase in mortgage originations and fees and may also lead to an increase in servicing fee income, depending on the level of new loans added to the servicing portfolio and prepayments. Given the time it takes for consumer behavior to fully react to interest rate changes, as well as the time required for processing a new application, providing the commitment, and securitizing and selling the loan, interest rate changes will affect origination and servicing fees with a lag. The amount and timing of the impact on origination and servicing fees will depend on the magnitude, speed and duration of the change in interest rates.

We measure MHFS at fair value for prime MHFS originations for which an active secondary market and readily available market prices exist to reliably support fair value pricing models used for these loans. At December 31, 2008, we measured at fair value similar MHFS acquired from Wachovia. Loan origination fees on these loans are recorded when earned, and related direct loan origination costs are recognized when incurred. We also measure at fair value certain of our other interests held related to residential loan sales and securitizations. We believe fair value measurement for prime MHFS and other interests held, which we hedge with free-standing derivatives (economic hedges) along with our MSRs measured at fair value, reduces certain timing differences and better matches changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets. During 2009 and 2010, in response to continued secondary market illiquidity, we continued to originate certain prime non-agency loans to be held for investment for the foreseeable future rather than to be held for sale. In addition, in 2010, we have originated certain prime agency-eligible loans to be held for investment as part of our asset/liability management strategy.

We initially measure all of our MSRs at fair value and carry substantially all of them at fair value depending on our strategy for managing interest rate risk. Under this method, the MSRs are recorded at fair value at the time we sell or securitize the related mortgage loans. The carrying value of MSRs carried at fair value reflects changes in fair value at the end of each quarter and changes are included in net servicing income, a component of mortgage banking noninterest income. If the fair value of the MSRs increases, income is recognized; if the fair value of the MSRs decreases, a loss is recognized. We use a dynamic and sophisticated model to estimate the fair value of our MSRs and periodically benchmark our estimates to independent appraisals. The valuation of MSRs can be highly subjective and involve complex judgments by management about matters that are inherently unpredictable. See "Critical Accounting Policies – Valuation of Residential Mortgage Servicing Rights" section of this Report for additional information. Changes in interest rates influence a variety of significant assumptions included in the periodic valuation of MSRs, including prepayment speeds, expected returns and potential risks on the servicing asset portfolio, the value of escrow balances and other servicing valuation elements.

A decline in interest rates generally increases the propensity for refinancing, reduces the expected duration of the servicing portfolio and therefore reduces the estimated fair value of MSRs. This reduction in fair value causes a charge to income for MSRs carried at fair value, net of any gains on free-standing derivatives (economic hedges) used to hedge MSRs. We may choose not to fully hedge all the potential decline in the value of our MSRs resulting from a decline in interest rates because the potential increase in origination/servicing fees in that scenario provides a partial "natural business hedge." An increase in interest rates generally reduces the propensity for refinancing, extends the expected duration of the servicing portfolio and therefore increases the estimated fair value of the MSRs. However, an increase in interest rates can also reduce mortgage loan demand and therefore reduce origination income.

The price risk associated with our MSRs is economically hedged with a combination of highly liquid interest rate forward instruments including mortgage forward contracts, interest rate swaps and interest rate options. All of the instruments included in the hedge are marked to market daily. Because the hedging instruments are traded in highly liquid markets, their prices are readily observable and are fully reflected in each quarter's mark to market. Quarterly MSR hedging results include a combination of directional gain or loss due to market changes as well as any carry income generated. If the economic hedge is effective, its overall directional hedge gain or loss will offset the change in the valuation of the underlying MSR asset. Consistent with our longstanding approach to hedging interest rate risk in the mortgage business, the size of the hedge and the particular combination of forward hedging instruments at any point in time is designed to reduce the volatility of the mortgage business's earnings over various time frames within a range of mortgage interest rates. Because market factors, the composition of the mortgage servicing portfolio and the relationship between the origination and servicing sides of our mortgage business change continually, the types of instruments used in our hedging are reviewed daily and rebalanced based on our evaluation of current market factors and the interest rate risk inherent in our MSRs portfolio. Throughout 2010, our economic hedging strategy generally used forward mortgage purchase contracts that were effective at offsetting the impact of interest rates on the value of the MSR asset.

Mortgage forward contracts are designed to pass the full economics of the underlying reference mortgage securities to the holder of the contract, including both the directional gain or loss

from the forward delivery of the reference securities and the corresponding carry income. Carry income represents the contract's price accretion from the forward delivery price to the current spot price including both the yield earned on the reference securities and the market implied cost of financing during the period. The actual amount of carry income earned on the hedge each quarter will depend on the amount of the underlying asset that is hedged and the particular instruments included in the hedge. The level of carry income is driven by the slope of the yield curve and other market driven supply and demand factors affecting the specific reference securities. A steep yield curve generally produces higher carry income while a flat or inverted yield curve can result in lower or potentially negative carry income. The level of carry income is also affected by the type of instrument used. In general, mortgage forward contracts tend to produce higher carry income than interest rate swap contracts. Carry income is recognized over the life of the mortgage forward as a component of the contract's mark to market gain or loss.

Hedging the various sources of interest rate risk in mortgage banking is a complex process that requires sophisticated modeling and constant monitoring. While we attempt to balance these various aspects of the mortgage business, there are several potential risks to earnings:

- Valuation changes for MSRs associated with interest rate changes are recorded in earnings immediately within the accounting period in which those interest rate changes occur, whereas the impact of those same changes in interest rates on origination and servicing fees occur with a lag and over time. Thus, the mortgage business could be protected from adverse changes in interest rates over a period of time on a cumulative basis but still display large variations in income from one accounting period to the next.
- The degree to which the "natural business hedge" offsets valuation changes for MSRs is imperfect, varies at different points in the interest rate cycle, and depends not just on the direction of interest rates but on the pattern of quarterly interest rate changes.
- Origination volumes, the valuation of MSRs and hedging results and associated costs are also affected by many factors. Such factors include the mix of new business between ARMs and fixed-rate mortgages, the relationship between short-term and long-term interest rates, the degree of volatility in interest rates, the relationship between mortgage interest rates and other interest rate markets, and other interest rate factors. Many of these factors are hard to predict and we may not be able to directly or perfectly hedge their effect.
- While our hedging activities are designed to balance our mortgage banking interest rate risks, the financial instruments we use may not perfectly correlate with the values and income being hedged. For example, the change in the value of ARMs production held for sale from changes in mortgage interest rates may or may not be fully offset by Treasury and LIBOR index-based financial instruments used as economic hedges for such ARMs. Additionally, the hedge-carry income we earn on our economic hedges for the MSRs may not continue if the spread between short-term and long-term rates decreases, we shift composition of the hedge to more interest rate swaps, or there are other changes in the market for mortgage forwards that affect the implied carry.

The total carrying value of our residential and commercial MSRs was $15.9 billion and $17.1 billion at December 31, 2010 and 2009, respectively. The weighted-average note rate on our portfolio of loans serviced for others was 5.39% and 5.66% at December 31, 2010 and 2009, respectively. Our total MSRs were 0.86% of mortgage loans serviced for others at December 31, 2010, compared with 0.91% at December 31, 2009.

As part of our mortgage banking activities, we enter into commitments to fund residential mortgage loans at specified times in the future. A mortgage loan commitment is an interest rate lock that binds us to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the rate lock. These loan commitments are derivative loan commitments if the loans that will result from the exercise of the commitments will be held for sale. These derivative loan commitments are recognized at fair value in the balance sheet with changes in their fair values recorded as part of mortgage banking noninterest income. The fair value of these commitments include, at inception and during the life of the loan commitment, the expected net future cash flows related to the associated servicing of the loan as part of the fair value measurement of derivative loan commitments. Changes subsequent to inception are based on changes in fair value of the underlying loan resulting from the exercise of the commitment and changes in the probability that the loan will not fund within the terms of the commitment, referred to as a fall-out factor. The value of the underlying loan commitment is affected primarily by changes in interest rates and the passage of time.

Outstanding derivative loan commitments expose us to the risk that the price of the mortgage loans underlying the commitments might decline due to increases in mortgage interest rates from inception of the rate lock to the funding of the loan. To minimize this risk, we employ forwards and options, Eurodollar futures and options, and Treasury futures, forwards and options contracts as economic hedges against the potential decreases in the values of the loans. We expect that these derivative financial instruments will experience changes in fair value that will either fully or partially offset the changes in fair value of the derivative loan commitments. However, changes in investor demand, such as concerns about credit risk, can also cause changes in the spread relationships between underlying loan value and the derivative financial instruments that cannot be hedged.

MARKET RISK – TRADING ACTIVITIES From a market risk perspective, our net income is exposed to changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices and their implied volatilities. The primary purpose of our trading businesses is to accommodate customers in the management of their market price risks. Also, we take positions based on market expectations or to benefit from price

differences between financial instruments and markets, subject to risk limits established and monitored by Corporate ALCO. All securities, foreign exchange transactions, commodity transactions and derivatives used in our trading businesses are carried at fair value. The Institutional Risk Committee establishes and monitors counterparty risk limits. The credit risk amount and estimated net fair value of all customer accommodation derivatives at December 31, 2010 and 2009 are included in Note 15 (Derivatives) to Financial Statements in this Report. Open, "at risk" positions for all trading businesses are monitored by Corporate ALCO.

The standardized approach for monitoring and reporting market risk for the trading activities consists of value-at-risk (VaR) metrics complemented with factor analysis and stress testing. VaR measures the worst expected loss over a given time interval and within a given confidence interval. We measure and report daily VaR at a 99% confidence interval based on actual changes in rates and prices over the past 250 trading days. The analysis captures all financial instruments that are considered trading positions. The average one-day VaR throughout 2010 was $32 million, with a lower bound of $22 million and an upper bound of $52 million. The average VaR for fourth quarter 2010 was $30 million, with a lower bound of $22 million and an upper bound of $38 million.

MARKET RISK – EQUITY MARKETS We are directly and indirectly affected by changes in the equity markets. We make and manage direct equity investments in start-up businesses, emerging growth companies, management buy-outs, acquisitions and corporate recapitalizations. We also invest in non-affiliated funds that make similar private equity investments. These private equity investments are made within capital allocations approved by management and the Board. The Board's policy is to review business developments, key risks and historical returns for the private equity investment portfolio at least annually. Management reviews the valuations of these investments at least quarterly and assesses them for possible OTTI. For nonmarketable investments, the analysis is based on facts and circumstances of each individual investment and the expectations for that investment's cash flows and capital needs, the viability of its business model and our exit strategy. Nonmarketable investments include private equity investments accounted for under the cost method and equity method. Private equity investments are subject to OTTI. Principal investments are carried at fair value with net unrealized gains and losses reported in noninterest income.

As part of our business to support our customers, we trade public equities, listed/OTC equity derivatives and convertible bonds. We have risk mandates that govern these activities. We also have marketable equity securities in the securities available-for-sale portfolio, including securities relating to our venture capital activities. We manage these investments within capital risk limits approved by management and the Board and monitored by Corporate ALCO. Gains and losses on these securities are recognized in net income when realized and periodically include OTTI charges.

Changes in equity market prices may also indirectly affect our net income by affecting (1) the value of third party assets under management and, hence, fee income, (2) particular borrowers, whose ability to repay principal and/or interest may be affected by the stock market, or (3) brokerage activity, related commission income and other business activities. Each business line monitors and manages these indirect risks.

Table 36 provides information regarding our marketable and nonmarketable equity investments.

Table 36: Marketable and Nonmarketable Equity Investments

	December 31,	
(in millions)	**2010**	2009
Nonmarketable equity investments:		
Private equity investments:		
Cost method	**$ 3,240**	3,808
Equity method	**7,624**	5,138
Federal bank stock	**5,254**	5,985
Principal investments	**305**	1,423
Total nonmarketable equity investments (1)	**$ 16,423**	16,354
Marketable equity securities:		
Cost	**$ 4,258**	4,749
Net unrealized gains	**931**	843
Total marketable equity securities (2)	**$ 5,189**	5,592

(1) Included in other assets on the balance sheet. See Note 7 (Premises, Equipment, Lease Commitments and Other Assets) to Financial Statements in this Report for additional information.

(2) Included in securities available for sale. See Note 5 (Securities Available for Sale) to Financial Statements in this Report for additional information.

LIQUIDITY AND FUNDING The objective of effective liquidity management is to ensure that we can meet customer loan requests, customer deposit maturities/withdrawals and other cash commitments efficiently under both normal operating conditions and under unpredictable circumstances of industry or market stress. To achieve this objective, the Corporate ALCO establishes and monitors liquidity guidelines that require sufficient asset-based liquidity to cover potential funding requirements and to avoid over-dependence on volatile, less reliable funding markets. We set these guidelines for both the consolidated balance sheet and for the Parent to ensure that the Parent is a source of strength for its regulated, deposit-taking banking subsidiaries.

Unencumbered debt and equity securities in the securities available-for-sale portfolio provide asset liquidity, in addition to the immediately liquid resources of cash and due from banks and federal funds sold, securities purchased under resale agreements and other short-term investments. The weighted-average expected remaining maturity of the debt securities within this portfolio was 6.1 years at December 31, 2010. Of the $160.1 billion (cost basis) of debt securities in this portfolio at December 31, 2010, $32.6 billion (20%) is expected to mature or be prepaid in 2011 and an additional $20.4 billion (13%) in 2012. Asset liquidity is further enhanced by our ability to sell or securitize loans in secondary markets and to pledge loans to access secured borrowing facilities through the Federal Home Loan Banks (FHLB) and the FRB. In 2010, we sold mortgage loans of $363 billion. The amount of mortgage loans and other consumer loans available to be sold, securitized or pledged was approximately $236 billion at December 31, 2010.

Core customer deposits have historically provided a sizeable source of relatively stable and low-cost funds. Average core deposits funded 62.9% and 60.4% of average total assets in 2010 and 2009, respectively.

Additional funding is provided by long-term debt (including trust preferred securities), other foreign deposits, and short-term borrowings. Long-term debt averaged $185.4 billion in 2010 and $231.8 billion in 2009. Short-term borrowings averaged $46.8 billion in 2010 and $52.0 billion in 2009.

We anticipate making capital expenditures of approximately $1.5 billion in 2011 for our stores, relocation and remodeling of our facilities, and routine replacement of furniture, equipment and servers. We fund expenditures from various sources, including retained earnings and borrowings.

Liquidity is also available through our ability to raise funds in a variety of domestic and international money and capital markets. We access capital markets for long-term funding through issuances of registered debt securities, private placements and asset-backed secured funding. Investors in the long-term capital markets generally will consider, among other factors, a company's debt rating in making investment decisions. Rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, the level and quality of earnings, and rating agency assumptions regarding the probability and extent of Federal financial assistance or support for certain large financial institutions. Adverse changes in these factors could result in a reduction of our credit rating; however, a reduction in credit rating would not cause us to violate any of our debt covenants. See the "Risk Factors" section of this Report for additional information regarding recent legislative developments and our credit ratings.

We continue to evaluate the potential impact on liquidity management of regulatory proposals, including Basel III and those required under the Dodd-Frank Act, as they move closer to the final rule-making process.

Parent Under SEC rules, the Parent is classified as a "well-known seasoned issuer," which allows it to file a registration statement that does not have a limit on issuance capacity. "Well-known seasoned issuers" generally include those companies with a public float of common equity of at least $700 million or those companies that have issued at least $1 billion in aggregate principal amount of non-convertible securities, other than common equity, in the last three years. In June 2009, the Parent filed a registration statement with the SEC for the issuance of senior and subordinated notes, preferred stock and other securities. The Parent's ability to issue debt and other securities under this registration statement is limited by the debt issuance authority granted by the Board. The Parent is currently authorized by the Board to issue $60 billion in outstanding short-term debt and $170 billion in outstanding long-term debt. During 2010, the Parent issued $1.3 billion in non-guaranteed registered senior notes. In February 2011, the Parent remarketed $2.5 billion of junior subordinated notes in connection with Wachovia's 2006 issuance of 5.80% Fixed-to-floating rate Wachovia Income Trust hybrid securities. The junior subordinated notes were exchanged with Wells Fargo for newly issued senior notes.

The proceeds from securities issued in 2010 were used for general corporate purposes, and we expect that the proceeds from securities issued in the future will also be used for the same purposes. The Parent also issues commercial paper from time to time, subject to its short-term debt limit.

Table 37 provides information regarding the Parent's medium-term note (MTN) programs. The Parent may issue senior and subordinated debt securities under Series I & J, and the European and Australian programmes. Under Series K, the Parent may issue senior debt securities linked to one or more indices.

Table 37: Medium-Term Note (MTN) Programs

(in billions)	Date established	December 31, 2010 Debt issuance authority	Available for issuance
MTN program:			
Series I & J (1)	August 2009	$ 25.0	21.8
Series K (1)	April 2010	25.0	24.7
European (2)	December 2009	25.0	25.0
Australian (2)(3)	June 2005	10.0	6.8

(1) SEC registered.
(2) Not registered with the SEC. May not be offered in the United States without applicable exemptions from registration. The Australian MTN amounts are presented in Australian dollars.
(3) As amended in October 2005 and March 2010.

Wells Fargo Bank, N.A. Wells Fargo Bank, N.A. is authorized by its board of directors to issue $100 billion in outstanding short-term debt and $125 billion in outstanding long-term debt. In December 2007, Wells Fargo Bank, N.A. established a $100 billion bank note program under which, subject to any other debt outstanding under the limits described above, it may issue $50 billion in outstanding short-term senior notes and $50 billion in long-term senior or subordinated notes. At December 31, 2010, Wells Fargo Bank, N.A. had remaining issuance capacity on the bank note program of $50 billion in short-term senior notes and $50 billion in long-term senior or subordinated notes. Securities are issued under this program as private placements in accordance with Office of the Comptroller of the Currency (OCC) regulations.

Wells Fargo Financial Canada Corporation In January 2010, Wells Fargo Financial Canada Corporation (WFFCC), an indirect wholly owned Canadian subsidiary of the Parent, qualified with the Canadian provincial securities commissions CAD$7.0 billion in medium-term notes for distribution from time to time in Canada. At December 31, 2010, CAD$7.0 billion remained available for future issuance. All medium-term notes issued by WFFCC are unconditionally guaranteed by the Parent.

FEDERAL HOME LOAN BANK MEMBERSHIP We are a member of the Federal Home Loan Banks based in Dallas, Des Moines and San Francisco (collectively, the FHLBs). Each member of each of the FHLBs is required to maintain a minimum investment in capital stock of the applicable FHLB. The board of directors of each FHLB can increase the minimum investment requirements in the event it has concluded that additional capital is required to allow it to meet its own regulatory capital requirements. Any increase in the minimum investment requirements outside of specified ranges requires the approval of the Federal Housing Finance Board. Because the extent of any obligation to increase our investment in any of the FHLBs depends entirely upon the occurrence of a future event, potential future payments to the FHLBs are not determinable.

Capital Management

We have an active program for managing stockholders' equity and regulatory capital and we maintain a comprehensive process for assessing the Company's overall capital adequacy. We generate capital internally primarily through the retention of earnings net of dividends. Our objective is to maintain capital levels at the Company and its bank subsidiaries above the regulatory "well-capitalized" thresholds by an amount commensurate with our risk profile. Our potential sources of stockholders' equity include retained earnings and issuances of common and preferred stock. Retained earnings increased $10.4 billion from December 31, 2009, predominantly from Wells Fargo net income of $12.4 billion, less common and preferred dividends of $1.8 billion. During 2010, we issued approximately 87 million shares of common stock, with net proceeds of $1.4 billion, including 28 million shares during the period under various employee benefit (including our employee stock option plan) and director plans, as well as under our dividend reinvestment and direct stock purchase programs.

On April 29, 2010, following stockholder approval, the Company amended its certificate of incorporation to provide for an increase in the number of shares of the Company's common stock authorized for issuance from 6 billion to 9 billion.

From time to time the Board authorizes the Company to repurchase shares of our common stock. Although we announce when the Board authorizes share repurchases, we typically do not give any public notice before we repurchase our shares. Various factors determine the amount and timing of our share repurchases, including our capital requirements, the number of shares we expect to issue for acquisitions and employee benefit plans, market conditions (including the trading price of our stock), and regulatory and legal considerations. The FRB published clarifying supervisory guidance in first quarter 2009 and amended in December 2009, *SR 09-4 Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies,* pertaining to the FRB's criteria, assessment and approval process for reductions in capital. As with all 19 participants in the FRB's Supervisory Capital Assessment Program (SCAP), under this supervisory letter, before repurchasing our common shares, we must consult with the FRB staff and demonstrate that the proposed actions are consistent with the existing supervisory guidance, including demonstrating that our internal capital assessment process is consistent with the complexity of our activities and risk profile. In 2008, the Board authorized the repurchase of up to 25 million additional shares of our outstanding common stock. During 2010, we repurchased 3 million shares of our common stock, all from our employee benefit plans. At December 31, 2010, the total remaining common stock repurchase authority from the 2008 authorization was approximately 3 million shares.

Historically, our policy has been to repurchase shares under the "safe harbor" conditions of Rule 10b-18 of the Securities Exchange Act of 1934 including a limitation on the daily volume of repurchases. Rule 10b-18 imposes an additional daily volume limitation on share repurchases during a pending merger or acquisition in which shares of our stock will constitute some or all of the consideration. Our management may determine that during a pending stock merger or acquisition when the safe harbor would otherwise be available, it is in our best interest to repurchase shares in excess of this additional daily volume limitation. In such cases, we intend to repurchase shares in compliance with the other conditions of the safe harbor, including the standing daily volume limitation that applies whether or not there is a pending stock merger or acquisition.

In connection with our participation in the TARP Capital Purchase Program (CPP), we issued to the U.S. Treasury Department warrants to purchase 110,261,688 shares of our common stock with an exercise price of $34.01 per share expiring on October 28, 2018. On May 26, 2010, in an auction by the U.S. Treasury, we purchased 70,165,963 of the warrants at a price of $7.70 per warrant. In addition, we purchased 651,244 warrants from the open market throughout the year. At December 31, 2010, 39,444,481 warrants were outstanding and exercisable. In June 2010, the Board authorized the purchase of up to $1 billion of the warrants, including the warrants purchased in the auction. As of December 31, 2010, $455 million of that authority remained. Depending on market conditions, we may purchase from time to time additional warrants and/or our outstanding debt securities in privately negotiated or open market transactions, by tender offer or otherwise.

The Company and each of our subsidiary banks are subject to various regulatory capital adequacy requirements administered by the FRB and the OCC. Risk-based capital (RBC) guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures. At December 31, 2010, the Company and each of our subsidiary banks were "well capitalized" under applicable regulatory capital adequacy guidelines. See Note 25 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

Current regulatory RBC rules are based primarily on broad credit-risk considerations and limited market-related risks, but do not take into account other types of risk a financial company may be exposed to. Our capital adequacy assessment process contemplates a wide range of risks that the Company is exposed to and also takes into consideration our performance under a variety of economic conditions, as well as regulatory expectations and guidance, rating agency viewpoints and the view of capital market participants.

Wells Fargo was a participant in the FRB's Capital Plan Review in December 2010. We submitted a Capital Plan Review including proposed future dividends and share repurchase programs to the FRB on January 7, 2011. We cannot guarantee whether or when the FRB will approve our Capital Plan Review or what other conditions the FRB may impose on us in order to increase our common stock dividend or repurchase shares.

In July 2009, the Basel Committee on Bank Supervision published an additional set of international guidelines for review known as Basel III and finalized these guidelines in December 2010. The additional guidelines were developed in response to the financial crisis of 2009 and 2010 and address many of the weaknesses identified in the banking sector as contributing to

the crisis including excessive leverage, inadequate and low quality capital and insufficient liquidity buffers. The U.S. regulatory bodies are reviewing the final international standards and final U.S. rulemaking is expected to be completed in 2011. Although uncertainty exists regarding the final rules, we are evaluating the impact of Basel III on our capital ratios based on our interpretation of the proposed capital requirements and expect to be above a 7% Tier 1 common equity ratio under Basel III within the next few quarters.

We are well underway toward Basel II and Basel III implementation and are currently on schedule to enter the parallel run phase of Basel II in 2012 with regulatory approval. Our delayed entry into the parallel run phase was approved by the FRB in 2010 as a result of the acquisition of Wachovia.

At December 31, 2010, stockholders' equity and Tier 1 common equity levels were higher than the quarter ending prior to the Wachovia acquisition. During 2009, as regulators and the market focused on the composition of regulatory capital, the Tier 1 common equity ratio gained significant prominence as a metric of capital strength. There is no mandated minimum or "well capitalized" standard for Tier 1 common equity; instead the RBC rules state voting common stockholders' equity should be the dominant element within Tier 1 common equity. Tier 1 common equity was $81.3 billion at December 31, 2010, or 8.30% of risk-weighted assets, an increase of $15.8 billion from December 31, 2009. Table 38 provides the details of the Tier 1 common equity calculation.

Table 38: Tier 1 Common Equity (1)

		December 31,	
(in billions)		**2010**	2009
Total equity		$ **127.9**	114.4
Noncontrolling interests		**(1.5)**	(2.6)
Total Wells Fargo stockholders' equity		**126.4**	111.8
Adjustments:			
Preferred equity		**(8.1)**	(8.1)
Goodwill and intangible assets (other than MSRs)		**(35.5)**	(37.7)
Applicable deferred taxes		**4.3**	5.3
Deferred tax asset limitation		**-**	(1.0)
MSRs over specified limitations		**(0.9)**	(1.6)
Cumulative other comprehensive income		**(4.6)**	(3.0)
Other		**(0.3)**	(0.2)
Tier 1 common equity	(A)	$ **81.3**	65.5
Total risk-weighted assets (2)	(B)	$ **980.0**	1,013.6
Tier 1 common equity to total risk-weighted assets	(A)/(B)	**8.30 %**	6.46

(1) Tier 1 common equity is a non-generally accepted accounting principle (GAAP) financial measure that is used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies. Tier 1 common equity includes total Wells Fargo stockholders' equity, less preferred equity, goodwill and intangible assets (excluding MSRs), net of related deferred taxes, adjusted for specified Tier 1 regulatory capital limitations covering deferred taxes, MSRs, and cumulative other comprehensive income. Management reviews Tier 1 common equity along with other measures of capital as part of its financial analyses and has included this non-GAAP financial information, and the corresponding reconciliation to total equity, because of current interest in such information on the part of market participants.

(2) Under the regulatory guidelines for risk-based capital, on-balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor or, if relevant, the guarantor or the nature of any collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are aggregated for determining total risk-weighted assets.

Critical Accounting Policies

Our significant accounting policies (see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report) are fundamental to understanding our results of operations and financial condition because they require that we use estimates and assumptions that may affect the value of our assets or liabilities and financial results. Six of these policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. These policies govern:

- the allowance for credit losses;
- purchased credit-impaired (PCI) loans;
- the valuation of residential mortgage servicing rights (MSRs);
- liability for mortgage loan repurchase losses;
- the fair valuation of financial instruments; and
- income taxes.

Management has reviewed and approved these critical accounting policies and has discussed these policies with the Board's Audit and Examination Committee.

Allowance for Credit Losses

The allowance for credit losses, which consists of the allowance for loan losses and the allowance for unfunded credit commitments, is management's estimate of credit losses inherent in the loan portfolio at the balance sheet date, excluding loans carried at fair value. We develop and document our allowance methodology at the portfolio segment level. Our loan portfolio consists of a commercial loan portfolio segment and a consumer loan portfolio segment.

We employ a disciplined process and methodology to establish our allowance for credit losses. The total allowance for credit losses considers both impaired and unimpaired loans. While our methodology attributes portions of the allowance to specific portfolio segments, the entire allowance for credit losses is available to absorb credit losses inherent in the total loan portfolio. No single statistic or measurement determines the adequacy of the allowance for credit losses.

COMMERCIAL PORTFOLIO SEGMENT The allowance for credit losses for unimpaired commercial loans is estimated through the application of loss factors to loans based on credit risk rating for each loan. In addition, the allowance for credit losses for unfunded commitments, including letters of credit, is estimated by applying these loss factors to loan equivalent exposures. The loss factors reflect the estimated default probability and quality of the underlying collateral. The loss factors used are statistically derived through the observation of historical losses incurred for loans within each credit risk rating over a relevant specified period of time. As appropriate, we adjust or supplement these loss factors and estimates to reflect other risks that may be identified from current conditions and developments in selected portfolios.

The allowance also includes an amount for estimated credit losses on impaired loans such as nonaccrual loans and loans that have been modified in a TDR, whether on accrual or nonaccrual status.

CONSUMER PORTFOLIO SEGMENT Loans are pooled generally by product type with similar risk characteristics. Losses are estimated using forecasted losses to represent our best estimate of inherent loss based on historical experience, quantitative and other mathematical techniques over the loss emergence period. Each business group exercises significant judgment in the determination of the credit loss estimation model that fits the credit risk characteristics of its portfolio. We use both internally developed and vendor supplied models in this process. We often use roll rate or net flow models for near-term loss projections, and vintage-based models, behavior score models, and time series or statistical trend models for longer-term projections. Management must use judgment in establishing additional input metrics for the modeling processes, considering further stratification into sub-product, origination channel, vintage, loss type, geographic location and other predictive characteristics. In addition, we establish an allowance for consumer loans modified in a TDR, whether on accrual or nonaccrual status.

The models used to determine the allowance are validated by an independent internal model validation group operating in accordance with Company policies.

OTHER ACL MATTERS An allowance for impaired consumer and commercial loans that have been modified in a TDR is measured based on an estimate of cash flows, both principal and interest, expected to be collected or an assessment of the fair value of collateral underlying the impaired loan, if applicable. Management exercises significant judgment to develop these estimates.

Commercial and consumer PCI loans may require an allowance subsequent to their acquisition. This allowance requirement is due to probable decreases in expected principal and interest cash flows (other than due to decreases in interest rate indices and changes in prepayment assumptions).

The allowance for credit losses for both portfolio segments includes an amount for imprecision or uncertainty that may change from period to period. This amount represents management's judgment of risks inherent in the processes and assumptions used in establishing the allowance. This imprecision considers economic environmental factors, modeling assumptions and performance, process risk, and other subjective factors, including industry trends.

SENSITIVITY TO CHANGES Changes in the allowance for credit losses and, therefore, in the related provision expense can materially affect net income. The establishment of the allowance for credit losses relies on a consistent quarterly process that requires significant management review and judgment. Management considers changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, economic factors or business decisions, such

as the addition or liquidation of a loan product or business unit, may affect the loan portfolio, causing management to provide or release amounts from the allowance for credit losses.

The allowance for credit losses for commercial loans, including unfunded credit commitments (individually risk weighted) is sensitive to credit risk ratings assigned to each credit exposure. Commercial loan risk ratings are evaluated based on each situation by experienced senior credit officers and are subject to periodic review by an independent internal team of credit specialists.

The allowance for credit losses for consumer loans (statistically modeled) is sensitive to economic assumptions and delinquency trends. Forecasted losses are modeled using a range of economic scenarios.

Assuming a one risk rating downgrade throughout our commercial portfolio segment, a stressed economic scenario for modeled losses on our consumer portfolio segment and incremental deterioration in our PCI portfolio could imply an additional allowance requirement of approximately $10.7 billion.

Assuming a one risk rating upgrade throughout our commercial portfolio segment and a strong recovery economic scenario for modeled losses on our consumer portfolio segment could imply a reduced allowance requirement of approximately $4.5 billion.

The sensitivity analyses provided are hypothetical scenarios and are not considered probable. They do not represent management's view of inherent losses in the portfolio as of the balance sheet date. Because significant judgment is used, it is possible that others performing similar analyses could reach different conclusions.

See the "Risk Management – Credit Risk Management" section and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for further discussion of our allowance.

Purchased Credit-Impaired (PCI) Loans

Loans purchased with evidence of credit deterioration since origination and for which it is probable that all contractually required payments will not be collected are considered to be credit impaired. Our PCI loans represent loans acquired in the Wachovia merger that were deemed to be credit-impaired. PCI loans are initially measured at fair value, which includes estimated future credit losses expected to be incurred over the life of the loan. Accordingly, the historical allowance for credit losses related to these loans was not carried over.

Management evaluated whether there was evidence of credit quality deterioration as of the purchase date using indicators such as past due and nonaccrual status, commercial risk ratings, recent borrower credit scores and recent loan-to-value percentages.

The fair value at acquisition was based on an estimate of cash flows, both principal and interest, expected to be collected, discounted at the prevailing market rate of interest. We estimated the cash flows expected to be collected at acquisition using our internal credit risk, interest rate risk and prepayment risk models, which incorporate our best estimate of current key assumptions, such as property values, default rates, loss severity and prepayment speeds.

Substantially all commercial and industrial, CRE and foreign PCI loans are accounted for as individual loans. Conversely, Pick-a-Pay and other consumer PCI loans have been aggregated into several pools based on common risk characteristics. Each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

The excess of cash flows expected to be collected over the carrying value (estimated fair value at acquisition date) is referred to as the accretable yield and is recognized in interest income using an effective yield method over the remaining life of the loan, or pool of loans, in situations where there is a reasonable expectation about the timing and amount of cash flows expected to be collected. The difference between the contractually required payments and the cash flows expected to be collected at acquisition, considering the impact of prepayments, is referred to as the nonaccretable difference.

Subsequent to acquisition, we regularly evaluate our estimates of cash flows expected to be collected. These evaluations, performed quarterly, require the continued usage of key assumptions and estimates, similar to our initial estimate of fair value. We must apply judgment to develop our estimates of cash flows for PCI loans given the impact of home price and property value changes, changing loss severities, modification activity, and prepayment speeds.

If we have probable decreases in cash flows expected to be collected (other than due to decreases in interest rate indices and changes in prepayment assumptions), we charge the provision for credit losses, resulting in an increase to the allowance for loan losses. If we have probable and significant increases in cash flows expected to be collected, we first reverse any previously established allowance for loan losses and then increase interest income as a prospective yield adjustment over the remaining life of the loan, or pool of loans. Estimates of cash flows are impacted by changes in interest rate indices for variable rate loans and prepayment assumptions, both of which are treated as prospective yield adjustments included in interest income.

Resolutions of loans may include sales of loans to third parties, receipt of payments in settlement with the borrower, or foreclosure of the collateral. Our policy is to remove an individual loan from a pool based on comparing the amount received from its resolution with its contractual amount. Any difference between these amounts is absorbed by the nonaccretable difference for the entire pool. This removal method assumes that the amount received from resolution approximates pool performance expectations. The remaining accretable yield balance is unaffected and any material change in remaining effective yield caused by this removal method is addressed by our quarterly cash flow evaluation process for each pool. For loans that are resolved by payment in full, there is no release of the nonaccretable difference for the pool because there is no difference between the amount received at resolution and the contractual amount of the loan. Modified PCI loans are not removed from a pool even if those loans would otherwise be deemed TDRs. Modified PCI loans that are accounted for individually are considered TDRs, and removed from PCI accounting if there has been a concession granted in excess of the original nonaccretable difference.

The amount of cash flows expected to be collected and, accordingly, the adequacy of the allowance for loan loss due to certain decreases in cash flows expected to be collected, is particularly sensitive to changes in loan credit quality. The sensitivity of the overall allowance for credit losses, including PCI loans, is presented in the preceding section, "Critical Accounting Policies – Allowance for Credit Losses."

PCI loans that were classified as nonperforming loans by Wachovia are no longer classified as nonperforming because, at acquisition, we believe we will fully collect the new carrying value of these loans and due to the existence of the accretable yield. It is important to note that judgment is required to classify PCI loans as performing and is dependent on having a reasonable expectation about the timing and amount of cash flows expected to be collected, even if the loan is contractually past due.

See the "Risk Management – Credit Risk Management" section and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for further discussion of PCI loans.

Valuation of Residential Mortgage Servicing Rights

Mortgage servicing rights (MSRs) are assets that represent the rights to service mortgage loans for others. We recognize MSRs when we purchase servicing rights from third parties, or retain servicing rights in connection with the sale or securitization of loans we originate (asset transfers). We also have MSRs acquired in the past under co-issuer agreements that provide for us to service loans that were originated and securitized by third-party correspondents. We initially measure and carry substantially all of our MSRs related to residential mortgage loans at fair value.

At the end of each quarter, we determine the fair value of MSRs using a valuation model that calculates the present value of estimated future net servicing income. The model incorporates assumptions that market participants use in estimating future net servicing income, including estimates of prepayment speeds (including housing price volatility), discount rate, default rates, cost to service (including delinquency and foreclosure costs), escrow account earnings, contractual servicing fee income, ancillary income and late fees.

To reduce the sensitivity of earnings to interest rate and market value fluctuations, we may use securities available for sale and free-standing derivatives (economic hedges) to hedge the risk of changes in the fair value of MSRs, with the resulting gains or losses reflected in income. Changes in the fair value of the MSRs from changing mortgage interest rates are generally offset by gains or losses in the fair value of the derivatives and the particular instruments used to hedge the MSRs. In addition, we also consider origination volume in our risk management strategy as it tends to act as a "natural hedge." For example, as interest rates decline, servicing values generally decrease and fees from origination volume tend to increase. Conversely, as interest rates increase, the fair value of the MSRs generally increases, while fees from origination volume tend to decline. See the "Risk Management – Mortgage Banking Interest Rate and Market Risk" section in this Report for discussion of the timing of the effect of changes in mortgage interest rates.

Net servicing income, a component of mortgage banking noninterest income, includes the changes from period to period in fair value of both our residential MSRs and the free-standing derivatives (economic hedges) used to hedge our residential MSRs. Changes in the fair value of residential MSRs from period to period result from (1) changes in the valuation model inputs or assumptions (principally reflecting changes in discount rates and prepayment speed assumptions, mostly due to changes in interest rates and costs to service, including delinquency and foreclosure costs), and (2) other changes, representing changes due to collection/realization of expected cash flows.

We use a dynamic and sophisticated model to estimate the value of our MSRs. The model is validated by an independent internal model validation group operating in accordance with Company policies. Senior management reviews all significant assumptions quarterly. Mortgage loan prepayment speed – a key assumption in the model – is the annual rate at which borrowers are forecasted to repay their mortgage loan principal. The discount rate used to determine the present value of estimated future net servicing income – another key assumption in the model – is the required rate of return investors in the market would expect for an asset with similar risk. To determine the discount rate, we consider the risk premium for uncertainties from servicing operations (e.g., possible changes in future servicing costs, ancillary income and earnings on escrow accounts). Both assumptions can, and generally will, change quarterly as market conditions and interest rates change. For example, an increase in either the prepayment speed or discount rate assumption results in a decrease in the fair value of the MSRs, while a decrease in either assumption would result in an increase in the fair value of the MSRs. In recent years, there have been significant market-driven fluctuations in loan prepayment speeds and the discount rate. These fluctuations can be rapid and may be significant in the future. Therefore, estimating prepayment speeds within a range that market participants would use in determining the fair value of MSRs requires significant management judgment.

The valuation and sensitivity of MSRs is discussed further in Note 1 (Summary of Significant Accounting Policies), Note 8 (Securitizations and Variable Interest Entities), Note 9 (Mortgage Banking Activities) and Note 16 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

Liability for Mortgage Loan Repurchase Losses

We sell residential mortgage loans to various parties, including (1) Freddie Mac and Fannie Mae (GSEs), which include the mortgage loans in GSE-guaranteed mortgage securitizations, (2) special purpose entities that issue private label MBS, and (3) other financial institutions that purchase mortgage loans for investment or private label securitization. In addition, we pool FHA-insured and VA-guaranteed mortgage loans, which back securities guaranteed by GNMA. The agreements under which we sell mortgage loans and the insurance or guaranty agreements with FHA and VA contain provisions that include various representations and warranties regarding the origination and characteristics of the mortgage loans. Although the specific representations and warranties vary among different sales, insurance or guarantee agreements, they typically cover ownership of the loan, compliance with loan criteria set forth in the applicable agreement, validity of the lien securing the loan,

absence of delinquent taxes or liens against the property securing the loan, compliance with applicable origination laws, and other matters. For more information about these loan sales and the related risks that may result in liability see the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" section in this Report.

We may be required to repurchase mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the securitization trust, investor or insurer for credit losses incurred on loans (collectively "repurchase") in the event of a breach of contractual representations or warranties that is not remedied within a period (usually 90 days or less) after we receive notice of the breach. Typically, we would only be required to repurchase securitized loans if any such breach is deemed to have material and adverse effect on the value of the mortgage loan or to the interests of the security holders in the mortgage loan. The time periods specified in our mortgage loan sales contracts to respond to repurchase requests vary, but are generally 90 days or less. While many contracts do not include specific remedies if the applicable time period for a response is not met, contracts for mortgage loan sales to the GSEs include various types of specific remedies and penalties that could be applied to inadequate responses to repurchase requests. Similarly, the agreements under which we sell mortgage loans require us to deliver various documents to the securitization trust or investor, and we may be obligated to repurchase any mortgage loan for which the required documents are not delivered or are defective. Upon receipt of a repurchase request, we work with securitization trusts, investors or insurers to arrive at a mutually agreeable resolution. Repurchase demands are typically reviewed on an individual loan by loan basis to validate the claims made by the securitization trust, investor or insurer, and to determine whether a contractually required repurchase event occurred. Occasionally, in lieu of conducting the loan level evaluation, we may negotiate global settlements in order to resolve a pipeline of demands in lieu of repurchasing the loans. We manage the risk associated with potential repurchases or other forms of settlement through our underwriting and quality assurance practices and by servicing mortgage loans to meet investor and secondary market standards.

We establish mortgage repurchase liabilities related to various representations and warranties that reflect management's estimate of losses for loans for which we could have repurchase obligation, whether or not we currently service those loans, based on a combination of factors. Such factors incorporate estimated levels of defects based on internal quality assurance sampling, default expectations, historical investor repurchase demand and appeals success rates (where the investor rescinds the demand based on a cure of the defect or acknowledges that the loan satisfies the investor's applicable representations and warranties), reimbursement by correspondent and other third party originators, and projected loss severity. We establish a liability at the time loans are sold and continually update our liability estimate during their life. Although investors may demand repurchase at any time, the majority of repurchase demands occur in the first 24 to 36 months following origination of the mortgage loan and can vary by investor. Most repurchases under our representation and warranty provisions are attributable to borrower misrepresentations and appraisals obtained at origination that investors believe do not fully comply with applicable industry standards.

Although, to date, repurchase demands with respect to private label mortgage-backed securities have been more limited than with respect to GSE-guaranteed securities, it is possible that requests to repurchase mortgage loans in private label securitizations may increase in frequency as investors explore every possible avenue to recover losses on their securities. In addition, the Federal Housing Finance Agency, as conservator of Freddie Mac and Fannie Mae, recently used its subpoena power to request loan applications, property appraisals and other documents from large mortgage securitization industry participants, including us, relating to private label MBS in order to determine whether breaches of representations and warranties exist in those securities owned by the GSEs. We believe the risk of repurchase in our private label securitizations is substantially reduced, relative to other private label securitizations, because approximately half of the private label securitizations that include our mortgage loans do not contain representations and warranties regarding borrower or other third party misrepresentations related to the mortgage loan, general compliance with underwriting guidelines, or property valuation, which are commonly asserted bases for repurchase. We evaluate the validity and materiality of any claim of breach of representations and warranties in private label MBS that is brought to our attention and work with securitization trustees to resolve any repurchase requests. Nevertheless, we may be subject to legal and other expenses if private label securitization trustees or investors choose to commence legal proceedings in the event of disagreements.

The mortgage loan repurchase liability at December 31, 2010, represents our best estimate of the probable loss that we may incur for various representations and warranties in the contractual provisions of our sales of mortgage loans. Because the level of mortgage loan repurchase losses are dependent on economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. We maintain regular contact with the GSEs and other significant investors to monitor and address their repurchase demand practices and concerns. For additional information on our repurchase liability, including an adverse impact analysis, see the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" section in this Report.

Fair Valuation of Financial Instruments

We use fair value measurements to record fair value adjustments to certain financial instruments and to determine fair value disclosures. Trading assets, securities available for sale, derivatives, prime residential MHFS, certain commercial LHFS, principal investments and securities sold but not yet purchased (short sale liabilities) are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record at fair value other assets on a nonrecurring basis, such as certain MHFS and LHFS, loans held for investment and certain

other assets. These nonrecurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or write-downs of individual assets. Additionally, for financial instruments not recorded at fair value we disclose the estimate of their fair value.

Fair value represents the price that would be received to sell the financial asset or paid to transfer the financial liability in an orderly transaction between market participants at the measurement date.

The accounting provisions for fair value measurements include a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect our estimates about market data.

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 instruments include securities traded on active exchange markets, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government securities that are traded by dealers or brokers in active OTC markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques, such as matrix pricing, for which all significant assumptions are observable in the market. Level 2 instruments include securities traded in functioning dealer or broker markets, plain-vanilla interest rate derivatives and MHFS that are valued based on prices for other mortgage whole loans with similar characteristics.
- Level 3 – Valuation is generated primarily from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

When developing fair value measurements, we maximize the use of observable inputs and minimize the use of unobservable inputs. When available, we use quoted prices in active markets to measure fair value. If quoted prices in active markets are not available, fair value measurement is based upon models that use primarily market-based or independently sourced market parameters, including interest rate yield curves, prepayment speeds, option volatilities and currency rates. However, in certain cases, when market observable inputs for model-based valuation techniques are not readily available, we are required to make judgments about assumptions market participants would use to estimate the fair value.

The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted prices in active markets or observable market parameters. For financial instruments with quoted market prices or observable market parameters in active markets, there is minimal subjectivity involved in measuring fair value. When quoted prices and observable data in active markets are not fully available, management judgment is necessary to estimate fair value. Changes in the market conditions, such as reduced liquidity in the capital markets or changes in secondary market activities, may reduce the availability and reliability of quoted prices or observable data used to determine fair value. When significant adjustments are required to price quotes or inputs, it may be appropriate to utilize an estimate based primarily on unobservable inputs. When an active market for a financial instrument does not exist, the use of management estimates that incorporate current market participant expectations of future cash flows, adjusted for an appropriate risk premium, is acceptable.

When markets for our financial assets and liabilities become inactive because the level and volume of activity has declined significantly relative to normal conditions, it may be appropriate to adjust quoted prices. The methodology we use to adjust the quoted prices generally involves weighting the quoted prices and results of internal pricing techniques, such as the net present value of future expected cash flows (with observable inputs, where available) discounted at a rate of return market participants require to arrive at the fair value. The more active and orderly markets for particular security classes are determined to be, the more weighting we assign to quoted prices. The less active and orderly markets are determined to be, the less weighting we assign to quoted prices.

We may use independent pricing services and brokers to obtain fair values based on quoted prices. We determine the most appropriate and relevant pricing service for each security class and generally obtain one quoted price for each security. For certain securities, we may use internal traders to obtain quoted prices. Quoted prices are subject to our internal price verification procedures. We validate prices received using a variety of methods, including, but not limited to, comparison to pricing services, corroboration of pricing by reference to other independent market data such as secondary broker quotes and relevant benchmark indices, and review of pricing by Company personnel familiar with market liquidity and other market-related conditions.

Significant judgment is also required to determine whether certain assets measured at fair value are included in Level 2 or Level 3. When making this judgment, we consider all available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs used. For securities in inactive markets, we use a predetermined percentage to evaluate the impact of fair value adjustments derived from weighting both external and internal indications of value to determine if the instrument is classified as Level 2 or Level 3. Otherwise, the classification of Level 2 or Level 3 is based upon the specific facts and circumstances of each instrument or instrument category and judgments are made regarding the significance of the Level 3 inputs to the instruments' fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3.

Our financial assets valued using Level 3 measurements consisted of certain asset-backed securities, including those

collateralized by auto leases or loans and cash reserves, private collateralized mortgage obligations (CMOs), collateralized debt obligations (CDOs), collateralized loan obligations (CLOs), auction-rate securities, certain derivative contracts such as credit default swaps related to CMO, CDO and CLO exposures and certain MHFS and MSRs.

Table 39 presents the summary of the fair value of financial instruments recorded at fair value on a recurring basis, and the amounts measured using significant Level 3 inputs (before derivative netting adjustments). The fair value of the remaining assets and liabilities were measured using valuation methodologies involving market-based or market-derived information, collectively Level 1 and 2 measurements.

Table 39: Fair Value Level 3 Summary

			December 31,	
		2010		2009
($ in billions)	**Total balance**	**Level 3** (1)	Total balance	Level 3 (1)
Assets carried at fair value	**$ 293.1**	**47.9**	277.4	52.0
As a percentage of total assets	**23 %**	**4**	22	4
Liabilities carried at fair value	**$ 21.2**	**6.4**	21.7	6.9
As a percentage of total liabilities	**2 %**	**1**	2	1

(1) Before derivative netting adjustments.

See Note 16 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for a complete discussion on our use of fair valuation of financial instruments, our related measurement techniques and its impact to our financial statements.

Income Taxes

We are subject to the income tax laws of the U.S., its states and municipalities and those of the foreign jurisdictions in which we operate. Our income tax expense consists of two components: current and deferred. Current income tax expense approximates taxes to be paid or refunded for the current period and includes income tax expense related to our uncertain tax positions. We determine deferred income taxes using the balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and recognized enacted changes in tax rates and laws in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized subject to management's judgment that realization is "more likely than not." Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit that management believes has a greater than 50% likelihood of realization upon settlement. Foreign taxes paid are generally applied as credits to reduce federal income taxes payable. We account for interest and penalties as a component of income tax expense.

The income tax laws of the jurisdictions in which we operate are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. In establishing a provision for income tax expense, we must make judgments and interpretations about the application of these inherently complex tax laws. We must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions by the government taxing authorities, both domestic and foreign. Our interpretations may be subjected to review during examination by taxing authorities and disputes may arise over the respective tax positions. We attempt to resolve these disputes during the tax examination and audit process and ultimately through the court systems when applicable.

We monitor relevant tax authorities and revise our estimate of accrued income taxes due to changes in income tax laws and their interpretation by the courts and regulatory authorities on a quarterly basis. Revisions of our estimate of accrued income taxes also may result from our own income tax planning and from the resolution of income tax controversies. Such revisions in our estimates may be material to our operating results for any given quarter.

See Note 20 (Income Taxes) to Financial Statements in this Report for a further description of our provision for income taxes and related income tax assets and liabilities.

Current Accounting Developments

The following accounting pronouncement has been issued by the Financial Accounting Standards Board (FASB):

- Accounting Standards Update (ASU) 2011-01, *Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20.*

ASU 2011-01 defers the effective date for disclosures on TDRs. The deferral is intended to provide the FASB with additional time to complete a separate TDRs project, with new disclosures expected to be effective for second quarter 2011. For more information on the disclosure requirements for TDRs, see the discussion on ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, in Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Forward-Looking Statements

This Report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects," "projects," "outlook," "forecast," "will," "may," "could," "should," "can" and similar references to future periods. Examples of forward-looking statements in this Report include, but are not limited to, statements we make about: (i) future results of the Company; (ii) future credit quality and expectations regarding future loan losses in our loan portfolios and life-of-loan estimates, including our belief that quarterly total credit losses have peaked and that our credit cycle is turning; the level and loss content of NPAs and nonaccrual loans as well as the level of inflows and outflows into NPAs; the adequacy of the allowance for credit losses, including our current expectation of future reductions in the allowance for credit losses; and the reduction or mitigation of risk in our loan portfolios and the effects of loan modification programs; (iii) the merger integration of the Company and Wachovia, including expense savings, merger costs and revenue synergies; (iv) our mortgage repurchase exposure and exposure relating to our foreclosure practices; (v) future capital levels and our expectations that we will be above a 7% Tier 1 common equity ratio under proposed Basel III capital standards within the next few quarters; (vi) the expected outcome and impact of legal, regulatory and legislative developments; and (vii) the Company's plans, objectives and strategies.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. While there is no assurance that any list of risks and uncertainties or risk factors is complete, important factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation:

- current and future economic and market conditions, including the effects of further declines in housing prices and high unemployment rates;
- our capital and liquidity requirements (including under regulatory capital standards, such as the proposed Basel III capital standards, as determined and interpreted by applicable regulatory authorities) and our ability to generate capital internally or raise capital on favorable terms;
- financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses, including the Dodd-Frank Act and legislation and regulation relating to overdraft fees (and changes to our overdraft practices as a result thereof), debit card interchange fees, credit cards, and other bank services;
- legislative proposals to allow mortgage cram-downs in bankruptcy or require other loan modifications;
- the extent of our success in our loan modification efforts, as well as the effects of regulatory requirements or guidance regarding loan modifications or changes in such requirements or guidance;
- the amount of mortgage loan repurchase demands that we receive and our ability to satisfy any such demands without having to repurchase loans related thereto or otherwise indemnify or reimburse third parties, and the credit quality of or losses on such repurchased mortgage loans;
- negative effects relating to mortgage foreclosures, including changes in our procedures or practices and/or industry standards or practices, regulatory or judicial requirements, penalties or fines, increased costs, or delays or moratoriums on foreclosures;
- our ability to successfully integrate the Wachovia merger and realize the expected cost savings and other benefits and the effects of any delays or disruptions in systems conversions relating to the Wachovia integration;
- our ability to realize the efficiency initiatives to lower expenses when and in the amount expected;
- recognition of OTTI on securities held in our available-for-sale portfolio;
- the effect of changes in interest rates on our net interest margin and our mortgage originations, MSRs and MHFS;
- hedging gains or losses;

- disruptions in the capital markets and reduced investor demand for mortgage loans;
- our ability to sell more products to our customers;
- the effect of the economic recession on the demand for our products and services;
- the effect of the fall in stock market prices on our investment banking business and our fee income from our brokerage, asset and wealth management businesses;
- our election to provide support to our mutual funds for structured credit products they may hold;
- changes in the value of our venture capital investments;
- changes in our accounting policies or in accounting standards or in how accounting standards are to be applied or interpreted;
- mergers, acquisitions and divestitures;
- changes in the Company's credit ratings and changes in the credit quality of the Company's customers or counterparties;
- reputational damage from negative publicity, fines, penalties and other negative consequences from regulatory violations and legal actions;
- the loss of checking and savings account deposits to other investments such as the stock market, and the resulting increase in our funding costs and impact on our net interest margin;
- fiscal and monetary policies of the FRB; and
- the other risk factors and uncertainties described under "Risk Factors" in this Report.

In addition to the above factors, we also caution that there is no assurance that our allowance for credit losses will be adequate to cover future credit losses, especially if credit markets, housing prices and unemployment do not continue to stabilize or improve. Increases in loan charge-offs or in the allowance for credit losses and related provision expense could materially adversely affect our financial results and condition.

Any forward-looking statement made by us in this Report speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Risk Factors

An investment in the Company involves risk, including the possibility that the value of the investment could fall substantially and that dividends or other distributions on the investment could be reduced or eliminated. We discuss below and elsewhere in this Report, as well as in other documents we file with the SEC, risk factors that could adversely affect our financial results and condition and the value of, and return on, an investment in the Company. We refer you to the Financial Review and "Forward-Looking Statements" sections and Financial Statements (and related Notes) in this Report for more information about credit, interest rate, market, litigation and other risks and to the "Regulation and Supervision" section of our 2010 Form 10-K for more information about legislative and regulatory risks. Any factor described below or elsewhere in this Report or in our 2010 Form 10-K could by itself, or together with other factors, adversely affect our financial results and condition. Refer to our quarterly reports on Form 10-Q filed with the SEC in 2011 for material changes to the discussion of risk factors. There are factors not discussed below or elsewhere in this Report that could adversely affect our financial results and condition.

RISKS RELATING TO CURRENT ECONOMIC AND MARKET CONDITIONS

Our financial results and condition may be adversely affected by difficult business and economic conditions, particularly if home prices continue to fall or unemployment does not improve or continues to increase. Our financial performance is affected by general business and economic conditions in the U.S. and abroad, and a worsening of current business and economic conditions could adversely affect our business, results of operations, and financial condition. For example, significant declines in home prices over the last several years and continued high unemployment have resulted in elevated credit costs and have adversely affected our credit performance, financial results, and capital levels. If home prices continue to fall or unemployment does not improve or rises we would expect to incur higher than normal charge-offs and provision expense from increases in our allowance for credit losses. These conditions may adversely affect not only consumer loan performance but also commercial and CRE loans, especially those business borrowers that rely on the health of industries or properties that may experience deteriorating economic conditions. A deterioration in business and economic conditions, which may erode consumer and investor confidence levels, also could adversely affect financial results for our fee-based businesses, including our mortgage, investment advisory, securities brokerage, wealth management, and investment banking businesses.

Financial and credit markets may experience a disruption or become volatile, making it more difficult to access capital markets on favorable terms. Financial and credit markets have experienced unprecedented disruption and volatility during the past several years. While market conditions have stabilized and, in many cases, improved, a disruption in, or worsening of, financial and credit market conditions, or increased volatility in financial and credit markets, may adversely affect our ability to access capital markets on favorable terms and could negatively affect our liquidity. We may raise additional capital through the issuance of common stock, which could dilute existing stockholders, or further reduce or even eliminate our common stock dividend to preserve capital or in order to raise additional capital.

Enacted legislation and regulation, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), as well as future legislation and/or regulation, could require us to change certain of our business practices, reduce our revenue, impose additional costs on us or otherwise adversely affect our business operations and/or competitive position. Economic, financial, market and political conditions during the past few years have led to new legislation and regulation in the United States and in other jurisdictions outside of the United States where we conduct business. These laws and regulations may affect the manner in which we do business and the products and services that we provide, affect or restrict our ability to compete in our current businesses or our ability to enter into or acquire new businesses, reduce or limit our revenue in businesses or impose additional fees, assessments or taxes on us, intensify the regulatory supervision of us and the financial services industry, and adversely affect our business operations or have other negative consequences.

For example, in 2009 several legislative and regulatory initiatives were adopted that will have an impact on our businesses and financial results, including FRB amendments to Regulation E, which, among other things, affect the way we may charge overdraft fees beginning on July 1, 2010, and the enactment of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the Card Act), which, among other things, affects our ability to change interest rates and assess certain fees on card accounts. The impact of the Regulation E amendments and the Card Act could vary materially due to a variety of factors, including changes in customer behavior, economic conditions and other potential offsetting factors.

On July 21, 2010, the Dodd-Frank Act became law. The Dodd-Frank Act, among other things, (i) establishes a new Financial Stability Oversight Council to monitor systemic risk posed by financial firms and imposes additional and enhanced FRB regulations on certain large, interconnected bank holding companies and systemically significant nonbanking firms intended to promote financial stability; (ii) creates a liquidation framework for the resolution of covered financial companies, the costs of which would be paid through assessments on surviving covered financial companies; (iii) makes significant changes to the structure of bank and bank holding company regulation and activities in a variety of areas, including prohibiting proprietary trading and private fund investment activities, subject to certain exceptions; (iv) creates a new framework for the regulation of over-the-counter derivatives and new regulations for the securitization market and strengthens the regulatory oversight of

securities and capital markets by the SEC; (v) establishes the Bureau of Consumer Financial Protection within the FRB, which will have sweeping powers to administer and enforce a new federal regulatory framework of consumer financial regulation; (vi) may limit the existing pre-emption of state laws with respect to the application of such laws to national banks, makes federal pre-emption no longer applicable to operating subsidiaries of national banks, and gives state authorities, under certain circumstances, the ability to enforce state laws and federal consumer regulations against national banks; (vii) provides for increased regulation of residential mortgage activities; (viii) revises the FDIC's assessment base for deposit insurance by changing from an assessment base defined by deposit liabilities to a risk-based system based on total assets; (ix) authorizes the FRB to issue regulations regarding the amount of any interchange transaction fee that an issuer may receive to ensure that it is reasonable and proportional to the cost incurred; and (x) includes several corporate governance and executive compensation provisions and requirements, including mandating an advisory stockholder vote on executive compensation.

Although the Dodd-Frank Act became generally effective in July 2010, many of its provisions have extended implementation periods and delayed effective dates and will require extensive rulemaking by regulatory authorities as well as require more than 60 studies to be conducted over the next one to two years. Accordingly, in many respects the ultimate impact of the Dodd-Frank Act and its effects on the U.S. financial system and the Company will not be known for an extended period of time. Nevertheless, the Dodd-Frank Act, including future rules implementing its provisions and the interpretation of those rules, could result in a loss of revenue, require us to change certain of our business practices, limit our ability to pursue certain business opportunities, increase our capital requirements and impose additional assessments and costs on us, and otherwise adversely affect our business operations and have other negative consequences, including to our credit ratings to the extent the legislation reduces the probability of future Federal financial assistance or support currently assumed by the rating agencies in their credit ratings. A reduction in one or more of our credit ratings could adversely affect our ability to borrow funds and raise the costs of our borrowings substantially and could cause creditors and business counterparties to raise collateral requirements or take other actions, which could adversely affect our ability to raise capital.

Recently, the Obama Administration delivered a report to Congress regarding proposals to reform the housing finance market in the United States. The report, among other things, outlined various potential proposals to wind down the GSEs and reduce or eliminate over time the role of the GSEs in guaranteeing mortgages and providing funding for mortgage loans, as well as proposals to implement reforms relating to borrowers, lenders, and investors in the mortgage market, including reducing the maximum size of a loan that the GSEs can guarantee, phasing in a minimum down payment requirement for borrowers, improving underwriting standards, and increasing accountability and transparency in the securitization process. The extent and timing of any regulatory reform regarding the GSEs and the home mortgage market, as well as any effect on the Company's business and financial results, are uncertain.

Any other future legislation and/or regulation, if adopted, also could have a material adverse effect on our business operations, income, and/or competitive position and may have other negative consequences.

For more information, refer to the "Regulation and Supervision" section in our 2010 Form 10-K.

Bank regulators and other regulations, including proposed Basel capital standards and FRB guidelines, may require higher capital levels, limiting our ability to pay common stock dividends or repurchase our common stock. Federal banking regulators continually monitor the capital position of banks and bank holding companies. In July 2009, the Basel Committee on Bank Supervision published a set of international guidelines for determining regulatory capital known as Basel III. These guidelines, which were finalized in December 2010, followed earlier guidelines by the Basel Committee and are designed to address many of the weaknesses identified in the banking sector as contributing to the financial crisis of 2008 - 2010 by, among other things, increasing minimum capital requirements, increasing the quality of capital, increasing the risk coverage of the capital framework, and increasing standards for the supervisory review process and public disclosure.

In 2010, the FRB issued guidelines for evaluating proposals by large bank holding companies, including the Company, to undertake capital actions in 2011, such as increasing dividend payments or repurchasing or redeeming stock. Pursuant to those FRB guidelines, the Company submitted a proposed Capital Plan Review to the FRB. The FRB is expected to undertake these capital plan reviews on a regular basis in the future. There can be no assurance that the FRB will respond favorably to the Company's current Capital Plan Review, or future capital plan reviews, and the FRB, the Basel standards or other regulatory capital requirements may limit or otherwise restrict how we utilize our capital, including common stock dividends and stock repurchases. Although not currently anticipated, our regulators may require us to raise additional capital in the future. Issuing additional common stock may dilute existing stockholders.

Bankruptcy laws may be changed to allow mortgage "cram-downs," or court-ordered modifications to our mortgage loans including the reduction of principal balances. Under current bankruptcy laws, courts cannot force a modification of mortgage and home equity loans secured by primary residences. In response to the current financial crisis, legislation has been proposed to allow mortgage loan "cram-downs," which would empower courts to modify the terms of mortgage and home equity loans including a reduction in the principal amount to reflect lower underlying property values. This could result in writing down the balance of our mortgage and home equity loans to reflect their lower loan values. There is also risk that home equity loans in a second lien position (i.e., behind a mortgage) could experience significantly higher losses to the extent they become unsecured as a result of a cram-down. The availability of principal reductions or other modifications to

mortgage loan terms could make bankruptcy a more attractive option for troubled borrowers, leading to increased bankruptcy filings and accelerated defaults.

RISKS RELATING TO THE WACHOVIA MERGER

Our financial results and condition could be adversely affected if we fail to realize all of the expected benefits of the Wachovia merger or it takes longer than expected to realize those benefits. The merger with Wachovia requires the integration of the businesses of Wachovia and Wells Fargo. The integration process may result in the loss of key employees, the disruption of ongoing businesses and the loss of customers and their business and deposits. It may also divert management attention and resources from other operations and limit the Company's ability to pursue other acquisitions. There is no assurance that we will realize all of the cost savings and other financial benefits of the merger when and in the amounts expected.

We may incur losses on loans, securities and other acquired assets of Wachovia that are materially greater than reflected in our preliminary fair value adjustments. We accounted for the Wachovia merger under the purchase method of accounting, recording the acquired assets and liabilities of Wachovia at fair value based on preliminary purchase accounting adjustments. Under purchase accounting, we had until one year after the merger date to finalize the fair value adjustments, meaning we could adjust the preliminary fair value estimates of Wachovia's assets and liabilities based on new or updated information that provided a better estimate of the fair value at merger date.

We recorded at fair value all PCI loans acquired in the merger based on the present value of their expected cash flows. We estimated cash flows using internal credit, interest rate and prepayment risk models using assumptions about matters that are inherently uncertain. We may not realize the estimated cash flows or fair value of these loans. In addition, although the difference between the pre-merger carrying value of the credit-impaired loans and their expected cash flows – the "nonaccretable difference" – is available to absorb future charge-offs, we may be required to increase our allowance for credit losses and related provision expense because of subsequent additional credit deterioration in these loans.

For more information, refer to the "Overview" and "Critical Accounting Policies – Purchased Credit-Impaired Loans" sections in this Report.

GENERAL RISKS RELATING TO OUR BUSINESS

Higher charge-offs and worsening credit conditions could require us to increase our allowance for credit losses through a charge to earnings. When we loan money or commit to loan money we incur credit risk, or the risk of losses if our borrowers do not repay their loans. We reserve for credit losses by establishing an allowance through a charge to earnings. The amount of this allowance is based on our assessment of credit losses inherent in our loan portfolio (including unfunded credit commitments). The process for determining the amount of the allowance is critical to our financial results and condition. It requires difficult, subjective and complex judgments about the future, including forecasts of economic or market conditions that might impair the ability of our borrowers to repay their loans.

We might underestimate the credit losses inherent in our loan portfolio and have credit losses in excess of the amount reserved. We might increase the allowance because of changing economic conditions, including falling home prices and higher unemployment, or other factors such as changes in borrower behavior. As an example, borrowers may be less likely to continue making payments on their real estate-secured loans if the value of the real estate is less than what they owe, even if they are still financially able to make the payments.

While we believe that our allowance for credit losses was adequate at December 31, 2010, there is no assurance that it will be sufficient to cover future credit losses, especially if housing and employment conditions worsen. We may be required to build reserves in 2011, thus reducing earnings.

For more information, refer to the "Risk Management – Credit Risk Management" and "Critical Accounting Policies – Allowance for Credit Losses" sections in this Report.

We may have more credit risk and higher credit losses to the extent our loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral. Our credit risk and credit losses can increase if our loans are concentrated to borrowers engaged in the same or similar activities or to borrowers who as a group may be uniquely or disproportionately affected by economic or market conditions. We experienced the effect of concentration risk in 2009 and 2010 when we incurred greater than expected losses in our Home Equity loan portfolio due to a housing slowdown and greater than expected deterioration in residential real estate values in many markets, including the Central Valley California market and several Southern California metropolitan statistical areas. As California is our largest banking state in terms of loans and deposits, continued deterioration in real estate values and underlying economic conditions in those markets or elsewhere in California could result in materially higher credit losses. As a result of the Wachovia merger, we have increased our exposure to California, as well as to Arizona and Florida, two states that have also suffered significant declines in home values. Continued deterioration in housing conditions and real estate values in these states and generally across the country could result in materially higher credit losses.

For more information, refer to the "Risk Management – Credit Risk Management" section and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Loss of customer deposits and market illiquidity could increase our funding costs. We rely on bank deposits to be a low cost and stable source of funding for the loans we make. We compete with banks and other financial services companies for deposits. If our competitors raise the rates they pay on deposits our funding costs may increase, either because we raise our rates to avoid losing deposits or because we lose deposits and must rely on more expensive sources of funding. Higher funding costs reduce our net interest margin and net interest income. As discussed above, the integration of Wells Fargo and Wachovia may result in the loss of customer deposits.

We sell most of the mortgage loans we originate in order to reduce our credit risk and provide funding for additional loans. We rely on GSEs to purchase loans that meet their conforming loan requirements and on other capital markets investors to purchase loans that do not meet those requirements – referred to as "nonconforming" loans. Since 2007, investor demand for nonconforming loans has fallen sharply, increasing credit spreads and reducing the liquidity for those loans. In response to the reduced liquidity in the capital markets, we may retain more nonconforming loans. When we retain a loan not only do we keep the credit risk of the loan but we also do not receive any sale proceeds that could be used to generate new loans. Continued lack of liquidity could limit our ability to fund – and thus originate – new mortgage loans, reducing the fees we earn from originating and servicing loans. In addition, we cannot assure that GSEs will not materially limit their purchases of conforming loans due to capital constraints or change their criteria for conforming loans (e.g., maximum loan amount or borrower eligibility). As previously noted, the Obama Administration recently outlined proposals to reform the housing finance market in the United States, including the role of the GSEs in the housing finance market. The extent and timing of any such regulatory reform regarding the housing finance market and the GSEs, as well as any effect on the Company's business and financial results, are uncertain.

Changes in interest rates could reduce our net interest income and earnings. Our net interest income is the interest we earn on loans, debt securities and other assets we hold less the interest we pay on our deposits, long-term and short-term debt, and other liabilities. Net interest income is a measure of both our net interest margin – the difference between the yield we earn on our assets and the interest rate we pay for deposits and our other sources of funding – and the amount of earning assets we hold. Changes in either our net interest margin or the amount of earning assets we hold could affect our net interest income and our earnings. Changes in interest rates can affect our net interest margin. Although the yield we earn on our assets and our funding costs tend to move in the same direction in response to changes in interest rates, one can rise or fall faster than the other, causing our net interest margin to expand or contract. Our liabilities tend to be shorter in duration than our assets, so they may adjust faster in response to changes in interest rates. When interest rates rise, our funding costs may rise faster than the yield we earn on our assets, causing our net interest margin to contract until the yield catches up.

The amount and type of earning assets we hold can affect our yield and net interest margin. We hold earning assets in the form of loans and investment securities, among other assets. If current economic conditions persist, we may continue to see lower demand for loans by credit worthy customers, reducing our yield. In addition, we may invest in lower yielding investment securities for a variety of reasons, including in anticipation that interest rates are likely to increase.

Changes in the slope of the "yield curve" – or the spread between short-term and long-term interest rates – could also reduce our net interest margin. Normally, the yield curve is upward sloping, meaning short-term rates are lower than long-term rates. Because our liabilities tend to be shorter in duration than our assets, when the yield curve flattens or even inverts, our net interest margin could decrease as our cost of funds increases relative to the yield we can earn on our assets.

The interest we earn on our loans may be tied to U.S.-denominated interest rates such as the federal funds rate while the interest we pay on our debt may be based on international rates such as LIBOR. If the federal funds rate were to fall without a corresponding decrease in LIBOR, we might earn less on our loans without any offsetting decrease in our funding costs. This could lower our net interest margin and our net interest income.

We assess our interest rate risk by estimating the effect on our earnings under various scenarios that differ based on assumptions about the direction, magnitude and speed of interest rate changes and the slope of the yield curve. We hedge some of that interest rate risk with interest rate derivatives. We also rely on the "natural hedge" that our mortgage loan originations and servicing rights can provide.

We do not hedge all of our interest rate risk. There is always the risk that changes in interest rates could reduce our net interest income and our earnings in material amounts, especially if actual conditions turn out to be materially different than what we assumed. For example, if interest rates rise or fall faster than we assumed or the slope of the yield curve changes, we may incur significant losses on debt securities we hold as investments. To reduce our interest rate risk, we may rebalance our investment and loan portfolios, refinance our debt and take other strategic actions. We may incur losses when we take such actions.

For more information, refer to the "Risk Management – Asset/Liability Management – Interest Rate Risk" section in this Report.

Changes in interest rates could also reduce the value of our MSRs and MHFS, reducing our earnings. We have a sizeable portfolio of MSRs. An MSR is the right to service a mortgage loan – collect principal, interest and escrow amounts – for a fee. We acquire MSRs when we keep the servicing rights after we sell or securitize the loans we have originated or when we purchase the servicing rights to mortgage loans originated by other lenders. We initially measure all and carry substantially all our residential MSRs using the fair value measurement method. Fair value is the present value of estimated future net servicing

income, calculated based on a number of variables, including assumptions about the likelihood of prepayment by borrowers.

Changes in interest rates can affect prepayment assumptions and thus fair value. When interest rates fall, borrowers are usually more likely to prepay their mortgage loans by refinancing them at a lower rate. As the likelihood of prepayment increases, the fair value of our MSRs can decrease. Each quarter we evaluate the fair value of our MSRs, and any decrease in fair value reduces earnings in the period in which the decrease occurs.

We measure at fair value prime MHFS for which an active secondary market and readily available market prices exist. We also measure at fair value certain other interests we hold related to residential loan sales and securitizations. Similar to other interest-bearing securities, the value of these MHFS and other interests may be negatively affected by changes in interest rates. For example, if market interest rates increase relative to the yield on these MHFS and other interests, their fair value may fall. We may not hedge this risk, and even if we do hedge the risk with derivatives and other instruments we may still incur significant losses from changes in the value of these MHFS and other interests or from changes in the value of the hedging instruments.

For more information, refer to the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" and "Critical Accounting Policies" sections in this Report.

Our mortgage banking revenue can be volatile from quarter to quarter. We earn revenue from fees we receive for originating mortgage loans and for servicing mortgage loans. When rates rise, the demand for mortgage loans usually tends to fall, reducing the revenue we receive from loan originations. Under the same conditions, revenue from our MSRs can increase through increases in fair value. When rates fall, mortgage originations usually tend to increase and the value of our MSRs usually tends to decline, also with some offsetting revenue effect. Even though they can act as a "natural hedge," the hedge is not perfect, either in amount or timing. For example, the negative effect on revenue from a decrease in the fair value of residential MSRs is generally immediate, but any offsetting revenue benefit from more originations and the MSRs relating to the new loans would generally accrue over time. It is also possible that, because of economic conditions and/or a deteriorating housing market, even if interest rates were to fall, mortgage originations may also fall or any increase in mortgage originations may not be enough to offset the decrease in the MSRs value caused by the lower rates.

We typically use derivatives and other instruments to hedge our mortgage banking interest rate risk. We generally do not hedge all of our risk, and we may not be successful in hedging any of the risk. Hedging is a complex process, requiring sophisticated models and constant monitoring, and is not a perfect science. We may use hedging instruments tied to U.S. Treasury rates, LIBOR or Eurodollars that may not perfectly correlate with the value or income being hedged. We could incur significant losses from our hedging activities. There may be periods where we elect not to use derivatives and other instruments to hedge mortgage banking interest rate risk.

For more information, refer to the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" section in this Report.

We may be required to repurchase mortgage loans or reimburse investors and others as a result of breaches in contractual representations and warranties. We sell residential mortgage loans to various parties, including GSEs, SPEs that issue private label MBS, and other financial institutions that purchase mortgage loans for investment or private label securitization. We may also pool FHA-insured and VA-guaranteed mortgage loans which back securities guaranteed by GNMA. The agreements under which we sell mortgage loans and the insurance or guaranty agreements with the FHA and VA contain various representations and warranties regarding the origination and characteristics of the mortgage loans, including ownership of the loan, compliance with loan criteria set forth in the applicable agreement, validity of the lien securing the loan, absence of delinquent taxes or liens against the property securing the loan, and compliance with applicable origination laws. We may be required to repurchase mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the securitization trust, investor or insurer for credit losses incurred on loans in the event of a breach of contractual representations or warranties that is not remedied within a period (usually 90 days or less) after we receive notice of the breach. Contracts for mortgage loan sales to the GSEs include various types of specific remedies and penalties that could be applied to inadequate responses to repurchase requests. Similarly, the agreements under which we sell mortgage loans require us to deliver various documents to the securitization trust or investor, and we may be obligated to repurchase any mortgage loan as to which the required documents are not delivered or are defective. We may negotiate global settlements in order to resolve a pipeline of demands in lieu of repurchasing the loans. If economic conditions and the housing market do not recover or future investor repurchase demand and our success at appealing repurchase requests differ from past experience, we could continue to have increased repurchase obligations and increased loss severity on repurchases, requiring material additions to the repurchase reserve.

For more information, refer to the "Risk Management – Liability for Mortgage Loan Repurchase Losses" section in this Report.

We may be terminated as a servicer or master servicer, be required to repurchase a mortgage loan or reimburse investors for credit losses on a mortgage loan, or incur costs and other liabilities if we fail to satisfy our servicing obligations, including our obligations with respect to mortgage loan foreclosure actions. We act as servicer and/or master servicer for mortgage loans included in securitizations and for unsecuritized mortgage loans owned by investors. As a servicer or master servicer for those loans we have certain contractual obligations to the securitization trusts, investors or other third parties, including,

in our capacity as a servicer, foreclosing on defaulted mortgage loans or, to the extent consistent with the applicable securitization or other investor agreement, considering alternatives to foreclosure such as loan modifications or short sales and, in our capacity as a master servicer, overseeing the servicing of mortgage loans by the servicer. If we commit a material breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period of time following notice, which can generally be given by the securitization trustee or a specified percentage of security holders, causing us to lose servicing income. In addition, we may be required to indemnify the securitization trustee against losses from any failure by us, as a servicer or master servicer, to perform our servicing obligations or any act or omission on our part that involves willful misfeasance, bad faith or gross negligence. For certain investors and/or certain transactions, we may be contractually obligated to repurchase a mortgage loan or reimburse the investor for credit losses incurred on the loan as a remedy for servicing errors with respect to the loan. If we have increased repurchase obligations because of claims that we did not satisfy our obligations as a servicer or master servicer, or increased loss severity on such repurchases, we may have to materially increase our repurchase reserve.

We may incur costs if we are required to, or if we elect to re-execute or re-file documents or take other action in our capacity as a servicer in connection with pending or completed foreclosures. We may incur litigation costs if the validity of a foreclosure action is challenged by a borrower. If a court were to overturn a foreclosure because of errors or deficiencies in the foreclosure process, we may have liability to the borrower and/or to any title insurer of the property sold in foreclosure if the required process was not followed. These costs and liabilities may not be legally or otherwise reimbursable to us, particularly to the extent they relate to securitized mortgage loans. In addition, if certain documents required for a foreclosure action are missing or defective, we could be obligated to cure the defect or repurchase the loan. We may incur liability to securitization investors relating to delays or deficiencies in our processing of mortgage assignments or other documents necessary to comply with state law governing foreclosures. The fair value of our MSRs may be negatively affected to the extent our servicing costs increase because of higher foreclosure costs. We may be subject to fines and other sanctions, including a foreclosure moratorium or suspension, imposed by Federal or state regulators as a result of actual or perceived deficiencies in our foreclosure practices or in the foreclosure practices of other mortgage loan servicers. Any of these actions may harm our reputation or negatively affect our residential mortgage origination or servicing business.

For more information, refer to the "Earnings Performance – Noninterest Income," "Risk Management – Liability for Mortgage Loan Repurchase Losses" and "– Risks Relating to Servicing Activities," and "Critical Accounting Policies – Valuation of Residential Mortgage Servicing Rights" sections in this Report.

We could recognize OTTI on securities held in our available-for-sale portfolio if economic and market conditions do not improve. Our securities available-for-sale portfolio had gross unrealized losses of $2.7 billion at December 31, 2010. We analyze securities held in our available-for-sale portfolio for OTTI on a quarterly basis. The process for determining whether impairment is other than temporary usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving contractual principal and interest payments on the security. Because of changing economic and market conditions affecting issuers and the performance of the underlying collateral, we may be required to recognize OTTI in future periods, thus reducing earnings.

For more information, refer to the "Balance Sheet Analysis – Securities Available for Sale" and "Current Accounting Developments" sections and Note 5 (Securities Available for Sale) to Financial Statements in this Report.

We rely on our systems and certain counterparties, and certain failures could materially adversely affect our operations. Our businesses are dependent on our ability to process, record and monitor a large number of complex transactions. If any of our financial, accounting, or other data processing systems fail or have other significant shortcomings, we could be materially adversely affected. Third parties with which we do business could also be sources of operational risk to us, including relating to breakdowns or failures of such parties' own systems. Any of these occurrences could diminish our ability to operate one or more of our businesses, or result in potential liability to clients, reputational damage and regulatory intervention, any of which could materially adversely affect us.

If personal, confidential or proprietary information of customers or clients in our possession were to be mishandled or misused, we could suffer significant regulatory consequences, reputational damage and financial loss. Such mishandling or misuse could include, for example, if such information were erroneously provided to parties who are not permitted to have the information, either by fault of our systems, employees, or counterparties, or where such information is intercepted or otherwise inappropriately taken by third parties.

We may be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control, which may include, for example, computer viruses or electrical or telecommunications outages, natural disasters, disease pandemics or other damage to property or physical assets, or events arising from local or larger scale politics, including terrorist acts. Such disruptions may give rise to losses in service to customers and loss or liability to us.

Our framework for managing risks may not be effective in mitigating risk and loss to us. Our risk management framework seeks to mitigate risk and loss to us. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and compliance risk, and reputational risk, among others. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. If our risk management framework proves ineffective, we could suffer unexpected losses and could be materially adversely affected.

Financial difficulties or credit downgrades of mortgage and bond insurers may negatively affect our servicing and investment portfolios. Our servicing portfolio includes certain mortgage loans that carry some level of insurance from one or more mortgage insurance companies. To the extent that any of these companies experience financial difficulties or credit downgrades, we may be required, as servicer of the insured loan on behalf of the investor, to obtain replacement coverage with another provider, possibly at a higher cost than the coverage we would replace. We may be responsible for some or all of the incremental cost of the new coverage for certain loans depending on the terms of our servicing agreement with the investor and other circumstances. Similarly, some of the mortgage loans we hold for investment or for sale carry mortgage insurance. If a mortgage insurer is unable to meet its credit obligations with respect to an insured loan, we might incur higher credit losses if replacement coverage is not obtained. We also have investments in municipal bonds that are guaranteed against loss by bond insurers. The value of these bonds and the payment of principal and interest on them may be negatively affected by financial difficulties or credit downgrades experienced by the bond insurers.

For more information, refer to the "Earnings Performance – Balance Sheet Analysis – Securities Available for Sale" and "Risk Management – Credit Risk Management" sections in this Report.

Our ability to grow revenue and earnings will suffer if we are unable to sell more products to customers. Selling more products to our customers – "cross-selling" – is very important to our business model and key to our ability to grow revenue and earnings. Many of our competitors also focus on cross-selling, especially in retail banking and mortgage lending. This can limit our ability to sell more products to our customers or influence us to sell our products at lower prices, reducing our net interest income and revenue from our fee-based products. It could also affect our ability to keep existing customers. New technologies could require us to spend more to modify or adapt our products to attract and retain customers. Increasing our cross-sell ratio – or the average number of products sold to existing customers – may become more challenging and we might not attain our goal of selling an average of eight products to each customer.

A worsening of economic conditions could reduce demand for our products and services and lead to lower revenue and lower earnings. We earn revenue from the interest and fees we charge on the loans and other products and services we sell. If the economy worsens and consumer and business spending decreases and unemployment rises, the demand for those products and services may fall, reducing our interest and fee income and our earnings. These same conditions may also hurt the ability of our borrowers to repay their loans, causing us to incur higher credit losses.

Changes in stock market prices could reduce fee income from our brokerage and asset management businesses. We earn fee income from managing assets for others and providing brokerage services. Because investment management fees are often based on the value of assets under management, a fall in the market prices of those assets could reduce our fee income. Changes in stock market prices could affect the trading activity of investors, reducing commissions and other fees we earn from our brokerage business. As a result of the Wachovia merger, a greater percentage of our revenue depends on our brokerage services business.

For more information, refer to the "Risk Management – Asset/Liability Management – Market Risk – Equity Markets" section in this Report.

We may elect to provide capital support to our mutual funds relating to investments in structured credit products. The money market mutual funds we advise are allowed to hold investments in structured investment vehicles (SIVs) in accordance with approved investment parameters for the respective funds and, therefore, we may have indirect exposure to CDOs. Although we generally are not responsible for investment losses incurred by our mutual funds, we may from time to time elect to provide support to a fund even though we are not contractually obligated to do so. For example, in February 2008, to maintain an investment rating of AAA for certain money market mutual funds, we elected to enter into a capital support agreement for up to $130 million related to one SIV held by those funds. If we provide capital support to a mutual fund we advise, and the fund's investment losses require the capital to be utilized, we may incur losses, thus reducing earnings.

For more information, refer to Note 8 (Securitizations and Variable Interest Entities) to Financial Statements in this Report.

Our bank customers could take their money out of the bank and put it in alternative investments, causing us to lose a lower cost source of funding. Checking and savings account balances and other forms of customer deposits may decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff. When customers move money out of bank deposits and into other investments, we may lose a relatively low cost source of funds, increasing our funding costs and reducing our net interest income.

Our venture capital business can also be volatile from quarter to quarter. Certain of our venture capital businesses are carried under the cost or equity method, and others (e.g., principal investments) are carried at fair value with unrealized gains and losses reflected in earnings. Our venture capital investments tend to be in technology and other volatile industries so the value of our public and private equity portfolios may fluctuate widely. Earnings from our venture capital investments may be volatile and hard to predict and may have a significant effect on our earnings from period to period. When, and if, we recognize gains may depend on a number of factors, including general economic conditions, the prospects of the companies in which we invest, when these companies go public, the size of our position relative to the public float, and whether we are subject to any resale restrictions.

Our venture capital investments could result in significant losses, either OTTI losses for those investments carried under the cost or equity method or mark-to-market losses for principal investments. Our assessment for OTTI is based on a number of factors, including the then current market value of each investment compared with its carrying value. If we determine there is OTTI for an investment, we write-down the carrying value of the investment, resulting in a charge to earnings. The amount of this charge could be significant. Further, our principal investing portfolio could incur significant mark-to-market losses especially if these investments have been written up because of higher market prices.

For more information, refer to the "Risk Management – Asset/Liability Management – Market Risk – Equity Markets" section in this Report.

We rely on dividends from our subsidiaries for revenue, and federal and state law can limit those dividends. Wells Fargo & Company, the parent holding company, is a separate and distinct legal entity from its subsidiaries. It receives a significant portion of its revenue from dividends from its subsidiaries. We generally use these dividends, among other things, to pay dividends on our common and preferred stock and interest and principal on our debt. Federal and state laws limit the amount of dividends that our bank and some of our nonbank subsidiaries may pay to us. Also, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors.

For more information, refer to the "Regulation and Supervision – Dividend Restrictions" and "–Holding Company Structure" sections in our 2010 Form 10-K and to Note 3 (Cash, Loan and Dividend Restrictions) and Note 25 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

Changes in accounting policies or accounting standards, and changes in how accounting standards are interpreted or applied, could materially affect how we report our financial results and condition. Our accounting policies are fundamental to determining and understanding our financial results and condition. Some of these policies require use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Several of our accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. For a description of these policies, refer to the "Critical Accounting Policies" section in this Report.

From time to time the FASB and the SEC change the financial accounting and reporting standards that govern the preparation of our external financial statements. In addition, accounting standard setters and those who interpret the accounting standards (such as the FASB, SEC, banking regulators and our outside auditors) may change or even reverse their previous interpretations or positions on how these standards should be applied. Changes in financial accounting and reporting standards and changes in current interpretations may be beyond our control, can be hard to predict and could materially affect how we report our financial results and condition. We may be required to apply a new or revised standard retroactively or apply an existing standard differently, also retroactively, in each case resulting in our potentially restating prior period financial statements in material amounts.

Our financial statements are based in part on assumptions and estimates which, if wrong, could cause unexpected losses in the future. Pursuant to U.S. GAAP, we are required to use certain assumptions and estimates in preparing our financial statements, including in determining credit loss reserves, reserves related to litigation and the fair value of certain assets and liabilities, among other items. If assumptions or estimates underlying our financial statements are incorrect, we may experience material losses.

Certain of our financial instruments, including trading assets and liabilities, available-for-sale securities, certain loans, MSRs, private equity investments, structured notes and certain repurchase and resale agreements, among other items, require a determination of their fair value in order to prepare our financial statements. Where quoted market prices are not available, we may make fair value determinations based on internally developed models or other means which ultimately rely to some degree on management judgment. Some of these and other assets and liabilities may have no direct observable price levels, making their valuation particularly subjective, being based on significant estimation and judgment. In addition, sudden illiquidity in markets or declines in prices of certain loans and securities may make it more difficult to value certain balance sheet items, which may lead to the possibility that such valuations will be subject to further change or adjustment and could lead to declines in our earnings.

Acquisitions could reduce our stock price upon announcement and reduce our earnings if we overpay or have difficulty integrating them. We regularly explore opportunities to acquire companies in the financial services industry. We cannot predict the frequency, size or timing of our acquisitions, and we typically do not comment publicly on a possible acquisition until we have signed a definitive agreement.

When we do announce an acquisition, our stock price may fall depending on the size of the acquisition, the purchase price and the potential dilution to existing stockholders. It is also possible that an acquisition could dilute earnings per share.

We generally must receive federal regulatory approvals before we can acquire a bank or bank holding company. In deciding whether to approve a proposed acquisition, federal bank regulators will consider, among other factors, the effect of the acquisition on competition, financial condition, and future prospects including current and projected capital ratios and levels, the competence, experience, and integrity of management and record of compliance with laws and regulations, the convenience and needs of the communities to be served, including our record of compliance under the Community Reinvestment Act, and our effectiveness in combating money laundering. Also, we cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. We might be required to sell banks, branches and/or business units as a condition to receiving regulatory approval.

Difficulty in integrating an acquired company may cause us not to realize expected revenue increases, cost savings, increases in geographic or product presence, and other projected benefits from the acquisition. The integration could result in higher than expected deposit attrition (run-off), loss of key employees, disruption of our business or the business of the acquired company, or otherwise harm our ability to retain customers and employees or achieve the anticipated benefits of the acquisition. Time and resources spent on integration may also impair our ability to grow our existing businesses. Also, the negative effect of any divestitures required by regulatory authorities in acquisitions or business combinations may be greater than expected.

Federal and state regulations can restrict our business, and non-compliance could result in penalties, litigation and damage to our reputation. Our parent company, our subsidiary banks and many of our nonbank subsidiaries are heavily regulated at the federal and/or state levels. This regulation is to protect depositors, federal deposit insurance funds, consumers and the banking system as a whole, not necessarily our stockholders. Federal and state regulations can significantly restrict our businesses, and we could be fined or otherwise penalized if we are found to be out of compliance.

The Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) limits the types of non-audit services our outside auditors may provide to us in order to preserve their independence from us. If our auditors were found not to be "independent" of us under SEC rules, we could be required to engage new auditors and file new financial statements and audit reports with the SEC. We could be out of compliance with SEC rules until new financial statements and audit reports were filed, limiting our ability to raise capital and resulting in other adverse consequences.

Sarbanes-Oxley also requires our management to evaluate the Company's disclosure controls and procedures and its internal control over financial reporting and requires our auditors to issue a report on our internal control over financial reporting. We are required to disclose, in our annual report on Form 10-K, the existence of any "material weaknesses" in our internal control. We cannot assure that we will not find one or more material weaknesses as of the end of any given year, nor can we predict the effect on our stock price of disclosure of a material weakness.

From time to time Congress considers legislation that could significantly change our regulatory environment, potentially increasing our cost of doing business, limiting the activities we may pursue or affecting the competitive balance among banks, savings associations, credit unions, and other financial institutions.

For more information, refer to the "Regulation and Supervision" section in our 2010 Form 10-K and to "Report of Independent Registered Public Accounting Firm" in this Report.

We may incur fines, penalties and other negative consequences from regulatory violations, possibly even inadvertent or unintentional violations. We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations. However, some legal/regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there was in place at the time systems and procedures designed to ensure compliance. For example, we are subject to regulations issued by the Office of Foreign Assets Control (OFAC) that prohibit financial institutions from participating in the transfer of property belonging to the governments of certain foreign countries and designated nationals of those countries. OFAC may impose penalties for inadvertent or unintentional violations even if reasonable processes are in place to prevent the violations. There may be other negative consequences resulting from a finding of noncompliance, including restrictions on certain activities. Such a finding may also damage our reputation (see below) and could restrict the ability of institutional investment managers to invest in our securities.

Negative publicity could damage our reputation. Reputation risk, or the risk to our earnings and capital from negative public opinion, is inherent in our business. Negative public opinion could adversely affect our ability to keep and attract customers and expose us to adverse legal and regulatory consequences. Negative public opinion could result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance, regulatory compliance, mergers and acquisitions, and disclosure, sharing or inadequate protection of customer information, and from actions taken by government regulators and community organizations in response to that conduct. Because we conduct most of our businesses under the "Wells Fargo" brand, negative public opinion about one business could affect our other businesses.

Federal Reserve Board policies can significantly affect business and economic conditions and our financial results and condition. The FRB regulates the supply of money and credit in the United States. Its policies determine in large part our cost of funds for lending and investing and the return we earn on those loans and investments, both of which affect our net interest margin. They also can materially affect the value of financial instruments we hold, such as debt securities and MSRs. Its policies also can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in FRB policies are beyond our control and can be hard to predict.

Risks Relating to Legal Proceedings Wells Fargo and some of its subsidiaries are involved in judicial, regulatory and arbitration proceedings concerning matters arising from our business activities. Although we believe we have a meritorious defense in all material significant litigation pending against us, there can be no assurance as to the ultimate outcome. We establish reserves for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. We may still incur legal costs for a matter even if we have not established a reserve. In addition, the actual cost of resolving a legal claim may be substantially higher than any amounts reserved for that matter. The ultimate resolution of a pending legal proceeding, depending on the remedy sought and granted, could materially adversely affect our results of operations and financial condition.

For more information, refer to Note 14 (Guarantees and Legal Actions) to Financial Statements in this Report.

Risks Affecting Our Stock Price Our stock price can fluctuate widely in response to a variety of factors, in addition to those described above, including:

- general business and economic conditions;
- recommendations by securities analysts;
- new technology used, or services offered, by our competitors;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends, concerns and other issues in the financial services industry;
- changes in government regulations;
- natural disasters; and
- geopolitical conditions such as acts or threats of terrorism or military conflicts.

Controls and Procedures

Disclosure Controls and Procedures

As required by SEC rules, the Company's management evaluated the effectiveness, as of December 31, 2010, of the Company's disclosure controls and procedures. The Company's chief executive officer and chief financial officer participated in the evaluation. Based on this evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2010.

Internal Control Over Financial Reporting

Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles (GAAP) and includes those policies and procedures that:
pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the Company;
provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. No change occurred during any quarter in 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Management's report on internal control over financial reporting is set forth below, and should be read with these limitations in mind.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2010, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*. Based on this assessment, management concluded that as of December 31, 2010, the Company's internal control over financial reporting was effective.

KPMG LLP, the independent registered public accounting firm that audited the Company's financial statements included in this Annual Report, issued an audit report on the Company's internal control over financial reporting. KPMG's audit report appears on the following page.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Wells Fargo & Company:

We have audited Wells Fargo & Company and Subsidiaries' (the Company) internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2010, and our report dated February 25, 2011, expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

San Francisco, California
February 25, 2011

Financial Statements

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Income

(in millions, except per share amounts)		Year ended December 31, 2010	2009	2008
Interest income				
Trading assets	$	**1,098**	918	177
Securities available for sale		**9,666**	11,319	5,287
Mortgages held for sale		**1,736**	1,930	1,573
Loans held for sale		**101**	183	48
Loans		**39,760**	41,589	27,632
Other interest income		**435**	335	181
Total interest income		**52,796**	56,274	34,898
Interest expense				
Deposits		**2,832**	3,774	4,521
Short-term borrowings		**92**	222	1,478
Long-term debt		**4,888**	5,782	3,756
Other interest expense		**227**	172	-
Total interest expense		**8,039**	9,950	9,755
Net interest income		**44,757**	46,324	25,143
Provision for credit losses		**15,753**	21,668	15,979
Net interest income after provision for credit losses		**29,004**	24,656	9,164
Noninterest income				
Service charges on deposit accounts		**4,916**	5,741	3,190
Trust and investment fees		**10,934**	9,735	2,924
Card fees		**3,652**	3,683	2,336
Other fees		**3,990**	3,804	2,097
Mortgage banking		**9,737**	12,028	2,525
Insurance		**2,126**	2,126	1,830
Net gains from trading activities		**1,648**	2,674	275
Net gains (losses) on debt securities available for sale (1)		**(324)**	(127)	1,037
Net gains (losses) from equity investments (2)		**779**	185	(757)
Operating leases		**815**	685	427
Other		**2,180**	1,828	850
Total noninterest income		**40,453**	42,362	16,734
Noninterest expense				
Salaries		**13,869**	13,757	8,260
Commission and incentive compensation		**8,692**	8,021	2,676
Employee benefits		**4,651**	4,689	2,004
Equipment		**2,636**	2,506	1,357
Net occupancy		**3,030**	3,127	1,619
Core deposit and other intangibles		**2,199**	2,577	186
FDIC and other deposit assessments		**1,197**	1,849	120
Other		**14,182**	12,494	6,376
Total noninterest expense		**50,456**	49,020	22,598
Income before income tax expense		**19,001**	17,998	3,300
Income tax expense		**6,338**	5,331	602
Net income before noncontrolling interests		**12,663**	12,667	2,698
Less: Net income from noncontrolling interests		**301**	392	43
Wells Fargo net income	$	**12,362**	12,275	2,655
Less: Preferred stock dividends and accretion and other		**730**	4,285	286
Wells Fargo net income applicable to common stock	$	**11,632**	7,990	2,369
Per share information				
Earnings per common share	$	**2.23**	1.76	0.70
Diluted earnings per common share		**2.21**	1.75	0.70
Dividends declared per common share		**0.20**	0.49	1.30
Average common shares outstanding		**5,226.8**	4,545.2	3,378.1
Diluted average common shares outstanding		**5,263.1**	4,562.7	3,391.3

(1) Includes other-than-temporary impairment (OTTI) losses of $672 million and $1,012 million recognized in earnings ($500 million and $2,352 million of total OTTI losses, net of $(172) million and $1,340 million recognized as an increase (decrease) to non-credit related OTTI losses recorded in other comprehensive income) for the year ended December 31, 2010 and 2009, respectively.

(2) Includes OTTI losses of $268 million and $655 million for the year ended December 31, 2010 and 2009, respectively.

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Balance Sheet

(in millions, except shares)	December 31, 2010	2009
Assets		
Cash and due from banks	$ **16,044**	27,080
Federal funds sold, securities purchased under resale agreements and other short-term investments	**80,637**	40,885
Trading assets	**51,414**	43,039
Securities available for sale	**172,654**	172,710
Mortgages held for sale (includes $47,531 and $36,962 carried at fair value)	**51,763**	39,094
Loans held for sale (includes $873 and $149 carried at fair value)	**1,290**	5,733
Loans (includes $309 carried at fair value at December 31, 2010)	**757,267**	782,770
Allowance for loan losses	**(23,022)**	(24,516)
Net loans	**734,245**	758,254
Mortgage servicing rights:		
Measured at fair value	**14,467**	16,004
Amortized	**1,419**	1,119
Premises and equipment, net	**9,644**	10,736
Goodwill	**24,770**	24,812
Other assets	**99,781**	104,180
Total assets (1)	$ **1,258,128**	1,243,646
Liabilities		
Noninterest-bearing deposits	$ **191,256**	181,356
Interest-bearing deposits	**656,686**	642,662
Total deposits	**847,942**	824,018
Short-term borrowings	**55,401**	38,966
Accrued expenses and other liabilities	**69,913**	62,442
Long-term debt (includes $306 carried at fair value at December 31, 2010)	**156,983**	203,861
Total liabilities (2)	**1,130,239**	1,129,287
Equity		
Wells Fargo stockholders' equity:		
Preferred stock	**8,689**	8,485
Common stock – $1-2/3 par value, authorized 9,000,000,000 shares; issued 5,272,414,622 shares and 5,245,971,422 shares	**8,787**	8,743
Additional paid-in capital	**53,426**	52,878
Retained earnings	**51,918**	41,563
Cumulative other comprehensive income	**4,738**	3,009
Treasury stock – 10,131,394 shares and 67,346,829 shares	**(487)**	(2,450)
Unearned ESOP shares	**(663)**	(442)
Total Wells Fargo stockholders' equity	**126,408**	111,786
Noncontrolling interests	**1,481**	2,573
Total equity	**127,889**	114,359
Total liabilities and equity	$ **1,258,128**	1,243,646

(1) Our consolidated assets at December 31, 2010, include the following assets of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs: Cash and due from banks, $200 million; Trading assets, $143 million; Securities available for sale, $2.2 billion; Net loans, $16.7 billion; Other assets, $2.0 billion, and Total assets, $21.2 billion.

(2) Our consolidated liabilities at December 31, 2010, include the following VIE liabilities for which the VIE creditors do not have recourse to Wells Fargo: Short-term borrowings, $7 million; Accrued expenses and other liabilities, $71 million; Long-term debt, $8.3 billion; and Total liabilities, $8.4 billion.

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Changes in Equity and Comprehensive Income

(in millions, except shares)	Preferred stock Shares	Preferred stock Amount	Common stock Shares	Common stock Amount
Balance December 31, 2007	*449,804*	$ 450	*3,297,102,208*	$ 5,788
Cumulative effect from change in accounting for postretirement benefits				
Adjustment for change of measurement date related to pension and other postretirement benefits				
Balance January 1, 2008	*449,804*	450	*3,297,102,208*	5,788
Comprehensive income:				
Net income				
Other comprehensive income, net of tax:				
Translation adjustments				
Net unrealized losses on securities available for sale				
Net unrealized gains on derivatives and hedging activities				
Unamortized losses under defined benefit plans, net of amortization				
Total comprehensive income				
Noncontrolling interests				
Common stock issued			*538,877,525*	781
Common stock issued for acquisitions			*429,084,786*	704
Common stock repurchased			*(52,154,513)*	
Preferred stock issued	*25,000*	22,674		
Preferred stock issued for acquisitions	*9,566,921*	8,071		
Preferred stock issued to ESOP	*520,500*	521		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(450,404)*	(451)	*15,720,883*	
Stock warrants issued				
Common stock dividends				
Preferred stock dividends and accretion		67		
Tax benefit upon exercise of stock options				
Stock incentive compensation expense				
Net change in deferred compensation and related plans				
Other				
Net change	*9,662,017*	30,882	*931,528,681*	1,485
Balance December 31, 2008	*10,111,821*	$ 31,332	*4,228,630,889*	$ 7,273
Cumulative effect from change in accounting for other-than-temporary impairment on debt securities				
Effect of change in accounting for noncontrolling interests				
Balance January 1, 2009	*10,111,821*	31,332	*4,228,630,889*	7,273
Comprehensive income:				
Net income				
Other comprehensive income, net of tax:				
Translation adjustments				
Net unrealized gains on securities available for sale				
Net unrealized losses on derivatives and hedging activities				
Unamortized gains under defined benefit plans, net of amortization				
Total comprehensive income				
Noncontrolling interests:				
Purchase of Prudential's noncontrolling interest				
All other				
Common stock issued			*953,285,636*	1,470
Common stock repurchased			*(8,274,015)*	
Preferred stock redeemed	*(25,000)*	(25,000)		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(105,881)*	(106)	*4,982,083*	
Common stock dividends				
Preferred stock dividends and accretion		2,259		
Tax benefit upon exercise of stock options				
Stock incentive compensation expense				
Net change in deferred compensation and related plans				
Net change	*(130,881)*	(22,847)	*949,993,704*	1,470
Balance December 31, 2009	*9,980,940*	$ 8,485	*5,178,624,593*	$ 8,743

The accompanying notes are an integral part of these statements.

(continued on following pages)

Wells Fargo stockholders' equity							
Additional paid-in capital	Retained earnings	Cumulative other comprehensive income	Treasury stock	Unearned ESOP shares	Total Wells Fargo stockholders' equity	Noncontrolling interests	Total equity
8,212	38,970	725	(6,035)	(482)	47,628	286	47,914
	(20)				(20)		(20)
	(8)				(8)		(8)
8,212	38,942	725	(6,035)	(482)	47,600	286	47,886
	2,655				2,655	43	2,698
		(58)			(58)		(58)
		(6,610)			(6,610)		(6,610)
		436			436		436
		(1,362)			(1,362)		(1,362)
					(4,939)	43	(4,896)
					-	2,903	2,903
11,555	(456)		2,291		14,171		14,171
13,689			208		14,601		14,601
			(1,623)		(1,623)		(1,623)
					22,674		22,674
					8,071		8,071
30				(551)	-		-
(27)				478	451		451
(61)			512		-		-
2,326					2,326		2,326
	(4,312)				(4,312)		(4,312)
	(286)				(219)		(219)
123					123		123
177					177		177
43			(19)		24		24
(41)					(41)		(41)
27,814	(2,399)	(7,594)	1,369	(73)	51,484	2,946	54,430
36,026	36,543	(6,869)	(4,666)	(555)	99,084	3,232	102,316
	53	(53)					
(3,716)					(3,716)	3,716	-
32,310	36,596	(6,922)	(4,666)	(555)	95,368	6,948	102,316
	12,275				12,275	392	12,667
		73			73	(7)	66
		9,806			9,806	5	9,811
		(221)			(221)		(221)
		273			273		273
					22,206	390	22,596
1,440					1,440	(4,500)	(3,060)
(79)					(79)	(265)	(344)
19,111	(898)		2,293		21,976		21,976
			(220)		(220)		(220)
					(25,000)		(25,000)
(7)				113	106		106
(54)			160		-		-
	(2,125)				(2,125)		(2,125)
	(4,285)				(2,026)		(2,026)
18					18		18
245					245		245
(106)			(17)		(123)		(123)
20,568	4,967	9,931	2,216	113	16,418	(4,375)	12,043
52,878	41,563	3,009	(2,450)	(442)	111,786	2,573	114,359

(continued from previous pages)

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Changes in Equity and Comprehensive Income

(in millions, except shares)	Preferred stock Shares	Preferred stock Amount	Common stock Shares	Common stock Amount
Balance December 31, 2009	***9,980,940***	**$ 8,485**	***5,178,624,593***	**$ 8,743**
Balance January 1, 2010	***9,980,940***	**8,485**	***5,178,624,593***	**8,743**
Cumulative effect from change in accounting for VIEs				
Cumulative effect from change in accounting for embedded credit derivatives				
Comprehensive income:				
Net income				
Other comprehensive income, net of tax:				
Translation adjustments				
Net unrealized gains on securities available for sale				
Net unrealized gains on derivatives and hedging activities				
Unamortized gains under defined benefit plans, net of amortization				
Total comprehensive income				
Noncontrolling interests				
Common stock issued			***58,375,566***	**27**
Common stock repurchased			***(3,010,451)***	
Preferred stock issued to ESOP	***1,000,000***	**1,000**		
Preferred stock released by ESOP				
Preferred stock converted to common shares	***(795,637)***	**(796)**	***28,293,520***	**17**
Common stock warrants repurchased				
Common stock dividends				
Preferred stock dividends				
Tax benefit upon exercise of stock options				
Stock incentive compensation expense				
Net change in deferred compensation and related plans				
Net change	***204,363***	**204**	***83,658,635***	**44**
Balance December 31, 2010	***10,185,303***	**$ 8,689**	***5,262,283,228***	**$ 8,787**

The accompanying notes are an integral part of these statements.

					Wells Fargo stockholders' equity		
Additional paid-in capital	Retained earnings	Cumulative other comprehensive income	Treasury stock	Unearned ESOP shares	Total Wells Fargo stockholders' equity	Noncontrolling interests	Total equity
52,878	**41,563**	**3,009**	**(2,450)**	**(442)**	**111,786**	**2,573**	**114,359**
52,878	**41,563**	**3,009**	**(2,450)**	**(442)**	**111,786**	**2,573**	**114,359**
	183				**183**		**183**
	(28)				**(28)**		**(28)**
	12,362				**12,362**	**301**	**12,663**
					-		**-**
		45			**45**	**12**	**57**
		1,525			**1,525**	**13**	**1,538**
		89			**89**		**89**
		70			**70**		**70**
					14,091	**326**	**14,417**
					-	**(1,418)**	**(1,418)**
375	**(376)**		**1,349**		**1,375**		**1,375**
			(91)		**(91)**		**(91)**
80				**(1,080)**	**-**		**-**
(63)				**859**	**796**		**796**
212			**567**		**-**		**-**
(545)					**(545)**		**(545)**
4	**(1,049)**				**(1,045)**		**(1,045)**
	(737)				**(737)**		**(737)**
97					**97**		**97**
436					**436**		**436**
(48)			**138**		**90**		**90**
548	**10,355**	**1,729**	**1,963**	**(221)**	**14,622**	**(1,092)**	**13,530**
53,426	**51,918**	**4,738**	**(487)**	**(663)**	**126,408**	**1,481**	**127,889**

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Cash Flows

(in millions)		2010	Year ended December 31, 2009	2008
Cash flows from operating activities:				
Net income before noncontrolling interests	$	**12,663**	12,667	2,698
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses		**15,753**	21,668	15,979
Changes in fair value of MSRs, MHFS and LHFS carried at fair value		**(1,025)**	(20)	3,789
Depreciation and amortization		**1,924**	2,841	1,669
Other net losses (gains)		**1,345**	(3,867)	2,065
Preferred stock released by ESOP		**796**	106	451
Stock incentive compensation expense		**436**	245	177
Excess tax benefits related to stock option payments		**(98)**	(18)	(121)
Originations of MHFS		**(370,175)**	(414,299)	(213,498)
Proceeds from sales of and principal collected on mortgages originated for sale		**355,325**	399,261	220,254
Originations of LHFS		**(4,596)**	(10,800)	-
Proceeds from sales of and principal collected on LHFS		**17,828**	20,276	-
Purchases of LHFS		**(7,470)**	(8,614)	-
Net change in:				
Trading assets		**12,356**	13,983	(3,045)
Deferred income taxes		**4,287**	9,453	(1,642)
Accrued interest receivable		**1,051**	(293)	(2,676)
Accrued interest payable		**(268)**	(1,028)	1,634
Other assets, net		**(19,631)**	(15,018)	(21,578)
Other accrued expenses and liabilities, net		**(1,729)**	2,070	(10,944)
Net cash provided (used) by operating activities		**18,772**	28,613	(4,788)
Cash flows from investing activities:				
Net change in:				
Federal funds sold, securities purchased under resale agreements and other short-term investments		**(39,752)**	8,548	51,049
Securities available for sale:				
Sales proceeds		**8,668**	53,038	60,806
Prepayments and maturities		**47,919**	38,811	24,317
Purchases		**(53,466)**	(95,285)	(105,341)
Loans:				
Loans originated by banking subsidiaries, net of principal collected		**15,869**	52,240	(54,815)
Proceeds from sales (including participations) of loans originated for investment by banking subsidiaries		**6,517**	6,162	1,988
Purchases (including participations) of loans by banking subsidiaries		**(2,297)**	(3,363)	(5,513)
Principal collected on nonbank entities' loans		**15,560**	14,428	21,846
Loans originated by nonbank entities		**(10,836)**	(9,961)	(19,973)
Net cash acquired from (paid for) acquisitions		**(36)**	(138)	11,203
Proceeds from sales of foreclosed assets		**5,444**	3,759	1,746
Changes in MSRs from purchases and sales		**(65)**	(10)	92
Other, net		**2,800**	3,556	(5,566)
Net cash provided (used) by investing activities		**(3,675)**	71,785	(18,161)
Cash flows from financing activities:				
Net change in:				
Deposits		**23,924**	42,473	7,697
Short-term borrowings		**11,308**	(69,108)	(14,888)
Long-term debt:				
Proceeds from issuance		**3,489**	8,396	35,701
Repayment		**(63,317)**	(66,260)	(29,859)
Preferred stock:				
Proceeds from issuance		**-**	-	22,674
Redeemed		**-**	(25,000)	-
Cash dividends paid		**(737)**	(2,178)	-
Common stock:				
Proceeds from issuance		**1,375**	21,976	14,171
Repurchased		**(91)**	(220)	(1,623)
Cash dividends paid		**(1,045)**	(2,125)	(4,312)
Stock warrants:				
Proceeds from issuance		**-**	-	2,326
Repurchased		**(545)**	-	-
Excess tax benefits related to stock option payments		**98**	18	121
Change in noncontrolling interests:				
Purchase of Prudential's noncontrolling interest		**-**	(4,500)	-
Other, net		**(592)**	(553)	(53)
Net cash provided (used) by financing activities		**(26,133)**	(97,081)	31,955
Net change in cash and due from banks		**(11,036)**	3,317	9,006
Cash and due from banks at beginning of year		**27,080**	23,763	14,757
Cash and due from banks at end of year	$	**16,044**	27,080	23,763
Supplemental cash flow disclosures:				
Cash paid for interest	$	**8,307**	10,978	8,121
Cash paid for income taxes		**1,187**	3,042	2,554

The accompanying notes are an integral part of these statements. See Note 1 for noncash activities.

See the Glossary of Acronyms at the end of this Report for terms used throughout the Financial Statements and related Notes of this Form 10-K.

Note 1: Summary of Significant Accounting Policies

Wells Fargo & Company is a nation-wide diversified, community-based financial services company. We provide banking, insurance, investments, mortgage banking, investment banking, retail banking, brokerage, and consumer finance through banking stores, the internet and other distribution channels to consumers, businesses and institutions in all 50 states, the District of Columbia, and in other countries. When we refer to "Wells Fargo," "the Company," "we," "our" or "us" in this Form 10-K, we mean Wells Fargo & Company and Subsidiaries (consolidated). Wells Fargo & Company (the Parent) is a financial holding company and a bank holding company. We also hold a majority interest in a real estate investment trust, which has publicly traded preferred stock outstanding.

Our accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting period and the related disclosures. Although our estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that actual conditions could be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition. Management has made significant estimates in several areas, including other-than-temporary impairment (OTTI) on investment securities (Note 5), allowance for credit losses and purchased credit-impaired (PCI) loans (Note 6), valuations of residential mortgage servicing rights (MSRs) (Notes 8 and 9) and financial instruments (Note 16), liability for mortgage loan repurchase losses (Note 9) and income taxes (Note 20). Actual results could differ from those estimates.

On December 31, 2008, Wells Fargo acquired Wachovia Corporation (Wachovia). Because the acquisition was completed at the end of 2008, Wachovia's results of operations are included in the income statement and average balances beginning in 2009. Wachovia's assets and liabilities are included in the consolidated balance sheet beginning on December 31, 2008. The accounting policies of Wachovia have been conformed to those of Wells Fargo as described herein.

On January 1, 2009, the Company adopted new accounting guidance on noncontrolling interests on a retrospective basis. Accordingly, prior period information reflects the adoption. The guidance requires that noncontrolling interests be reported as a component of total equity. In addition, the consolidated income statement must disclose amounts attributable to both Wells Fargo interests and the noncontrolling interests.

Accounting Standards Adopted in 2010

In first quarter 2010, we adopted the following accounting updates to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC or Codification):

- Accounting Standards Update (ASU or Update) 2010-6, *Improving Disclosures about Fair Value Measurements*;
- ASU 2009-16, *Accounting for Transfers of Financial Assets* (Statement of Financial Accounting Standards (FAS) 166, *Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140*);
- ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (FAS 167, Amendments to FASB Interpretation No. 46(R))*; and
- ASU 2010-10, *Amendments for Certain Investment Funds.*

In third quarter 2010, we adopted the following new accounting guidance:

- ASU 2010-18, *Effect of a Loan Modification When the Loan is Part of a Pool That is Accounted for as a Single Asset*; and
- ASU 2010-11, *Scope Exception Related to Embedded Credit Derivatives.*

In fourth quarter 2010, we adopted the following new accounting guidance:

- ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.*

Information about these accounting updates is further described in more detail below.

ASU 2010-6 amends the disclosure requirements for fair value measurements. Companies are now required to disclose significant transfers in and out of Levels 1 and 2 of the fair value hierarchy, whereas the previous rules only required the disclosure of transfers in and out of Level 3. Additionally, in the rollforward of Level 3 activity, companies must present information on purchases, sales, issuances, and settlements on a gross basis rather than on a net basis. The Update also clarifies that fair value measurement disclosures should be presented for each class of assets and liabilities. A class is typically a subset of a line item in the statement of financial position. Companies should also provide information about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring instruments classified as either Level 2 or Level 3. We adopted this guidance in first quarter 2010 with prospective application, except for the new requirement related to the Level 3 rollforward. Gross presentation in the Level 3 rollforward is effective for us in first quarter 2011 with prospective application. Our adoption of the Update did not affect our consolidated financial statement results since it amends only the disclosure requirements for fair value measurements.

ASU 2009-16 (FAS 166) modifies certain guidance contained in ASC 860, *Transfers and Servicing*. This pronouncement eliminates the concept of qualifying special purpose entities (QSPEs) and provides additional criteria transferors must use to evaluate transfers of financial assets. The Update also requires that any assets or liabilities retained from a transfer accounted for as a sale must be initially recognized at fair value. We adopted this guidance in first quarter 2010 with prospective application for transfers that occurred on and after January 1, 2010.

ASU 2009-17 (FAS 167) amends several key consolidation provisions related to variable interest entities (VIEs), which are included in ASC 810, *Consolidation*. The scope of the new guidance includes entities that were previously designated as QSPEs. The Update also changes the approach companies must use to identify VIEs for which they are deemed to be the primary beneficiary and are required to consolidate. Under the new guidance, a VIE's primary beneficiary is the entity that has the power to direct the VIE's significant activities, and has an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. The Update also requires companies to continually reassess whether they are the primary beneficiary of a VIE, whereas the previous rules only required reconsideration upon the occurrence of certain triggering events. We adopted this guidance in first quarter 2010, which resulted in the consolidation of $18.6 billion of incremental assets onto our consolidated balance sheet and a $183 million increase to beginning retained earnings as a cumulative effect adjustment.

We also elected the fair value option for those newly consolidated VIEs for which our interests, prior to January 1, 2010, were predominantly carried at fair value with changes in fair value recorded to earnings. Accordingly, the fair value option was elected to effectively continue fair value accounting through earnings for those interests. Conversely, we did not elect the fair value option for those newly consolidated VIEs that did not share these characteristics. At January 1, 2010, the fair value of loans and long-term debt for which we elected the fair value option was $1.0 billion and $1.0 billion, respectively. The incremental impact of electing the fair value option (compared to not electing) on the cumulative effect adjustment to retained earnings was an increase of $15 million. See Notes 8 and 16 for additional information.

ASU 2010-10 amends consolidation accounting guidance to defer indefinitely the application of ASU 2009-17 to certain investment funds. The amendment was effective for us in first quarter 2010. As a result, we did not consolidate any investment funds upon adoption of ASU 2009-17.

ASU 2010-18 provides guidance for modified PCI loans that are accounted for within a pool. Under the new guidance, modified PCI loans should not be removed from a pool even if those loans would otherwise be deemed troubled debt restructurings (TDRs). The Update also clarifies that entities should consider the impact of modifications on a pool of PCI loans when evaluating that pool for impairment. These accounting changes were effective for us in third quarter 2010. Our adoption of the Update did not affect our consolidated financial statement results, as the new guidance is consistent with our previous accounting practice.

ASU 2010-11 provides guidance clarifying when entities should evaluate embedded credit derivative features in financial instruments issued from structures such as collateralized debt obligations (CDOs) and synthetic CDOs. The Update clarifies that bifurcation and separate accounting is not required for embedded credit derivative features that are only related to the transfer of credit risk that occurs when one financial instrument is subordinate to another. Embedded derivatives related to other types of credit risk must be analyzed to determine the appropriate accounting treatment. The guidance also allows companies to elect fair value option upon adoption for any investment in a beneficial interest in securitized financial assets. By making this election, companies would not be required to evaluate whether embedded credit derivative features exist for those interests. This guidance was effective for us in third quarter 2010. In conjunction with our adoption of this standard, we recorded a $28 million decrease to beginning retained earnings as a cumulative effect adjustment.

ASU 2010-20 requires enhanced disclosures for the allowance for credit losses and financing receivables, which include certain loans and long-term accounts receivable. Companies are required to disaggregate credit quality information, including receivables on nonaccrual status and aging of past due receivables by class of financing receivable, and roll forward the allowance for credit losses by portfolio segment. Portfolio segment is the level at which an entity develops and documents a systematic method to determine its allowance for credit losses. Class of financing receivable is generally a disaggregation of portfolio segment. This guidance was effective for us in fourth quarter 2010 with prospective application. Companies must also provide supplemental information on the nature and extent of TDRs and their effect on the allowance for credit losses. Under ASU 2011-01, *Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20*, these TDR disclosures have been deferred to coincide with a separate FASB TDR project, with an expected effective date in second quarter 2011. Our adoption did not affect our consolidated financial statement results since it amends only the disclosure requirements for financing receivables and the allowance for credit losses.

Consolidation

Our consolidated financial statements include the accounts of the Parent and our majority-owned subsidiaries and VIEs (defined below) in which we are the primary beneficiary. Significant intercompany accounts and transactions are eliminated in consolidation. If we own at least 20% of an entity, we generally account for the investment using the equity method. If we own less than 20% of an entity, we generally carry the investment at cost, except marketable equity securities, which we carry at fair value with changes in fair value included

in other comprehensive income (OCI). Investments accounted for under the equity or cost method are included in other assets.

We are a variable interest holder in certain special-purpose entities (SPEs) in which equity investors do not have the characteristics of a controlling financial interest or where the entity does not have enough equity at risk to finance its activities without additional subordinated financial support from other parties (referred to as VIEs). Our variable interest arises from contractual, ownership or other monetary interests in the entity, which change with fluctuations in the fair value of the entity's assets. We consolidate a VIE if we are the primary beneficiary, defined as the party that that has both the power to direct the activities that most significantly impact the VIE and a variable interest that could potentially be significant to the VIE. A variable interest is a contractual, ownership or other interest that changes with changes in the fair value of the VIE's net assets. To determine whether or not a variable interest we hold could potentially be significant to the VIE, we consider both qualitative and quantitative factors regarding the nature, size and form of our involvement with the VIE. We assess whether or not we are the primary beneficiary of a VIE on an on-going basis.

Trading Assets

Trading assets are primarily securities, including corporate debt, U.S. government agency obligations and other securities that we acquire for short-term appreciation or other trading purposes, and the fair value of derivatives held for customer accommodation purposes or risk mitigation and hedging. Interest-only strips and other retained interests in securitizations that can be contractually prepaid or otherwise settled in a way that the holder would not recover substantially all of its recorded investment are classified as trading assets. Trading assets are carried at fair value, with realized and unrealized gains and losses recorded in noninterest income.

Securities

SECURITIES AVAILABLE FOR SALE Debt securities that we might not hold until maturity and marketable equity securities are classified as securities available for sale and reported at fair value. Unrealized gains and losses, after applicable taxes, are reported in cumulative OCI. Fair value measurement is based upon quoted prices in active markets, if available. If quoted prices in active markets are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions and market liquidity. See Note 16 for more information on fair value measurement of our securities.

We conduct OTTI analysis on a quarterly basis or more often if a potential loss-triggering event occurs. The initial indicator of OTTI for both debt and equity securities is a decline in market value below the amount recorded for an investment and the severity and duration of the decline.

For a debt security for which there has been a decline in the fair value below amortized cost basis, we recognize OTTI if we (1) have the intent to sell the security, (2) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis, or (3) we do not expect to recover the entire amortized cost basis of the security.

Estimating recovery of the amortized cost basis of a debt security is based upon an assessment of the cash flows expected to be collected. If the cash flows expected to be collected are less than amortized cost, OTTI is considered to have occurred. In performing an assessment of the cash flows expected to be collected, we consider all relevant information including:

- the length of time and the extent to which the fair value has been less than the amortized cost basis;
- the historical and implied volatility of the fair value of the security;
- the cause of the price decline, such as the general level of interest rates or adverse conditions specifically related to the security, an industry or a geographic area;
- the issuer's financial condition, near-term prospects and ability to service the debt;
- the payment structure of the debt security and the likelihood of the issuer being able to make payments that increase in the future;
- for asset-backed securities, the credit performance of the underlying collateral, including delinquency rates, level of non-performing assets, cumulative losses to date, collateral value and the remaining credit enhancement compared with expected credit losses;
- any change in rating agencies' credit ratings at evaluation date from acquisition date and any likely imminent action;
- independent analyst reports and forecasts, sector credit ratings and other independent market data; and
- recoveries or additional declines in fair value subsequent to the balance sheet date.

If we intend to sell the security, or if it is more likely than not we will be required to sell the security before recovery, an OTTI write-down is recognized in earnings equal to the entire difference between the amortized cost basis and fair value of the security. For debt securities that are considered other-than-temporarily impaired that we do not intend to sell or it is more likely than not that we will not be required to sell before recovery, the OTTI write-down is separated into an amount representing the credit loss, which is recognized in earnings, and the amount related to all other factors, which is recognized in OCI. The measurement of the credit loss component is equal to the difference between the debt security's cost basis and the present value of its expected future cash flows discounted at the security's effective yield. The remaining difference between the security's fair value and the present value of future expected cash flows is due to factors that are not credit-related and, therefore, are recognized in OCI. We believe that we will fully collect the carrying value of securities on which we have recorded a non-credit-related impairment in OCI.

We hold investments in perpetual preferred securities (PPS) that are structured in equity form, but have many of the characteristics of debt instruments, including periodic cash flows in the form of dividends, call features, ratings that are similar to debt securities and pricing like long-term callable bonds.

Because of the hybrid nature of these securities, we evaluate PPS for OTTI using a model similar to the model we use for debt

securities as described above. Among the factors we consider in our evaluation of PPS are whether there is any evidence of deterioration in the credit of the issuer as indicated by a decline in cash flows or a rating agency downgrade to below investment grade and the estimated recovery period. Additionally, in determining if there was evidence of credit deterioration, we evaluate: (1) the severity of decline in market value below cost, (2) the period of time for which the decline in fair value has existed, and (3) the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer. We consider PPS to be other-than-temporarily impaired if cash flows expected to be collected are insufficient to recover our investment or if we no longer believe the security will recover within the estimated recovery period. None of our investments in PPS that have not been impaired have been downgraded below investment grade subsequent to purchase, and we believe that there are no factors to suggest that we will not fully realize our investment in these instruments over a reasonable recovery period. OTTI write-downs of PPS are recognized in earnings equal to the difference between the cost basis and fair value of the security.

For marketable equity securities other than PPS, OTTI evaluations focus on whether evidence exists that supports recovery of the unrealized loss within a timeframe consistent with temporary impairment. This evaluation considers the severity of and length of time fair value is below cost, our intent and ability to hold the security until forecasted recovery of the fair value of the security, and the investee's financial condition, capital strength, and near-term prospects.

The securities portfolio is an integral part of our asset/liability management process. We manage these investments to provide liquidity, manage interest rate risk and maximize portfolio yield within capital risk limits approved by management and the Board of Directors and monitored by the Corporate Asset/Liability Management Committee (Corporate ALCO). We recognize realized gains and losses on the sale of these securities in noninterest income using the specific identification method.

Unamortized premiums and discounts are recognized in interest income over the contractual life of the security using the interest method. As principal repayments are received on securities (i.e., primarily mortgage-backed securities (MBS)) a proportionate amount of the related premium or discount is recognized in income so that the effective interest rate on the remaining portion of the security continues unchanged.

NONMARKETABLE EQUITY SECURITIES Nonmarketable equity securities include venture capital equity securities that are not publicly traded and securities acquired for various purposes, such as to meet regulatory requirements (for example, Federal Reserve Bank and Federal Home Loan Bank (FHLB) stock). These securities are accounted for under the cost or equity method and are included in other assets. We review those assets accounted for under the cost or equity method at least quarterly for possible OTTI. Our review typically includes an analysis of the facts and circumstances of each investment, the expectations for the investment's cash flows and capital needs, the viability of its business model and our exit strategy. We reduce the asset value when we consider declines in value to be other than temporary. We recognize the estimated loss as a loss from equity investments in noninterest income.

Nonmarketable equity securities also include principal investments, which include certain public equity and non-public securities and certain investments in private equity funds. Principal investments are recorded at fair value with realized and unrealized gains and losses included in gains and losses from equity investments in noninterest income and are included in other assets on the balance sheet. In situations where a portion of an investment in a non-public security or fund is sold, we recognize a realized gain or loss on the portion sold and an unrealized gain or loss on the portion retained.

Securities Purchased and Sold Agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are accounted for as collateralized financing transactions and are recorded at the acquisition or sale price plus accrued interest. It is our policy to take possession of securities purchased under resale agreements, which are primarily U.S. Government and Government agency securities. We monitor the market value of securities purchased and sold, and obtain collateral from or return it to counterparties when appropriate. These financing transactions do not create material credit risk given the collateral provided and the related monitoring process.

Mortgages Held for Sale

Mortgages held for sale (MHFS) include commercial and residential mortgages originated for sale and securitization in the secondary market, which is our principal market, or for sale as whole loans. We elect the fair value option for substantially all residential MHFS (see Note 16). The remaining residential MHFS are held at the lower of cost or market value (LOCOM), and are valued on an aggregate portfolio basis. Commercial MHFS are held at LOCOM and are valued on an individual loan basis.

Gains and losses on MHFS are recorded in mortgage banking noninterest income. Direct loan origination costs and fees for MHFS under fair value option are recognized in mortgage banking noninterest income at origination. For MHFS recorded at LOCOM, loan costs and fees are deferred at origination and are recognized in mortgage banking noninterest income at time of sale. Interest income on MHFS for which the fair value option is elected is calculated based upon the note rate of the loan and is recorded to interest income.

Our lines of business are authorized to originate held-for-investment loans that meet or exceed established loan product profitability criteria, including minimum positive net interest margin spreads in excess of funding costs. When a determination is made at the time of commitment to originate loans as held for investment, it is our intent to hold these loans to maturity or for the "foreseeable future," subject to periodic review under our corporate asset/liability management process. In determining the "foreseeable future" for these loans, management considers (1) the current economic environment and market conditions, (2) our business strategy and current business plans, (3) the nature and type of the loan receivable,

including its expected life, and (4) our current financial condition and liquidity demands. Consistent with our core banking business of managing the spread between the yield on our assets and the cost of our funds, loans are periodically reevaluated to determine if our minimum net interest margin spreads continue to meet our profitability objectives. If subsequent changes in interest rates significantly impact the ongoing profitability of certain loan products, we may subsequently change our intent to hold these loans, and we would take actions to sell such loans in response to the Corporate ALCO directives to reposition our balance sheet because of the changes in interest rates. These directives identify both the type of loans to be sold and the weighted average coupon rate of such loans no longer meeting our ongoing investment criteria. Upon the issuance of such directives, we immediately transfer these loans to the MHFS portfolio at LOCOM.

Loans Held for Sale

Loans held for sale (LHFS) are carried at LOCOM or at fair value for certain portfolios that we intend to hold for trading purposes. Generally, consumer loans are valued on an aggregate portfolio basis, and commercial loans are valued on an individual loan basis. Gains and losses on LHFS are recorded in other noninterest income. For LHFS recorded at LOCOM, direct loan origination costs and fees are deferred at origination and are recognized in other noninterest income at time of sale. For loans recorded at fair value, direct loan origination costs and fees are recorded in other noninterest income at origination. The fair value of LHFS is based on what secondary markets are currently offering for portfolios with similar characteristics, and related gains and losses are recorded in noninterest income.

Loans

Loans are reported at their outstanding principal balances net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans and unamortized premiums or discounts on purchased loans. PCI loans are reported net of any remaining purchase accounting adjustments. See the "Purchased Credit-Impaired Loans" section in this Note for our accounting policy for PCI loans.

Unearned income, deferred fees and costs, and discounts and premiums are amortized to interest income over the contractual life of the loan using the interest method. Loan commitment fees are generally deferred and amortized into noninterest income on a straight-line basis over the commitment period.

Loans also include direct financing leases that are recorded at the aggregate of minimum lease payments receivable plus the estimated residual value of the leased property, less unearned income. Leveraged leases, which are a form of direct financing leases, are recorded net of related nonrecourse debt. Leasing income is recognized as a constant percentage of outstanding lease financing balances over the lease terms in interest income.

NONACCRUAL AND PAST DUE LOANS We generally place loans on nonaccrual status when:

- the full and timely collection of interest or principal becomes uncertain;
- they are 90 days (120 days with respect to real estate 1-4 family first and junior lien mortgages) past due for interest or principal, unless both well-secured and in the process of collection; or
- part of the principal balance has been charged off and no restructuring has occurred.

PCI loans are written down at acquisition to fair value using an estimate of cash flows deemed to be collectible. Accordingly, such loans are no longer classified as nonaccrual even though they may be contractually past due because we expect to fully collect the new carrying values of such loans (that is, the new cost basis arising out of purchase accounting).

When we place a loan on nonaccrual status, we reverse the accrued unpaid interest receivable against interest income and amortization of any net deferred fees is suspended. A loan will remain in accruing status provided it is both well-secured and in the process of collection. If the ultimate collectability of a loan is in doubt and the loan is on nonaccrual, the cost recovery method is used and cash collected is applied to first reduce the principal outstanding. Generally, we return a loan to accrual status when all delinquent interest and principal become current under the terms of the loan agreement and collectability of remaining principal and interest is no longer doubtful.

For modified loans, we underwrite at the time of a restructuring to determine if there is sufficient evidence of sustained repayment capacity based on the borrower's financial strength, including documented income, debt to income ratios and other factors. If the borrower has demonstrated performance under the previous terms and the underwriting process shows the capacity to continue to perform under the restructured terms, the loan will remain in accruing status. When a loan classified as a TDR performs in accordance with its modified terms, the loan either continues to accrue interest (for performing loans) or will return to accrual status after the borrower demonstrates a sustained period of performance (generally six consecutive months of payments, or equivalent, inclusive of consecutive payments made prior to the modification). Loans will be placed on nonaccrual status and a corresponding charge-off is recorded if we believe it is probable that principal and interest contractually due under the modified terms of the agreement will not be collectible.

Generally, consumer loans not secured by real estate or autos are placed on nonaccrual status only when part of the principal has been charged off. Loans are fully charged off or charged down to net realizable value (fair value of collateral less estimated costs to sell) when deemed uncollectible due to bankruptcy or other factors, or when they reach a defined number of days past due based on loan product, industry practice, country, terms and other factors.

Our loans are considered past due when contractually required principal or interest payments have not been made on the due dates.

LOAN CHARGE-OFF POLICIES For commercial loans, we generally fully charge off or charge down to net realizable value for loans secured by collateral when:

- management judges the loan to be uncollectible;

- repayment is deemed to be protracted beyond reasonable time frames;
- the loan has been classified as a loss by either our internal loan review process or our banking regulatory agencies;
- the customer has filed bankruptcy and the loss becomes evident owing to a lack of assets; or
- the loan is 180 days past due unless both well-secured and in the process of collection.

For consumer loans, our charge-off policies are as follows:

- 1-4 family first and junior lien mortgages – We generally charge down to net realizable value when the loan is 180 days past due.
- Auto loans – We generally fully charge off when the loan is 120 days past due.
- Credit card loans – We generally fully charge off when the loan is 180 days past due.
- Unsecured loans (closed end) – We generally charge off when the loan is 120 days past due.
- Unsecured loans (open end) – We generally charge off when the loan is 180 days past due.
- Other secured loans – We generally fully or partially charge down to net realizable value when the loan is 120 days past due.

IMPAIRED LOANS We consider a loan to be impaired when, based on current information and events, we determine that we will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. Our impaired loans include commercial and industrial, commercial real estate (CRE), and foreign loans on nonaccrual status for which we determine that we will not be able to collect all amounts due and consumer, commercial and industrial, CRE, and foreign loans modified in a TDR, on both accrual and nonaccrual status.

When we identify a loan as impaired, we measure the impairment based on the present value of expected future cash flows, discounted at the loan's effective interest rate. When collateral is the sole source of repayment for the loan, we may measure impairment based on the fair value of the collateral. If foreclosure is probable, we use the current fair value of the collateral less selling costs, instead of discounted cash flows.

If we determine that the value of an impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), we recognize impairment. When the value of an impaired loan is calculated by discounting expected cash flows, interest income is recognized using the loan's effective interest rate over the remaining life of the loan.

TROUBLED DEBT RESTRUCTURINGS (TDRs) In situations where, for economic or legal reasons related to a borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a TDR. We strive to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before it reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, term extensions, payment forbearance and other actions intended to minimize our economic loss and to avoid foreclosure or repossession of the collateral. For modifications where we forgive principal, the entire amount of such principal forgiveness is immediately charged off. Loans classified as TDRs are considered impaired loans.

PURCHASED CREDIT-IMPAIRED (PCI) LOANS Loans acquired in a transfer, including business combinations, where there is evidence of credit deterioration since origination and it is probable at the date of acquisition that we will not collect all contractually required principal and interest payments are accounted for as PCI loans. PCI loans are initially recorded at fair value, which includes estimated future credit losses expected to be incurred over the life of the loan. Accordingly, the historical allowance for credit losses related to these loans is not carried over. Some loans that otherwise meet the definition as credit-impaired are specifically excluded from the PCI loan portfolios, such as revolving loans where the borrower still has revolving privileges.

Evidence of credit quality deterioration as of the purchase date may include statistics such as past due and nonaccrual status, commercial risk ratings, recent borrower credit scores and recent loan-to-value percentages. Generally, acquired loans that meet our definition for nonaccrual status are considered to be credit-impaired.

Substantially all commercial and industrial, CRE and foreign PCI loans are accounted for as individual loans. Conversely, Pick-a-Pay and other consumer PCI loans have been aggregated into several pools based on common risk characteristics. Each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Accounting for PCI loans involves estimating fair value, at acquisition, using the principal and interest cash flows expected to be collected discounted at the prevailing market rate of interest. The excess of cash flows expected to be collected over the carrying value (estimated fair value at acquisition date) is referred to as the accretable yield and is recognized in interest income using an effective yield method over the remaining life of the loan, or pool of loans, in situations where there is a reasonable expectation about the timing and amount of cash flows to be collected. The difference between contractually required payments and the cash flows expected to be collected at acquisition, considering the impact of prepayments, is referred to as the nonaccretable difference.

Subsequent to acquisition, we regularly evaluate our estimates of cash flows expected to be collected. If we have probable decreases in cash flows expected to be collected (other than due to decreases in interest rate indices and changes in prepayment assumptions), we charge the provision for credit losses, resulting in an increase to the allowance for loan losses. If we have probable and significant increases in cash flows expected to be collected, we first reverse any previously established allowance for loan losses and then increase interest income as a prospective yield adjustment over the remaining life of the loan, or pool of loans. Estimates of cash flows are impacted by changes in interest rate indices for variable rate

loans and prepayment assumptions, both of which are treated as prospective yield adjustments included in interest income.

Resolutions of loans may include sales of loans to third parties, receipt of payments in settlement with the borrower, or foreclosure of the collateral. For individual PCI loans, gains or losses on sales to third parties are included in noninterest income and gains or losses as a result of a settlement with the borrower are included in interest income. Our policy is to remove an individual loan from a pool based on comparing the amount received from its resolution with its contractual amount. Any difference between these amounts is absorbed by the nonaccretable difference for the entire pool. This removal method assumes that the amount received from resolution approximates pool performance expectations. The remaining accretable yield balance is unaffected and any material change in remaining effective yield caused by this removal method is addressed by our quarterly cash flow evaluation process for each pool. For loans that are resolved by payment in full, there is no release of the nonaccretable difference for the pool because there is no difference between the amount received at resolution and the contractual amount of the loan. Modified PCI loans are not removed from a pool even if those loans would otherwise be deemed TDRs. Modified PCI loans that are accounted for individually are considered TDRs, and removed from PCI accounting if there has been a concession granted in excess of the original nonaccretable difference.

FORECLOSED ASSETS Foreclosed assets obtained through our lending activities primarily include real estate. These assets are recorded at net realizable value with a charge to the allowance for credit losses at foreclosure. We allow up to 90 days after foreclosure to finalize determination of net realizable value. Thereafter, changes in net realizable value are recorded to noninterest expense. The net realizable value of these assets is reviewed and updated periodically depending on the type of property.

ALLOWANCE FOR CREDIT LOSSES The allowance for credit losses, which consists of the allowance for loan losses and the allowance for unfunded credit commitments, is management's estimate of credit losses inherent in the loan portfolio at the balance sheet date.

Securitizations and Beneficial Interests

In certain asset securitization transactions that meet the applicable criteria to be accounted for as a sale, assets are sold to an entity referred to as an SPE, which then issues beneficial interests in the form of senior and subordinated interests collateralized by the assets. In some cases, we may retain up to 90% of the beneficial interests issued by the entity. Additionally, from time to time, we may also re-securitize certain assets in a new securitization transaction.

The assets and liabilities transferred to an SPE are excluded from our consolidated balance sheet if the transfer qualifies as a sale and we are not required to consolidate the SPE.

For transfers of financial assets recorded as sales, we recognize and initially measure at fair value all assets obtained (including beneficial interests) and liabilities incurred. We record a gain or loss in other fee income for the difference between the carrying amount and the fair value of the assets sold. Fair values are based on quoted market prices, quoted market prices for similar assets, or if market prices are not available, then the fair value is estimated using discounted cash flow analyses with assumptions for credit losses, prepayments and discount rates that are corroborated by and independently verified against market observable data, where possible. Retained interests from securitizations with off-balance sheet entities, including SPEs and VIEs where we are not the primary beneficiary, are classified as available for sale securities, trading account assets or loans, and are accounted for as described herein.

Mortgage Servicing Rights (MSRs)

We recognize the rights to service mortgage loans for others, or MSRs, as assets whether we purchase the MSRs or the MSRs result from a sale or securitization of loans we originate (asset transfers). We initially record all of our MSRs at fair value. Subsequently, residential loan MSRs are carried at either fair value or LOCOM based on our strategy for managing interest rate risk. Currently, substantially all of our residential loan MSRs are carried at fair value. All of our MSRs related to our commercial mortgage loans are subsequently measured at LOCOM.

We base the fair value of MSRs on the present value of estimated future net servicing income cash flows. We estimate future net servicing income cash flows with assumptions that market participants would use to estimate fair value, including estimates of prepayment speeds (including housing price volatility), discount rate, default rates, cost to service (including delinquency and foreclosure costs), escrow account earnings, contractual servicing fee income, ancillary income and late fees. Our valuation approach is independently validated by our internal valuation model validation group.

Changes in the fair value of MSRs occur primarily due to the collection/realization of expected cash flows, as well as changes in valuation inputs and assumptions. For MSRs carried at fair value, changes in fair value are reported in noninterest income in the period in which the change occurs. MSRs subsequently measured at LOCOM are amortized in proportion to, and over the period of, estimated net servicing income. The amortization of MSRs is reported in noninterest income analyzed monthly and adjusted to reflect changes in prepayment speeds, as well as other factors.

MSRs accounted for at LOCOM are periodically evaluated for impairment based on the fair value of those assets. For purposes of impairment evaluation and measurement, we stratify MSRs based on the predominant risk characteristics of the underlying loans, including investor and product type. If, by individual stratum, the carrying amount of these MSRs exceeds fair value, a valuation reserve is established. The valuation reserve is adjusted as the fair value changes.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Capital leases, where we are the

lessee, are included in premises and equipment at the capitalized amount less accumulated amortization.

We primarily use the straight-line method of depreciation and amortization. Estimated useful lives range up to 40 years for buildings, up to 10 years for furniture and equipment, and the shorter of the estimated useful life or lease term for leasehold improvements. We amortize capitalized leased assets on a straight-line basis over the lives of the respective leases.

Goodwill and Identifiable Intangible Assets

Goodwill is recorded in business combinations under the purchase method of accounting when the purchase price is higher than the fair value of net assets, including identifiable intangible assets.

We assess goodwill for impairment annually, and more frequently in certain circumstances. We have determined that our reporting units are one level below the operating segments. We assess goodwill for impairment on a reporting unit level and apply various valuation methodologies as appropriate to compare the estimated fair value to the carrying value of each reporting unit. Valuation methodologies include discounted cash flow and earnings multiple approaches. If the fair value is less than the carrying amount, a second test is required to measure the amount of impairment. We recognize impairment losses as a charge to noninterest expense (unless related to discontinued operations) and an adjustment to the carrying value of the goodwill asset. Subsequent reversals of goodwill impairment are prohibited.

We amortize core deposit and other customer relationship intangibles on an accelerated basis over useful lives not exceeding 10 years. We review such intangibles for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment is indicated if the sum of undiscounted estimated future net cash flows is less than the carrying value of the asset. Impairment is permanently recognized by writing down the asset to the extent that the carrying value exceeds the estimated fair value.

Operating Lease Assets

Operating lease rental income for leased assets is recognized in other income on a straight-line basis over the lease term. Related depreciation expense is recorded on a straight-line basis over the life of the lease, taking into account the estimated residual value of the leased asset. On a periodic basis, leased assets are reviewed for impairment. Impairment loss is recognized if the carrying amount of leased assets exceeds fair value and is not recoverable. The carrying amount of leased assets is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the lease payments and the estimated residual value upon the eventual disposition of the equipment.

Liability for Mortgage Loan Repurchase Losses

We sell residential mortgage loans to various parties, including (1) Freddie Mac and Fannie Mae (government-sponsored entities (GSEs)), which include the mortgage loans in GSE-guaranteed mortgage securitizations, (2) special purpose entities that issue private label MBS, and (3) other financial institutions that purchase mortgage loans for investment or private label securitization. In addition, we pool Federal Housing Administration (FHA)-insured and Department of Veterans Affairs (VA)-guaranteed mortgage loans, which back securities guaranteed by the Government National Mortgage Association (GNMA).

We may be required to repurchase mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the securitization trust, investor or insurer for credit losses incurred on loans (collectively "repurchase") in the event of a breach of specified contractual representations or warranties that are not remedied within a period (usually 90 days or less) after we receive notice of the breach. Typically, we would only be required to repurchase securitized loans if a breach is deemed to have material and adverse effect on the value of the mortgage loan or to the interests of the security holders in the mortgage loan.

We establish mortgage repurchase liabilities related to various representations and warranties that reflect management's estimate of losses for loans for which we could have repurchase obligation, whether or not we currently service those loans, based on a combination of factors. Such factors incorporate estimated levels of defects based on internal quality assurance sampling, default expectations, historical investor repurchase demand and appeals success rates (where the investor rescinds the demand based on a cure of the defect or acknowledges that the loan satisfies the investor's applicable representations and warranties), reimbursement by correspondent and other third party originators, and projected loss severity. We establish a liability at the time loans are sold and continually update our liability estimate during their life. Although investors may demand repurchase at any time, the majority of repurchase demands occur in the first 24 to 36 months following origination of the mortgage loan and can vary by investor.

The liability for mortgage loan repurchase losses is included in other liabilities. For additional information on our repurchase liability, see Note 9.

Pension Accounting

We account for our defined benefit pension plans using an actuarial model as more fully discussed in Note 19. In 2008, we changed our measurement date for our plan assets and benefit obligations from November 30 to December 31, which did not change the amount of net periodic benefit expense recognized in our income statement.

Income Taxes

We file consolidated and separate company federal income tax returns, foreign tax returns and various combined and separate company state tax returns.

We evaluate two components of income tax expense: current and deferred. Current income tax expense approximates taxes to be paid or refunded for the current period and includes income tax expense related to our uncertain tax positions. We determine deferred income taxes using the balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and recognizes enacted changes in tax rates

and laws in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not. A tax position that meets the "more likely than not" recognition threshold is measured to determine the amount of benefit to recognize. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Foreign taxes paid are generally applied as credits to reduce federal income taxes payable. Interest and penalties are recognized as a component of income tax expense.

Stock-Based Compensation

We have stock-based employee compensation plans as more fully discussed in Note 18. Our compensation expense includes the associated costs for all share-based awards.

Earnings Per Common Share

We compute earnings per common share by dividing net income (after deducting dividends and related accretion on preferred stock) by the average number of common shares outstanding during the year. We compute diluted earnings per common share by dividing net income (after deducting dividends and related accretion on preferred stock) by the average number of common shares outstanding during the year, plus the effect of common stock equivalents (for example, stock options, restricted share rights, convertible debentures and warrants) that are dilutive.

Derivatives and Hedging Activities

We recognize all derivatives in the balance sheet at fair value. On the date we enter into a derivative contract, we designate the derivative as (1) a hedge of the fair value of a recognized asset or liability, including hedges of foreign currency exposure ("fair value" hedge), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge), or (3) held for trading, customer accommodation or asset/liability risk management purposes, including economic hedges not qualifying for hedge accounting. For a fair value hedge, we record changes in the fair value of the derivative and, to the extent that it is effective, changes in the fair value of the hedged asset or liability attributable to the hedged risk, in current period earnings in the same financial statement category as the hedged item. For a cash flow hedge, we record changes in the fair value of the derivative to the extent that it is effective in OCI, with any ineffectiveness recorded in current period earnings. We subsequently reclassify these changes in fair value to net income in the same period(s) that the hedged transaction affects net income in the same financial statement category as the hedged item. For free-standing derivatives, we report changes in the fair values in current period noninterest income.

For fair value and cash flow hedges qualifying for hedge accounting, we formally document at inception the relationship between hedging instruments and hedged items, our risk management objective, strategy and our evaluation of effectiveness for our hedge transactions. This includes linking all derivatives designated as fair value or cash flow hedges to specific assets and liabilities in the balance sheet or to specific forecasted transactions. Periodically, as required, we also formally assess whether the derivative we designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in fair values or cash flows of the hedged item using the regression analysis method or, in limited cases, the dollar offset method.

We discontinue hedge accounting prospectively when (1) a derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item, (2) a derivative expires or is sold, terminated or exercised, (3) a derivative is de-designated as a hedge, because it is unlikely that a forecasted transaction will occur, or (4) we determine that designation of a derivative as a hedge is no longer appropriate.

When we discontinue hedge accounting because a derivative no longer qualifies as an effective fair value hedge, we continue to carry the derivative in the balance sheet at its fair value with changes in fair value included in earnings, and no longer adjust the previously hedged asset or liability for changes in fair value. Previous adjustments to the hedged item are accounted for in the same manner as other components of the carrying amount of the asset or liability.

When we discontinue cash flow hedge accounting because the hedging instrument is sold, terminated or no longer designated (de-designated), the amount reported in OCI up to the date of sale, termination or de-designation continues to be reported in OCI until the forecasted transaction affects earnings.

When we discontinue cash flow hedge accounting because it is probable that a forecasted transaction will not occur, we continue to carry the derivative in the balance sheet at its fair value with changes in fair value included in earnings, and immediately recognize gains and losses that were accumulated in OCI in earnings.

In all other situations in which we discontinue hedge accounting, the derivative will be carried at its fair value in the balance sheet, with changes in its fair value recognized in current period earnings.

We occasionally purchase or originate financial instruments that contain an embedded derivative. At inception of the financial instrument, we assess (1) if the economic characteristics of the embedded derivative are not clearly and closely related to the economic characteristics of the financial instrument (host contract), (2) if the financial instrument that embodies both the embedded derivative and the host contract is not measured at fair value with changes in fair value reported in earnings, and (3) if a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative. If the embedded derivative meets all of these conditions, we separate it from the host contract by recording the bifurcated derivative at fair value and the remaining host contract at the difference between the basis of the hybrid instrument and the fair value of the bifurcated derivative. The bifurcated derivative is carried as a free-standing derivative at fair value with changes recorded in current period earnings.

Note 1: Summary of Significant Accounting Policies *(continued)*

SUPPLEMENTAL CASH FLOW INFORMATION Noncash activities are presented below, including information on transfers affecting MHFS, LHFS, and MSRs.

	Year ended December 31,		
(in millions)	**2010**	2009	2008
Transfers from trading assets to securities available for sale	**$ -**	854	-
Transfers from (to) loans to (from) securities available for sale	**3,476**	(258)	(283)
Transfers from MHFS to trading assets	**19,815**	2,993	-
Transfers from MHFS to securities available for sale	**-**	-	544
Transfers from MHFS to MSRs	**4,570**	6,287	3,498
Transfers from MHFS to foreclosed assets	**262**	162	136
Transfers from (to) loans to (from) MHFS	**230**	144	(1,195)
Transfers from (to) loans to (from) LHFS	**1,313**	(111)	1,640
Transfers from loans to foreclosed assets	**8,699**	7,604	3,031
Changes in consolidations of variable interest entities:			
Trading assets	**155**	-	-
Securities available for sale	**(7,590)**	-	-
Loans	**26,117**	-	-
Other assets	**212**	-	-
Short-term borrowings	**5,127**	-	-
Long-term debt	**13,613**	-	-
Accrued expenses and other liabilities	**(32)**	-	-
Net transfer from additional paid-in capital to noncontrolling interests	**-**	2,299	-
Issuance of common and preferred stock for purchase accounting	**-**	-	22,672
Decrease in noncontrolling interests due to deconsolidation of subsidiaries	**440**	-	-
Transfer from noncontrolling interests to long-term debt	**345**	-	-

SUBSEQUENT EVENTS We have evaluated the effects of subsequent events that have occurred subsequent to period end December 31, 2010, and there have been no material events that would require recognition in our 2010 consolidated financial statements or disclosure in the Notes to the financial statements.

Note 2: Business Combinations

We regularly explore opportunities to acquire financial services companies and businesses. Generally, we do not make a public announcement about an acquisition opportunity until a definitive agreement has been signed. For information on additional consideration related to acquisitions, which is considered to be a guarantee, see Note 14.

In addition to the 2008 Wachovia acquisition, business combinations completed in 2010, 2009 and 2008 are presented below. At December 31, 2010, we had no pending business combinations.

(in millions)	Date	Assets
2010		
Certain assets of GMAC Commercial Finance, LLC, New York, New York	April 30	**$ 430**
Other (1)	Various	**40**
		$ 470
2009		
Capital TempFunds, Fort Lauderdale, Florida	March 2	$ 74
Other (2)	Various	39
		$ 113
2008		
Flatiron Credit Company, Inc., Denver, Colorado	April 30	$ 332
Transcap Associates, Inc., Chicago, Illinois	June 27	22
United Bancorporation of Wyoming, Inc., Jackson, Wyoming (3)	July 1	2,110
Farmers State Bank of Fort Morgan Colorado, Fort Morgan, Colorado	December 6	186
Century Bancshares, Inc., Dallas, Texas	December 31	1,604
Wells Fargo Merchant Services, LLC (4)	December 31	1,251
Other (5)	Various	52
		$ 5,557

(1) Consists of five acquisitions of insurance brokerage businesses.
(2) Consists of eight acquisitions of insurance brokerage businesses.
(3) Consists of five affiliated banks of United Bancorporation of Wyoming, Inc., located in Wyoming and Idaho, and certain assets and liabilities of United Bancorporation of Wyoming, Inc.
(4) Represents a step acquisition resulting from the increase in Wells Fargo's ownership from a 47.5% interest to a 60% interest in the Wells Fargo Merchant Services, LLC joint venture.
(5) Consists of 12 acquisitions of insurance brokerage businesses.

On December 31, 2008, Wells Fargo acquired Wachovia. The purchase accounting for the Wachovia acquisition was finalized as of December 31, 2009, which included costs associated with involuntary employee termination, contract terminations and closing duplicate facilities. These exit costs were estimates and subject to changes as the exit plans were executed. The final exit costs as of December 31, 2010, were less than originally estimated, resulting in the reversal of exit cost accruals, with the offset reducing the amount of goodwill recorded with the Wachovia acquisition by $123 million.

The following table summarizes the usage of the exit cost accruals and changes in estimates.

(in millions)	Employee termination	Contract termination	Facilities related	Total
Balance, December 31, 2008	$ 57	13	129	199
Purchase accounting adjustments (1)	596	61	354	1,011
Cash payments/utilization	(298)	(16)	(139)	(453)
Balance, December 31, 2009	**$ 355**	**58**	**344**	**757**
Cash payments/utilization	**(300)**	**(56)**	**(278)**	**(634)**
Change in estimates	**(55)**	**(2)**	**(66)**	**(123)**
Balance, December 31, 2010	**$ -**	**-**	**-**	**-**

(1) Certain purchase accounting adjustments have been refined during 2009 as additional information became available.

Note 3: Cash, Loan and Dividend Restrictions

Federal Reserve Board (FRB) regulations require that each of our subsidiary banks maintain reserve balances on deposit with the Federal Reserve Banks. The average required reserve balance was $6.0 billion in 2010 and $2.4 billion in 2009.

Federal law restricts the amount and the terms of both credit and non-credit transactions between a bank and its nonbank affiliates. These transaction amounts may not exceed 10% of the bank's capital and surplus, which for this purpose represents total capital, as calculated under the risk-based capital (RBC) guidelines, plus the balance of the allowance for credit losses in excess of the amount included in total capital with any single nonbank affiliate and 20% of the bank's capital and surplus with all its nonbank affiliates. Transactions that are extensions of credit may require collateral to be held to provide added security to the bank. For further discussion of RBC, see Note 25.

Dividends paid by our subsidiary banks are subject to various federal and state regulatory limitations. Dividends that may be paid by a national bank without the express approval of the Office of the Comptroller of the Currency (OCC) are limited to that bank's retained net profits for the preceding two calendar years plus retained net profits up to the date of any dividend declaration in the current calendar year. Retained net profits, as defined by the OCC, consist of net income less dividends declared during the period.

We also have state-chartered subsidiary banks that are subject to state regulations that limit dividends. Under those provisions, our national and state-chartered subsidiary banks could have declared additional dividends of $1.6 billion at December 31, 2010, without obtaining prior regulatory approval. Our nonbank subsidiaries are also limited by certain federal and state statutory provisions and regulations covering the amount of dividends that may be paid in any given year. Based on retained earnings at December 31, 2010, our nonbank subsidiaries could have declared additional dividends of $4.7 billion at December 31, 2010, without obtaining prior approval.

The FRB published clarifying supervisory guidance in 2009, *SR 09-4 Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies,* pertaining to FRB's criteria, assessment and approval process for reductions in capital including the redemption of Troubled Asset Relief Program (TARP) and the payment of dividends. The effect of this guidance is to require the approval of the FRB for the Company to repurchase or redeem common or perpetual preferred stock as well as to increase the per share dividend from its current level of $0.05 per share. In November 2010, the FRB updated the SR 09-4 guidance to require the original 19 Supervisory Capital Assessment Program (SCAP) banks to submit a Capital Plan Review to the FRB no later than January 7, 2011. The Capital Plan Review outlines proposed capital actions by the Company including per share dividend increases and share repurchases from the Company's benefit plans and the market. The Company has submitted a Capital Plan Review to the FRB.

Note 4: Federal Funds Sold, Securities Purchased under Resale Agreements and Other Short-Term Investments

The following table provides the detail of federal funds sold, securities purchased under resale agreements, other short-term investments and collateral we have received from other entities under resale agreements and securities borrowing arrangements.

	December 31,	
(in millions)	**2010**	2009
Federal funds sold and securities purchased under resale agreements	$ **24,880**	8,042
Interest-earning deposits	**53,433**	31,668
Other short-term investments	**2,324**	1,175
Total	$ **80,637**	40,885
Collateral received with the right to sell or repledge (1)	$ **22,495**	9,663
Collateral sold or repledged (1)	**14,624**	7,952

(1) Prior period has been revised to correct previously reported amounts.

Note 5: Securities Available for Sale

The following table provides the cost and fair value for the major categories of securities available for sale carried at fair value. The net unrealized gains (losses) are reported on an after-tax basis as a component of cumulative OCI. There were no securities classified as held to maturity as of the periods presented.

(in millions)		Cost	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2010					
Securities of U.S. Treasury and federal agencies	**$**	**1,570**	**49**	**(15)**	**1,604**
Securities of U.S. states and political subdivisions		**18,923**	**568**	**(837)**	**18,654**
Mortgage-backed securities:					
Federal agencies		**78,578**	**3,555**	**(96)**	**82,037**
Residential		**18,294**	**2,398**	**(489)**	**20,203**
Commercial		**12,990**	**1,199**	**(635)**	**13,554**
Total mortgage-backed securities		**109,862**	**7,152**	**(1,220)**	**115,794**
Corporate debt securities		**9,015**	**1,301**	**(37)**	**10,279**
Collateralized debt obligations		**4,638**	**369**	**(229)**	**4,778**
Other (1)		**16,063**	**576**	**(283)**	**16,356**
Total debt securities		**160,071**	**10,015**	**(2,621)**	**167,465**
Marketable equity securities:					
Perpetual preferred securities		**3,671**	**250**	**(89)**	**3,832**
Other marketable equity securities		**587**	**771**	**(1)**	**1,357**
Total marketable equity securities		**4,258**	**1,021**	**(90)**	**5,189**
Total (2)	**$**	**164,329**	**11,036**	**(2,711)**	**172,654**
December 31, 2009					
Securities of U.S. Treasury and federal agencies	$	2,256	38	(14)	2,280
Securities of U.S. states and political subdivisions		13,212	683	(365)	13,530
Mortgage-backed securities:					
Federal agencies		79,542	3,285	(9)	82,818
Residential		28,153	2,480	(2,043)	28,590
Commercial		12,221	602	(1,862)	10,961
Total mortgage-backed securities		119,916	6,367	(3,914)	122,369
Corporate debt securities		8,245	1,167	(77)	9,335
Collateralized debt obligations		3,660	432	(367)	3,725
Other (1)		15,025	1,099	(245)	15,879
Total debt securities		162,314	9,786	(4,982)	167,118
Marketable equity securities:					
Perpetual preferred securities		3,677	263	(65)	3,875
Other marketable equity securities		1,072	654	(9)	1,717
Total marketable equity securities		4,749	917	(74)	5,592
Total (2)	$	167,063	10,703	(5,056)	172,710

(1) Included in the "Other" category are asset-backed securities collateralized by auto leases or loans and cash reserves with a cost basis and fair value of $6.2 billion and $6.4 billion, respectively, at December 31, 2010, and $8.2 billion and $8.5 billion, respectively, at December 31, 2009. Also included in the "Other" category are asset-backed securities collateralized by home equity loans with a cost basis and fair value of $927 million and $1.1 billion, respectively, at December 31, 2010, and $2.3 billion and $2.5 billion, respectively, at December 31, 2009. The remaining balances primarily include asset-backed securities collateralized by credit cards and student loans.

(2) At December 31, 2010 and 2009, we held no securities of any single issuer (excluding the U.S. Treasury and federal agencies) with a book value that exceeded 10% of stockholders' equity.

Note 5: Securities Available for Sale *(continued)*

As part of our liquidity management strategy, we pledge securities to secure borrowings from the FHLB and the Federal Reserve Bank. We also pledge securities to secure trust and public deposits and for other purposes as required or permitted by law. Securities pledged where the secured party does not have the right to sell or repledge totaled $94.2 billion and $98.9 billion at December 31, 2010 and 2009, respectively. We did not pledge any securities where the secured party has the right to sell or repledge the collateral as of the same periods, respectively.

Gross Unrealized Losses and Fair Value

The following table shows the gross unrealized losses and fair value of securities in the securities available-for-sale portfolio by length of time that individual securities in each category had been in a continuous loss position. Debt securities on which we have taken only credit-related OTTI write-downs are categorized as being "less than 12 months" or "12 months or more" in a continuous loss position based on the point in time that the fair value declined to below the cost basis and not the period of time since the credit-related OTTI write-down.

	Less than 12 months		12 months or more		Total	
(in millions)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
December 31, 2010						
Securities of U.S. Treasury and federal agencies	**$ (15)**	**544**	**-**	**-**	**(15)**	**544**
Securities of U.S. states and political subdivisions	**(322)**	**6,242**	**(515)**	**2,720**	**(837)**	**8,962**
Mortgage-backed securities:						
Federal agencies	**(95)**	**8,103**	**(1)**	**60**	**(96)**	**8,163**
Residential	**(35)**	**1,023**	**(454)**	**4,440**	**(489)**	**5,463**
Commercial	**(9)**	**441**	**(626)**	**5,141**	**(635)**	**5,582**
Total mortgage-backed securities	**(139)**	**9,567**	**(1,081)**	**9,641**	**(1,220)**	**19,208**
Corporate debt securities	**(10)**	**477**	**(27)**	**157**	**(37)**	**634**
Collateralized debt obligations	**(13)**	**679**	**(216)**	**456**	**(229)**	**1,135**
Other	**(13)**	**1,985**	**(270)**	**757**	**(283)**	**2,742**
Total debt securities	**(512)**	**19,494**	**(2,109)**	**13,731**	**(2,621)**	**33,225**
Marketable equity securities:						
Perpetual preferred securities	**(41)**	**962**	**(48)**	**467**	**(89)**	**1,429**
Other marketable equity securities	**-**	**-**	**(1)**	**7**	**(1)**	**7**
Total marketable equity securities	**(41)**	**962**	**(49)**	**474**	**(90)**	**1,436**
Total	**$ (553)**	**20,456**	**(2,158)**	**14,205**	**(2,711)**	**34,661**
December 31, 2009						
Securities of U.S. Treasury and federal agencies	$ (14)	530	-	-	(14)	530
Securities of U.S. states and political subdivisions	(55)	1,120	(310)	2,826	(365)	3,946
Mortgage-backed securities:						
Federal agencies	(9)	767	-	-	(9)	767
Residential	(243)	2,991	(1,800)	9,697	(2,043)	12,688
Commercial	(37)	816	(1,825)	6,370	(1,862)	7,186
Total mortgage-backed securities	(289)	4,574	(3,625)	16,067	(3,914)	20,641
Corporate debt securities	(7)	281	(70)	442	(77)	723
Collateralized debt obligations	(55)	398	(312)	512	(367)	910
Other	(73)	746	(172)	286	(245)	1,032
Total debt securities	(493)	7,649	(4,489)	20,133	(4,982)	27,782
Marketable equity securities:						
Perpetual preferred securities	(1)	93	(64)	527	(65)	620
Other marketable equity securities	(9)	175	-	-	(9)	175
Total marketable equity securities	(10)	268	(64)	527	(74)	795
Total	$ (503)	7,917	(4,553)	20,660	(5,056)	28,577

We recognized $252 million of OTTI in 2010 on $14.5 billion of agency mortgage-backed securities we intended to sell as of December 31, 2010. These securities have been disposed of in first quarter 2011 and are not included in the preceding table, as any related unrealized losses were recognized in earnings. We do not intend to sell any other securities in an unrealized loss position. For debt securities included in the table, we have concluded it is more likely than not that we will not be required to sell prior to recovery of the amortized cost basis. We have assessed each security for credit impairment. For debt securities, we evaluate, where necessary, whether credit impairment exists by comparing the present value of the expected cash flows to the securities amortized cost basis. For equity securities, we consider numerous factors in determining whether impairment exists, including our intent and ability to hold the securities for a period of time sufficient to recover the cost basis of the securities.

See Note 1 – "Securities" for the factors that we consider in our analysis of OTTI for debt and equity securities available for sale.

SECURITIES OF U.S. TREASURY AND FEDERAL AGENCIES AND FEDERAL AGENCY MORTGAGE-BACKED SECURITIES (MBS) The unrealized losses associated with U.S. Treasury and federal agency securities and federal agency MBS are primarily driven by changes in interest rates and not due to credit losses given the explicit or implicit guarantees provided by the U.S. government.

SECURITIES OF U.S. STATES AND POLITICAL SUBDIVISIONS The unrealized losses associated with securities of U.S. states and political subdivisions are primarily driven by changes in interest rates and not due to the credit quality of the securities. Substantially all of these investments are investment grade. The securities were generally underwritten in accordance with our own investment standards prior to the decision to purchase, without relying on a bond insurer's guarantee in making the investment decision. These investments will continue to be monitored as part of our ongoing impairment analysis, but are expected to perform, even if the rating agencies reduce the credit rating of the bond insurers. As a result, we expect to recover the entire amortized cost basis of these securities.

RESIDENTIAL AND COMMERCIAL MORTGAGE-BACKED SECURITIES (MBS) The unrealized losses associated with private residential MBS and commercial MBS are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment using a cash flow model. The key assumptions include default rates, severities and prepayment rates. We estimate losses to a security by forecasting the underlying mortgage loans in each transaction. We use forecasted loan performance to project cash flows to the various tranches in the structure. We also consider cash flow forecasts and, as applicable, independent industry analyst reports and forecasts, sector credit ratings, and other independent market data. Based upon our assessment of the expected credit losses of the security given the performance of the underlying collateral compared with our credit enhancement, we expect to recover the entire amortized cost basis of these securities.

CORPORATE DEBT SECURITIES The unrealized losses associated with corporate debt securities are primarily related to securities backed by commercial loans and individual issuer companies. For securities with commercial loans as the underlying collateral, we have evaluated the expected credit losses in the security and concluded that we have sufficient credit enhancement when compared with our estimate of credit losses for the individual security. For individual issuers, we evaluate the financial performance of the issuer on a quarterly basis to determine that the issuer can make all contractual principal and interest payments. Based upon this assessment, we expect to recover the entire cost basis of these securities.

COLLATERALIZED DEBT OBLIGATIONS (CDOS) The unrealized losses associated with CDOs relate to securities primarily backed by commercial, residential or other consumer collateral. The losses are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment using a cash flow model. The key assumptions include default rates, severities and prepayment rates. We also consider cash flow forecasts and, as applicable, independent industry analyst reports and forecasts, sector credit ratings, and other independent market data. Based upon our assessment of the expected credit losses of the security given the performance of the underlying collateral compared with our credit enhancement, we expect to recover the entire amortized cost basis of these securities.

OTHER DEBT SECURITIES The unrealized losses associated with other debt securities primarily relate to other asset-backed securities, which are primarily backed by auto, home equity and student loans. The losses are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment using a cash flow model. The key assumptions include default rates, severities and prepayment rates. Based upon our assessment of the expected credit losses of the security given the performance of the underlying collateral compared with our credit enhancement, we expect to recover the entire amortized cost basis of these securities.

MARKETABLE EQUITY SECURITIES Our marketable equity securities include investments in perpetual preferred securities, which provide very attractive tax-equivalent yields. We evaluated these hybrid financial instruments with investment-grade ratings for impairment using an evaluation methodology similar to that used for debt securities. Perpetual preferred securities are not considered to be other-than-temporarily impaired if there is no evidence of credit deterioration or investment rating downgrades of any issuers to below investment grade, and we expect to continue to receive full contractual payments. We will continue to evaluate the prospects for these securities for recovery in their market value in accordance with our policy for estimating OTTI. We have recorded impairment write-downs on perpetual preferred securities where there was evidence of credit deterioration.

Note 5: Securities Available for Sale *(continued)*

The fair values of our investment securities could decline in the future if the underlying performance of the collateral for the residential and commercial MBS or other securities deteriorate and our credit enhancement levels do not provide sufficient protection to our contractual principal and interest. As a result, there is a risk that significant OTTI may occur in the future.

The following table shows the gross unrealized losses and fair value of debt and perpetual preferred securities available for sale by those rated investment grade and those rated less than investment grade, according to their lowest credit rating by Standard & Poor's Rating Services (S&P) or Moody's Investors Service (Moody's). Credit ratings express opinions about the credit quality of a security. Securities rated investment grade, that is those rated BBB- or higher by S&P or Baa3 or higher by Moody's, are generally considered by the rating agencies and market participants to be low credit risk. Conversely, securities rated below investment grade, labeled as "speculative grade" by the rating agencies, are considered to be distinctively higher credit risk than investment grade securities. We have also included securities not rated by S&P or Moody's in the table below based on the internal credit grade of the securities (used for credit risk management purposes) equivalent to the credit rating assigned by major credit agencies. The unrealized losses and fair value of unrated securities categorized as investment grade based on internal credit grades were $83 million and $1.3 billion, respectively, at December 31, 2010. There were no unrated securities included in investment grade in a loss position categorized as investment grade based on internal credit grades as of December 31, 2009. If an internal credit grade was not assigned, we categorized the security as non-investment grade.

	Investment grade		Non-investment grade	
(in millions)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
December 31, 2010				
Securities of U.S. Treasury and federal agencies	**$ (15)**	**544**	**-**	**-**
Securities of U.S. states and political subdivisions	**(722)**	**8,423**	**(115)**	**539**
Mortgage-backed securities:				
Federal agencies	**(96)**	**8,163**	**-**	**-**
Residential	**(23)**	**888**	**(466)**	**4,575**
Commercial	**(299)**	**4,679**	**(336)**	**903**
Total mortgage-backed securities	**(418)**	**13,730**	**(802)**	**5,478**
Corporate debt securities	**(22)**	**330**	**(15)**	**304**
Collateralized debt obligations	**(42)**	**613**	**(187)**	**522**
Other	**(180)**	**2,510**	**(103)**	**232**
Total debt securities	**(1,399)**	**26,150**	**(1,222)**	**7,075**
Perpetual preferred securities	**(81)**	**1,327**	**(8)**	**102**
Total	**$ (1,480)**	**27,477**	**(1,230)**	**7,177**
December 31, 2009				
Securities of U.S. Treasury and federal agencies	$ (14)	530	-	-
Securities of U.S. states and political subdivisions	(275)	3,621	(90)	325
Mortgage-backed securities:				
Federal agencies	(9)	767	-	-
Residential	(480)	5,661	(1,563)	7,027
Commercial	(1,247)	6,543	(615)	643
Total mortgage-backed securities	(1,736)	12,971	(2,178)	7,670
Corporate debt securities	(31)	260	(46)	463
Collateralized debt obligations	(104)	471	(263)	439
Other	(85)	644	(160)	388
Total debt securities	(2,245)	18,497	(2,737)	9,285
Perpetual preferred securities	(65)	620	-	-
Total	$ (2,310)	19,117	(2,737)	9,285

Contractual Maturities

The following table shows the remaining contractual principal maturities and contractual yields of debt securities available for sale. The remaining contractual principal maturities for MBS do not consider prepayments. Remaining expected maturities will differ from contractual maturities because borrowers may have the right to prepay obligations before the underlying mortgages mature.

			Remaining contractual principal maturity							
	Total	Weighted-average	Within one year		After one year through five years		After five years through ten years		After ten years	
(in millions)	amount	yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
December 31, 2010										
Securities of U.S. Treasury and federal agencies	**$ 1,604**	**2.54 %**	**$ 9**	**5.07 %**	**$ 641**	**1.72 %**	**$ 852**	**2.94 %**	**$ 102**	**4.15 %**
Securities of U.S. states and political subdivisions	**18,654**	**5.99**	**322**	**3.83**	**3,210**	**3.57**	**1,884**	**6.13**	**13,238**	**6.60**
Mortgage-backed securities:										
Federal agencies	**82,037**	**5.01**	**5**	**6.63**	**28**	**6.58**	**420**	**5.23**	**81,584**	**5.00**
Residential	**20,203**	**4.98**	**-**	**-**	**-**	**-**	**341**	**3.20**	**19,862**	**5.01**
Commercial	**13,554**	**5.39**	**-**	**-**	**1**	**1.38**	**215**	**5.28**	**13,338**	**5.39**
Total mortgage-backed securities	**115,794**	**5.05**	**5**	**6.63**	**29**	**6.38**	**976**	**4.53**	**114,784**	**5.05**
Corporate debt securities	**10,279**	**5.94**	**545**	**7.82**	**3,853**	**6.01**	**4,817**	**5.62**	**1,064**	**6.21**
Collateralized debt obligations	**4,778**	**0.80**	**-**	**-**	**545**	**0.88**	**2,581**	**0.72**	**1,652**	**0.90**
Other	**16,356**	**2.53**	**1,588**	**2.89**	**7,887**	**3.00**	**4,367**	**2.01**	**2,514**	**1.72**
Total debt securities at fair value	**$ 167,465**	**4.81 %**	**$ 2,469**	**4.12 %**	**$ 16,165**	**3.72 %**	**$ 15,477**	**3.63 %**	**$ 133,354**	**5.10 %**
December 31, 2009										
Securities of U.S. Treasury and federal agencies	$ 2,280	2.80 %	$ 413	0.79 %	$ 669	2.14 %	$ 1,192	3.87 %	$ 6	4.03 %
Securities of U.S. states and political subdivisions	13,530	6.75	77	7.48	703	6.88	1,055	6.56	11,695	6.76
Mortgage-backed securities:										
Federal agencies	82,818	5.50	12	4.68	50	5.91	271	5.56	82,485	5.50
Residential	28,590	5.40	51	4.80	115	0.45	283	5.69	28,141	5.41
Commercial	10,961	5.29	85	0.68	71	5.55	169	5.66	10,636	5.32
Total mortgage-backed securities	122,369	5.46	148	2.44	236	3.14	723	5.63	121,262	5.46
Corporate debt securities	9,335	5.53	684	4.00	3,937	5.68	3,959	5.68	755	5.32
Collateralized debt obligations	3,725	1.70	2	5.53	492	4.48	1,837	1.56	1,394	0.90
Other	15,879	4.22	2,128	5.62	7,762	5.96	697	2.46	5,292	1.33
Total debt securities at fair value	$ 167,118	5.33 %	$ 3,452	4.63 %	$ 13,799	5.64 %	$ 9,463	4.51 %	$ 140,404	5.37 %

Note 5: Securities Available for Sale *(continued)*

Realized Gains and Losses

The following table shows the gross realized gains and losses on sales and OTTI write-downs related to the securities available-for-sale portfolio, which includes marketable equity securities, as well as net realized gains and losses on nonmarketable equity securities (see Note 7 – Other Assets).

	Year ended December 31,		
(in millions)	**2010**	2009	2008
Gross realized gains	$ **645**	1,601	1,920
Gross realized losses	**(32)**	(160)	(101)
OTTI write-downs	**(692)**	(1,094)	(1,790)
Net realized gains (losses) from securities available for sale	**(79)**	347	29
Net realized gains (losses) from principal and private equity investments	**534**	(289)	251
Net realized gains from debt and equity securities	$ **455**	58	280

Other-Than-Temporary Impairment

The following table shows the detail of total OTTI write-downs included in earnings for debt securities and marketable and nonmarketable equity securities.

	Year ended December 31,		
(in millions)	**2010**	2009	2008
OTTI write-downs included in earnings			
Debt securities:			
U.S. states and political subdivisions	$ **16**	7	14
Mortgage-backed securities:			
Federal agencies (1)	**267**	-	-
Residential	**175**	595	183
Commercial	**120**	137	23
Corporate debt securities	**10**	69	176
Collateralized debt obligations	**15**	125	147
Other debt securities	**69**	79	3
Total debt securities	**672**	1,012	546
Equity securities:			
Marketable equity securities:			
Perpetual preferred securities	**15**	50	1,057
Other marketable equity securities	**5**	32	187
Total marketable equity securities	**20**	82	1,244
Total securities available for sale	**692**	1,094	1,790
Nonmarketable equity securities	**248**	573	220
Total OTTI write-downs included in earnings	$ **940**	1,667	2,010

(1) Represents OTTI recognized on federal agency MBS because we had the intent to sell, of which $252 million relates to securities with a fair value of $14.5 billion that were sold subsequent to December 31, 2010.

Other-Than-Temporarily Impaired Debt Securities

The following table shows the detail of OTTI write-downs on debt securities available for sale included in earnings and the related changes in OCI for the same securities.

(in millions)	Year ended December 31, 2010	2009
OTTI on debt securities		
Recorded as part of gross realized losses:		
Credit-related OTTI	$ **400**	982
Intent-to-sell OTTI (1)	**272**	30
Total recorded as part of gross realized losses	**672**	1,012
Recorded directly to OCI for non-credit-related impairment:		
U.S. states and political subdivisions	**(4)**	3
Residential mortgage-backed securities	**(326)**	1,124
Commercial mortgage-backed securities	**138**	179
Corporate debt securities	**(1)**	(2)
Collateralized debt obligations	**54**	20
Other debt securities	**(33)**	16
Total recorded directly to OCI for non-credit-related impairment (2)	**(172)**	1,340
Total OTTI on debt securities	$ **500**	2,352

(1) Amount includes $252 million related to securities with a fair value of $14.5 billion that were sold subsequent to December 31, 2010.
(2) Represents amounts recorded to OCI on debt securities in periods OTTI write-downs have occurred. Changes in fair value in subsequent periods on such securities, to the extent additional credit-related OTTI did not occur, are not reflected in this total. For the year ended December 31, 2010, the non-credit-related impairment recorded to OCI was a $172 million reduction in total OTTI because the fair value of the security increased due to factors other than credit.

The following table presents a rollforward of the credit loss component recognized in earnings for debt securities we still own (referred to as "credit-impaired" debt securities). The credit loss component of the amortized cost represents the difference between the present value of expected future cash flows and the amortized cost basis of the security prior to considering credit losses. OTTI recognized in earnings for credit-impaired debt securities is presented as additions in two components based upon whether the current period is the first time the debt security was credit-impaired (initial credit impairment) or is not the first time the debt security was credit impaired (subsequent credit impairments). The credit loss component is reduced if we sell, intend to sell or believe we will be required to sell previously credit-impaired debt securities. Additionally, the credit loss component is reduced if we receive or expect to receive cash flows in excess of what we previously expected to receive over the remaining life of the credit-impaired debt security, the security matures or is fully written down.

Changes in the credit loss component of credit-impaired debt securities that we do not intend to sell were:

(in millions)	Year ended December 31, 2010	2009
Credit loss component, beginning of year	$ **1,187**	471
Additions:		
Initial credit impairments	**122**	625
Subsequent credit impairments	**278**	357
Total additions	**400**	982
Reductions:		
For securities sold	**(263)**	(255)
For securities derecognized resulting from adoption of consolidation accounting guidance	**(242)**	-
Due to change in intent to sell or requirement to sell	**(2)**	(1)
For recoveries of previous credit impairments (1)	**(37)**	(10)
Total reductions	**(544)**	(266)
Credit loss component, end of year	$ **1,043**	1,187

(1) Recoveries of previous credit impairments result from increases in expected cash flows subsequent to credit loss recognition. Such recoveries are reflected prospectively as interest yield adjustments using the effective interest method.

Note 5: Securities Available for Sale *(continued)*

For asset-backed securities (e.g., residential MBS), we estimated expected future cash flows of the security by estimating the expected future cash flows of the underlying collateral and applying those collateral cash flows, together with any credit enhancements such as subordinated interests owned by third parties, to the security. The expected future cash flows of the underlying collateral are determined using the remaining contractual cash flows adjusted for future expected credit losses (which consider current delinquencies and nonperforming assets (NPAs), future expected default rates and collateral value by vintage and geographic region) and prepayments. The expected cash flows of the security are then discounted at the interest rate used to recognize interest income on the security to arrive at a present value amount. Total credit impairment losses on residential MBS that we do not intend to sell are shown in the table below. The table also presents a summary of the significant inputs considered in determining the measurement of the credit loss component recognized in earnings for residential MBS.

	Year ended December 31,	
($ in millions)	**2010**	2009
Credit impairment losses on residential MBS		
Investment grade	**$ 5**	24
Non-investment grade	**170**	567
Total credit impairment losses on residential MBS	**$ 175**	591
Significant inputs (non-agency – non-investment grade MBS)		
Expected remaining life of loan losses (1):		
Range (2)	**1-43 %**	0-58
Credit impairment distribution (3):		
0 - 10% range	**52**	56
10 - 20% range	**29**	27
20 - 30% range	**17**	12
Greater than 30%	**2**	5
Weighted average (4)	**9**	11
Current subordination levels (5):		
Range (2)	**0-25**	0-44
Weighted average (4)	**7**	8
Prepayment speed (annual CPR (6)):		
Range (2)	**2-27**	5-25
Weighted average (4)	**14**	11

(1) Represents future expected credit losses on underlying pool of loans expressed as a percentage of total current outstanding loan balance.
(2) Represents the range of inputs/assumptions based upon the individual securities within each category.
(3) Represents distribution of credit impairment losses recognized in earnings categorized based on range of expected remaining life of loan losses. For example 52% of credit impairment losses recognized in earnings for the year ended December 31, 2010, had expected remaining life of loan loss assumptions of 0 to 10%.
(4) Calculated by weighting the relevant input/assumption for each individual security by current outstanding amortized cost basis of the security.
(5) Represents current level of credit protection (subordination) for the securities, expressed as a percentage of total current underlying loan balance.
(6) Constant prepayment rate.

Note 6: Loans and Allowance for Credit Losses

The following table presents total loans outstanding by portfolio segment and class of financing receivable. Outstanding balances are presented net of unearned income, net deferred loan fees, and unamortized discounts and premiums totaling a net reduction of $11.3 billion and $14.6 billion at December 31, 2010 and 2009, respectively. Outstanding balances also include PCI loans net of any remaining purchase accounting adjustments.

Information about PCI loans is presented separately in the "Purchased Credit-Impaired Loans" section of this Note. Effective June 30, 2010, real estate construction outstanding balances and all other related data include certain commercial real estate secured loans acquired from Wachovia previously classified as real estate mortgage. Balances for 2009 and 2008 have been revised to conform with the current presentation.

	December 31,				
(in millions)	**2010**	2009	2008	2007	2006
Commercial:					
Commercial and industrial	**$ 151,284**	158,352	202,469	90,468	70,404
Real estate mortgage	**99,435**	97,527	94,923	36,747	30,112
Real estate construction	**25,333**	36,978	42,861	18,854	15,935
Lease financing	**13,094**	14,210	15,829	6,772	5,614
Foreign (1)	**32,912**	29,398	33,882	7,441	6,666
Total commercial	**322,058**	336,465	389,964	160,282	128,731
Consumer:					
Real estate 1-4 family first mortgage	**230,235**	229,536	247,894	71,415	53,228
Real estate 1-4 family junior lien mortgage	**96,149**	103,708	110,164	75,565	68,926
Credit card	**22,260**	24,003	23,555	18,762	14,697
Other revolving credit and installment	**86,565**	89,058	93,253	56,171	53,534
Total consumer	**435,209**	446,305	474,866	221,913	190,385
Total loans	**$ 757,267**	782,770	864,830	382,195	319,116

(1) Substantially all of our foreign loan portfolio is commercial loans. Loans are classified as foreign if the borrower's primary address is outside of the United States.

We pledge loans to secure borrowings from the FHLB and the Federal Reserve Bank as part of our liquidity management strategy. Loans pledged where the secured party does not have the right to sell or repledge totaled $312.6 billion for both December 31, 2010 and 2009. We did not have any pledged loans where the secured party has the right to sell or repledge for the same respective periods.

Loan concentrations may exist when there are amounts loaned to borrowers engaged in similar activities or similar types of loans extended to a diverse group of borrowers that would cause them to be similarly impacted by economic or other conditions. At December 31, 2010 and 2009, we did not have concentrations representing 10% or more of our total loan portfolio in domestic commercial and industrial loans and lease financing by industry or CRE loans (real estate mortgage and real estate construction) by state or property type. Our real estate 1-4 family mortgage loans to borrowers in the state of California represented approximately 14% of total loans at both December 31, 2010 and 2009. Of this amount, 3% of total loans were PCI loans at December 31, 2010. These loans are generally diversified among the larger metropolitan areas in California, with no single area consisting of more than 3% of total loans. Changes in real estate values and underlying economic or market conditions for these areas are monitored continuously within our credit risk management process.

Some of our real estate 1-4 family mortgage loans, including first mortgage and home equity products, include an interest-only feature as part of the loan terms. At December 31, 2010, these loans were approximately 25% of total loans, compared with 26% at December 31, 2009. Substantially all of these loans are considered to be prime or near prime. We do not offer option adjustable-rate mortgage (ARM) products, nor do we offer variable-rate mortgage products with fixed payment amounts, commonly referred to within the financial services industry as negative amortizing mortgage loans.

The following table summarizes the proceeds paid or received for purchases and sales of loans, respectively. It also includes transfers from (to) mortgages/loans held for sale at lower of cost or market. The table excludes PCI loans and loans recorded at fair value, including loans originated for sale. This activity primarily includes purchases or sales of commercial loan participation interests, whereby we receive or transfer a portion of a loan after origination.

	December 31, 2010		
(in millions)	Commercial	Consumer	Total
Purchases	$ 2,135	162	2,297
Sales	(5,930)	(553)	(6,483)
Transfers from/(to) MHFS/LHFS	(1,461)	(82)	(1,543)

Commitments to Lend

A commitment to extend credit is a legally binding agreement to lend funds to a customer, usually at a stated interest rate and for a specified purpose. These commitments have fixed expiration dates and generally require a fee. When we make such a commitment, we have credit risk. The liquidity requirements or credit risk will be lower than the contractual amount of commitments to extend credit because a significant portion of these commitments are expected to expire without being used. Certain commitments are subject to loan agreements with covenants regarding the financial performance of the customer or borrowing base formulas that must be met before we are required to fund the commitment. Also, in some cases we participate a portion of our commitment to others in an arrangement that reduces our contractual commitment amount. We use the same credit policies in extending credit for unfunded commitments and letters of credit that we use in making loans. See Note 14 for information on standby letters of credit.

In addition, we manage the potential risk in credit commitments by limiting the total amount of arrangements, both by individual customer and in total, by monitoring the size and maturity structure of these portfolios and by applying the same credit standards for all of our credit activities.

For certain extensions of credit, we may require collateral, based on our assessment of a customer's credit risk. We hold various types of collateral, including accounts receivable, inventory, land, buildings, equipment, autos, financial instruments, income-producing commercial properties and residential real estate. Collateral requirements for each customer may vary according to the specific credit underwriting, terms and structure of loans funded immediately or under a commitment to fund at a later date.

The contractual amount of our unfunded credit commitments, net of participations and net of all standby and commercial letters of credit issued under the terms of these commitments, is summarized by portfolio segment and class of financing receivable in the following table:

	December 31,	
(in millions)	**2010**	2009
Commercial:		
Commercial and industrial	**$ 185,947**	187,319
Real estate mortgage	**4,596**	5,138
Real estate construction	**5,698**	9,385
Foreign	**7,775**	4,468
Total commercial	**204,016**	206,310
Consumer:		
Real estate 1-4 family first mortgage	**36,562**	33,460
Real estate 1-4 family junior lien mortgage	**58,618**	63,338
Credit card	**62,019**	65,952
Other revolving credit and installment	**18,458**	20,778
Total consumer	**175,657**	183,528
Total unfunded credit commitments	**$ 379,673**	389,838

Allowance for Credit Losses (ACL)

The ACL is management's estimate of credit losses inherent in the loan portfolio, including unfunded credit commitments, at the balance sheet date. We have an established process to determine the adequacy of the allowance for credit losses that assesses the losses inherent in our portfolio and related unfunded credit commitments. While we attribute portions of the allowance to specific portfolio segments, the entire allowance is available to absorb credit losses inherent in the total loan portfolio and unfunded credit commitments.

Our process involves procedures to appropriately consider the unique risk characteristics of our commercial and consumer loan portfolio segments. For each portfolio segment, impairment is measured collectively for groups of smaller loans with similar characteristics, individually for larger impaired loans or, for PCI loans, based on the changes in cash flows expected to be collected.

Our allowance levels are influenced by loan volumes, loan grade migration or delinquency status, historic loss experience influencing loss factors, and other conditions influencing loss expectations, such as economic conditions. We have had limited changes in our allowance methodology primarily associated with integration alignment of loss estimation processes between Wells Fargo and Wachovia. Those changes did not significantly impact the allowance for credit losses.

COMMERCIAL PORTFOLIO SEGMENT ACL METHODOLOGY Generally, commercial loans are assessed for estimated losses by grading each loan using various risk factors as identified through periodic reviews. We apply historic grade-specific loss factors to the aggregation of each funded grade pool. These historic loss factors are also used to estimate losses for unfunded credit commitments. In the development of our statistically derived loan grade loss factors, we observe historical losses over a relevant period for each loan grade. These loss estimates are adjusted as appropriate based on additional analysis of long-term average loss experience compared to previously forecasted losses, external loss data or other risks identified from current economic conditions and credit quality trends.

The allowance also includes an amount for the estimated impairment on nonaccrual commercial loans and commercial loans modified in a TDR, whether on accrual or nonaccrual status.

CONSUMER PORTFOLIO SEGMENT ACL METHODOLOGY For consumer loans, not identified as a TDR, we determine the allowance on a collective basis utilizing forecasted losses to represent our best estimate of inherent loss. We pool loans, generally by product types with similar risk characteristics, such as residential real estate mortgages and credit cards. As appropriate, to achieve greater accuracy, we may further stratify selected portfolios by sub-product, origination channel, vintage, loss type, geographic location and other predictive characteristics. Models designed for each pool are utilized to develop the loss estimates. We use assumptions for these pools in our forecast models, such as historic delinquency and default, loss severity, home price trends, unemployment trends, and other key economic variables that may influence the frequency and severity of losses in the pool.

In addition, we establish an allowance for consumer loans that have been modified in a TDR, whether on accrual or nonaccrual status.

OTHER ACL MATTERS Commercial and consumer PCI loans may require an allowance subsequent to their acquisition. This allowance requirement is due to probable decreases in expected principal and interest cash flows (other than due to decreases in interest rate indices and changes in prepayment assumptions).

The allowance for credit losses for both portfolio segments includes an amount for imprecision or uncertainty that may change from period to period. This amount represents management's judgment of risks inherent in the processes and assumptions used in establishing the allowance. This imprecision considers economic environmental factors, modeling assumptions and performance, process risk, and other subjective factors, including industry trends.

Note 6: Loans and Allowance for Credit Losses *(continued)*

The allowance for credit losses consists of the allowance for loan losses and the allowance for unfunded credit commitments. Changes in the allowance for credit losses were:

		Year ended December 31,			
(in millions)	**2010**	2009	2008	2007	2006
Balance, beginning of year	**$ 25,031**	21,711	5,518	3,964	4,057
Provision for credit losses	**15,753**	21,668	15,979	4,939	2,204
Interest income on certain impaired loans (1)	**(266)**	-	-	-	-
Loan charge-offs:					
Commercial:					
Commercial and industrial	**(2,775)**	(3,365)	(1,653)	(629)	(414)
Real estate mortgage	**(1,151)**	(670)	(29)	(6)	(5)
Real estate construction	**(1,189)**	(1,063)	(178)	(14)	(2)
Lease financing	**(120)**	(229)	(65)	(33)	(30)
Foreign	**(198)**	(237)	(245)	(265)	(281)
Total commercial	**(5,433)**	(5,564)	(2,170)	(947)	(732)
Consumer:					
Real estate 1-4 family first mortgage	**(4,900)**	(3,318)	(540)	(109)	(103)
Real estate 1-4 family junior lien mortgage	**(4,934)**	(4,812)	(2,204)	(648)	(154)
Credit card	**(2,396)**	(2,708)	(1,563)	(832)	(505)
Other revolving credit and installment	**(2,437)**	(3,423)	(2,300)	(1,913)	(1,685)
Total consumer	**(14,667)**	(14,261)	(6,607)	(3,502)	(2,447)
Total loan charge-offs	**(20,100)**	(19,825)	(8,777)	(4,449)	(3,179)
Loan recoveries:					
Commercial:					
Commercial and industrial	**427**	254	114	119	111
Real estate mortgage	**68**	33	5	8	19
Real estate construction	**110**	16	3	2	3
Lease financing	**20**	20	13	17	21
Foreign	**53**	40	49	65	76
Total commercial	**678**	363	184	211	230
Consumer:					
Real estate 1-4 family first mortgage	**522**	185	37	22	26
Real estate 1-4 family junior lien mortgage	**211**	174	89	53	36
Credit card	**218**	180	147	120	96
Other revolving credit and installment	**718**	755	481	504	537
Total consumer	**1,669**	1,294	754	699	695
Total loan recoveries	**2,347**	1,657	938	910	925
Net loan charge-offs (2)	**(17,753)**	(18,168)	(7,839)	(3,539)	(2,254)
Allowances related to business combinations/other (3)	**698**	(180)	8,053	154	(43)
Balance, end of year	**$ 23,463**	25,031	21,711	5,518	3,964
Components:					
Allowance for loan losses	**$ 23,022**	24,516	21,013	5,307	3,764
Allowance for unfunded credit commitments	**441**	515	698	211	200
Allowance for credit losses (4)	**$ 23,463**	25,031	21,711	5,518	3,964
Net loan charge-offs as a percentage of average total loans (2)	**2.30 %**	2.21	1.97	1.03	0.73
Allowance for loan losses as a percentage of total loans (4)	**3.04**	3.13	2.43	1.39	1.18
Allowance for credit losses as a percentage of total loans (4)	**3.10**	3.20	2.51	1.44	1.24

(1) Effective 2010, certain impaired loans with an allowance calculated by discounting expected cash flows using the loan's effective interest rate over the remaining life of the loan recognize reductions in allowance as interest income.
(2) For PCI loans, charge-offs are only recorded to the extent that losses exceed the purchase accounting estimates.
(3) Includes $693 million related to the adoption of consolidation accounting guidance on January 1, 2010.
(4) The allowance for credit losses includes $298 million and $333 million at December 31, 2010 and 2009, respectively, related to PCI loans acquired from Wachovia. Loans acquired from Wachovia are included in total loans net of related purchase accounting net write-downs.

The following table summarizes the activity in the allowance for credit losses by our commercial and consumer portfolio segments.

	Year ended December 31, 2010		
(in millions)	Commercial	Consumer	Total
Balance, beginning of year	$ 8,141	16,890	25,031
Provision for credit losses	4,913	10,840	15,753
Interest income on certain impaired loans	(139)	(127)	(266)
Loan charge-offs	(5,433)	(14,667)	(20,100)
Loan recoveries	678	1,669	2,347
Net loan charge-offs	(4,755)	(12,998)	(17,753)
Allowance related to business combinations/other	9	689	698
Balance, end of year	$ 8,169	15,294	23,463

The following table disaggregates our allowance for credit losses and recorded investment in loans by impairment methodology.

	December 31, 2010					
	Allowance for credit losses			Recorded investment in loans		
(in millions)	Commercial	Consumer	Total	Commercial	Consumer	Total
Collectively evaluated (1)	$ 5,424	11,539	16,963	302,392	387,707	690,099
Individually evaluated (2)	2,479	3,723	6,202	11,731	14,007	25,738
PCI (3)	266	32	298	7,935	33,495	41,430
Total	$ 8,169	15,294	23,463	322,058	435,209	757,267

(1) Represents loans collectively evaluated for impairment in accordance with ASC 450-20, *Loss Contingencies* (formerly FAS 5), and pursuant to amendments by ASU 2010-20 regarding allowance for unimpaired loans.
(2) Represents loans individually evaluated for impairment in accordance with ASC 310-10, *Receivables* (formerly FAS 114), and pursuant to amendments by ASU 2010-20 regarding allowance for impaired loans.
(3) Represents the allowance and related loan carrying value determined in accordance with ASC 310-30, *Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality* (formerly SOP 03-3) and pursuant to amendments by ASU 2010-20 regarding allowance for PCI loans.

Credit Quality

We monitor credit quality as indicated by evaluating various attributes and utilize such information in our evaluation of the adequacy of the allowance for credit losses. The following sections provide the credit quality indicators we most closely monitor. The majority of credit quality indicators are based on December 31, 2010, information, with the exception of updated FICO and updated loan-to-value (LTV)/combined LTV (CLTV), which are obtained at least quarterly. Generally, these indicators are updated in the second month of each quarter, with updates no older than September 30, 2010.

COMMERCIAL CREDIT QUALITY INDICATORS In addition to monitoring commercial loan concentration risk, we manage a consistent process for assessing commercial loan credit quality. Commercial loans are subject to individual risk assessment using our internal borrower and collateral quality ratings. Our ratings are aligned to Pass and Criticized categories. The Criticized category includes Special Mention, Substandard, and Doubtful categories which are defined by banking regulatory agencies.

The table below provides a breakdown of outstanding commercial loans (excluding PCI loans) by risk category. Both the CRE mortgage and construction criticized totals are relatively high as a result of the current conditions in the real estate market. Of the $37.1 billion in criticized CRE loans, $7.9 billion has been placed on nonaccrual status and written down to net realizable value. Loans in both populations have a high level of surveillance and monitoring in place to manage these assets and mitigate any loss exposure. See the "Purchased Credit-Impaired Loans" section of this Note for credit quality information on our commercial PCI portfolio.

		December 31, 2010					
(in millions)		Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Foreign	Total
By risk category:							
Pass	$	126,058	70,597	11,256	12,411	30,341	250,663
Criticized		24,508	25,983	11,128	683	1,158	63,460
Total commercial loans (excluding PCI)	$	150,566	96,580	22,384	13,094	31,499	314,123

In addition, while we monitor past due status, we do not consider it a key driver of our credit risk management practices for commercial loans. The following table provides past due information for commercial loans, excluding PCI loans.

		December 31, 2010					
(in millions)		Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Foreign	Total
By delinquency status:							
Current or 1-29 DPD	$	146,135	90,233	19,005	12,927	31,350	299,650
30-89 DPD		910	1,016	510	59	-	2,495
90+ DPD and still accruing		308	104	193	-	22	627
Nonaccrual loans		3,213	5,227	2,676	108	127	11,351
Total commercial loans (excluding PCI)	$	150,566	96,580	22,384	13,094	31,499	314,123

CONSUMER CREDIT QUALITY INDICATORS We have various classes of consumer loans that present respective unique risks. Loan delinquency, FICO credit scores and LTV for loan types are common credit quality indicators that we monitor and utilize in our evaluation of the adequacy of the allowance for credit losses for the consumer portfolio segment.

The majority of our loss estimation techniques used for the allowance for credit losses rely on delinquency matrix models or delinquency roll rate models. Therefore, delinquency is an important indicator of credit quality and the establishment of our allowance for credit losses.

The following table provides the outstanding balances of our consumer portfolio by delinquency status, excluding PCI loans.

(in millions)		Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Other revolving credit and installment	Total
						December 31, 2010
By delinquency status:						
Current	$	159,321	89,408	20,546	74,083	343,358
1-29 DPD		5,597	3,104	730	8,635	18,066
30-59 DPD		4,993	917	262	1,802	7,974
60-89 DPD		2,911	608	207	691	4,417
90-119 DPD		4,152	476	190	371	5,189
120-179 DPD		5,363	764	324	349	6,800
180+ DPD		14,653	622	1	634	15,910
Total consumer loans (excluding PCI)	$	196,990	95,899	22,260	86,565	401,714

Of the $27.9 billion of loans 90 days or more past due in the previous table, $14.1 billion, which excludes MHFS, represents insured/guaranteed loans whose repayments are insured by the FHA or guaranteed by the VA. Of the remaining $13.7 billion of loans that are 90 days or more past due, $3.1 billion was accruing. Consumer loans are placed on nonaccrual status and written down to net realizable value depending on the loan type and the extent of delinquency (see Note 1).

Of the $14.1 billion in delinquent insured/guaranteed loans, $8.0 billion are more than 180 days past due. Excluding these insured/guaranteed loans, real estate 1-4 family first mortgage loans 180 days or more past due totaled $6.6 billion, or 3.4% of total first mortgages. The aging of the delinquent real estate 1-4 family first mortgage loans is a result of the prolonged foreclosure process and our effort to help customers stay in their homes through various loan modification programs.

The following table provides a breakdown of our consumer portfolio by updated FICO. We obtain FICO scores at loan origination and the scores are updated at least quarterly. FICO is not available for certain loan types and may not be obtained if we deem it unnecessary due to strong collateral and other borrower attributes, primarily for government guaranteed student loans of $17.5 billion and securities-based margin loans of $4.1 billion. The majority of our portfolio is underwritten with a FICO score of 680 and above. The table excludes PCI loans, which are included in the "Purchased Credit-Impaired Loans" section of this Note.

(in millions)		Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Other revolving credit and installment	Total
						December 31, 2010
By updated FICO:						
< 600	$	34,207	9,037	2,872	10,809	56,925
600-639		14,422	4,509	1,826	5,970	26,727
640-679		18,794	7,729	3,305	8,354	38,182
680-719		26,435	13,768	4,522	9,495	54,220
720-759		29,335	20,322	4,441	8,827	62,925
760-799		47,054	27,214	3,215	9,368	86,851
800+		19,702	10,607	1,794	4,693	36,796
No FICO available		7,041	2,713	285	7,457	17,496
FICO not required		-	-	-	21,592	21,592
Total consumer loans (excluding PCI)	$	196,990	95,899	22,260	86,565	401,714

LTV refers to the ratio comparing the loan's unpaid principal balance to the property's collateral value. CLTV refers to the combination of first mortgage and junior lien mortgage ratios. LTVs and CLTVs are updated quarterly using a cascade approach which first uses values provided by automated valuation models (AVMs) for the property. If an AVM is not available, then the value is estimated using the original appraised value adjusted by the change in Home Price Index (HPI) for the property location. If an HPI is not available, the original appraised value is used. The HPI value is normally the only method considered for high value properties as the AVM values have proven less accurate for these properties.

The following table shows the most updated LTV and CLTV distribution of the real estate 1-4 family first and junior lien mortgage loan portfolios excluding PCI loans. In recent years, the residential real estate markets have experienced significant declines in property values and several markets, particularly California and Florida have experienced declines that turned out to be more significant than the national decline. These trends are considered in the way that we monitor credit risk and establish our allowance for credit losses. LTV does not necessarily reflect the likelihood of performance of a given loan, but does provide an indication of collateral value. In the event of a default, any loss should be limited to the portion of the loan amount in excess of the net realizable value of the underlying real estate collateral value. Certain loans do not have an LTV or CLTV primarily due to industry data availability and portfolios acquired from or serviced by other institutions.

	December 31, 2010		
(in millions)	Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
By LTV/CLTV:			
0-60%	$ 48,905	14,814	63,719
60.01-80%	46,453	17,744	64,197
80.01-100%	44,892	24,255	69,147
100.01-120% (1)	28,587	17,887	46,474
> 120% (1)	24,578	18,628	43,206
No LTV/CLTV available	3,575	2,571	6,146
Total (excluding PCI)	$ 196,990	95,899	292,889

(1) Reflects total loan balances with LTV/CLTV amounts in excess of 100%. In the event of default, the loss content would generally be limited to only the amount in excess of 100% LTV/CLTV.

NONACCRUAL LOANS The following table provides loans on nonaccrual status. PCI loans are excluded from this table due to the existence of the accretable yield.

	December 31,	
(in millions)	**2010**	2009
Commercial:		
Commercial and industrial	$ **3,213**	4,397
Real estate mortgage	**5,227**	3,696
Real estate construction	**2,676**	3,313
Lease financing	**108**	171
Foreign	**127**	146
Total commercial (1)	**11,351**	11,723
Consumer:		
Real estate 1-4 family first mortgage (2)	**12,289**	10,100
Real estate 1-4 family junior lien mortgage	**2,302**	2,263
Other revolving credit and installment	**300**	332
Total consumer	**14,891**	12,695
Total nonaccrual loans (excluding PCI)	$ **26,242**	24,418

(1) Includes LHFS of $3 million and $27 million at December 31, 2010 and 2009, respectively.
(2) Includes MHFS of $426 million and $339 million at December 31, 2010 and 2009, respectively.

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING

Certain loans 90 days or more past due as to interest or principal are still accruing, because they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans of $11.6 billion at December 31, 2010, and $16.1 billion at December 31, 2009, are excluded from this disclosure even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.

Non-PCI loans 90 days or more past due and still accruing were $18.5 billion at December 31, 2010, and $22.2 billion at December 31, 2009. Those balances which include mortgage loans held for sale, have $14.7 billion and $15.3 billion, respectively, of insured/guaranteed loans whose repayments are insured by the FHA or guaranteed by the VA. The following table shows non-PCI loans 90 days or more past due and still accruing, but excludes insured/guaranteed loans.

	December 31,	
(in millions)	**2010**	2009
Commercial:		
Commercial and industrial	**$ 308**	590
Real estate mortgage	**104**	1,014
Real estate construction	**193**	909
Foreign	**22**	73
Total commercial	**627**	2,586
Consumer:		
Real estate 1-4 family first mortgage (1)	**941**	1,623
Real estate 1-4 family junior lien mortgage (1)	**366**	515
Credit card	**516**	795
Other revolving credit and installment	**1,305**	1,333
Total consumer	**3,128**	4,266
Total (excluding PCI)	**$ 3,755**	6,852

(1) Includes mortgage loans held for sale 90 days or more past due and still accruing.

Note 6: Loans and Allowance for Credit Losses *(continued)*

IMPAIRED LOANS The table below summarizes key information for impaired loans. Our impaired loans include loans on nonaccrual status in the commercial portfolio segment and loans modified in a TDR, whether on accrual or nonaccrual status. These impaired loans may have estimated impairment which is included in the allowance for credit losses. Impaired loans exclude PCI loans. See the "Loans" section in Note 1 for our policies on impaired loans and PCI loans.

	December 31, 2010			
		Recorded investment		
(in millions)	Unpaid principal balance	Impaired loans	Impaired loans with related allowance for credit losses	Related allowance for credit losses
Commercial:				
Commercial and industrial	$ 8,190	3,600	3,276	607
Real estate mortgage	7,439	5,239	5,163	1,282
Real estate construction	4,676	2,786	2,786	548
Lease financing	149	91	91	34
Foreign	215	15	15	8
Total commercial	20,669	11,731	11,331	2,479
Consumer:				
Real estate 1-4 family first mortgage	12,834	11,603	11,603	2,754
Real estate 1-4 family junior lien mortgage	1,759	1,626	1,626	578
Credit card	548	548	548	333
Other revolving credit and installment	231	230	230	58
Total consumer	15,372	14,007	14,007	3,723
Total (excluding PCI)	$ 36,041	25,738	25,338	6,202

The following table summarizes key information for impaired loans as of December 31, 2009.

	December 31, 2009 (1)		
(in millions)	Commercial	Consumer	Total
Recorded investment:			
Impaired loans	$ 10,562	8,268	18,830
Impaired loans with a related allowance for credit losses	9,666	8,268	17,934
Related allowance for credit losses	1,502	1,765	3,267

(1) Balances have been revised to conform to our current classification of certain small commercial loans as impaired.

Commitments to lend additional funds on loans whose terms have been modified in a TDR amounted to $1.2 billion and $452 million at December 31, 2010 and 2009, respectively. These commitments primarily relate to CRE loans, which, at the time of modification, had an amount of availability to the borrower that continues under the modified terms of the TDR and totaled $861 million and $134 million at December 31, 2010 and 2009, respectively.

The following table provides the average recorded investment in impaired loans and the amount of interest income recognized on impaired loans after impairment by portfolio segment and class.

	Year ended December 31, 2010	
(in millions)	Average recorded investment	Recognized interest income
Commercial:		
Commercial and industrial	$ 4,098	64
Real estate mortgage	4,598	41
Real estate construction	3,203	28
Lease financing	166	-
Foreign	47	-
Total commercial	12,112	133
Consumer:		
Real estate 1-4 family first mortgage	9,221	494
Real estate 1-4 family junior lien mortgage	1,443	55
Credit card	360	13
Other revolving credit and installment	132	3
Total consumer	11,156	565
Total impaired loans	$ 23,268	698

The following table presents the average recorded investment in impaired loans and interest income recognized on impaired loans after impairment.

	Year ended December 31,		
(in millions)	**2010**	2009	2008
Average recorded investment in impaired loans	**$ 23,268**	10,557	1,952
Interest income:			
Cash basis of accounting	**$ 250**	130	34
Other (1)	**448**	102	9
Total interest income	**$ 698**	232	43

(1) Includes interest recognized on accruing TDRs, interest recognized related to the passage of time, and amortization of purchase accounting adjustments related to certain impaired loans. See footnote 1 to the table of changes in the allowance for credit losses.

Note 6: Loans and Allowance for Credit Losses *(continued)*

Purchased Credit-Impaired Loans

Certain loans acquired in the Wachovia acquisition are accounted for as PCI loans. The following table presents PCI loans net of any remaining purchase accounting adjustments.

		December 31,	
(in millions)	**2010**	2009	2008
Commercial:			
Commercial and industrial	$ **718**	1,911	4,580
Real estate mortgage	**2,855**	4,137	5,803
Real estate construction	**2,949**	5,207	6,462
Foreign	**1,413**	1,733	1,859
Total commercial	**7,935**	12,988	18,704
Consumer:			
Real estate 1-4 family first mortgage	**33,245**	38,386	39,214
Real estate 1-4 family junior lien mortgage	**250**	331	728
Other revolving credit and installment	**-**	-	151
Total consumer	**33,495**	38,717	40,093
Total PCI loans (carrying value)	$ **41,430**	51,705	58,797
Total PCI loans (unpaid principal balance)	$ **64,331**	83,615	98,182

ACCRETABLE YIELD The excess of cash flows expected to be collected over the carrying value of PCI loans is referred to as the accretable yield and is recognized in interest income using an effective yield method over the remaining life of the loan, or pools of loans. The accretable yield is affected by:

- Changes in interest rate indices for variable rate PCI loans – Expected future cash flows are based on the variable rates in effect at the time of the regular evaluations of cash flows expected to be collected;
- Changes in prepayment assumptions – Prepayments affect the estimated life of PCI loans which may change the amount of interest income, and possibly principal, expected to be collected; and
- Changes in the expected principal and interest payments over the estimated life – Updates to expected cash flows are driven by the credit outlook and actions taken with borrowers. Changes in expected future cash flows from loan modifications are included in the regular evaluations of cash flows expected to be collected.

The change in the accretable yield related to PCI loans is presented in the following table.

	Year ended December 31,	
(in millions)	**2010**	2009
Total, beginning of year	$ **14,559**	10,447
Accretion	**(2,435)**	(2,606)
Reclassification from nonaccretable difference for loans with improving cash flows	**3,399**	441
Changes in expected cash flows that do not affect nonaccretable difference (1)	**1,191**	6,277
Total, end of year	$ **16,714**	14,559

(1) Represents changes in cash flows expected to be collected, changes in interest rates on variable rate PCI loans, and the impact of modifications on expected cash flows.

PCI ALLOWANCE When it is estimated that the cash flows expected to be collected have decreased subsequent to acquisition for a PCI loan or pool of loans, an allowance is established and a provision for additional loss is recorded as a charge to income. The following table summarizes the changes in allowance for PCI loan losses.

(in millions)	Commercial	Pick-a-Pay	Other consumer	Total
Balance, December 31, 2008	$ -	-	-	-
Provision for losses due to credit deterioration	850	-	3	853
Charge-offs	(520)	-	-	(520)
Balance, December 31, 2009	**330**	**-**	**3**	**333**
Provision for losses due to credit deterioration	**712**	**-**	**59**	**771**
Charge-offs	**(776)**	**-**	**(30)**	**(806)**
Balance, December 31, 2010	**$ 266**	**-**	**32**	**298**

COMMERCIAL PCI CREDIT QUALITY INDICATORS The following table provides a breakdown of commercial PCI loans by risk category.

	December 31, 2010				
(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Foreign	Total
By risk category:					
Pass	$ 214	352	128	210	904
Criticized	504	2,503	2,821	1,203	7,031
Total commercial PCI loans	$ 718	2,855	2,949	1,413	7,935

CONSUMER PCI CREDIT QUALITY INDICATORS Our consumer PCI loans were aggregated into several pools of loans at acquisition. Below, we have provided credit quality indicators based on the individual loans included in the pool, but we have not allocated the remaining purchase accounting adjustments, which were established at a pool level. The following table provides the delinquency status of consumer PCI loans.

	December 31, 2010		
(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By delinquency status:			
Current	$ 29,253	357	29,610
1-29 DPD	44	79	123
30-59 DPD	3,586	30	3,616
60-89 DPD	1,364	17	1,381
90-119 DPD	881	13	894
120-179 DPD	1,346	19	1,365
180+ DPD	7,214	220	7,434
Total consumer PCI loans	$ 43,688	735	44,423
Total consumer PCI loans (carrying value)	$ 33,245	250	33,495

Note 6: Loans and Allowance for Credit Losses *(continued)*

The following table provides FICO scores for consumer PCI loans.

(in millions)		Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
		December 31, 2010		
By FICO:				
< 600	$	22,334	363	22,697
600-639		7,563	109	7,672
640-679		6,185	96	6,281
680-719		3,949	60	4,009
720-759		2,057	17	2,074
760-799		1,087	7	1,094
800+		232	2	234
No FICO available		281	81	362
Total consumer PCI loans	$	43,688	735	44,423
Total consumer PCI loans (carrying value)	$	33,245	250	33,495

The following table shows the distribution of consumer PCI loans by LTV for real estate 1-4 family first mortgages and by CLTV for real estate 1-4 family junior lien mortgages.

(in millions)		Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
		December 31, 2010		
By LTV/CLTV:				
0-60%	$	1,653	43	1,696
60.01-80%		5,513	42	5,555
80.01-100%		11,861	89	11,950
100.01-120%		9,525	116	9,641
> 120%		15,047	314	15,361
No LTV/CLTV available		89	131	220
Total consumer PCI loans	$	43,688	735	44,423
Total consumer PCI loans (carrying value)	$	33,245	250	33,495

Note 7: Premises, Equipment, Lease Commitments and Other Assets

(in millions)	December 31, 2010	2009
Land	$ **1,825**	2,140
Buildings	**7,440**	8,143
Furniture and equipment	**6,689**	6,232
Leasehold improvements	**1,683**	1,381
Premises and equipment leased under capital leases	**148**	152
Total premises and equipment	**17,785**	18,048
Less: Accumulated depreciation and amortization	**8,141**	7,312
Net book value, premises and equipment	$ **9,644**	10,736

Depreciation and amortization expense for premises and equipment was $1.5 billion, $1.3 billion and $861 million in 2010, 2009 and 2008, respectively.

Dispositions of premises and equipment, included in noninterest expense, resulted in net losses of $115 million in 2010, net losses of $22 million in 2009 and net gains of $3 million in 2008.

We have obligations under a number of noncancelable operating leases for premises and equipment. The terms of these leases are predominantly up to 15 years, with the longest up to 95 years, and many provide for periodic adjustment of rentals based on changes in various economic indicators. Some leases also include a renewal option. The following table provides the future minimum payments under capital leases and noncancelable operating leases, net of sublease rentals, with terms greater than one year as of December 31, 2010.

(in millions)	Operating leases	Capital leases
Year ended December 31,		
2011	$ 1,134	14
2012	1,235	5
2013	1,099	5
2014	944	4
2015	788	3
Thereafter	3,405	21
Total minimum lease payments	$ 8,605	52
Executory costs		$ (14)
Amounts representing interest		(12)
Present value of net minimum lease payments		$ 26

Operating lease rental expense (predominantly for premises), net of rental income, was $1.3 billion, $1.4 billion and $709 million in 2010, 2009 and 2008, respectively.

The components of other assets were:

(in millions)	December 31, 2010	2009
Nonmarketable equity investments:		
Cost method:		
Private equity investments	$ **3,240**	3,808
Federal bank stock	**5,254**	5,985
Total cost method	**8,494**	9,793
Equity method	**7,624**	5,138
Principal investments (1)	**305**	1,423
Total nonmarketable equity investments	**16,423**	16,354
Corporate/bank-owned life insurance	**19,845**	19,515
Accounts receivable	**23,763**	20,565
Interest receivable	**4,895**	5,946
Core deposit intangibles	**8,904**	10,774
Customer relationship and other amortized intangibles	**1,847**	2,154
Net deferred tax assets	**-**	3,212
Foreclosed assets:		
GNMA (2)	**1,479**	960
Other	**4,530**	2,199
Operating lease assets	**1,873**	2,395
Due from customers on acceptances	**229**	810
Other	**15,993**	19,296
Total other assets	$ **99,781**	104,180

(1) Principal investments are recorded at fair value with realized and unrealized gains (losses) included in net gains (losses) from equity investments in the income statement.
(2) These are foreclosed real estate securing FHA insured and VA guaranteed loans. Both principal and interest for these loans secured by the foreclosed real estate are collectible because they are insured/guaranteed.

Income related to nonmarketable equity investments was:

(in millions)	Year ended December 31, 2010	2009	2008
Net gains (losses) from:			
Private equity investments (1)	$ **492**	(368)	251
Principal investments	**42**	79	-
All other nonmarketable equity investments	**(188)**	(234)	(10)
Net gains (losses) from nonmarketable equity investments	$ **346**	(523)	241

(1) Net gains in 2008 include $334 million gain from our ownership in Visa, which completed its initial public offering in March 2008.

Note 8: Securitizations and Variable Interest Entities

Involvement with SPEs

In the normal course of business, we enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts or partnerships that are established for a limited purpose. Historically, the majority of SPEs were formed in connection with securitization transactions. In a securitization transaction, assets from our balance sheet are transferred to an SPE, which then issues to investors various forms of interests in those assets and may also enter into derivative transactions. In a securitization transaction, we typically receive cash and/or other interests in an SPE as proceeds for the assets we transfer. Also, in certain transactions, we may retain the right to service the transferred receivables and to repurchase those receivables from the SPE if the outstanding balance of the receivables falls to a level where the cost exceeds the benefits of servicing such receivables. In addition, we may purchase the right to service loans in an SPE that were transferred to the SPE by a third party.

In connection with our securitization activities, we have various forms of ongoing involvement with SPEs, which may include:

- underwriting securities issued by SPEs and subsequently making markets in those securities;
- providing liquidity facilities to support short-term obligations of SPEs issued to third party investors;
- providing credit enhancement on securities issued by SPEs or market value guarantees of assets held by SPEs through the use of letters of credit, financial guarantees, credit default swaps and total return swaps;
- entering into other derivative contracts with SPEs;
- holding senior or subordinated interests in SPEs;
- acting as servicer or investment manager for SPEs; and
- providing administrative or trustee services to SPEs.

SPEs are generally considered variable interest entities (VIEs). A VIE is an entity that has either a total equity investment that is insufficient to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity's activities. A VIE is consolidated by its primary beneficiary, the party that has both the power to direct the activities that most significantly impact the VIE and a variable interest that could potentially be significant to the VIE. A variable interest is a contractual, ownership or other interest that changes with changes in the fair value of the VIE's net assets. To determine whether or not a variable interest we hold could potentially be significant to the VIE, we consider both qualitative and quantitative factors regarding the nature, size and form of our involvement with the VIE. We assess whether or not we are the primary beneficiary of a VIE on an on-going basis.

We have segregated our involvement with VIEs between those VIEs which we consolidate, those which we do not consolidate and transfers of financial assets that are accounted for as secured borrowings. Secured borrowings are transactions involving transfers of our financial assets to third parties that are accounted for as financings with the assets pledged as collateral. Accordingly, the transferred assets remain recognized on our balance sheet. Subsequent tables within this Note further segregate these transactions by structure type.

The classifications of assets and liabilities in our balance sheet associated with our transactions with VIEs follow:

(in millions)	VIEs that we do not consolidate	VIEs that we consolidate	Transfers that we account for as secured borrowings	Total
December 31, 2010				
Cash	**$ -**	**200**	**398**	**598**
Trading assets	**5,351**	**143**	**32**	**5,526**
Securities available for sale (1)	**24,001**	**2,159**	**7,834**	**33,994**
Loans	**12,400**	**16,708**	**1,613**	**30,721**
Mortgage servicing rights	**13,262**	**-**	**-**	**13,262**
Other assets	**3,783**	**2,039**	**90**	**5,912**
Total assets	**58,797**	**21,249**	**9,967**	**90,013**
Short-term borrowings	**-**	**3,636** (2)	**7,773**	**11,409**
Accrued expenses and other liabilities	**3,514**	**716** (2)	**14**	**4,244**
Long-term debt	**-**	**8,377** (2)	**1,700**	**10,077**
Total liabilities	**3,514**	**12,729**	**9,487**	**25,730**
Noncontrolling interests	**-**	**40**	**-**	**40**
Net assets	**$ 55,283**	**8,480**	**480**	**64,243**
December 31, 2009				
Cash	$ -	273	328	601
Trading assets	6,097	77	35	6,209
Securities available for sale (1)	35,186	1,794	7,126	44,106
Loans	15,698	561	2,007	18,266
Mortgage servicing rights	16,233	-	-	16,233
Other assets	5,604	2,595	68	8,267
Total assets	78,818	5,300	9,564	93,682
Short-term borrowings	-	351	1,996	2,347
Accrued expenses and other liabilities	3,352	708	4,864	8,924
Long-term debt (3)	-	1,163	1,938	3,101
Total liabilities	3,352	2,222	8,798	14,372
Noncontrolling interests	-	68	-	68
Net assets	$ 75,466	3,010	766	79,242

(1) Excludes certain debt securities related to loans serviced for the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and GNMA.
(2) Includes the following VIE liabilities at December 31, 2010, with recourse to the general credit of Wells Fargo: Short-term borrowings, $3.6 billion; Accrued expenses and other liabilities, $645 million; and Long-term debt, $53 million.
(3) "VIEs that we consolidate" has been revised to correct previously reported amount.

Transactions with Unconsolidated VIEs

Our transactions with VIEs include securitizations of consumer loans, CRE loans, student loans, auto loans and municipal bonds; investment and financing activities involving CDOs backed by asset-backed and CRE securities, collateralized loan obligations (CLOs) backed by corporate loans or bonds, and other types of structured financing. We have various forms of involvement with VIEs, including holding senior or subordinated interests, entering into liquidity arrangements, credit default swaps and other derivative contracts. These involvements with unconsolidated VIEs are recorded on our balance sheet primarily in trading assets, securities available for sale, loans, MSRs, other assets and other liabilities, as appropriate.

The following tables provide a summary of unconsolidated VIEs with which we have significant continuing involvement, but are not the primary beneficiary. The balances presented for December 31, 2010, represent our unconsolidated VIEs for which we consider our involvement to be significant. The balances presented for December 31, 2009, include unconsolidated VIEs with which we have continuing involvement that we no longer consider significant. Accordingly, we have excluded these transactions from the balances presented for December 31, 2010. We have refined our definition of significant continuing involvement in accordance with consolidation accounting guidance to exclude unconsolidated VIEs when our continuing involvement relates to third-party sponsored VIEs for which we were not the transferor, and unconsolidated VIEs for which we were the sponsor but do not have any other significant continuing involvement.

Significant continuing involvement includes transactions where we were the sponsor or transferor and have other significant forms of involvement. Sponsorship includes transactions with unconsolidated VIEs where we solely or materially participated in the initial design or structuring of the entity or marketing of the transaction to investors. When we

transfer assets to a VIE and account for the transfer as a sale, we are considered the transferor. We consider investments in securities held outside of trading, loans, guarantees, liquidity agreements, written options and servicing of collateral to be other forms of involvement that may be significant. We have excluded certain transactions with unconsolidated VIEs from the December 31, 2010, balances presented in the table below where we have determined that our continuing involvement is not significant due to the temporary nature and size of our variable interests, because we were not the transferor or because we were not involved in the design or operations of the unconsolidated VIEs.

(in millions)	Total VIE assets	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
December 31, 2010						
					Carrying value - asset (liability)	
Residential mortgage loan securitizations:						
Conforming	$ 1,068,737	5,527	12,115	-	(928)	16,714
Other/nonconforming	76,304	2,997	495	6	(107)	3,391
Commercial mortgage securitizations	190,377	5,506	608	261	-	6,375
Collateralized debt obligations:						
Debt securities	20,046	1,436	-	844	-	2,280
Loans (2)	9,970	9,689	-	-	-	9,689
Asset-based finance structures	12,055	6,556	-	(118)	-	6,438
Tax credit structures	20,981	3,614	-	-	(1,129)	2,485
Collateralized loan obligations	13,196	2,804	-	56	-	2,860
Investment funds	10,522	1,416	-	-	-	1,416
Other (3)	20,031	3,221	43	377	(6)	3,635
Total	$ 1,442,219	42,766	13,261	1,426	(2,170)	55,283
					Maximum exposure to loss	
Residential mortgage loan securitizations:						
Conforming		$ 5,527	12,115	-	4,248	21,890
Other/nonconforming		2,997	495	6	233	3,731
Commercial mortgage securitizations		5,506	608	488	-	6,602
Collateralized debt obligations:						
Debt securities		1,436	-	2,850	7	4,293
Loans (2)		9,689	-	-	-	9,689
Asset-based finance structures		6,556	-	118	2,175	8,849
Tax credit structures		3,614	-	-	1	3,615
Collateralized loan obligations		2,804	-	56	519	3,379
Investment funds		1,416	-	-	87	1,503
Other (3)		3,221	43	916	162	4,342
Total		$ 42,766	13,261	4,434	7,432	67,893

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(in millions)	Total VIE assets	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
December 31, 2009						
					Carrying value - asset (liability)	
Residential mortgage loan securitizations (4):						
Conforming	$ 1,150,515	5,846	13,949	-	(869)	18,926
Other/nonconforming	251,850	11,683	1,538	16	(15)	13,222
Commercial mortgage securitizations	345,561	3,760	696	489	-	4,945
Collateralized debt obligations:						
Debt securities	45,684	3,024	-	1,746	-	4,770
Loans (2)	10,215	9,964	-	-	-	9,964
Multi-seller commercial paper conduit (5)	5,160	-	-	-	-	-
Asset-based finance structures	17,467	10,187	-	(72)	(248)	9,867
Tax credit structures	27,537	4,659	-	-	(653)	4,006
Collateralized loan obligations	23,830	3,602	-	64	-	3,666
Investment funds	84,642	1,831	-	-	(129)	1,702
Other (3)	23,538	3,626	50	1,015	(293)	4,398
Total	$ 1,985,999	58,182	16,233	3,258	(2,207)	75,466
					Maximum exposure to loss	
Residential mortgage loan securitizations (4):						
Conforming		$ 5,846	13,949	-	4,567	24,362
Other/nonconforming		11,683	1,538	30	218	13,469
Commercial mortgage securitizations		3,760	696	766	-	5,222
Collateralized debt obligations:						
Debt securities		3,024	-	3,586	33	6,643
Loans (2)		9,964	-	-	-	9,964
Multi-seller commercial paper conduit (5)		-	-	5,263	-	5,263
Asset-based finance structures		10,187	-	72	968	11,227
Tax credit structures		4,659	-	-	4	4,663
Collateralized loan obligations		3,702	-	64	473	4,239
Investment funds (6)		2,331	-	500	218	3,049
Other (3)		3,626	50	1,818	1,774	7,268
Total		$ 58,782	16,233	12,099	8,255	95,369

(1) Excludes certain debt securities held related to loans serviced for FNMA, FHLMC and GNMA.
(2) Represents senior loans to trusts that are collateralized by asset-backed securities. The trusts invest primarily in senior tranches from a diversified pool of primarily U.S. asset securitizations, of which all are current, and over 91% were rated as investment grade by the primary rating agencies at December 31, 2010. These senior loans were acquired in the Wachovia business combination and are accounted for at amortized cost as initially determined under purchase accounting and are subject to the Company's allowance and credit charge-off policies.
(3) Includes student loan securitizations, auto loan securitizations and credit-linked note structures. Also contains investments in auction rate securities (ARS) issued by VIEs that we do not sponsor and, accordingly, are unable to obtain the total assets of the entity.
(4) Total VIE assets at December 31, 2009, includes $20.9 billion of nonconforming residential mortgage securitizations that were consolidated in first quarter 2010.
(5) The multi-seller commercial paper conduit was consolidated in first quarter 2010.
(6) "Other commitments and guarantees" has been revised to correct previously reported amount.

In the two preceding tables, "Total VIE assets" represents the remaining principal balance of assets held by unconsolidated VIEs using the most current information available. For VIEs that obtain exposure to assets synthetically through derivative instruments, the remaining notional amount of the derivative is included in the asset balance. "Carrying value" is the amount in our consolidated balance sheet related to our involvement with the unconsolidated VIEs. "Maximum exposure to loss" from our involvement with off-balance sheet entities, which is a required disclosure under GAAP, is determined as the carrying value of our involvement with off-balance sheet (unconsolidated) VIEs plus the remaining undrawn liquidity and lending commitments, the notional amount of net written derivative contracts, and generally the notional amount of, or stressed loss estimate for, other commitments and guarantees. It represents estimated loss that would be incurred under severe, hypothetical circumstances, for which we believe the possibility is extremely remote, such as where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. Accordingly, this required disclosure is not an indication of expected loss.

RESIDENTIAL MORTGAGE LOANS Residential mortgage loan securitizations are financed through the issuance of fixed- or floating-rate-asset-backed-securities, which are collateralized by the loans transferred to a VIE. We typically transfer loans we originated to these VIEs, account for the transfers as sales, retain the right to service the loans and may hold other beneficial interests issued by the VIEs. We also may be exposed to limited liability related to recourse agreements and repurchase agreements we make to our issuers and purchasers, which are included in other commitments and guarantees. In certain instances, we may service residential mortgage loan securitizations structured by third parties whose loans we did not originate or transfer. Our residential mortgage loan securitizations consist of conforming and nonconforming securitizations.

Conforming residential mortgage loan securitizations are those that are guaranteed by GSEs, including GNMA. We do not consolidate our conforming residential mortgage loan securitizations because we do not have power over the VIEs.

The loans sold to the VIEs in nonconforming residential mortgage loan securitizations are those that do not qualify for a GSE guarantee. We do not consolidate the nonconforming residential mortgage loan securitizations included in the table because we do not have a variable interest that could potentially be significant or we do not have power to direct the activities that most significantly impact the performance of the VIE.

Other commitments and guarantees include amounts related to loans sold that we may be required to repurchase, or otherwise indemnify or reimburse the investor or insurer for losses incurred, due to material breach of contractual representations and warranties. The maximum exposure to loss for material breach of contractual representations and warranties represents a stressed case estimate we utilize for determining stressed case regulatory capital needs.

COMMERCIAL MORTGAGE LOAN SECURITIZATIONS Commercial mortgage loan securitizations are financed through the issuance of fixed- or floating-rate-asset-backed-securities, which are collateralized by the loans transferred to the VIE. In a typical securitization, we may transfer loans we originate to these VIEs, account for the transfers as sales, retain the right to service the loans and may hold other beneficial interests issued by the VIEs. In certain instances, we may service commercial mortgage loan securitizations structured by third parties whose loans we did not originate or transfer. We typically serve as primary or master servicer of these VIEs. The primary or master servicer in a commercial mortgage loan securitization typically cannot make the most significant decisions impacting the performance of the VIE and therefore does not have power over the VIE. We do not consolidate the commercial mortgage loan securitizations included in the disclosure because we either do not have power or do not have a variable interest that could potentially be significant to the VIE.

COLLATERALIZED DEBT OBLIGATIONS (CDOs) A CDO is a securitization where an SPE purchases a pool of assets consisting of asset-backed securities and issues multiple tranches of equity or notes to investors. In some transactions, a portion of the assets are obtained synthetically through the use of derivatives such as credit default swaps or total return swaps.

Prior to 2008, we engaged in the structuring of CDOs on behalf of third party asset managers who would select and manage the assets for the CDO. Typically, the asset manager has some discretion to manage the sale of assets of, or derivatives used by the CDO, which generally gives the asset manager the power over the CDO. We have not structured these types of transactions since the credit market disruption began in late 2007.

In addition to our role as arranger we may have other forms of involvement with these transactions, including transactions established prior to 2008. Such involvement may include acting as liquidity provider, derivative counterparty, secondary market maker or investor. For certain transactions, we may also act as the collateral manager or servicer. We receive fees in connection with our role as collateral manager or servicer.

We assess whether we are the primary beneficiary of CDOs based on our role in the transaction in combination with the variable interests we hold. Subsequently, we monitor our ongoing involvement in these transactions to determine if the nature of our involvement has changed. We are not the primary beneficiary of these transactions in most cases because we do not act as the collateral manager or servicer, which generally denotes power. In cases where we are the collateral manager or servicer, we are not the primary beneficiary because we do not hold interests that could potentially be significant to the VIE.

COLLATERALIZED LOAN OBLIGATIONS (CLOs) A CLO is a securitization where an SPE purchases a pool of assets consisting of loans and issues multiple tranches of equity or notes to investors. Generally, CLOs are structured on behalf of a third party asset manager that typically selects and manages the assets for the term of the CLO. Typically, the asset manager has the power over the significant decisions of the VIE through its discretion to manage the assets of the CLO. We assess whether we are the primary beneficiary of CLOs based on our role in the transaction and the variable interests we hold. In most cases, we are not the primary beneficiary of these transactions because we do not have the power to manage the collateral in the VIE.

In addition to our role as arranger, we may have other forms of involvement with these transactions. Such involvement may include acting as underwriter, derivative counterparty, secondary market maker or investor. For certain transactions, we may also act as the servicer, for which we receive fees in connection with that role. We also earn fees for arranging these transactions and distributing the securities.

ASSET-BASED FINANCE STRUCTURES We engage in various forms of structured finance arrangements with VIEs that are collateralized by various asset classes including energy contracts, auto and other transportation leases, intellectual property, equipment and general corporate credit. We typically provide senior financing, and may act as an interest rate swap or commodity derivative counterparty when necessary. In most cases, we are not the primary beneficiary of these structures because we do not have power over the significant activities of the VIEs involved in these transactions.

For example, we have investments in asset-backed securities that are collateralized by auto leases or loans and cash reserves. These fixed-rate and variable-rate securities have been structured as single-tranche, fully amortizing, unrated bonds that are equivalent to investment-grade securities due to their significant overcollateralization. The securities are issued by VIEs that have been formed by third party auto financing institutions primarily because they require a source of liquidity to fund ongoing vehicle sales operations. The third party auto financing institutions manage the collateral in the VIEs, which is indicative of power in these transactions and we therefore do not consolidate these VIEs.

TAX CREDIT STRUCTURES We co-sponsor and make investments in affordable housing and sustainable energy projects that are designed to generate a return primarily through the realization of federal tax credits. In some instances, our investments in these structures may require that we fund future capital commitments at the discretion of the project sponsors. While the size of our investment in a single entity may at times exceed 50% of the outstanding equity interests, we do not consolidate these structures due to the project sponsor's ability to manage the projects, which is indicative of power in these transactions.

INVESTMENT FUNDS At December 31, 2010, we had investments of $1.4 billion and lending arrangements of $14 million with certain funds managed by one of our majority owned subsidiaries compared with investments of $1.3 billion and lending arrangements of $20 million at December 31, 2009. In addition, we also provide a default protection agreement to a third party lender to one of these funds. Our involvement in these funds is either senior or of equal priority to third party investors. We do not consolidate the investment funds because we do not absorb the majority of the expected future variability associated with the funds' assets, including variability associated with credit, interest rate and liquidity risks.

OTHER TRANSACTIONS WITH VIEs In August 2008, Wachovia reached an agreement to purchase at par auction rate securities (ARS) that were sold to third-party investors by certain of its subsidiaries. ARS are debt instruments with long-term maturities, but which re-price more frequently, and preferred equities with no maturity. All remaining ARS issued by VIEs subject to the agreement were redeemed. At December 31, 2010, we held in our securities available-for-sale portfolio $1.6 billion of ARS issued by VIEs redeemed pursuant to this agreement, compared with $3.2 billion at December 31, 2009.

On November 18, 2009, we reached agreements to purchase additional ARS from eligible investors who bought ARS through one of our broker-dealer subsidiaries. All remaining ARS issued by VIEs subject to the agreement were redeemed. As of December 31, 2010, we held in our securities available-for-sale portfolio $892 million of ARS issued by VIEs redeemed pursuant to this agreement. No securities had been redeemed related to this agreement at December 31, 2009.

We do not consolidate the VIEs that issued the ARS because we do not have power over the activities of the VIEs.

TRUST PREFERRED SECURITIES In addition to the involvements disclosed in the preceding table, we had $19.3 billion and $19.1 billion of junior subordinated debt financing through the issuance of trust preferred securities at December 31, 2010 and 2009, respectively. In these transactions, VIEs that we wholly own issue preferred equity or debt securities to third party investors. All of the proceeds of the issuance are invested in debt securities that we issue to the VIEs. The VIEs' operations and cash flows relate only to the issuance, administration and repayment of the securities held by third parties. We do not consolidate these VIEs because the sole assets of the VIEs are receivables from us. This is the case even though we own all of the voting equity shares of the VIEs, have fully guaranteed the obligations of the VIEs and may have the right to redeem the third party securities under certain circumstances. We report the debt securities that we issue to the VIEs as long-term debt in our consolidated balance sheet. See Note 13 and Note 17 for additional information related to our trust preferred security issuances.

Securitization Activity Related to Unconsolidated VIEs

We use VIEs to securitize consumer and CRE loans and other types of financial assets, including student loans, auto loans and municipal bonds. We typically retain the servicing rights from these sales and may continue to hold other beneficial interests in the VIEs. We may also provide liquidity to investors in the beneficial interests and credit enhancements in the form of standby letters of credit. Through these securitizations we may be exposed to liability under limited amounts of recourse as well as standard representations and warranties we make to purchasers and issuers.

We recognized net gains of $27 million from transfers accounted for as sales of financial assets in securitizations in 2010, and net gains of $1 million in 2009. Additionally, we had the following cash flows with our securitization trusts that were involved in transfers accounted for as sales.

	Year ended December 31,			
	2010		2009	
(in millions)	**Mortgage loans**	**Other financial assets**	Mortgage loans	Other financial assets
Sales proceeds from securitizations (1)	**$ 374,488**	**-**	394,632	-
Servicing fees	**4,316**	**34**	4,283	42
Other interests held (2)	**1,786**	**442**	3,757	310
Purchases of delinquent assets	**25**	**-**	45	-
Net servicing advances	**49**	**-**	257	-

(1) Represents cash flow data for all loans securitized in the period presented.
(2) "Other financial assets" for 2009 has been revised to correct previously reported amount.

Sales with continuing involvement during 2010 predominantly related to conforming residential mortgage securitizations. During 2010 we transferred $379.0 billion in fair value of conforming residential mortgages to unconsolidated VIEs and recorded the transfers as sales. These transfers did not result in a gain or loss because the loans are already carried at fair value. In connection with these transfers, in 2010 we recorded a $4.5 billion servicing asset and a $144 million liability for repurchase reserves, which are both initially measured at fair value.

We used the following key assumptions to measure mortgage servicing assets at the date of securitization:

	Mortgage servicing rights	
	2010	2009
Prepayment speed (annual CPR (1))	**13.5 %**	13.4
Life (in years)	**5.4**	5.6
Discount rate	**8.0 %**	8.3

(1) Constant prepayment rate.

Key economic assumptions and the sensitivity of the current fair value to immediate adverse changes in those assumptions at December 31, 2010, for residential and commercial mortgage servicing rights, and other interests held related primarily to residential mortgage loan securitizations are presented in the following table. In the following table "Other interests held" exclude securities retained in securitizations issued through GSEs such as FNMA, FHLMC and GNMA because we do not believe the value of these securities would be materially affected by the adverse changes in assumptions noted in the table. Subordinated interests include only those bonds whose credit rating was below AAA by a major rating agency at issuance. Senior interests include only those bonds whose credit rating was AAA by a major rating agency at issuance. The information presented excludes trading positions held in inventory.

		Other interests held		
(in millions)	Mortgage servicing rights	Interest-only strips	Subordinated bonds	Senior bonds
Fair value of interests held at December 31, 2010	$ 16,279	226	47	441
Expected weighted-average life (in years)	5.2	5.2	8.3	4.5
Prepayment speed assumption (annual CPR)	12.6 %	11.4	4.8	18.1
Decrease in fair value from:				
10% adverse change	$ 844	7	-	2
25% adverse change	1,992	16	-	6
Discount rate assumption	8.1 %	17.8	10.2	6.8
Decrease in fair value from:				
100 basis point increase	$ 777	6	3	14
200 basis point increase	1,487	13	6	27
Credit loss assumption			0.7 %	3.7
Decrease in fair value from:				
10% higher losses			$ -	1
25% higher losses			-	3

The sensitivities in the preceding table are hypothetical and caution should be exercised when relying on this data. Changes in value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in the assumption to the change in value may not be linear. Also, the effect of a variation in a particular assumption on the value of the other interests held is calculated independently without changing any other assumptions. In reality, changes in one factor may result in changes in others (for example, changes in prepayment speed estimates could result in changes in the credit losses), which might magnify or counteract the sensitivities.

The following table presents information about the principal balances of off-balance sheet securitized loans, including residential mortgages sold to FNMA, FHLMC and GNMA and securitizations where servicing is our only form of continuing involvement. Delinquent loans include loans 90 days or more past due and still accruing interest as well as nonaccrual loans. Delinquent loans and net charge-offs exclude loans sold to FNMA, FHLMC and GNMA. We continue to service those loans and would only experience a loss if required to repurchase a delinquent loan due to a breach in original representations and warranties associated with their required underwriting standards.

	Total loans		Delinquent loans		Net charge-offs Year ended	
	December 31,		December 31,		December 31,	
(in millions)	**2010**	2009	**2010**	2009	**2010**	2009
Commercial:						
Commercial and industrial	$ **1**	78	**-**	65	**-**	-
Real estate mortgage	**207,015**	221,516	**11,515**	7,208	**919**	108
Total commercial	**207,016**	221,594	**11,515**	7,273	**919**	108
Consumer:						
Real estate 1-4 family first mortgage	**1,090,755**	1,062,938	**5,275**	7,501	**1,408**	1,287
Real estate 1-4 family junior lien mortgage	**1**	3,292	**-**	76	**-**	54
Other revolving credit and installment	**2,454**	5,104	**102**	100	**-**	107
Total consumer	**1,093,210**	1,071,334	**5,377**	7,677	**1,408**	1,448
Total off-balance sheet securitized loans	$ **1,300,226**	1,292,928	**16,892**	14,950	**2,327**	1,556

Transactions with Consolidated VIEs and Secured Borrowings

The following table presents a summary of transfers of financial assets accounted for as secured borrowings and involvements with consolidated VIEs. "Consolidated assets" are presented using GAAP measurement methods, which may include fair value, credit impairment or other adjustments, and therefore in some instances will differ from "Total VIE assets." On the consolidated balance sheet, we separately disclose the consolidated assets of certain VIEs that can only be used to settle the liabilities of those VIEs.

			Carrying value			
(in millions)		Total VIE assets	Consolidated assets	Third party liabilities	Noncontrolling interests	Net assets
December 31, 2010						
Secured borrowings:						
Municipal tender option bond securitizations	**$**	**10,687**	**7,874**	**(7,779)**	**-**	**95**
Auto loan securitizations		**154**	**154**	**-**	**-**	**154**
Commercial real estate loans		**1,321**	**1,321**	**(1,272)**	**-**	**49**
Residential mortgage securitizations		**700**	**618**	**(436)**	**-**	**182**
Total secured borrowings		**12,862**	**9,967**	**(9,487)**	**-**	**480**
Consolidated VIEs:						
Nonconforming residential mortgage loan securitizations		**14,518**	**13,529**	**(6,723)**	**-**	**6,806**
Multi-seller commercial paper conduit		**3,197**	**3,197**	**(3,279)**	**-**	**(82)**
Auto loan securitizations		**1,010**	**1,010**	**(955)**	**-**	**55**
Structured asset finance		**146**	**146**	**(21)**	**(11)**	**114**
Investment funds		**1,197**	**1,197**	**(54)**	**(14)**	**1,129**
Other		**2,173**	**2,170**	**(1,697)**	**(15)**	**458**
Total consolidated VIEs		**22,241**	**21,249**	**(12,729)**	**(40)**	**8,480**
Total secured borrowings and consolidated VIEs	**$**	**35,103**	**31,216**	**(22,216)**	**(40)**	**8,960**
December 31, 2009						
Secured borrowings:						
Municipal tender option bond securitizations (1)	$	9,649	7,189	(6,856)	-	333
Auto loan securitizations		274	274	(121)	-	153
Commercial real estate loans		1,309	1,309	(1,269)	-	40
Residential mortgage securitizations		901	792	(552)	-	240
Total secured borrowings		12,133	9,564	(8,798)	-	766
Consolidated VIEs:						
Structured asset finance (2)		2,791	1,074	(919)	(10)	145
Investment funds		2,257	2,245	(271)	(33)	1,941
Other (2)		2,697	1,981	(1,032)	(25)	924
Total consolidated VIEs		7,745	5,300	(2,222)	(68)	3,010
Total secured borrowings and consolidated VIEs	$	19,878	14,864	(11,020)	(68)	3,776

(1) "Total VIE assets" has been revised to correct previously reported amount.
(2) "Third party liabilities" has been revised to correct previously reported amounts.

In addition to the transactions included in the table above, at December 31, 2010, we had issued approximately $6.0 billion of private placement debt financing through a consolidated VIE. The issuance is classified as long-term debt in our consolidated financial statements. At December 31, 2010, we had pledged approximately $6.0 billion in loans, $478 million in securities available for sale and $180 million in cash and cash equivalents to collateralize the VIE's borrowings. Such assets were not transferred to the VIE and accordingly we have excluded the VIE from the previous table.

We have raised financing through the securitization of certain financial assets in transactions with VIEs accounted for as secured borrowings. We also consolidate VIEs where we are the primary beneficiary. In certain transactions other than the multi-seller commercial paper conduit, we provide contractual support in the form of limited recourse and liquidity to facilitate the remarketing of short-term securities issued to third party investors. Other than this limited contractual support, the assets of the VIEs are the sole source of repayment of the securities held by third parties. The liquidity support we provide to the multi-seller commercial paper conduit ensures timely repayment of commercial paper issued by the conduit and is described further below.

NONCONFORMING RESIDENTIAL MORTGAGE LOAN SECURITIZATIONS We have consolidated certain of our nonconforming residential mortgage loan securitizations in accordance with consolidation accounting guidance. We have determined we are the primary beneficiary of these securitizations because we have the power to direct the most significant activities of the entity through our role as primary servicer and also hold variable interests that we have determined to be significant. The nature of our variable interests in these entities may include beneficial interests issued by the VIE, mortgage servicing rights and recourse or repurchase reserve liabilities.

MULTI-SELLER COMMERCIAL PAPER CONDUIT We administer a multi-seller asset-based commercial paper conduit that finances certain client transactions. This conduit is a bankruptcy remote entity that makes loans to, or purchases certificated interests, generally from SPEs, established by our clients (sellers) and which are secured by pools of financial assets. The conduit funds itself through the issuance of highly rated commercial paper to third party investors. The primary source of repayment of the commercial paper is the cash flows from the conduit's assets or the re-issuance of commercial paper upon maturity. The conduit's assets are structured with deal-specific credit enhancements generally in the form of overcollateralization provided by the seller, but may also include subordinated interests, cash reserve accounts, third party credit support facilities and excess spread capture. The timely repayment of the commercial paper is further supported by asset-specific liquidity facilities in the form of liquidity asset purchase agreements that we provide. Each facility is equal to 102% of the conduit's funding commitment to a client. The aggregate amount of liquidity must be equal to or greater than all the commercial paper issued by the conduit. At the discretion of the administrator, we may be required to purchase assets from the conduit at par value plus accrued interest or discount on the related commercial paper, including situations where the conduit is unable to issue commercial paper. Par value may be different from fair value.

We receive fees in connection with our role as administrator and liquidity provider. We may also receive fees related to the structuring of the conduit's transactions. In 2010, the conduit terminated its subordinated note to a third party investor and repaid all amounts due under the terms of the note agreement. We incurred a loss on the termination of the subordinated note of $16 million. We are the primary beneficiary of the conduit because we have power over the significant activities of the conduit and have a significant variable interest due to our liquidity arrangement.

Note 9: Mortgage Banking Activities

Mortgage banking activities, included in the Community Banking and Wholesale Banking operating segments, consist of residential and commercial mortgage originations and servicing.

We apply the amortization method to all commercial and some residential MSRs and apply the fair value method to only residential MSRs. The changes in MSRs measured using the fair value method were:

	Year ended December 31,		
(in millions)	**2010**	2009	2008
Fair value, beginning of year	$ **16,004**	14,714	16,763
Adjustments from adoption of consolidation accounting guidance	**(118)**	-	-
Purchases	**-**	-	191
Acquired from Wachovia (1)	**-**	34	479
Servicing from securitizations or asset transfers	**4,092**	6,226	3,450
Sales	**-**	-	(269)
Net additions	**3,974**	6,260	3,851
Changes in fair value:			
Due to changes in valuation model inputs or assumptions (2)	**(2,957)**	(1,534)	(3,341)
Other changes in fair value (3)	**(2,554)**	(3,436)	(2,559)
Total changes in fair value	**(5,511)**	(4,970)	(5,900)
Fair value, end of year	$ **14,467**	16,004	14,714

(1) The 2009 amount reflects refinements to initial December 31, 2008, Wachovia purchase accounting adjustments.
(2) Principally reflects changes in discount rates and prepayment speed assumptions, mostly due to changes in interest rates, and costs to service, including delinquency and foreclosure costs.
(3) Represents changes due to collection/realization of expected cash flows over time.

The changes in amortized MSRs were:

	Year ended December 31,		
(in millions)	**2010**	2009	2008
Balance, beginning of year	$ **1,119**	1,446	466
Adjustments from adoption of consolidation accounting guidance	**(5)**	-	-
Purchases	**58**	11	10
Acquired from Wachovia (1)	**-**	(135)	1,021
Servicing from securitizations or asset transfers	**478**	61	24
Amortization	**(228)**	(264)	(75)
Balance, end of year (2)	**1,422**	1,119	1,446
Valuation allowance:			
Balance, beginning of year	**-**	-	-
Provision for MSRs in excess of fair value	**(3)**	-	-
Balance, end of year (3)	**(3)**	-	-
Amortized MSRs, net	$ **1,419**	1,119	1,446
Fair value of amortized MSRs:			
Beginning of year	$ **1,261**	1,555	573
End of year (4)	**1,812**	1,261	1,555

(1) The 2009 amount reflects refinements to initial December 31, 2008, Wachovia purchase accounting adjustments.
(2) Includes $400 million in residential amortized MSRs at December 31, 2010. The 2009 and 2008 balances are commercial amortized MSRs. For the year ended December 31, 2010, servicing from securitizations or asset transfers on the residential MSR portfolio was $405 million and the residential MSR amortization was $(5) million.
(3) Commercial amortized MSRs are evaluated for impairment purposes by the following risk strata: agency (GSEs) and non-agency. There was no valuation allowance recorded for the periods presented on the commercial amortized MSRs. Residential amortized MSRs are evaluated for impairment purposes by the following risk strata: Mortgages sold to GSEs (FHLMC and FNMA) and mortgages sold to GNMA, each by interest rate stratifications. A valuation allowance of $3 million was recorded on the residential amortized MSRs for the year ended December 31, 2010.
(4) Includes fair value of $441 million in residential amortized MSRs and $1,371 million in commercial amortized MSRs at December 31, 2010.

We present the components of our managed servicing portfolio in the following table at unpaid principal balance for loans serviced and subserviced for others and at book value for owned loans serviced.

(in billions)		December 31, 2010	2009	2008
Residential mortgage servicing:				
Serviced for others	$	**1,429**	1,422	1,388
Owned loans serviced		**371**	364	378
Subservicing		**9**	10	15
Total residential servicing		**1,809**	1,796	1,781
Commercial mortgage servicing:				
Serviced for others		**408**	454	472
Owned loans serviced		**99**	105	103
Subservicing		**13**	10	11
Total commercial servicing		**520**	569	586
Total managed servicing portfolio	$	**2,329**	2,365	2,367
Total serviced for others	$	**1,837**	1,876	1,860
Ratio of MSRs to related loans serviced for others		**0.86 %**	0.91	0.87

The components of mortgage banking noninterest income were:

(in millions)		Year ended December 31, 2010	2009	2008
Servicing income, net:				
Servicing fees (1)(2)	$	**4,597**	4,176	4,109
Changes in fair value of MSRs carried at fair value:				
Due to changes in valuation model inputs or assumptions (3)		**(2,957)**	(1,534)	(3,341)
Other changes in fair value (4)		**(2,554)**	(3,436)	(2,559)
Total changes in fair value of MSRs carried at fair value		**(5,511)**	(4,970)	(5,900)
Amortization, net of impairment		**(228)**	(264)	(75)
Provision for MSRs in excess of fair value		**(3)**	-	-
Net derivative gains from economic hedges (5)		**4,485**	6,849	3,099
Total servicing income, net		**3,340**	5,791	1,233
Net gains on mortgage loan origination/sales activities (2)		**6,397**	6,237	1,292
Total mortgage banking noninterest income	$	**9,737**	12,028	2,525
Market-related valuation changes to MSRs, net of hedge results (3) + (5)	$	**1,528**	5,315	(242)

(1) Amounts are presented net of certain unreimbursed direct servicing obligations primarily associated with workout activities.
(2) 2009 and 2008 amounts have been revised to conform with current period presentation.
(3) Principally reflects changes in discount rates and prepayment speed assumptions, mostly due to changes in interest rates and costs to service, including delinquency and foreclosure costs.
(4) Represents changes due to collection/realization of expected cash flows over time.
(5) Represents results from free-standing derivatives (economic hedges) used to hedge the risk of changes in fair value of MSRs. See Note 15 – Free-Standing Derivatives for additional discussion and detail.

Note 9: Mortgage Banking Activities *(continued)*

In addition, servicing fees in the previous table included:

	Year ended December 31,		
(in millions)	**2010**	2009	2008
Contractually specified servicing fees	$ **4,566**	4,473	3,904
Late charges	**360**	330	283
Ancillary fees	**434**	287	148

The table below summarizes the changes in our liability for mortgage loan repurchase losses. This liability is in "Accrued expenses and other liabilities" in our consolidated financial statements and the provision for repurchase losses reduces net gains on mortgage loan origination/sales activities.

	Year ended December 31,		
(in millions)	**2010**	2009	2008
Balance, beginning of year	$ **1,033**	589	253
Wachovia acquisition (1)	**-**	31	187
Provision for repurchase losses:			
Loan sales	**144**	302	165
Change in estimate – primarily due to credit deterioration	**1,474**	625	234
Total additions	**1,618**	958	586
Losses	**(1,362)**	(514)	(250)
Balance, end of year	$ **1,289**	1,033	589

(1) The 2009 amount is refinement to initial December 31, 2008, Wachovia purchase accounting adjustments.

Note 10: Intangible Assets

The gross carrying value of intangible assets and accumulated amortization was:

	December 31,					
	2010			2009		
(in millions)	**Gross carrying value**	**Accumulated amortization**	**Net carrying value**	Gross carrying value	Accumulated amortization	Net carrying value
Amortized intangible assets:						
MSRs (1)	**$ 2,131**	**(712)**	**1,419**	1,606	(487)	1,119
Core deposit intangibles	**15,133**	**(6,229)**	**8,904**	15,140	(4,366)	10,774
Customer relationship and other intangibles	**3,077**	**(1,230)**	**1,847**	3,050	(896)	2,154
Total amortized intangible assets	**$ 20,341**	**(8,171)**	**12,170**	19,796	(5,749)	14,047
MSRs (carried at fair value) (1)	**$ 14,467**		**14,467**	16,004		16,004
Goodwill	**24,770**		**24,770**	24,812		24,812
Trademark	**14**		**14**	14		14

(1) See Note 9 for additional information on MSRs.

We based our projections of amortization expense shown below on existing asset balances at December 31, 2010. Future amortization expense may vary from these projections.

The following table provides the current year and estimated future amortization expense for amortized intangible assets.

(in millions)	Amortized MSRs	Core deposit intangibles	Customer relationship and other intangibles	Total
Year ended December 31, 2010 (actual)	**$ 228**	**1,872**	**334**	**2,434**
Estimate for year ended December 31,				
2011	$ 247	1,593	286	2,126
2012	222	1,396	269	1,887
2013	189	1,241	249	1,679
2014	161	1,113	234	1,508
2015	139	1,022	212	1,373

Note 10: Intangible Assets *(continued)*

For our goodwill impairment analysis, we allocate all of the goodwill to the individual operating segments. We identify reporting units that are one level below an operating segment (referred to as a component), and distinguish these reporting units based on how the segments and components are managed, taking into consideration the economic characteristics, nature of the products and customers of the components. We allocate goodwill to reporting units based on relative fair value, using certain performance metrics. See Note 23 for further information on management reporting.

The following table shows the allocation of goodwill to our operating segments for purposes of goodwill impairment testing. In fourth quarter 2010, we realigned certain lending businesses into Wholesale Banking from Community Banking to reflect our previously announced restructuring of Wells Fargo Financial. Prior periods have been revised to reflect these changes. The reduction in 2010 was predominately due to reversals of excess exit reserves as discussed in Note 2.

(in millions)	Community Banking	Wholesale Banking	Wealth, Brokerage and Retirement	Consolidated Company
December 31, 2008	$ 16,638	5,621	368	22,627
Goodwill from business combinations	1,329	844	5	2,178
Foreign currency translation adjustments	7	-	-	7
December 31, 2009	**17,974**	**6,465**	**373**	**24,812**
Goodwill from business combinations, net	**(52)**	**10**	**-**	**(42)**
December 31, 2010	**$ 17,922**	**6,475**	**373**	**24,770**

Note 11: Deposits

Time certificates of deposit (CDs) and other time deposits issued by domestic offices totaled $90.6 billion and $117.0 billion at December 31, 2010 and 2009, respectively. Substantially all of these deposits were interest bearing. The contractual maturities of these deposits follow.

(in millions)	December 31, 2010
2011	$ 43,612
2012	15,624
2013	17,977
2014	3,831
2015	7,024
Thereafter	2,500
Total	$ 90,568

Of these deposits, the amount of time deposits with a denomination of $100,000 or more was $33.9 billion and $43.7 billion at December 31, 2010 and 2009, respectively. The contractual maturities of these deposits follow.

(in millions)	December 31, 2010
Three months or less	$ 5,320
After three months through six months	1,358
After six months through twelve months	8,086
After twelve months	19,097
Total	$ 33,861

Time CDs and other time deposits issued by foreign offices with a denomination of $100,000 or more were $16.7 billion and $20.4 billion at December 31, 2010 and 2009, respectively.

Demand deposit overdrafts of $557.0 million and $667.0 million were included as loan balances at December 31, 2010 and 2009, respectively.

Note 12: Short-Term Borrowings

The table below shows selected information for short-term borrowings, which generally mature in less than 30 days.

(in millions)	2010 Amount	2010 Rate	2009 Amount	2009 Rate	2008 Amount	2008 Rate
As of December 31,						
Commercial paper and other short-term borrowings	**$ 17,454**	**0.26 %**	$ 12,950	0.39 %	$ 45,871	0.93 %
Federal funds purchased and securities sold under agreements to repurchase	**37,947**	**0.15**	26,016	0.08	62,203	1.12
Total	**$ 55,401**	**0.19**	$ 38,966	0.18	$ 108,074	1.04
Year ended December 31,						
Average daily balance						
Commercial paper and other short-term borrowings	**$ 16,330**	**0.31**	$ 27,793	0.43	$ 43,792	2.43
Federal funds purchased and securities sold under agreements to repurchase	**30,494**	**0.18**	24,179	0.46	22,034	1.88
Total	**$ 46,824**	**0.22**	$ 51,972	0.44	$ 65,826	2.25
Maximum month-end balance						
Commercial paper and other short-term borrowings (1)	**$ 17,646**	**N/A**	$ 62,871	N/A	$ 76,009	N/A
Federal funds purchased and securities sold under agreements to repurchase (2)	**37,947**	**N/A**	30,608	N/A	62,203	N/A

N/A- Not Applicable
(1) Highest month-end balance in each of the last three years was March 2010, February 2009 and August 2008.
(2) Highest month-end balance in each of the last three years was December 2010, February 2009 and December 2008.

We pledge certain financial instruments that we own to collateralize repurchase agreements and other securities financings. The types of collateral we pledge include securities issued by federal agencies, GSEs, and domestic and foreign companies. We pledged $27.3 billion and $14.8 billion at December 31, 2010 and 2009, respectively, under agreements that permit the secured parties to sell or repledge the collateral. Pledged collateral where the secured party cannot sell or repledge was $5.9 billion and $434 million at December 31, 2010 and 2009, respectively.

Note 13: Long-Term Debt

As a part of our overall interest rate risk management strategy, we often use derivatives to manage interest rate risk. As a result, much of the long-term debt presented below is hedged in a fair value or cash flow hedge relationship. See Note 15 for further information on qualifying hedge contracts.

Following is a summary of our long-term debt based on original maturity (reflecting unamortized debt discounts and premiums, and purchase accounting adjustments for debt assumed in the Wachovia acquisition, where applicable):

			December 31,	
			2010	2009 (1)
(in millions)	Maturity date(s)	Stated interest rate(s)		
Wells Fargo & Company (Parent only)				
Senior				
Fixed-rate notes (2)	2011-2035	2.125-6.75%	**$ 40,630**	46,266
Floating-rate notes (2)	2011-2048	Varies	**26,750**	41,231
Market-linked notes (3)	2011-2018	Varies	**545**	458
Total senior debt - Parent			**67,925**	87,955
Subordinated				
Fixed-rate notes	2011-2035	4.375-7.574%	**12,370**	12,148
Floating-rate notes	2015-2016	Varies	**1,118**	1,096
Total subordinated debt - Parent			**13,488**	13,244
Junior subordinated				
Fixed-rate notes - hybrid trust securities	2026-2068	5.625-10.18%	**11,257**	11,086
Floating-rate notes	2027-2036	Varies	**289**	282
FixFloat notes - income trust securities (4)	2042-2044	5.20-9.75% to 2011-2013, varies	**6,786**	6,786
Total junior subordinated debt - Parent (5)			**18,332**	18,154
Total long-term debt - Parent			**99,745**	119,353
Wells Fargo Bank, N.A. and other bank entities (Bank)				
Senior				
Fixed-rate notes	2011-2013	3.37-6.00%	**2,185**	2,609
Floating-rate notes	2011-2040	Varies	**4,186**	8,323
Fixed-rate advances - Federal Home Loan Bank (FHLB)	2011-2031	1.60-8.45%	**812**	2,665
Floating-rate advances - FHLB	2011-2013	Varies	**7,103**	31,146
Market-linked notes (3)	2011-2016	Varies	**229**	515
Capital leases (Note 7)	2011-2024	Varies	**26**	77
Total senior debt - Bank			**14,541**	45,335
Subordinated				
Fixed-rate notes	2011-2038	4.75-7.74%	**16,520**	18,220
Floating-rate notes	2014-2017	Varies	**1,945**	1,937
Total subordinated debt - Bank			**18,465**	20,157
Junior subordinated				
Fixed-rate notes	2026	8.00%	**317**	318
Floating-rate notes	2027	Varies	**278**	270
Total junior subordinated debt - Bank (5)			**595**	588
Long-term debt issued by VIE - Fixed rate	2012-2049	0.05-7.50%	**3,751**	105
Long-term debt issued by VIE - Floating rate	2012-2042	Varies	**4,053**	70
Mortgage notes and other debt	2011-2038	Varies	**8,639**	8,216
Total long-term debt - Bank			**50,044**	74,471

(continued on following page)

Note 13: Long-Term Debt *(continued)*

(continued from previous page)

(in millions)	Maturity date(s)	Stated interest rate(s)	December 31, 2010	2009 (1)
Other consolidated subsidiaries				
Senior				
Fixed-rate notes	2011-2015	3.97-6.125%	**6,147**	6,682
Floating-rate notes - FHLB			**-**	1,625
FixFloat notes	2020	6.795% through 2015, varies	**20**	-
Total senior debt - Other consolidated subsidiaries			**6,167**	8,307
Junior subordinated				
Fixed-rate notes	2011	5.50%	**10**	63
Floating-rate notes	2027-2036	Varies	**239**	241
FixFloat notes	2036	7.064% through 2011, varies	**78**	79
Total junior subordinated debt - Other consolidated subsidiaries (5)			**327**	383
Long-term debt issued by VIE - Fixed rate	2012-2020	5.16-5.98%	**84**	978
Long-term debt issued by VIE - Floating rate	2015-2021	Varies	**489**	10
Mortgage notes and other debt of subsidiaries	2013-2018	Varies	**127**	359
Total long-term debt - Other consolidated subsidiaries			**7,194**	10,037
Total long-term debt			**$ 156,983**	203,861

(1) Balances have been revised to conform with current period presentation.
(2) On December 10, 2008, Wells Fargo issued $3 billion of 3% fixed senior unsecured notes and $3 billion of floating senior unsecured notes both maturing on December 9, 2011. On March 30, 2009, Wells Fargo issued $1.75 billion of 2.125% fixed senior unsecured notes and $1.75 billion of floating senior unsecured notes both maturing on June 15, 2012. These notes are guaranteed under the Federal Deposit Insurance Corporation's (FDIC) Temporary Liquidity Guarantee Program (TGLP) and are backed by the full faith and credit of the United States.
(3) Consists of long-term notes where the performance of the note is linked to an embedded equity, commodity, or currency index, or basket of indices accounted for separately from the note as a free-standing derivative. For information on embedded derivatives, see Note 15 – Free-standing derivatives.
(4) We expect to issue preferred stock to the unconsolidated wholly-owned trusts that hold the income trust securities. The preferred stock issuance is contingent on the ability to raise sufficient proceeds through the sale of the income trust securities to third party investors. See Note 8 for our additional information on our trust preferred security structures and Note 17 for the preferred stock we expect to issue.
(5) Represents junior subordinated debentures held by unconsolidated wholly owned trusts formed for the sole purpose of issuing trust preferred securities. See Note 8 for additional information on our trust preferred security structures.

We participated in the FDIC's Temporary Liquidity Guarantee Program (TLGP). The TLGP had two components: the Debt Guarantee Program, which provided a temporary guarantee of newly issued senior unsecured debt issued by eligible entities; and the Transaction Account Guarantee Program, which provided a temporary unlimited guarantee of funds in noninterest-bearing transaction accounts at FDIC-insured institutions. We opted out of the TLGP effective January 1, 2010.

The aggregate annual maturities of long-term debt obligations (based on final maturity dates) as of December 31, 2010, follow.

(in millions)	Parent Company
2011	$ 21,771 36,223
2012	15,696 19,779
2013	10,088 15,750
2014	7,739 11,032
2015	3,584 8,553
Thereafter	40,867 65,646
Total	$ 99,745 156,983

The interest rates on floating-rate notes are determined periodically by formulas based on certain money market rates, subject, on certain notes, to minimum or maximum interest rates.

As part of our long-term and short-term borrowing arrangements, we are subject to various financial and operational covenants. Some of the agreements under which debt has been issued have provisions that may limit the merger or sale of certain subsidiary banks and the issuance of capital stock or convertible securities by certain subsidiary banks. At December 31, 2010, we were in compliance with all the covenants.

Note 14: Guarantees and Legal Actions

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby letters of credit, securities lending and other indemnifications, liquidity agreements, written put options, recourse obligations, residual value guarantees, and contingent consideration. The following table shows carrying value, maximum exposure to loss on our guarantees and the amount with a higher risk of performance.

	December 31,					
	2010			2009		
(in millions)	Carrying value	Maximum exposure to loss	Non-investment grade	Carrying value	Maximum exposure to loss	Non-investment grade
Standby letters of credit	$ 142	42,159	19,596	148	49,997	21,112
Securities lending and other indemnifications	45	13,645	3,993	51	20,002	2,512
Liquidity agreements (1)	-	49	1	66	7,744	-
Written put options (1)(2)	747	8,134	2,615	803	8,392	3,674
Loans and MHFS sold with recourse	119	5,474	3,564	96	5,049	2,400
Residual value guarantees	8	197	-	8	197	-
Contingent consideration	23	118	116	11	145	102
Other guarantees	-	73	-	-	55	2
Total guarantees	$ 1,084	69,849	29,885	1,183	91,581	29,802

(1) Certain of these agreements included in this table are related to off-balance sheet entities and, accordingly, are also disclosed in Note 8.
(2) Written put options, which are in the form of derivatives, are also included in the derivative disclosures in Note 15.

"Maximum exposure to loss" and "Non-investment grade" are required disclosures under GAAP. Non-investment grade represents those guarantees on which we have a higher risk of being required to perform under the terms of the guarantee. If the underlying assets under the guarantee are non-investment grade (that is, an external rating that is below investment grade or an internal credit default grade that is equivalent to a below investment grade external rating), we consider the risk of performance to be high. Internal credit default grades are determined based upon the same credit policies that we use to evaluate the risk of payment or performance when making loans and other extensions of credit. These credit policies are more fully described in Note 6.

Maximum exposure to loss represents the estimated loss that would be incurred under an assumed hypothetical circumstance, despite what we believe is its extremely remote possibility, where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. Accordingly, this required disclosure is not an indication of expected loss. We believe the carrying value, which is either fair value or cost adjusted for incurred credit losses, is more representative of our exposure to loss than maximum exposure to loss.

STANDBY LETTERS OF CREDIT We issue standby letters of credit, which include performance and financial guarantees, for customers in connection with contracts between our customers and third parties. Standby letters of credit are agreements where we are obligated to make payment to a third party on behalf of a customer in the event the customer fails to meet their contractual obligations. We consider the credit risk in standby letters of credit and commercial and similar letters of credit in determining the allowance for credit losses.

SECURITIES LENDING AND OTHER INDEMNIFICATIONS As a securities lending agent, we lend securities from participating institutional clients' portfolios to third-party borrowers. We indemnify our clients against default by the borrower in returning these lent securities. This indemnity is supported by collateral received from the borrowers. Collateral is generally in the form of cash or highly liquid securities that are marked to market daily. There was $14.0 billion at December 31, 2010, and $20.7 billion at December 31, 2009, in collateral supporting loaned securities with values of $13.6 billion and $ 20.0 billion, respectively.

We enter into other types of indemnification agreements in the ordinary course of business under which we agree to indemnify third parties against any damages, losses and expenses incurred in connection with legal and other proceedings arising from relationships or transactions with us. These relationships or transactions include those arising from service as a director or officer of the Company, underwriting agreements relating to our securities, acquisition agreements and various other business transactions or arrangements. Because the extent of our obligations under these agreements depends entirely upon the occurrence of future events, our potential future liability under these agreements we are unable to determine. We do, however, record a liability for residential mortgage loans that we may have to repurchase pursuant to various representations and warranties. See Note 1 and Note 8 for additional information on the liability for mortgage loan repurchase losses.

LIQUIDITY AGREEMENTS We provide liquidity facilities on all commercial paper issued by the conduit we administer. We also provide liquidity to certain off-balance sheet entities that hold securitized fixed-rate municipal bonds and consumer or commercial assets that are partially funded with the issuance of money market and other short-term notes. The decrease in maximum exposure to loss from December 31, 2009, is due to the amounts related to the liquidity facility on the commercial paper conduit being removed from the disclosed amounts due to the consolidation of the commercial paper conduit upon adoption of consolidation accounting guidance. See Note 8 for additional information on these arrangements.

WRITTEN PUT OPTIONS Written put options are contracts that give the counterparty the right to sell to us an underlying instrument held by the counterparty at a specified price, and include options, floors, caps and credit default swaps. These written put option contracts generally permit net settlement. While these derivative transactions expose us to risk in the event the option is exercised, we manage this risk by entering into offsetting trades or by taking short positions in the underlying instrument. We offset substantially all put options written to customers with purchased options. Additionally, for certain of these contracts, we require the counterparty to pledge the underlying instrument as collateral for the transaction. Our ultimate obligation under written put options is based on future market conditions and is only quantifiable at settlement. See Note 8 for additional information regarding transactions with VIEs and Note 15 for additional information regarding written derivative contracts.

LOANS AND MHFS SOLD WITH RECOURSE In certain loan sales or securitizations, we provide recourse to the buyer whereby we are required to repurchase loans at par value plus accrued interest on the occurrence of certain credit-related events within a certain period of time. The maximum exposure to loss represents the outstanding principal balance of the loans sold or securitized that are subject to recourse provisions or the maximum losses per the contractual agreements, but the likelihood of the repurchase of the entire balance is remote and amounts paid can be recovered in whole or in part from the sale of collateral. In 2010, we did not repurchase a significant amount of loans associated with these agreements. We do not consider loans sold with representation and warranty requirements, for which we have established a repurchase liability, to be loans sold with recourse.

RESIDUAL VALUE GUARANTEES We have provided residual value guarantees as part of certain leasing transactions of corporate assets. At December 31, 2010, the only remaining residual value guarantee is related to a leasing transaction on certain corporate buildings. The lessors in these leases are generally large financial institutions or their leasing subsidiaries. These guarantees protect the lessor from loss on sale of the related asset at the end of the lease term. To the extent that a sale of the leased assets results in proceeds less than a stated percent (generally 80% to 89%) of the asset's cost, we would be required to reimburse the lessor under our guarantee.

CONTINGENT CONSIDERATION In connection with certain brokerage, asset management, insurance agency and other acquisitions we have made, the terms of the acquisition agreements provide for deferred payments or additional consideration, based on certain performance targets.

We have entered into various contingent performance guarantees through credit risk participation arrangements. Under these agreements, if a customer defaults on its obligation to perform under certain credit agreements with third parties, we will be required to make payments to the third parties.

Legal Actions

Wells Fargo and certain of our subsidiaries are involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising from the conduct of our business activities. These proceedings include actions brought against Wells Fargo and/or our subsidiaries with respect to corporate related matters and transactions in which Wells Fargo and/or our subsidiaries were involved. In addition, Wells Fargo and our subsidiaries may be requested to provide information or otherwise cooperate with government authorities in the conduct of investigations of other persons or industry groups.

Although there can be no assurance as to the ultimate outcome, Wells Fargo and/or our subsidiaries have generally denied, or believe we have a meritorious defense and will deny, liability in all significant litigation pending against us, including the matters described below, and we intend to defend vigorously each case, other than matters we describe as having settled. Reserves are established for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts reserved for those claims.

ADELPHIA LITIGATION Wachovia Bank, N.A. and Wachovia Capital Markets, LLC, along with numerous other financial institutions were defendants in a case pending in the United States District Court for the Southern District of New York related to the bankruptcy of Adelphia Communications Corporation (Adelphia). The plaintiff was the Adelphia Recovery Trust. The complaint asserted claims against the defendants under state law, bankruptcy law and the Bank Holding Company Act and sought equitable relief and an unspecified amount of compensatory and punitive damages. On September 21, 2010, an agreement was reached between the Adelphia Resolution Trust and all of the defendant banks to settle the claims against the banks for the total amount of $175 million. Wachovia's share was a fraction of that amount and was not material to Wells Fargo. The settlement has been approved by the Court and the case is concluded.

ELAVON LITIGATION On January 16, 2009, Elavon, Inc., a provider of merchant processing services, filed a complaint in the U.S. District Court for the Northern District of Georgia against Wachovia Corporation, Wachovia Bank, N.A., Wells Fargo & Company, and Wells Fargo Bank, N.A. The complaint seeks equitable relief, including specific performance, and damages for Wachovia Bank's allegedly wrongful termination of its merchant referral contract with Elavon. Discovery has been completed and both parties have moved for summary judgment on various claims or defenses.

ERISA LITIGATION A purported class action, captioned *In re Wachovia Corporation ERISA Litigation*, was pending against Wachovia Corporation, its board of directors and certain senior officers, in the U.S. District Court for the Western District of North Carolina. The case was filed on behalf of employees of Wachovia Corporation and its affiliates who held shares of Wachovia Corporation common stock in their Wachovia Savings Plan accounts. On August 6, 2010, an order was entered by the Court dismissing, with prejudice, the plaintiffs' complaint. The dismissal was appealed. On December 8, 2010, an agreement in principle was reached to settle the case for $12.35 million. The settlement is subject to Court approval. A hearing on approval of the settlement has not yet been scheduled.

On April 6, 2010, the U.S. District Court for the District of Minnesota certified a class of participants in Wells Fargo's 401(k) Plan in a case captioned *Figas v. Wells Fargo & Company, et al.* Figas purports to bring claims on behalf of participants who had assets in certain Wells Fargo affiliated funds from November 2, 2001, to September 22, 2009, alleging breach of fiduciary duty in connection with the offer of Wells Fargo affiliated funds as investment choices in the Plan. On October 18, 2010, an agreement in principle was reached to settle the *Figas v. Wells Fargo & Company, et al.* case. The agreement is subject to approval by the Court and an independent fiduciary.

ILLINOIS ATTORNEY GENERAL LITIGATION On July 31, 2009, the Attorney General for the State of Illinois filed a civil lawsuit against Wells Fargo & Company, Wells Fargo Bank, N.A. and Wells Fargo Financial Illinois, Inc. in the Circuit Court for Cook County, Illinois. The Illinois Attorney General alleges that the Wells Fargo defendants engaged in illegal discrimination by "reverse redlining" and by steering African-American and Latino customers into high cost, subprime mortgage loans while other borrowers with similar incomes received lower cost mortgages. Illinois also alleges that Wells Fargo Financial Illinois, Inc. misled Illinois customers about the terms of mortgage loans. Illinois' complaint against all Wells Fargo defendants is based on alleged violation of the Illinois Human Rights Act and the Illinois Fairness in Lending Act. The complaint also alleges that Wells Fargo Financial Illinois, Inc. violated the Illinois Consumer Fraud and Deceptive Business Practices Act and the Illinois Uniform Deceptive Trade Practices Act. Illinois' complaint seeks an injunction against the defendants' alleged violation of these Illinois statutes, restitution to consumers and civil money penalties. On October 9, 2009, the Company filed a motion to dismiss Illinois' complaint, and is awaiting the Court's ruling.

IN RE WELLS FARGO MORTGAGE-BACKED CERTIFICATES LITIGATION This lawsuit is comprised of several securities law based putative class actions, consolidated in the U.S. District Court for the Northern District of California on July 16, 2009. The case is brought against several Wells Fargo mortgage-backed securities trusts, Wells Fargo Bank, N.A. and other affiliated entities, individual employee defendants, along with various underwriters and rating agencies. The plaintiffs allege that the offering documents contain untrue statements of material fact, or omit to state material facts necessary to make the registration statements and accompanying prospectuses not misleading. The allegations are regarding the underwriting standards used in connection with the origination of the underlying mortgages, the maximum loan-to-value ratios used to qualify borrowers, and the appraisals of the properties underlying the mortgages. Motions to dismiss, filed on behalf of all defendants, were granted in part and denied in part by a court order entered on April 22, 2010. The plaintiffs were granted leave to amend some of their claims. On May 28, 2010, plaintiffs filed an amended consolidated complaint. On June 25, 2010, Wells Fargo moved to dismiss the amended complaint. On October 5, 2010, Wells Fargo's motion to dismiss the amended complaint was granted in part and denied in part.

On June 29, 2010 and on July 15, 2010, two complaints, the first captioned *The Charles Schwab Corporation vs. Merrill Lynch, Pierce, Fenner & Smith, Inc., et al.,* and the second captioned *The Charles Schwab Corporation v. BNP Paribas Securities Corp., et al.,* were filed in the Superior Court for the State of California, San Francisco County against a number of defendants, including Wells Fargo Bank, N.A. and Wells Fargo Asset Securities Corporation. As against the Wells Fargo entities, the new cases assert opt out claims relating to the claims alleged in the Mortgage-Backed Certificates Litigation.

On October 15, 2010, three actions, captioned *Federal Home Loan Bank of Chicago v. Banc of America Funding Corporation, et al.* (filed in the Cook County Circuit Court, State of Illinois); *Federal Home Loan Bank of Chicago v. Banc of America Securities LLC, et al.* (filed in the Superior Court of the State of California for the County of Los Angeles); and *Federal Home Loan Bank of Indianapolis v. Banc of America Mortgage America Securities, Inc., et al.* (filed in the Superior Court of the State of Indiana for the County of Marion), named multiple defendants, described as issuers/depositors, and underwriters/dealers of private label mortgage-backed securities, in an action asserting claims that defendants used false and misleading statements in offering documents for the sale of such securities. The Bank of Chicago asserts that it purchased approximately $4.2 billion and the Bank of Indianapolis asserts that it purchased nearly $3 billion of such securities from the defendants. Plaintiffs seek rescission of the sales and damages under state securities and other laws and Section 11 of the Securities Act of 1933. Wells Fargo Asset Securities Corporation, Wells Fargo Bank, N.A. and Wells Fargo & Company were named among the defendants.

INTERCHANGE LITIGATION Wells Fargo Bank, N.A., Wells Fargo & Company, Wachovia Bank, N.A. and Wachovia Corporation are named as defendants, separately or in combination, in putative class actions filed on behalf of a plaintiff class of merchants and in individual actions brought by individual merchants with regard to the interchange fees associated with Visa and MasterCard payment card transactions. These actions have been consolidated in the United States District Court for the Eastern District of New York. Visa, MasterCard and several banks and bank holding companies are named as defendants in various of these actions. The amended and consolidated complaint asserts claims against defendants based on alleged violations of federal and state antitrust laws and seeks damages, as well as injunctive relief. Plaintiff merchants allege that Visa, MasterCard and payment card issuing banks unlawfully colluded to set interchange rates. Plaintiffs also allege that enforcement of certain Visa and MasterCard rules and alleged tying and bundling of services offered to merchants are anticompetitive. Wells Fargo and Wachovia, along with other defendants and entities, are parties to Loss and Judgment Sharing Agreements, which provide that they, along with other entities, will share, based on a formula, in any losses from the Interchange Litigation.

LE-NATURE'S, INC. Wachovia Bank, N.A. was the administrative agent on a $285 million credit facility extended to Le-Nature's, Inc. in September 2006, of which approximately $270 million was syndicated to other lenders by Wachovia Capital Markets, LLC. Le-Nature's was the subject of a Chapter 7 bankruptcy petition, which was converted to a Chapter 11 bankruptcy petition in November 2006 in the U.S. Bankruptcy Court for the Western District of Pennsylvania. The filing was precipitated by an apparent fraud relating to Le-Nature's financial condition. Wachovia Capital Markets, LLC and/or Wachovia Bank, N.A. are named as defendants in a number of lawsuits including the following: (1) a case filed in the New York State Supreme Court for the County of Manhattan by hedge fund purchasers of the bank debt seeking to recover from Wachovia on various theories of liability (On May 10, 2010, the Court granted Wachovia's motion to dismiss two counts of the complaint and denied the motion to dismiss two other counts); (2) a case filed on April 28, 2008, by holders of a Le-Nature's Senior Subordinated Notes offering underwritten by Wachovia Capital Markets in June 2003, alleging various fraud claims, pending in the Superior Court of the State of California for the County of Los Angeles; and (3) an action filed on October 30, 2008, on behalf of the liquidation trust created in Le-Nature's bankruptcy against a number of individuals and entities, including Wachovia Capital Markets, LLC and Wachovia Bank, N.A., in the U.S. District Court for the Western District of Pennsylvania, asserting a variety of claims on behalf of the bankruptcy estate. On September 16, 2009, the Court dismissed a cause of action for breach of fiduciary duty but denied the remainder of Wachovia's motion to dismiss. Discovery is underway in these matters.

MERGER RELATED LITIGATION On October 4, 2008, Citigroup, Inc. purported to commence an action in the Supreme Court of the State of New York for the County of Manhattan, captioned *Citigroup, Inc. v. Wachovia Corp., et al.*, naming as defendants Wachovia Corporation, Wells Fargo & Company, and the directors of both companies. The complaint alleged that Wachovia breached an exclusivity agreement with Citigroup, which by its terms was to expire on October 6, 2008, by entering into negotiations and an eventual acquisition agreement with Wells Fargo, and that Wells Fargo and the individual defendants had tortiously interfered with the same contract. On October 4, 2008, Wachovia filed a complaint in the U.S. District Court for the Southern District of New York, captioned *Wachovia Corp. v. Citigroup, Inc.* The complaint sought declaratory and injunctive relief, stating that the Wells Fargo merger agreement is valid, proper, and not prohibited by the exclusivity agreement. On March 20, 2009, the U.S. District Court for the Southern District of New York remanded the *Citigroup, Inc. v. Wachovia Corp., et al.* case to the Supreme Court of the State of New York for the County of Manhattan, but retained jurisdiction over the *Wachovia v. Citigroup* case. These cases were settled by Wells Fargo's payment of $100 million to Citigroup in November, 2010. On November 23, 2010, both cases were dismissed at the request of the parties.

MORTGAGE FORECLOSURE DOCUMENT LITIGATION Seven purported class actions and several individual borrower actions related to foreclosure document practices were filed in late 2010 and in early 2011 against Wells Fargo Bank, N.A. in its status as mortgage servicer. The cases have been brought in state and federal courts. Of the individual borrower cases, the majority are filed in state courts in California and Ohio. Two other class actions were filed against Wells Fargo Bank, but Wells Fargo is named as a defendant as corporate trustee of the mortgage trust and not as a mortgage servicer. The actions generally claim that Wells Fargo submitted "fraudulent" or "untruthful" affidavits or other foreclosure documents to courts to support foreclosures filed in the state. Specifically, plaintiffs allege that Wells Fargo signers did not have personal knowledge of the facts alleged in the documents and did not verify the information in the documents ultimately filed with courts to foreclose. Plaintiffs attempt to state legal claims ranging from wrongful foreclosure to deceptive practices to fraud and seek relief ranging from cancellation of notes and mortgages to money damages.

On December 20, 2010, the New Jersey Supreme Court, the New Jersey Administrative Office of the Courts, and the Superior Court of New Jersey for Mercer County jointly began an action against Wells Fargo and other large mortgage servicing companies in state court in New Jersey. This action seeks to enjoin pending foreclosures and sales and to require servicers to certify and prove compliance with new foreclosure procedures in New Jersey, or be held in contempt of court. Wells Fargo has filed its initial response to the New Jersey action.

Note 14: Guarantees and Legal Actions *(continued)*

MORTGAGE RELATED REGULATORY INVESTIGATIONS Several government agencies are conducting investigations or examinations of various mortgage related practices of Wells Fargo Bank. The investigations relate to two main topics, (1) whether Wells Fargo may have violated fair lending or other laws and regulations relating to mortgage origination practices; and (2) whether Wells Fargo's practices and procedures relating to mortgage foreclosure affidavits and documents relating to the chain of title to notes and mortgage documents are adequate. With regard to the investigations into foreclosure practices, it is likely that one or more of the government agencies will initiate some type of enforcement action against Wells Fargo, which may include civil money penalties. Wells Fargo continues to provide information requested by the various agencies.

MUNICIPAL DERIVATIVES BID PRACTICES INVESTIGATION The Department of Justice (DOJ) and the SEC, beginning in November 2006, have been requesting information from a number of financial institutions, including Wachovia Bank, N.A.'s municipal derivatives group, generally with regard to competitive bid practices in the municipal derivative markets. In connection with these inquiries, Wachovia Bank has received subpoenas from both the DOJ and SEC as well as requests from other regulatory agencies and several states seeking documents and information. The DOJ and the SEC have advised Wachovia Bank that they believe certain of its employees engaged in improper conduct in conjunction with certain competitively bid transactions and, in November 2007, the DOJ notified two Wachovia Bank employees, both of whom have since been terminated, that they are regarded as targets of the DOJ's investigation. Wachovia Bank has been cooperating fully with the government investigations.

Wachovia Bank, along with a number of other banks and financial services companies, has also been named as a defendant in a number of substantially identical purported class actions filed in various state and federal courts by various municipalities alleging they have been damaged by the activity which is the subject of the government investigations. These cases are now consolidated under the caption *In re Municipal Derivatives Antitrust Litigation* in the U.S. District Court for the Southern District of New York. On April 30, 2009, the Court granted a motion filed by Wachovia and certain other defendants to dismiss the Consolidated Class Action Complaint and dismissed all claims against Wachovia, with leave to replead. A Second Consolidated Amended Complaint was filed on June 18, 2009, and a motion to dismiss that complaint was denied. A number of putative class and individual actions have also been brought in various courts, including complaints which were amended with new allegations and the addition of Wells Fargo & Co. as a defendant. These cases all have allegations substantially similar to those in the consolidated class complaint. All of the cases are being coordinated in the U.S. District Court for the Southern District of New York.

ORDER OF POSTING LITIGATION A series of putative class actions have been filed against Wachovia Bank, N.A. and Wells Fargo Bank, N.A., as well as many other banks, challenging the high to low order in which the Banks post debit card transactions to consumer deposit accounts. There are currently 12 such cases pending against Wells Fargo Bank (including the Wachovia Bank cases to which Wells Fargo succeeded), all but three of which have been consolidated in multi-district litigation proceedings in the U.S. District Court for the Southern District of Florida. On August 10, 2010, the U.S. District Court for the Northern District of California issued an order in *Gutierrez v. Wells Fargo Bank, N.A.*, one of the three cases that were not consolidated in the multi-district proceedings, enjoining the Bank's use of the high to low posting method for debit card transactions with respect to the plaintiff class of California depositors, directing that the Bank establish a different posting methodology and ordering remediation in the approximate amount of $203 million. On October 26, 2010, a final judgment was entered in Gutierrez. On October 28, 2010, Wells Fargo appealed to the U.S. Court of Appeals for the Ninth Circuit.

WACHOVIA EQUITY SECURITIES AND BONDS/NOTES LITIGATION A purported securities class action, *Lipetz v. Wachovia Corporation, et al.*, was filed on July 7, 2008, in the U.S. District Court for the Southern District of New York alleging violations of Sections 10 and 20 of the Securities Exchange Act of 1934. An amended complaint was filed on December 15, 2008. Among other allegations, plaintiffs allege Wachovia's common stock price was artificially inflated as a result of allegedly misleading disclosures relating to the Golden West Financial Corp. mortgage portfolio, Wachovia's exposure to other mortgage related products such as CDOs, control issues and auction rate securities. On March 19, 2009, the defendants filed a motion to dismiss the amended class action complaint in the Lipetz case, which has now been re-captioned as *In re Wachovia Equity Securities Litigation*. There are four additional cases (not class actions) containing allegations similar to the allegations in the *In re Wachovia Equity Securities Litigation* captioned *Stichting Pensioenfonds ABP v. Wachovia Corp. et al., FC Holdings AB, et al. v. Wachovia Corp., et al., Deka Investment GmbH v. Wachovia Corp. et al. and Forsta AP-Fonden v. Wachovia Corp., et al.*, respectively, which were filed in the U.S. District Court for the Southern District of New York, and there are a number of other similar actions filed in state courts in North Carolina and South Carolina by individual shareholders. Two of the individual shareholder actions in South Carolina have been dismissed and the shareholders have appealed.

After a number of procedural motions, three purported class action cases alleging violations of Sections 11, 12, and 15 of the Securities Act of 1933 as a result of allegedly misleading disclosures relating to the Golden West mortgage portfolio in connection with Wachovia's issuance of various preferred securities and bonds were transferred to the U.S. District Court for the Southern District of New York. A consolidated class action complaint was filed on September 4, 2009, and the matter is now captioned *In Re Wachovia Preferred Securities and Bond/Notes Litigation*. On September 29, 2009, a non-class action case containing allegations similar to the allegations in

the *In re Wachovia Preferred Securities and Bond/Notes* litigation, and captioned *City of Livonia Employees' Retirement System v. Wachovia Corp et al.*, was filed in the Southern District of New York. On May 3, 2010, the judge in the Southern District of New York issued an order granting Plaintiffs leave to amend the class action and other complaints pending in that court, and directing the parties to submit a schedule for the filing of the amended complaints and new motions to dismiss. This order terminates the motions to dismiss the prior complaints which had been pending. Amended complaints were filed in all the actions in May 2010 and renewed motions to dismiss have been filed in each case.

OUTLOOK When establishing a liability for contingent litigation losses, the Company determines a range of potential losses for each matter that is both probable and estimable, and records the amount it considers to be the best estimate within the range. The high end of the range of potential litigation losses in excess of the Company's best estimates within the range of potential losses used in establishing the total litigation liability was $1.2 billion as of December 31, 2010. For these matters and others where an unfavorable outcome is reasonably possible but not probable, there may be a range of possible losses in excess of the established liability that cannot be estimated. Based on information currently available, advice of counsel, available insurance coverage and established reserves, Wells Fargo believes that the eventual outcome of the actions against Wells Fargo and/or its subsidiaries, including the matters described above, will not, individually or in the aggregate, have a material adverse effect on Wells Fargo's consolidated financial position. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters, if unfavorable, may be material to Wells Fargo's results of operations for any particular period.

Note 15: Derivatives

We use derivatives to manage exposure to market risk, interest rate risk, credit risk and foreign currency risk, to generate profits from proprietary trading and to assist customers with their risk management objectives. Derivative transactions are measured in terms of the notional amount, but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged, but is used only as the basis on which interest and other payments are determined.

Our asset/liability management approach to interest rate, foreign currency and certain other risks includes the use of derivatives. Such derivatives are typically designated as fair value or cash flow hedges, or economic hedge derivatives for those that do not qualify for hedge accounting. This helps minimize significant, unplanned fluctuations in earnings, fair values of assets and liabilities, and cash flows caused by interest rate, foreign currency and other market value volatility. This approach involves modifying the repricing characteristics of certain assets and liabilities so that changes in interest rates, foreign currency and other exposures do not have a significant adverse effect on the net interest margin, cash flows and earnings. As a result of fluctuations in these exposures, hedged assets and liabilities will gain or lose market value. In a fair value or economic hedge, the effect of this unrealized gain or loss will generally be offset by the gain or loss on the derivatives linked to the hedged assets and liabilities. In a cash flow hedge, where we manage the variability of cash payments due to interest rate fluctuations by the effective use of derivatives linked to hedged assets and liabilities, the unrealized gain or loss on the derivatives or the hedged asset or liability is generally not reflected in earnings.

We also offer various derivatives, including interest rate, commodity, equity, credit and foreign exchange contracts, to our customers but usually offset our exposure from such contracts by purchasing other financial contracts. The customer accommodations and any offsetting financial contracts are treated as free-standing derivatives. Free-standing derivatives also include derivatives we enter into for risk management that do not otherwise qualify for hedge accounting, including economic hedge derivatives. To a lesser extent, we take positions based on market expectations or to benefit from price differentials between financial instruments and markets. Additionally, free-standing derivatives include embedded derivatives that are required to be separately accounted for from their host contracts.

The following table presents the total notional or contractual amounts and fair values for derivatives, the fair values of derivatives designated as qualifying hedge contracts, which are used as asset/liability management hedges, and free-standing derivatives (economic hedges) not designated as hedging instruments are recorded on the balance sheet in other assets or other liabilities. Customer accommodation, trading and other free-standing derivatives are recorded on the balance sheet at fair value in trading assets or other liabilities.

(in millions)	December 31, 2010 Notional or contractual amount	Fair value Asset derivatives	Fair value Liability derivatives	December 31, 2009 Notional or contractual amount	Fair value Asset derivatives	Fair value Liability derivatives
Qualifying hedge contracts						
Interest rate contracts (1)	$ **110,314**	**7,126**	**1,614**	119,966	6,425	1,302
Foreign exchange contracts	**25,904**	**1,527**	**727**	30,212	1,553	811
Total derivatives designated as qualifying hedging instruments		**8,653**	**2,341**		7,978	2,113
Derivatives not designated as hedging instruments						
Free-standing derivatives (economic hedges):						
Interest rate contracts (2)	**408,563**	**2,898**	**2,625**	633,734	4,441	4,873
Equity contracts	**176**	**-**	**46**	300	-	2
Foreign exchange contracts	**5,528**	**23**	**53**	7,019	233	29
Credit contracts - protection purchased	**396**	**80**	**-**	577	261	-
Other derivatives	**2,538**	**-**	**35**	4,583	-	40
Subtotal		**3,001**	**2,759**		4,935	4,944
Customer accommodation, trading and other free-standing derivatives (3):						
Interest rate contracts	**2,809,387**	**58,225**	**59,329**	2,741,119	54,873	54,033
Commodity contracts	**83,114**	**4,133**	**3,918**	92,182	5,400	5,182
Equity contracts	**73,278**	**3,272**	**3,450**	71,572	2,459	3,067
Foreign exchange contracts	**110,889**	**2,800**	**2,682**	142,012	3,084	2,737
Credit contracts - protection sold	**47,699**	**605**	**5,826**	84,541	979	9,592
Credit contracts - protection purchased	**44,776**	**4,661**	**588**	86,014	9,354	1,089
Other derivatives	**190**	**8**	**-**	2,314	427	171
Subtotal		**73,704**	**75,793**		76,576	75,871
Total derivatives not designated as hedging instruments		**76,705**	**78,552**		81,511	80,815
Total derivatives before netting		**85,358**	**80,893**		89,489	82,928
Netting (4)		**(63,469)**	**(70,009)**		(65,926)	(73,303)
Total		$ **21,889**	**10,884**		23,563	9,625

(1) Notional amounts presented exclude $20.9 billion at both December 31, 2010 and 2009, of basis swaps that are combined with receive fixed-rate/pay floating-rate swaps and designated as one hedging instrument.

(2) Includes free-standing derivatives (economic hedges) used to hedge the risk of changes in the fair value of residential MSRs, MHFS, interest rate lock commitments and other interests held.

(3) Balances at December 31, 2009 have been revised to conform with the current presentation.

(4) Represents netting of derivative asset and liability balances, and related cash collateral, with the same counterparty subject to master netting arrangements. The amount of cash collateral netted against derivative assets and liabilities was $5.5 billion and $12.1 billion, respectively, at December 31, 2010, and $5.3 billion and $14.1 billion, respectively, at December 31, 2009.

Note 15: Derivatives *(continued)*

Fair Value Hedges

We use interest rate swaps to convert certain of our fixed-rate long-term debt and CDs to floating rates to hedge our exposure to interest rate risk. We also enter into cross-currency swaps, cross-currency interest rate swaps and forward contracts to hedge our exposure to foreign currency risk and interest rate risk associated with the issuance of non-U.S. dollar denominated long-term debt and repurchase agreements. In addition, we use interest rate swaps and forward contracts to hedge against changes in fair value of certain investments in available-for-sale debt securities, due to changes in interest rates, foreign currency rates, or both. The entire derivative gain or loss is included in the assessment of hedge effectiveness, for all fair value hedge relationships, except for those involving foreign-currency denominated securities available for sale, short-term borrowings and long-term debt hedged with foreign currency forward derivatives for which the component of the derivative gain or loss related to the changes in the difference between the spot and forward price is excluded from the assessment of hedge effectiveness.

We use statistical regression analysis to assess hedge effectiveness, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic change in fair value of the hedging instrument against the periodic changes in fair value of the asset or liability being hedged due to changes in the hedged risk(s). The assessment includes an evaluation of the quantitative measures of the regression results used to validate the conclusion of high effectiveness.

The following table shows the net gains (losses) recognized in the income statement related to derivatives in fair value hedging relationships.

	Interest rate contracts hedging:		Foreign exchange contracts hedging:			Total net gains (losses) on fair value hedges
(in millions)	Securities available for sale	Long-term debt	Securities available for sale	Short-term borrowings	Long-term debt	
Year ended December 31, 2010						
Gains (losses) recorded in net interest income	**$ (390)**	**1,755**	**(4)**	**-**	**374**	**1,735**
Gains (losses) recorded in noninterest income						
Recognized on derivatives	**(432)**	**1,565**	**269**	**-**	**(1,030)**	**372**
Recognized on hedged item	**469**	**(1,469)**	**(270)**	**-**	**1,007**	**(263)**
Recognized on fair value hedges (ineffective portion) (1)	**$ 37**	**96**	**(1)**	**-**	**(23)**	**109**
Year ended December 31, 2009						
Gains (losses) recorded in net interest income	$ (289)	1,677	(56)	27	349	1,708
Gains (losses) recorded in noninterest income						
Recognized on derivatives	954	(3,270)	(713)	217	2,612	(200)
Recognized on hedged item	(936)	3,132	713	(217)	(2,626)	66
Recognized on fair value hedges (ineffective portion) (1)	$ 18	(138)	-	-	(14)	(134)

(1) Included $3 million and $(10) million, respectively, for year ended December 31, 2010 and 2009, of gains (losses) on forward derivatives hedging foreign currency securities available for sale, short-term borrowings and long-term debt, representing the portion of derivatives gains (losses) excluded from the assessment of hedge effectiveness (time value).

Cash Flow Hedges

We hedge floating-rate debt against future interest rate increases by using interest rate swaps, caps, floors and futures to limit variability of cash flows due to changes in the benchmark interest rate. We also use interest rate swaps and floors to hedge the variability in interest payments received on certain floating-rate commercial loans, due to changes in the benchmark interest rate. Gains and losses on derivatives that are reclassified from cumulative OCI to current period earnings are included in the line item in which the hedged item's effect on earnings is recorded. All parts of gain or loss on these derivatives are included in the assessment of hedge effectiveness. We assess hedge effectiveness using regression analysis, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic changes in cash flows of the hedging instrument against the periodic changes in cash flows of the forecasted transaction being hedged due to changes in the hedged risk(s). The assessment includes an evaluation of the quantitative measures of the regression results used to validate the conclusion of high effectiveness.

Based upon current interest rates, we estimate that $367 million of deferred net gains on derivatives in OCI at December 31, 2010, will be reclassified as earnings during the next twelve months, compared with $284 million at December 31, 2009. Future changes to interest rates may significantly change actual amounts reclassified to earnings. We are hedging our exposure to the variability of future cash flows for all forecasted transactions for a maximum of 8 years for both hedges of floating-rate debt and floating-rate commercial loans.

The following table shows the net gains (losses) recognized related to derivatives in cash flow hedging relationships.

	Year ended December 31,	
(in millions)	**2010**	2009
Gains (after tax) recognized in OCI on derivatives	**$ 468**	107
Gains (pre tax) reclassified from cumulative OCI into net interest income	**613**	531
Gains (pre tax) recognized in noninterest income on derivatives (1)	**6**	42

(1) Represents ineffectiveness recognized on cash flow hedge derivatives.

Free-Standing Derivatives

We use free-standing derivatives (economic hedges), in addition to debt securities available for sale, to hedge the risk of changes in the fair value of residential MSRs measured at fair value, certain residential MHFS, derivative loan commitments and other interests held. The resulting gain or loss on these economic hedges is reflected in other income.

The derivatives used to hedge these MSRs measured at fair value, which include swaps, swaptions, forwards, Eurodollar and Treasury futures and options contracts, resulted in net derivative gains of $4.5 billion in 2010 and $6.8 billion in 2009, which are included in mortgage banking noninterest income. The aggregate fair value of these derivatives was a net liability of $943 million and $961 million at December 31, 2010 and 2009, respectively. Changes in fair value of debt securities available for sale (unrealized gains and losses) are not included in servicing income, but are reported in cumulative OCI (net of tax) or, upon sale, are reported in net gains (losses) on debt securities available for sale.

Interest rate lock commitments for residential mortgage loans that we intend to sell are considered free-standing derivatives. Our interest rate exposure on these derivative loan commitments, as well as substantially all residential MHFS, is hedged with free-standing derivatives (economic hedges) such as forwards and options, Eurodollar futures and options, and Treasury futures, forwards and options contracts. The commitments, free-standing derivatives and residential MHFS are carried at fair value with changes in fair value included in mortgage banking noninterest income. For the fair value measurement of interest rate lock commitments we include, at inception and during the life of the loan commitment, the expected net future cash flows related to the associated servicing of the loan. Fair value changes subsequent to inception are based on changes in fair value of the underlying loan resulting from the exercise of the commitment and changes in the probability that the loan will not fund within the terms of the commitment (referred to as a fall-out factor). The value of the underlying loan is affected primarily by changes in interest rates and the passage of time. However, changes in investor demand can also cause changes in the value of the underlying loan value that cannot be hedged. The aggregate fair value of derivative loan commitments in the balance sheet was a net liability of $271 million and $312 million at December 31, 2010 and 2009, respectively, and is included in the caption "Interest rate contracts" under "Customer accommodation, trading and other free-standing derivatives" in the first table in this Note.

We also enter into various derivatives primarily to provide derivative products to customers. To a lesser extent, we take positions based on market expectations or to benefit from price differentials between financial instruments and markets. These derivatives are not linked to specific assets and liabilities in the balance sheet or to forecasted transactions in an accounting hedge relationship and, therefore, do not qualify for hedge accounting. We also enter into free-standing derivatives for risk management that do not otherwise qualify for hedge accounting. They are carried at fair value with changes in fair value recorded as part of other noninterest income.

Free-standing derivatives also include embedded derivatives that are required to be accounted for separate from their host contract. We periodically issue hybrid long-term notes and CDs where the performance of the hybrid instrument notes is linked to an equity, commodity or currency index, or basket of such indices. These notes contain explicit terms that affect some or all of the cash flows or the value of the note in a manner similar to a

derivative instrument and therefore are considered to contain an "embedded" derivative instrument. The indices on which the performance of the hybrid instrument is calculated are not clearly and closely related to the host debt instrument. The "embedded" derivative is separated from the host contract and accounted for as a free-standing derivative. Additionally, we may invest in hybrid instruments that contain embedded derivatives, such as credit derivatives, that are not clearly and closely related to the host contract. In such instances, we either elect fair value option for the hybrid instrument or separate the embedded derivative from the host contract and account for the host contract and derivative separately.

The following table shows the net gains recognized in the income statement related to derivatives not designated as hedging instruments.

	Year ended December 31,	
(in millions)	**2010**	2009
Gains (losses) recognized on free-standing derivatives (economic hedges):		
Interest rate contracts (1)		
Recognized in noninterest income:		
Mortgage banking	**$ 1,611**	5,582
Other	**(22)**	(15)
Foreign exchange contracts	**103**	133
Credit contracts	**(174)**	(269)
Subtotal	**1,518**	5,431
Gains (losses) recognized on customer accommodation, trading and other free-standing derivatives:		
Interest rate contracts (2)		
Recognized in noninterest income:		
Mortgage banking	**3,305**	2,035
Other	**224**	1,139
Commodity contracts	**65**	29
Equity contracts	**441**	(275)
Foreign exchange contracts	**565**	607
Credit contracts	**(710)**	(621)
Other	**10**	(187)
Subtotal	**3,900**	2,727
Net gains recognized related to derivatives not designated as hedging instruments	**$ 5,418**	8,158

(1) Predominantly mortgage banking noninterest income including gains (losses) on the derivatives used as economic hedges of MSRs measured at fair value, interest rate lock commitments and mortgages held for sale.
(2) Predominantly mortgage banking noninterest income including gains (losses) on interest rate lock commitments.

Credit Derivatives

We use credit derivatives to manage exposure to credit risk related to lending and investing activity and to assist customers with their risk management objectives. This may include protection sold to offset purchased protection in structured product transactions, as well as liquidity agreements written to special purpose vehicles. The maximum exposure of sold credit derivatives is managed through posted collateral, purchased credit derivatives and similar products in order to achieve our desired credit risk profile. This credit risk management provides an ability to recover a significant portion of any amounts that would be paid under the sold credit derivatives. We would be required to perform under the noted credit derivatives in the event of default by the referenced obligors. Events of default include events such as bankruptcy, capital restructuring or lack of principal and/or interest payment. In certain cases, other triggers may exist, such as the credit downgrade of the referenced obligors or the inability of the special purpose vehicle for which we have provided liquidity to obtain funding.

The following table provides details of sold and purchased credit derivatives.

(in millions)	Fair value liability	Notional amount: Protection sold (A)	Protection sold - non-investment grade	Protection purchased with identical underlyings (B)	Net protection sold (A) - (B)	Other protection purchased	Range of maturities
December 31, 2010							
Credit default swaps on:							
Corporate bonds	**$ 810**	**30,445**	**16,360**	**17,978**	**12,467**	**9,440**	**2011-2020**
Structured products	**4,145**	**5,825**	**5,246**	**4,948**	**877**	**2,482**	**2016-2056**
Credit protection on:							
Default swap index	**12**	**2,700**	**909**	**2,167**	**533**	**1,106**	**2011-2017**
Commercial mortgage-backed securities index	**717**	**1,977**	**612**	**924**	**1,053**	**779**	**2049-2052**
Asset-backed securities index	**128**	**144**	**144**	**46**	**98**	**142**	**2037-2046**
Loan deliverable credit default swaps	**2**	**481**	**456**	**391**	**90**	**261**	**2011-2014**
Other	**12**	**6,127**	**5,348**	**41**	**6,086**	**2,745**	**2011-2056**
Total credit derivatives	**$ 5,826**	**47,699**	**29,075**	**26,495**	**21,204**	**16,955**	
December 31, 2009							
Credit default swaps on:							
Corporate bonds	$ 2,419	55,511	23,815	44,159	11,352	12,634	2010-2018
Structured products	4,498	6,627	5,084	4,999	1,628	3,018	2014-2056
Credit protection on:							
Default swap index	23	6,611	2,765	4,202	2,409	2,510	2010-2017
Commercial mortgage-backed securities index	1,987	5,188	453	4,749	439	189	2049-2052
Asset-backed securities index	637	830	660	696	134	189	2037-2046
Loan deliverable credit default swaps	12	510	494	423	87	287	2010-2014
Other (1)	16	9,264	8,657	32	9,232	4,757	2010-2020
Total credit derivatives	$ 9,592	84,541	41,928	59,260	25,281	23,584	

(1) Balances at December 31, 2009, have been revised to conform with the current presentation.

Protection sold represents the estimated maximum exposure to loss that would be incurred under an assumed hypothetical circumstance, where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. We believe this hypothetical circumstance to be an extremely remote possibility and accordingly, this required disclosure is not an indication of expected loss. The amounts under non-investment grade represent the notional amounts of those credit derivatives on which we have a higher risk of being required to perform under the terms of the credit derivative and are a function of the underlying assets.

We consider the risk of performance to be high if the underlying assets under the credit derivative have an external rating that is below investment grade or an internal credit default grade that is equivalent thereto. We believe the net protection sold, which is representative of the net notional amount of protection sold and purchased with identical underlyings, in combination with other protection purchased, is more representative of our exposure to loss than either non-investment grade or protection sold. Other protection purchased represents additional protection, which may offset the exposure to loss for protection sold, that was not purchased with an identical underlying of the protection sold.

Credit-Risk Contingent Features

Certain of our derivative contracts contain provisions whereby if the credit rating of our debt, based on certain major credit rating agencies indicated in the relevant contracts, were to fall below investment grade, the counterparty could demand additional collateral or require termination or replacement of derivative instruments in a net liability position. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a net liability position was $12.6 billion and $7.5 billion at December 31, 2010 and 2009, respectively, for which we had posted $12.0 billion and $7.1 billion, respectively, in collateral in the normal course of business. If the credit-risk-related contingent features underlying these agreements had been triggered on December 31, 2010 or 2009, we would have been required to post additional collateral of $1.0 billion, or potentially settle the contract in an amount equal to its fair value.

Counterparty Credit Risk

By using derivatives, we are exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, our counterparty credit risk is equal to the amount reported as a derivative asset on our balance sheet. The amounts reported as a derivative asset are derivative contracts in a gain position, and to the extent subject to master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. We minimize counterparty credit risk through credit approvals, limits, monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate. To the extent the master netting arrangements and other criteria meet the applicable requirements, derivatives balances and related cash collateral amounts are shown net in the balance sheet. Counterparty credit risk related to derivatives is considered in determining fair value and our assessment of hedge effectiveness.

Note 16: Fair Values of Assets and Liabilities

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Trading assets, securities available for sale, derivatives, substantially all prime residential MHFS, certain commercial LHFS, fair value MSRs, principal investments and securities sold but not yet purchased (short sale liabilities) are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record at fair value other assets on a nonrecurring basis, such as certain residential and commercial MHFS, certain LHFS, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or write-downs of individual assets.

We adopted new guidance on fair value measurements effective January 1, 2009, which addresses measuring fair value in situations where markets are inactive and transactions are not orderly. This guidance states transaction or quoted prices for assets or liabilities in inactive markets may require adjustment due to the uncertainty of whether the underlying transactions are orderly. Prior to our adoption of the new provisions for measuring fair value, we primarily used unadjusted independent vendor or broker quoted prices to measure fair value for substantially all securities available for sale.

In connection with the change in guidance for fair value measurement, we developed policies and procedures to determine when the level and volume of activity for our assets and liabilities requiring fair value measurements has significantly declined relative to normal conditions. For such items that use price quotes, such as certain security classes within securities available for sale, the degree of market inactivity and distressed transactions was analyzed to determine the appropriate adjustment to the price quotes.

The security classes where we considered the market to be less orderly upon initial adoption of the new guidance included non-agency residential MBS, commercial MBS, CDOs, home equity asset-backed securities, auto asset-backed securities and credit card-backed securities. The methodology used to adjust the quotes involved weighting the price quotes and results of internal pricing techniques such as the net present value of future expected cash flows (with observable inputs, where available) discounted at a rate of return market participants require. The significant inputs utilized in the internal pricing techniques, which were estimated by type of underlying collateral, included credit loss assumptions, estimated prepayment speeds and appropriate discount rates.

The more active and orderly markets for particular security classes were determined to be, the more weighting assigned to price quotes. The less active and orderly markets were determined to be, the less weighting assigned to price quotes. We continually assess the level and volume of market activity in our investment security classes in determining adjustments, if any, to price quotes. Given market conditions can change over time, determination of which securities markets are considered active or inactive, and if inactive, the degree to which price quotes require adjustment, can also change.

Fair Value Hierarchy

We group our assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

In the determination of the classification of financial instruments in Level 2 or Level 3 of the fair value hierarchy, we consider all available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs used. For securities in inactive markets, we use a predetermined percentage to evaluate the impact of fair value adjustments derived from weighting both external and internal indications of value to determine if the instrument is classified as Level 2 or Level 3. Based upon the specific facts and circumstances of each instrument or instrument category, judgments are made regarding the significance of the Level 3 inputs to the instruments' fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3.

Determination of Fair Value

We base our fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements.

In instances where there is limited or no observable market data, fair value measurements for assets and liabilities are based primarily upon our own estimates or combination of our own estimates and independent vendor or broker pricing, and the measurements are often calculated based on current pricing for products we offer or issue, the economic and competitive environment, the characteristics of the asset or liability and other such factors. As with any valuation technique used to estimate fair value, changes in underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values. Accordingly, these fair value estimates may not be realized in an actual sale or immediately settlement of the asset or liability.

We incorporate lack of liquidity into our fair value measurement based on the type of asset or liability measured and the valuation methodology used. For example, for certain residential MHFS and certain securities where the significant inputs have become unobservable due to illiquid markets and vendor or broker pricing is not used, we use a discounted cash flow technique to measure fair value. This technique incorporates forecasting of expected cash flows (adjusted for credit loss assumptions and estimated prepayment speeds) discounted at an appropriate market discount rate to reflect the lack of liquidity in the market that a market participant would consider. For other securities where vendor or broker pricing is used, we use either unadjusted broker quotes or vendor prices or vendor or broker prices adjusted by weighting them with internal discounted cash flow techniques to measure fair value. These unadjusted vendor or broker prices inherently reflect any lack of liquidity in the market as the fair value measurement represents an exit price from a market participant viewpoint.

Following are descriptions of the valuation methodologies used for assets and liabilities recorded at fair value on a recurring or nonrecurring basis and for estimating fair value for financial instruments not recorded at fair value.

Assets

SHORT-TERM FINANCIAL ASSETS Short-term financial assets include cash and due from banks, federal funds sold and securities purchased under resale agreements and due from customers on acceptances. These assets are carried at historical cost. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

TRADING ASSETS (EXCLUDING DERIVATIVES) AND SECURITIES AVAILABLE FOR SALE Trading assets and securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices in active markets, if available. Such instruments are classified within Level 1 of the fair value hierarchy. Examples include exchange-traded equity securities and some highly liquid government securities such as U.S. Treasuries. When instruments are traded in secondary markets and quoted market prices do not exist for such securities, we generally rely on internal valuation techniques or on prices obtained from independent pricing services or brokers (collectively, vendors) or combination thereof.

Trading securities are mostly valued using trader prices that are subject to independent price verification procedures. The majority of fair values derived using internal valuation techniques are verified against multiple pricing sources, including prices obtained from independent vendors. Vendors compile prices from various sources and often apply matrix pricing for similar securities when no price is observable. We review pricing methodologies provided by the vendors in order to determine if observable market information is being used, versus unobservable inputs. When evaluating the appropriateness of an internal trader price compared with vendor prices, considerations include the range and quality of vendor prices. Vendor prices are used to ensure the reasonableness of a trader price; however valuing financial instruments involves judgments acquired from knowledge of a particular market and is not perfunctory. If a trader asserts that a vendor price is not reflective of market value, justification for using the trader price, including recent sales activity where possible, must be provided to and approved by the appropriate levels of management.

Similarly, while securities available for sale traded in secondary markets are typically valued using unadjusted vendor prices or vendor prices adjusted by weighting them with internal discounted cash flow techniques, these prices are reviewed and, if deemed inappropriate by a trader who has the most knowledge of a particular market, can be adjusted. Securities measured with these internal valuation techniques are generally classified as Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models, discounted cash flow analyses using significant inputs observable in the market where available or combination of multiple valuation techniques. Examples include certain residential and commercial MBS, municipal bonds, U.S. government and agency MBS, and corporate debt securities.

Security fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy. Such measurements include securities valued using internal models or combination of multiple valuation techniques such as weighting of internal models and vendor or broker pricing, where the unobservable inputs are significant to the overall fair value measurement. Securities classified as Level 3 include certain residential and commercial MBS, asset-backed securities collateralized by auto leases or loans and cash reserves, CDOs and CLOs, and certain residual and retained interests in residential mortgage loan securitizations. CDOs are valued using the prices of similar instruments, the pricing of completed or pending third party transactions or the pricing of the underlying collateral within the CDO. Where vendor or broker prices are not readily available, management's best estimate is used.

MORTGAGES HELD FOR SALE (MHFS) We carry substantially all of our residential MHFS portfolio at fair value. Fair value is based on independent quoted market prices, where available, or the prices for other mortgage whole loans with similar characteristics. As necessary, these prices are adjusted for typical securitization activities, including servicing value, portfolio composition, market conditions and liquidity. Most of our MHFS are classified as Level 2. For the portion where market pricing data is not available, we use a discounted cash flow model to estimate fair value and, accordingly, classify as Level 3.

LOANS HELD FOR SALE (LHFS) LHFS are carried at the lower of cost or market value, or at fair value for certain portfolios that we intend to hold for trading purposes. The fair value of LHFS is based on what secondary markets are currently offering for portfolios with similar characteristics. As such, we classify those loans subjected to nonrecurring fair value adjustments as Level 2.

LOANS For the carrying value of loans, including PCI loans, see Note 1 (Summary of Significant Accounting Policies – Loans). We generally do not record loans at fair value on a recurring basis. However, from time to time, we record nonrecurring fair value adjustments to loans to reflect partial write-downs that are based on the observable market price of the loan or current appraised value of the collateral.

We provide fair value estimates in this disclosure for loans that are not recorded at fair value on a recurring or nonrecurring basis. Those estimates differentiate loans based on their financial characteristics, such as product classification, loan category, pricing features and remaining maturity. Prepayment and credit loss estimates are evaluated by product and loan rate.

The fair value of commercial loans is calculated by discounting contractual cash flows, adjusted for credit loss estimates, using discount rates that reflect our current pricing for loans with similar characteristics and remaining maturity.

For real estate 1-4 family first and junior lien mortgages, fair value is calculated by discounting contractual cash flows, adjusted for prepayment and credit loss estimates, using discount rates based on current industry pricing (where readily available) or our own estimate of an appropriate risk-adjusted discount rate for loans of similar size, type, remaining maturity and repricing characteristics.

For credit card loans, the portfolio's yield is equal to our current pricing and, therefore, the fair value is equal to book value adjusted for estimates of credit losses inherent in the portfolio at the balance sheet date.

For all other consumer loans, the fair value is generally calculated by discounting the contractual cash flows, adjusted for prepayment and credit loss estimates, based on the current rates we offer for loans with similar characteristics.

Loan commitments, standby letters of credit and commercial and similar letters of credit generate ongoing fees at our current pricing levels, which are recognized over the term of the commitment period. In situations where the credit quality of the counterparty to a commitment has declined, we record an allowance. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the related allowance. Certain letters of credit that are hedged with derivative instruments are carried at fair value in trading assets or liabilities. For those letters of credit fair value is calculated based on readily quotable credit default spreads, using a market risk credit default swap model.

DERIVATIVES Quoted market prices are available and used for our exchange-traded derivatives, such as certain interest rate futures and option contracts, which we classify as Level 1. However, substantially all of our derivatives are traded in over-the-counter (OTC) markets where quoted market prices are not always readily available. Therefore we value most OTC derivatives using internal valuation techniques. Valuation techniques and inputs to internally-developed models depend on the type of derivative and nature of the underlying rate, price or index upon which the derivative's value is based. Key inputs can include yield curves, credit curves, foreign-exchange rates, prepayment rates, volatility measurements and correlation of such inputs. Where model inputs can be observed in a liquid market and the model does not require significant judgment, such derivatives are typically classified as Level 2 of the fair value hierarchy. Examples of derivatives classified as Level 2 include generic interest rate swaps, foreign currency swaps, commodity swaps, and certain option and forward contracts. When instruments are traded in less liquid markets and significant inputs are unobservable, such derivatives are classified as Level 3. Examples of derivatives classified as Level 3 include complex and highly structured derivatives, certain credit default swaps, interest rate lock commitments written for our residential mortgage loans that we intend to sell and long dated equity options where volatility is not observable. Additionally, significant judgments are required when classifying financial instruments within the fair value hierarchy, particularly between Level 2 and 3, as is the case for certain derivatives.

MORTGAGE SERVICING RIGHTS (MSRs) AND CERTAIN OTHER INTERESTS HELD IN SECURITIZATIONS MSRs and certain other interests held in securitizations (e.g., interest-only strips) do not trade in an active market with readily observable prices. Accordingly, we determine the fair value of MSRs using a valuation model that calculates the present value of estimated future net servicing income cash flows. The model incorporates assumptions that market participants use in estimating future net servicing income cash flows, including estimates of prepayment speeds (including housing price volatility), discount rate, default rates, cost to service (including delinquency and foreclosure costs), escrow account earnings, contractual servicing fee income, ancillary income and late fees. Commercial MSRs and certain residential MSRs are carried at lower of cost or market value, and therefore can be subject to fair value measurements on a nonrecurring basis. Changes in the fair value of MSRs occur primarily due to the collection/realization of expected cash flows, as well as changes in valuation inputs and assumptions. For other interests held in securitizations (such as interest-only strips) we use a valuation model that calculates the present value of estimated future cash flows. The model incorporates our own estimates of assumptions market participants use in determining the fair value, including estimates of prepayment speeds, discount rates, defaults and contractual fee income. Interest-only strips are recorded as trading assets. Our valuation approach is validated by our internal valuation model validation group. Fair value measurements of our MSRs and interest-only strips use significant unobservable inputs and, accordingly, we classify as Level 3.

FORECLOSED ASSETS Foreclosed assets are carried at net realizable value, which represents fair value less costs to sell. Fair value is generally based upon independent market prices or appraised values of the collateral and, accordingly, we classify foreclosed assets as Level 2.

NONMARKETABLE EQUITY INVESTMENTS Nonmarketable equity investments are recorded under the cost or equity method of accounting. There are generally restrictions on the sale and/or liquidation of these investments, including federal bank stock. Federal bank stock carrying value approximates fair value. We use facts and circumstances available to estimate the fair value of our nonmarketable equity investments. We typically consider our access to and need for capital (including recent or projected financing activity), qualitative assessments of the viability of the investee, evaluation of the financial statements of the investee and prospects for its future. Public equity investments are valued using quoted market prices and discounts are only applied when there are trading restrictions that are an attribute of the investment. Investments in non-public securities are recorded at our estimate of fair value using metrics such as security prices of comparable public companies, acquisition prices for similar companies and original investment purchase price multiples, while also incorporating a portfolio company's financial performance and specific factors. For investments in private equity funds, we use the NAV provided by the fund sponsor as an appropriate measure of fair value. In some cases, such NAVs require adjustments based on certain unobservable inputs.

Liabilities

DEPOSIT LIABILITIES Deposit liabilities are carried at historical cost. The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, interest-bearing checking, and market rate and other savings, is equal to the amount payable on demand at the measurement date. The fair value of other time deposits is calculated based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for like wholesale deposits with similar remaining maturities.

SHORT-TERM FINANCIAL LIABILITIES Short-term financial liabilities are carried at historical cost and include federal funds purchased and securities sold under repurchase agreements, commercial paper and other short-term borrowings. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

OTHER LIABILITIES Other liabilities recorded at fair value on a recurring basis, excluding derivative liabilities (see the *"Derivatives"* section for derivative liabilities), includes primarily short sale liabilities. Short sale liabilities are classified as either Level 1 or Level 2, generally dependent upon whether the underlying securities have readily obtained quoted prices in active exchange markets.

LONG-TERM DEBT Long-term debt is generally carried at amortized cost. For disclosure, we are required to estimate the fair value of long-term debt. Generally, the discounted cash flow method is used to estimate the fair value of our long-term debt. Contractual cash flows are discounted using rates currently offered for new notes with similar remaining maturities and, as such, these discount rates include our current spread levels.

Fair Value Measurements from Independent Brokers or Independent Third Party Pricing Services

For certain assets and liabilities, we obtain fair value measurements from independent brokers or independent third party pricing services and record the unadjusted fair value in our financial statements. The detail by level is shown in the table below. Fair value measurements obtained from independent brokers or independent third party pricing services that we have adjusted to determine the fair value recorded in our financial statements are not included in the following table.

		Independent brokers			Third party pricing services		
(in millions)		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
December 31, 2010							
Trading assets (excluding derivatives)	**$**	**-**	**1,211**	**6**	**21**	**2,123**	**-**
Securities available for sale:							
Securities of U.S. Treasury and federal agencies		**-**	**-**	**-**	**936**	**263**	**-**
Securities of U.S. states and political subdivisions		**-**	**15**	**-**	**-**	**14,055**	**-**
Mortgage-backed securities		**-**	**3**	**50**	**-**	**102,206**	**169**
Other debt securities		**-**	**201**	**4,133**	**-**	**14,376**	**606**
Total debt securities		**-**	**219**	**4,183**	**936**	**130,900**	**775**
Total marketable equity securities		**-**	**-**	**-**	**201**	**727**	**16**
Total securities available for sale		**-**	**219**	**4,183**	**1,137**	**131,627**	**791**
Derivatives (trading and other assets)		**-**	**15**	**44**	**-**	**740**	**8**
Loans held for sale		**-**	**-**	**-**	**-**	**1**	**-**
Derivatives (liabilities)		**-**	**-**	**46**	**-**	**841**	**-**
Other liabilities		**-**	**20**	**-**	**-**	**393**	**-**
December 31, 2009							
Trading assets (excluding derivatives)	$	-	4,208	-	30	1,712	81
Securities available for sale		85	1,870	548	1,467	120,688	1,864
Loans held for sale		-	-	-	-	2	-
Derivatives (trading and other assets)		-	8	42	-	2,926	9
Derivatives (liabilities)		-	-	70	-	2,949	4
Other liabilities		-	-	-	10	3,916	26

Note 16: Fair Values of Assets and Liabilities *(continued)*

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis.

(in millions)	Level 1	Level 2	Level 3	Netting	Total
December 31, 2010					
Trading assets (excluding derivatives)					
Securities of U.S. Treasury and federal agencies	$ 1,340	3,335	-	-	4,675
Securities of U.S. states and political subdivisions	-	1,893	5	-	1,898
Collateralized debt obligations	-	-	1,915	-	1,915
Corporate debt securities	-	10,164	166	-	10,330
Mortgage-backed securities	-	9,137	117	-	9,254
Asset-backed securities	-	1,811	366	-	2,177
Equity securities	2,143	625	34	-	2,802
Total trading securities	3,483	26,965	2,603	-	33,051
Other trading assets	816	987	136	-	1,939
Total trading assets (excluding derivatives)	4,299	27,952	2,739	-	34,990
Securities of U.S. Treasury and federal agencies	938	666	-	-	1,604
Securities of U.S. states and political subdivisions	-	14,090	4,564	-	18,654
Mortgage-backed securities:					
Federal agencies	-	82,037	-	-	82,037
Residential	-	20,183	20	-	20,203
Commercial	-	13,337	217	-	13,554
Total mortgage-backed securities	-	115,557	237	-	115,794
Corporate debt securities	-	9,846	433	-	10,279
Collateralized debt obligations	-	-	4,778	-	4,778
Asset-backed securities:					
Auto loans and leases	-	223	6,133	-	6,356
Home equity loans	-	998	112	-	1,110
Other asset-backed securities	-	5,285	3,150	-	8,435
Total asset-backed securities	-	6,506	9,395	-	15,901
Other debt securities	-	370	85	-	455
Total debt securities	938	147,035	19,492	-	167,465
Marketable equity securities:					
Perpetual preferred securities (1)	721	677	2,434	-	3,832
Other marketable equity securities	1,224	101	32	-	1,357
Total marketable equity securities	1,945	778	2,466	-	5,189
Total securities available for sale	2,883	147,813	21,958	-	172,654
Mortgages held for sale	-	44,226	3,305	-	47,531
Loans held for sale	-	873	-	-	873
Loans	-	-	309	-	309
Mortgage servicing rights (residential)	-	-	14,467	-	14,467
Derivative assets:					
Interest rate contracts	-	67,380	869	-	68,249
Commodity contracts	-	4,133	-	-	4,133
Equity contracts	511	2,040	721	-	3,272
Foreign exchange contracts	42	4,257	51	-	4,350
Credit contracts	-	2,148	3,198	-	5,346
Other derivative contracts	8	-	-	-	8
Netting	-	-	-	(63,469) (2)	(63,469)
Total derivative assets (3)	561	79,958	4,839	(63,469)	21,889
Other assets	38	45	314	-	397
Total assets recorded at fair value	$ 7,781	300,867	47,931	(63,469)	293,110
Derivative liabilities:					
Interest rate contracts	$ (7)	(62,769)	(792)	-	(63,568)
Commodity contracts	-	(3,917)	(1)	-	(3,918)
Equity contracts	(259)	(2,291)	(946)	-	(3,496)
Foreign exchange contracts	(69)	(3,351)	(42)	-	(3,462)
Credit contracts	-	(2,199)	(4,215)	-	(6,414)
Other derivative contracts	-	-	(35)	-	(35)
Netting	-	-	-	70,009 (2)	70,009
Total derivative liabilities (4)	(335)	(74,527)	(6,031)	70,009	(10,884)
Short sale liabilities:					
Securities of U.S. Treasury and federal agencies	(2,827)	(1,129)	-	-	(3,956)
Corporate debt securities	-	(3,798)	-	-	(3,798)
Equity securities	(1,701)	(178)	-	-	(1,879)
Other securities	-	(347)	-	-	(347)
Total short sale liabilities	(4,528)	(5,452)	-	-	(9,980)
Other liabilities	-	(36)	(344)	-	(380)
Total liabilities recorded at fair value	$ (4,863)	(80,015)	(6,375)	70,009	(21,244)

(1) Perpetual preferred securities are primarily ARS. See Note 8 for additional information.

(2) Derivatives are reported net of cash collateral received and paid and, to the extent that the criteria of the accounting guidance covering the offsetting of amounts related to certain contracts are met, positions with the same counterparty are netted as part of a legally enforceable master netting agreement.

(3) Derivative assets include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets.

(4) Derivative liabilities include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading liabilities.

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(in millions)		Level 1	Level 2	Level 3	Netting	Total
December 31, 2009						
Trading assets (excluding derivatives) (1)	$	2,386	20,497	2,311	-	25,194
Derivatives (trading assets)		340	70,938	5,682	(59,115) (2)	17,845
Securities of U.S. Treasury and federal agencies		1,094	1,186	-	-	2,280
Securities of U.S. states and political subdivisions		4	12,708	818	-	13,530
Mortgage-backed securities:						
Federal agencies		-	82,818	-	-	82,818
Residential		-	27,506	1,084	-	28,590
Commercial		-	9,162	1,799	-	10,961
Total mortgage-backed securities		-	119,486	2,883	-	122,369
Corporate debt securities		-	8,968	367	-	9,335
Collateralized debt obligations		-	-	3,725	-	3,725
Other		-	3,292	12,587	-	15,879
Total debt securities		1,098	145,640	20,380	-	167,118
Marketable equity securities:						
Perpetual preferred securities		736	834	2,305	-	3,875
Other marketable equity securities		1,279	350	88	-	1,717
Total marketable equity securities		2,015	1,184	2,393	-	5,592
Total securities available for sale		3,113	146,824	22,773	-	172,710
Mortgages held for sale		-	33,439	3,523	-	36,962
Loans held for sale		-	149	-	-	149
Mortgage servicing rights		-	-	16,004	-	16,004
Other assets (3)		435	13,217	1,690	(6,812) (2)	8,530
Total	$	6,274	285,064	51,983	(65,927)	277,394
Liabilities (4)	$	(4,981)	(83,159)	(6,863)	73,299 (2)	(21,704)

(1) Includes trading securities of $24.0 billion.

(2) Derivatives are reported net of cash collateral received and paid and, to the extent that the criteria of the accounting guidance covering the offsetting of amounts related to certain contracts are met, positions with the same counterparty are netted as part of a legally enforceable master netting agreement.

(3) Derivative assets other than trading and principal investments are included in this category. Balances have been revised to conform with current period presentation.

(4) Derivative liabilities are included in this category. Balances have been revised to conform with current period presentation.

Note 16: Fair Values of Assets and Liabilities *(continued)*

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows.

(in millions)	Balance, beginning of year	Total net gains (losses) included in Net income	Total net gains (losses) included in Other comprehensive income	Purchases, sales, issuances and settlements, net	Transfers into Level 3	Transfers out of Level 3	Balance, end of year	Net unrealized gains (losses) included in net income related to assets and liabilities held at period end	
Year ended December 31, 2010									
Trading assets (excluding derivatives):									
Securities of U.S. states and political subdivisions	$ 5	2	-	(11)	9	-	5	1	
Collateralized debt obligations	1,133	418	-	364	-	-	1,915	11	
Corporate bonds	223	9	-	67	9	(142)	166	16	
Mortgage-backed securities	146	(7)	-	101	-	(123)	117	(17)	
Asset-backed securities	497	80	-	(141)	1	(71)	366	67	
Equity securities	36	1	-	(5)	2	-	34	(2)	
Total trading securities	2,040	503	-	375	21	(336)	2,603	76	
Other trading assets	271	(35)	-	(19)	-	(81)	136	10	
Total trading assets (excluding derivatives)	2,311	468	-	356	21	(417)	2,739	86	(2)
Securities available for sale:									
Securities of U.S. states and political subdivisions	818	12	63	3,485	192	(6)	4,564	4	
Mortgage-backed securities:									
Residential	1,084	7	(21)	(48)	274	(1,276)	20	(8)	
Commercial	1,799	(28)	404	(10)	227	(2,175)	217	(5)	
Total mortgage-backed securities	2,883	(21)	383	(58)	501	(3,451)	237	(13)	
Corporate debt securities	367	7	68	(113)	259	(155)	433	-	
Collateralized debt obligations	3,725	210	96	959	-	(212)	4,778	(14)	
Asset-backed securities:									
Auto loans and leases	8,525	1	(246)	(2,403)	256	-	6,133	-	
Home equity loans	1,677	1	40	48	113	(1,767)	112	(5)	
Other asset-backed securities	2,308	51	(19)	903	1,057	(1,150)	3,150	(12)	
Total asset-backed securities	12,510	53	(225)	(1,452)	1,426	(2,917)	9,395	(17)	
Other debt securities	77	(15)	11	12	-	-	85	-	
Total debt securities	20,380	246	396	2,833	2,378	(6,741)	19,492	(40)	(3)
Marketable equity securities:									
Perpetual preferred securities	2,305	100	(31)	6	80	(26)	2,434	-	
Other marketable equity securities	88	-	5	(21)	14	(54)	32	-	
Total marketable equity securities	2,393	100	(26)	(15)	94	(80)	2,466	-	(4)
Total securities available for sale	22,773	346	370	2,818	2,472	(6,821)	21,958	(40)	
Mortgages held for sale	3,523	43	-	(253)	380	(388)	3,305	39	(5)
Loans	-	55	-	(112)	1,035	(669)	309	55	(5)
Mortgage servicing rights	16,004	(5,511)	-	4,092	-	(118)	14,467	(2,957)	(5)
Net derivative assets and liabilities:									
Interest rate contracts	(114)	3,514	-	(3,482)	159	-	77	(266)	
Commodity contracts	-	(1)	-	-	-	-	(1)	(1)	
Equity contracts	(344)	(104)	-	169	-	54	(225)	(19)	
Foreign exchange contracts	(1)	21	-	(11)	-	-	9	-	
Credit contracts	(330)	(675)	-	(18)	6	-	(1,017)	(644)	
Other derivative contracts	(43)	4	-	4	-	-	(35)	-	
Total derivative contracts	(832)	2,759	-	(3,338)	165	54	(1,192)	(930)	(6)
Other assets	1,373	29	-	(103)	4	(989)	314	(38)	(2)
Short sale liabilities (corporate debt securities)	(26)	(2)	-	(37)	-	65	-	-	
Other liabilities (excluding derivatives)	(10)	(55)	-	94	(1,038)	665	(344)	(58)	

(1) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(2) Included in other noninterest income in the income statement.
(3) Included in debt securities available for sale in the income statement.
(4) Included in equity investments in the income statement.
(5) Included in mortgage banking in the income statement.
(6) Included in mortgage banking, trading activities and other noninterest income in the income statement.

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(in millions)	Balance, beginning of year	Total net gains (losses) included in Net income	Total net gains (losses) included in Other comprehensive income	Purchases, sales, issuances and settlements, net	Net transfers into and/ or out of Level 3	Balance, end of year	Net unrealized gains (losses) included in net income related to assets and liabilities held at period end (1)
Year ended December 31, 2009							
Trading assets (excluding derivatives)	$ 3,495	202	2	(1,749)	361	2,311	276 (2)
Securities available for sale:							
Securities of U.S. states and political subdivisions	903	23	-	25	(133)	818	(8)
Mortgage-backed securities:							
Federal agencies	4	-	-	-	(4)	-	-
Residential	3,510	(74)	1,092	(759)	(2,685)	1,084	(227)
Commercial	286	(220)	894	41	798	1,799	(112)
Total mortgage-backed securities	3,800	(294)	1,986	(718)	(1,891)	2,883	(339)
Corporate debt securities	282	3	61	(7)	28	367	-
Collateralized debt obligations	2,083	125	577	623	317	3,725	(84)
Other	12,799	136	1,368	584	(2,300)	12,587	(94)
Total debt securities	19,867	(7)	3,992	507	(3,979)	20,380	(525)(3)
Marketable equity securities:							
Perpetual preferred securities	2,775	104	144	(723)	5	2,305	(1)
Other marketable equity securities	50	-	(2)	63	(23)	88	-
Total marketable equity securities	2,825	104	142	(660)	(18)	2,393	(1)(4)
Total securities available for sale	$ 22,692	97	4,134	(153)	(3,997)	22,773	(526)
Mortgages held for sale	$ 4,718	(96)	-	(921)	(178)	3,523	(109)(5)
Mortgage servicing rights	14,714	(4,970)	-	6,260	-	16,004	(1,534)(5)
Net derivative assets and liabilities	37	1,439	-	(2,291)	(17)	(832)	(799)(6)
Other assets (excluding derivatives)	1,231	10	-	132	-	1,373	12 (2)
Liabilities (excluding derivatives)(7)	(16)	(11)	-	1	(10)	(36)	14
Year ended December 31, 2008							
Trading assets (excluding derivatives)	$ 418	(120)	-	3,197	-	3,495	(23)(2)
Securities available for sale:							
Securities of U.S. states and political subdivisions	168	-	(81)	538	278	903	-
Mortgage-backed securities:							
Federal agencies	-	-	-	-	4	4	-
Residential	486	(180)	(302)	3,307	199	3,510	(150)
Commercial	-	(10)	(210)	163	343	286	-
Total mortgage-backed securities	486	(190)	(512)	3,470	546	3,800	(150)
Corporate debt securities	-	-	(44)	326	-	282	-
Collateralized debt obligations	-	(152)	(280)	1,679	836	2,083	-
Other	4,726	(15)	(572)	8,379	281	12,799	-
Total debt securities	5,380	(357)	(1,489)	14,392	1,941	19,867	(150)(3)
Marketable equity securities:							
Perpetual preferred securities	-	-	-	2,775	-	2,775	-
Other marketable equity securities	1	-	-	49	-	50	-
Total marketable equity securities	1	-	-	2,824	-	2,825	- (4)
Total securities available for sale	$ 5,381	(357)	(1,489)	17,216	1,941	22,692	(150)
Mortgages held for sale	$ 146	(280)	-	561	4,291	4,718	(268)(5)
Mortgage servicing rights	16,763	(5,927)	-	3,878	-	14,714	(333)(5)
Net derivative assets and liabilities	6	(275)	1	303	2	37	93 (6)
Other assets (excluding derivatives)	-	-	-	1,231	-	1,231	- (2)
Liabilities (excluding derivatives) (7)	(27)	6	-	5	-	(16)	6

(1) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(2) Included in other noninterest income in the income statement.
(3) Included in debt securities available for sale in the income statement.
(4) Included in equity investments in the income statement.
(5) Included in mortgage banking in the income statement.
(6) Included in mortgage banking, trading activities and other noninterest income in the income statement.
(7) Balances have been revised to conform with current period presentation.

Changes in Fair Value Levels

We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. The amounts reported as transfers represent the fair value as of the beginning of the quarter in which the transfer occurred.

We evaluate the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets, total liabilities or total earnings. For the year ended December 31, 2010, there were no significant transfers in or out of Level 1.

Significant changes to Level 3 assets for the year ended December 31, 2010 are described as follows:

- Our adoption of new consolidation accounting guidance on January 1, 2010, impacted Level 3 balances for certain financial instruments. Reductions in Level 3 balances, which represent derecognition of existing investments in newly consolidated VIEs, are reflected as transfers out for the following categories: trading assets, $276 million; securities available for sale, $1.9 billion; and mortgage servicing rights, $118 million. Increases in Level 3 balances, which represent newly consolidated VIE assets, are reflected as transfers in for the following categories: securities available for sale, $829 million; loans, $366 million; and long-term debt, $359 million.
- We transferred $4.9 billion of securities available for sale from Level 3 to Level 2 due to an increase in the volume of trading activity for certain mortgage-backed and other asset-backed securities, which resulted in increased occurrences of observable market prices. We also transferred $1.7 billion of debt securities available for sale from Level 2 to Level 3, primarily due to a decrease in liquidity for certain asset-backed securities.

For the year ended December 31, 2009, we transferred $4.0 billion of debt securities available for sale from Level 3 to Level 2 due to increased trading activity.

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of LOCOM accounting or write-downs of individual assets. For assets measured at fair value on a nonrecurring basis in 2010 and 2009 that were still held in the balance sheet at each respective year end, the following table provides the fair value hierarchy and the carrying value of the related individual assets or portfolios at year end.

	Carrying value at year end			
(in millions)	Level 1	Level 2	Level 3	Total
December 31, 2010				
Mortgages held for sale (1)	**$ -**	**2,000**	**891**	**2,891**
Loans held for sale	**-**	**352**	**-**	**352**
Loans:				
Commercial	**-**	**2,480**	**67**	**2,547**
Consumer	**-**	**5,870**	**18**	**5,888**
Total loans (2)	**-**	**8,350**	**85**	**8,435**
Mortgage servicing rights (amortized)	**-**	**-**	**104**	**104**
Other assets (3)	**-**	**765**	**82**	**847**
December 31, 2009				
Mortgages held for sale (1)	$ -	1,105	711	1,816
Loans held for sale	-	444	-	444
Loans (2)	-	6,177	134	6,311
Other assets (3)	-	289	119	408

(1) Predominantly real estate 1-4 family first mortgage loans measured at LOCOM.
(2) Represents carrying value of loans for which adjustments are based on the appraised value of the collateral.
(3) Includes the fair value of foreclosed real estate and other collateral owned that were measured at fair value subsequent to their initial classification as foreclosed assets.

The following table presents the increase (decrease) in value of certain assets that are measured at fair value on a nonrecurring basis for which a fair value adjustment has been included in the income statement.

(in millions)		
Year ended December 31, 2010		
Mortgages held for sale	**$**	**(20)**
Loans held for sale		**(1)**
Loans:		
Commercial		**(1,306)**
Consumer		**(6,881)**
Total loans (1)		**(8,187)**
Mortgage servicing rights (amortized)		**(3)**
Other assets (2)		**(301)**
Total	**$**	**(8,512)**
Year ended December 31, 2009		
Mortgages held for sale	$	(22)
Loans held for sale		158
Loans (1)		(11,703)
Other assets (2)		(217)
Total	$	(11,784)

(1) Represents write-downs of loans based on the appraised value of the collateral. Prior year amount has been revised to conform with current period presentation.

(2) Includes the losses on foreclosed real estate and other collateral owned that were measured at fair value subsequent to their initial classification as foreclosed assets.

Note 16: Fair Values of Assets and Liabilities *(continued)*

Alternative Investments

The following table summarizes our investments in various types of funds, which are included in trading assets, securities available for sale and other assets. We use the funds' net asset values (NAVs) per share as a practical expedient to measure fair value on recurring and nonrecurring bases. The fair values presented in the table are based upon the funds' NAVs or an equivalent measure.

(in millions)	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
December 31, 2010				
Offshore funds	**$ 1,665**	**-**	**Daily - Annually**	**1 - 180 days**
Funds of funds	**63**	**-**	**Monthly - Quarterly**	**10 - 90 days**
Hedge funds	**23**	**-**	**Monthly - Annually**	**30 - 120 days**
Private equity funds	**1,830**	**669**	**N/A**	**N/A**
Venture capital funds	**88**	**36**	**N/A**	**N/A**
Total	**$ 3,669**	**705**		
December 31, 2009				
Offshore funds (1)	$ 1,559	-	Daily - Quarterly	1 - 90 days
Funds of funds	69	-	Monthly - Annually	10 - 120 days
Hedge funds	35	-	Monthly - Annually	30 - 180 days
Private equity funds	901	340	N/A	N/A
Venture capital funds	93	47	N/A	N/A
Total	$ 2,657	387		

N/A - Not applicable

(1) "Fair value" has been revised to correct previously reported amount.

Offshore funds primarily invest in investment grade European fixed-income securities. Redemption restrictions are in place for investments with a fair value of $74 million and $76 million at December 31, 2010 and 2009, respectively, due to lock-up provisions that will remain in effect until November 2012.

Private equity funds invest in equity and debt securities issued by private and publicly-held companies in connection with leveraged buyouts, recapitalizations and expansion opportunities. Substantially all of these investments do not allow redemptions. Alternatively, we receive distributions as the underlying assets of the funds liquidate, which we expect to occur over the next 10 years.

Venture capital funds invest in domestic and foreign companies in a variety of industries, including information technology, financial services and healthcare. These investments can never be redeemed with the funds. Instead, we receive distributions as the underlying assets of the fund liquidate, which we expect to occur over the next seven years.

Fair Value Option

We measure MHFS at fair value for prime MHFS originations for which an active secondary market and readily available market prices exist to reliably support fair value pricing models used for these loans. Loan origination fees on these loans are recorded when earned, and related direct loan origination costs are recognized when incurred. We also measure at fair value certain of our other interests held related to residential loan sales and securitizations. We believe fair value measurement for prime MHFS and other interests held, which we hedge with free-standing derivatives (economic hedges) along with our MSRs, measured at fair value reduces certain timing differences and better matches changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets.

Upon the acquisition of Wachovia, we elected to measure at fair value certain portfolios of LHFS that we intend to hold for trading purposes and that may be economically hedged with derivative instruments. In addition, we elected to measure at fair value certain letters of credit that are hedged with derivative instruments to better reflect the economics of the transactions. These letters of credit are included in trading account assets or liabilities.

Upon the adoption of new consolidation guidance on January 1, 2010, we elected to measure at fair value the eligible assets (loans) and liabilities (long-term debt) of certain nonconforming mortgage loan securitization VIEs. We elected the fair value option for such newly consolidated VIEs to continue fair value accounting as our interests prior to consolidation were predominantly carried at fair value with changes in fair value recognized in earnings.

The following table reflects the differences between fair value carrying amount of certain assets and liabilities for which we have elected the fair value option and the contractual aggregate unpaid principal amount at maturity.

	Dec. 31, 2010			Dec. 31, 2009		
(in millions)	**Fair value carrying amount**	**Aggregate unpaid principal**	**Fair value carrying amount less aggregate unpaid principal**	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Mortgages held for sale:						
Total loans	**$ 47,531**	**47,818**	**(287)** (1)	36,962	37,072	(110) (1)
Nonaccrual loans	**325**	**662**	**(337)**	268	560	(292)
Loans 90 days or more past due and still accruing	**38**	**47**	**(9)**	49	63	(14)
Loans held for sale:						
Total loans	**873**	**897**	**(24)**	149	159	(10)
Nonaccrual loans	**1**	**7**	**(6)**	5	2	3
Loans:						
Total loans	**309**	**348**	**(39)**	-	-	-
Nonaccrual loans	**13**	**16**	**(3)**	-	-	-
Loans 90 days or more past due and still accruing	**2**	**2**	**-**	-	-	-
Long-term debt	**306**	**353**	**(47)**	-	-	-

(1) The difference between fair value carrying amount and aggregate unpaid principal includes changes in fair value recorded at and subsequent to funding, gains and losses on the related loan commitment prior to funding, and premiums on acquired loans.

Note 16: Fair Values of Assets and Liabilities *(continued)*

The assets accounted for under the fair value option are initially measured at fair value. Gains and losses from initial measurement and subsequent changes in fair value are recognized in earnings. The changes in fair value related to initial measurement and subsequent changes in fair value included in earnings for these assets measured at fair value are shown, by income statement line item, below.

	2010		2009	
	Mortgage banking noninterest income		Mortgage banking noninterest income	
(in millions)	**Net gains on mortgage loan origination/sales activities**	**Other noninterest income**	Net gains on mortgage loan origination/sales activities	Other noninterest income
Year ended December 31,				
Mortgages held for sale	**$ 6,512**	**-**	4,891	-
Loans held for sale	**-**	**24**	-	99
Loans	**55**	**-**	-	-
Long-term debt	**(48)**	**-**	-	-
Other interests held	**-**	**(13)**	-	117

The following table shows the estimated gains and losses from earnings attributable to instrument-specific credit risk related to assets accounted for under the fair value option.

	Year ended Dec. 31,	
(in millions)	**2010**	2009
Gains (losses) attributable to instrument-specific credit risk:		
Mortgages held for sale	**$ (28)**	(277)
Loans held for sale	**24**	63
Total	**$ (4)**	(214)

For performing loans, instrument-specific credit risk gains or losses were derived principally by determining the change in fair value of the loans due to changes in the observable or implied credit spread. Credit spread is the market yield on the loans less the relevant risk-free benchmark interest rate. Since the second half of 2007, spreads have been significantly affected by the lack of liquidity in the secondary market for mortgage loans. For nonperforming loans, we attribute all changes in fair value to instrument-specific credit risk.

Disclosures about Fair Value of Financial Instruments

The table below is a summary of fair value estimates for financial instruments, excluding short-term financial assets and liabilities because carrying amounts approximate fair value, and excluding financial instruments recorded at fair value on a recurring basis. The carrying amounts in the following table are recorded in the balance sheet under the indicated captions.

We have not included assets and liabilities that are not financial instruments in our disclosure, such as the value of the long-term relationships with our deposit, credit card and trust customers, amortized MSRs, premises and equipment, goodwill and other intangibles, deferred taxes and other liabilities. The total of the fair value calculations presented does not represent, and should not be construed to represent, the underlying value of the Company.

	December 31,			
	2010		2009	
(in millions)	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Mortgages held for sale (1)	$ **4,232**	**4,234**	2,132	2,132
Loans held for sale (2)	**417**	**441**	5,584	5,719
Loans, net (3)	**721,016**	**710,147**	744,225	717,798
Nonmarketable equity investments (cost method)	**8,494**	**8,814**	9,793	9,889
Financial liabilities				
Deposits	**847,942**	**849,642**	824,018	824,678
Long-term debt (3)(4)	**156,651**	**159,996**	203,784	205,752

(1) Balance excludes MHFS for which the fair value option was elected.
(2) Balance excludes LHFS for which the fair value option was elected.
(3) At December 31, 2010, loans and long-term debt exclude balances for which the fair value option was elected. Loans exclude lease financing with a carrying amount of $13.1 billion and $14.2 billion at December 31, 2010 and 2009, respectively.
(4) The carrying amount and fair value exclude obligations under capital leases of $26 million and $77 million at December 31, 2010 and 2009, respectively.

Loan commitments, standby letters of credit and commercial and similar letters of credit are not included in the table above. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the related allowance. This amounted to $673 million and $725 million at December 31, 2010 and 2009, respectively.

Note 17: Preferred Stock

We are authorized to issue 20 million shares of preferred stock and 4 million shares of preference stock, both without par value. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference but have no general voting rights. We have not issued any preference shares under this authorization. If issued, preference shares would be limited to one vote per share. Our total issued and outstanding preferred stock includes Dividend Equalization Preference (DEP) shares and Series J, K and L, which are presented in the table below, and Employee Stock Ownership Plan (ESOP) Cumulative Convertible Preferred Stock, which is presented in the table on the following page.

				December 31, 2010 and 2009		
(in millions, except shares and liquidation preference per share)	Liquidation preference per share	Shares authorized	Shares issued and outstanding	Par value	Carrying value	Discount
DEP Shares						
Dividend Equalization Preferred Shares	$ 10	97,000	96,546	$ -	-	-
Series J (1)						
8.00% Non-Cumulative Perpetual Class A Preferred Stock	1,000	2,300,000	2,150,375	2,150	1,995	155
Series K (1)						
7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	1,000	3,500,000	3,352,000	3,352	2,876	476
Series L (1)						
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock	1,000	4,025,000	3,968,000	3,968	3,200	768
Total		9,922,000	9,566,921	$ 9,470	8,071	1,399

(1) Preferred shares qualify as Tier 1 capital.

In addition to the preferred stock issued and outstanding described in the table above, at December 31, 2010, we have the following preferred stock authorized with no shares issued and outstanding:

- Series A – Non-Cumulative Perpetual Preferred Stock, Series A, $100,000 liquidation preference per share, 25,001 shares authorized
- Series B – Non-Cumulative Perpetual Preferred Stock, Series B, $100,000 liquidation preference per share, 17,501 shares authorized
- Series G – 7.25% Class A Preferred Stock, Series G, $15,000 liquidation preference per share, 50,000 shares authorized
- Series H – Floating Class A Preferred Stock, Series H, $20,000 liquidation preference per share, 50,000 shares authorized
- Series I – 5.80% Fixed to Floating Class A Preferred Stock, Series I, $100,000 liquidation preference per share, 25,010 shares authorized

We may issue preferred stock for Series A ($2.5 billion in March 2013), Series B ($1.8 billion in September 2013), and Series I ($2.5 billion in March 2011) to unconsolidated wholly-owned trusts. The issuance of the preferred stock is contingent upon the sale of our income trust securities held by these trusts to third party investors. See Note 8 for additional information on our trust preferred security structures and Note 13 for information about our income trust notes. We have no commitment to issue Series G or H preferred stock.

In December 2009, we redeemed the Series D Preferred Stock, which had been issued in October 2008 to the United States Department of the Treasury. We paid $25.0 billion, which was equal to the liquidation preference of the stock. In connection with the redemption, we fully accreted the remaining discount at the time of redemption of $1.9 billion.

ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK All shares of our ESOP Cumulative Convertible Preferred Stock (ESOP Preferred Stock) were issued to a trustee acting on behalf of the Wells Fargo & Company 401(k) Plan (the 401(k) Plan). Dividends on the ESOP Preferred Stock are cumulative from the date of initial issuance and are payable quarterly at annual rates based upon the year of issuance. Each share of ESOP Preferred Stock released from the unallocated reserve of the 401(k) Plan is converted into shares of our common stock based on the stated value of the ESOP Preferred Stock and the then current market price of our common stock. The ESOP Preferred Stock is also convertible at the option of the holder at any time, unless previously redeemed. We have the option to redeem the ESOP Preferred Stock at any time, in whole or in part, at a redemption price per share equal to the higher of (a) $1,000 per share plus accrued and unpaid dividends or (b) the fair market value, as defined in the Certificates of Designation for the ESOP Preferred Stock.

	Shares issued and outstanding December 31,		Carrying value December 31,		Adjustable dividend rate	
(in millions, except shares)	**2010**	2009	**2010**	2009	Minimum	Maximum
ESOP Preferred Stock						
$1,000 liquidation preference per share						
2010	**287,161**	-	**$ 287**	-	9.50 %	10.50
2008	**104,854**	120,289	**105**	120	10.50	11.50
2007	**82,994**	97,624	**83**	98	10.75	11.75
2006	**58,632**	71,322	**59**	71	10.75	11.75
2005	**40,892**	51,687	**41**	52	9.75	10.75
2004	**26,815**	36,425	**27**	37	8.50	9.50
2003	**13,591**	21,450	**13**	21	8.50	9.50
2002	**3,443**	11,949	**3**	12	10.50	11.50
2001	**-**	3,273	**-**	3	10.50	11.50
Total ESOP Preferred Stock (1)	**618,382**	414,019	**$ 618**	414		
Unearned ESOP shares (2)			**$ (663)**	(442)		

(1) At December 31, 2010 and December 31, 2009, additional paid-in capital included $45 million and $28 million, respectively, related to preferred stock.
(2) We recorded a corresponding charge to unearned ESOP shares in connection with the issuance of the ESOP Preferred Stock. The unearned ESOP shares are reduced as shares of the ESOP Preferred Stock are committed to be released.

Note 18: Common Stock and Stock Plans

Common Stock

The following table presents our reserved, issued and authorized shares of common stock at December 31, 2010.

	Number of shares
Dividend reinvestment and common stock purchase plans	8,791,078
Director plans	837,516
Stock plans (1)	667,226,530
Convertible securities and warrants	105,279,949
Total shares reserved	782,135,073
Shares issued	5,272,414,622
Shares not reserved	2,945,450,305
Total shares authorized	9,000,000,000

(1) Includes employee options, restricted shares and restricted share rights, 401(k), profit sharing and compensation deferral plans.

At December 31, 2010, we have warrants outstanding and exercisable to purchase 39,444,481 shares of our common stock with an exercise price of $34.01 per share, expiring on October 28, 2018. These warrants were issued in connection with our participation in the TARP CPP.

Dividend Reinvestment and Common Stock Purchase Plans

Participants in our dividend reinvestment and common stock direct purchase plans may purchase shares of our common stock at fair market value by reinvesting dividends and/or making optional cash payments, under the plan's terms.

Employee Stock Plans

We offer the stock based employee compensation plans described below. We measure the cost of employee services received in exchange for an award of equity instruments, such as stock options, restricted share rights (RSRs) or performance shares, based on the fair value of the award on the grant date. The cost is normally recognized in our income statement over the vesting period of the award; awards with graded vesting are expensed on a straight line method. Awards that continue to vest after retirement are expensed over the shorter of the period of time between the grant date and the final vesting period or between the grant date and when a team member becomes retirement eligible; awards to team members who are retirement eligible at the grant date are subject to immediate expensing upon grant.

LONG-TERM INCENTIVE COMPENSATION PLANS Our Long Term Incentive Compensation Plan (LTICP) provides for awards of incentive and nonqualified stock options, stock appreciation rights, restricted shares, RSRs, performance share awards and stock awards without restrictions.

During 2010 we granted RSRs and performance shares as our primary long-term incentive awards instead of stock options. Holders of RSRs are entitled to the related shares of common stock at no cost generally over three to five years after the RSRs were granted. Holders of RSRs may be entitled to receive additional RSRs (dividend equivalents) or cash payments equal to the cash dividends that would have been paid had the RSRs been issued and outstanding shares of common stock. RSRs granted as dividend equivalents are subject to the same vesting schedule and conditions as the underlying RSRs. RSRs generally continue to vest after retirement according to the original vesting schedule. Except in limited circumstances, RSRs are cancelled when employment ends.

A target number of 1,602,336 and 949,000 performance shares were granted in 2010 and 2009, respectively, with a fair value of $27.46 per share and $27.09 per share, respectively. The final number of performance shares that will vest is subject to the achievement of specified performance criteria over a three-year period ending June 30, 2013 and December 31, 2012, for the 2010 and 2009 awards, respectively, and has a cap of 150% of the target number of performance shares. Holders of each vested performance share are entitled to the related shares of common stock at no cost. Performance shares continue to vest after retirement according to the original vesting schedule subject to satisfying the performance criteria and other vesting conditions. As of December 31, 2010, no performance shares were forfeited or vested and unrecognized compensation cost for unvested performance shares was $18 million and is expected to be recognized over a weighted-average period of 2.2 years.

Stock options must have an exercise price at or above fair market value (as defined in the plan) of the stock at the date of grant (except for substitute or replacement options granted in connection with mergers or other acquisitions) and a term of no more than 10 years. Except for options granted in 2004 and 2005, which generally vested in full upon grant, options generally become exercisable over three years beginning on the first anniversary of the date of grant. Except as otherwise permitted under the plan, if employment is ended for reasons other than retirement, permanent disability or death, the option exercise period is reduced or the options are cancelled.

Options granted prior to 2004 may include the right to acquire a "reload" stock option. If an option contains the reload feature and if a participant pays all or part of the exercise price of the option with shares of stock purchased in the market or held by the participant for at least six months and, in either case, not used in a similar transaction in the last six months, upon exercise of the option, the participant is granted a new option to purchase at the fair market value of the stock as of the date of the reload, the number of shares of stock equal to the sum of the number of shares used in payment of the exercise price and a number of shares with respect to related statutory minimum withholding taxes. Reload grants are fully vested upon grant and are expensed immediately.

Compensation expense for RSRs and performance shares is based on the quoted market price of the related stock at the grant date. Stock option expense is based on the fair value of the awards at the date of grant. The following table summarizes the major components of stock incentive compensation expense and the related recognized tax benefit.

(in millions)		Year ended December 31, 2010	2009	2008
RSRs	$	**252**	3	3
Performance shares		**66**	21	-
Stock options		**118**	221	174
Total stock incentive compensation expense	$	**436**	245	177
Related recognized tax benefit	$	**165**	92	65

A portion of annual bonus awards recognized during 2009 that are normally paid in cash was paid in our common stock as part of our agreement with the U.S. Treasury to repay our participation in the TARP CPP. The fair value of the stock that was issued was $94 million and there were no vesting conditions or other restrictions on the stock. No annual bonus awards recognized during 2010 were paid in common stock.

During 2009 the Board of Directors approved salary increases for certain executive officers that were paid, after taxes and other withholdings, in our common stock. In 2010 and 2009, respectively, 62,630 shares and 244,689 shares were issued for salary increases at an average fair value of $27.44 and $27.77, respectively. There are no restrictions on these shares because we repaid the TARP CPP investment in Wells Fargo in December 2009. No salary increases were paid in common stock after February 2010.

For various acquisitions and mergers, we converted employee and director stock options of acquired or merged companies into stock options to purchase our common stock based on the terms of the original stock option plan and the agreed-upon exchange ratio. In addition, we converted restricted stock awards into awards that entitle holders to our stock after the vesting conditions are met. Holders receive cash dividends on outstanding awards if provided in the original award.

The total number of shares of common stock available for grant under the plans at December 31, 2010, was 255 million.

***PARTNERSHARES* PLAN** In 1996, we adopted the *PartnerShares*® Stock Option Plan, a broad-based employee stock option plan. It covers full- and part-time employees who generally were not included in the LTICP described above. No options have been granted under the plan since 2002, and as a result of action taken by the Board of Directors on January 22, 2008, no future awards will be granted under the plan. All of our *PartnerShares* Plan grants were fully vested as of December 31, 2007.

Director Plan

We grant common stock and options to purchase common stock to non-employee directors elected or re-elected at the annual meeting of stockholders and prorated awards to directors who join the Board at any other time. The stock award vests immediately. Options granted in 2008 or earlier can be exercised after six months through the tenth anniversary of the grant date. Options granted prior to 2005 may include the right to acquire a "reload" stock option. Prior to 2009, stock awards and option grants were made to non-employee directors under the Directors Stock Compensation and Deferral Plan. As a result of action taken by the Board of Directors on September 30, 2008, stock awards and options granted in 2010 and 2009 were made under our LTICP; options granted to directors under the LTICP can be exercised after 12 months through the tenth anniversary of the grant date.

Restricted Share Rights

A summary of the status of our RSRs and restricted share awards at December 31, 2010, and changes during 2010 is in the following table:

	Number	Weighted-average grant-date fair value
Nonvested at January 1, 2010	1,908,955	$ 23.62
Granted	22,364,160	27.29
Vested	(568,417)	27.21
Canceled or forfeited	(667,976)	27.59
Nonvested at December 31, 2010	23,036,722	26.98

The weighted-average grant date fair value of RSRs granted during 2009 and 2008 was $19.04 and $29.68, respectively.

At December 31, 2010, there was $363 million of total unrecognized compensation cost related to nonvested RSRs. The cost is expected to be recognized over a weighted-average period of 4.0 years. The total fair value of RSRs that vested during 2010, 2009 and 2008 was $15 million, $2 million and $1 million, respectively.

Stock Options

The table below summarizes stock option activity and related information for the employee stock plans and the director plan. Options assumed in mergers are included in the activity and related information for Incentive Compensation Plans if originally issued under an employee plan, and in the activity and related information for Director Plans if originally issued under a director plan.

Note 18: Common Stock and Stock Plans *(continued)*

	Number	Weighted-average exercise price	Weighted-average remaining contractual term (in yrs.)	Aggregate intrinsic value (in millions)
Incentive compensation plans				
Options outstanding as of December 31, 2009	344,371,676	$ 37.11		
Granted	1,841,989	30.88		
Canceled or forfeited	(13,129,540)	48.24		
Exercised	(26,313,334)	19.44		
Options outstanding as of December 31, 2010	306,770,791	38.11	5.1	$ 1,514
As of December 31, 2010:				
Options exercisable and expected to be exercisable (1)	306,278,488	38.12	5.1	1,514
Options exercisable	238,094,894	43.85	4.3	625
PartnerShares Plan				
Options outstanding as of December 31, 2009	16,865,597	24.33		
Canceled or forfeited	(964,242)	23.48		
Exercised	(7,426,810)	23.44		
Options outstanding as of December 31, 2010	8,474,545	25.21	1.2	49
As of December 31, 2010:				
Options exercisable and expected to be exercisable	8,474,545	25.21	1.2	49
Options exercisable	8,474,545	25.21	1.2	49
Director plans				
Options outstanding as of December 31, 2009	853,633	28.53		
Granted	24,684	30.43		
Canceled or forfeited	(2,431)	30.86		
Exercised	(78,022)	23.18		
Options outstanding as of December 31, 2010	797,864	29.10	4.2	2
As of December 31, 2010:				
Options exercisable and expected to be exercisable	797,864	29.10	4.2	2
Options exercisable	797,864	29.10	4.2	2

(1) Adjusted for estimated forfeitures.

As of December 31, 2010, there was $71 million of unrecognized compensation cost related to stock options. That cost is expected to be recognized over a weighted-average period of 1.1 years. The total intrinsic value of options exercised during 2010, 2009 and 2008 was $298 million, $50 million and $348 million, respectively.

Cash received from the exercise of stock options for 2010, 2009 and 2008 was $687 million, $153 million and $747 million, respectively.

We do not have a specific policy on repurchasing shares to satisfy share option exercises. Rather, we have a general policy on repurchasing shares to meet common stock issuance requirements for our benefit plans (including share option exercises), conversion of our convertible securities, acquisitions and other corporate purposes. Various factors determine the amount and timing of our share repurchases, including our capital requirements, the number of shares we expect to issue for acquisitions and employee benefit plans, market conditions (including the trading price of our stock), and regulatory and legal considerations. These factors can change at any time, and there can be no assurance as to the number of shares we will repurchase or when we will repurchase them.

The fair value of each option award granted on or after January 1, 2006, is estimated using a Black-Scholes valuation model. The expected term of non-reload options granted is generally based on the historical exercise behaviour of full-term options. Our expected volatilities are based on a combination of the historical volatility of our common stock and implied volatilities for traded options on our common stock. The risk-free rate is based on the U.S. Treasury zero-coupon yield curve in effect at the time of grant. Both expected volatility and the risk-free rates are based on a period commensurate with our expected term. For 2010 and 2009, the expected dividend is based on a fixed dividend amount. For 2008 the expected dividend was based on the current dividend, consideration of our historical pattern of dividend increases and the market price of our stock. We changed our method of estimating the expected dividend assumption from a yield approach to a fixed amount due to our participation in the TARP CPP during 2009, which restricted us from increasing our dividend without approval from the U.S. Treasury; although we repaid TARP in 2009, federal approval continues to be required under FRB Supervisory Letter 09-4, before we can increase our dividend. A dividend yield approach models a constant dividend yield, which was considered inappropriate given the restriction on our ability to increase dividends. See Note 3.

The following table presents the weighted-average per share fair value of options granted and the assumptions used, based on a Black-Scholes option valuation model. Substantially all of the options granted in 2010 resulted from the reload feature.

	Year ended December 31,		
	2010	2009	2008
Per share fair value of options granted	**$ 6.11**	3.29	4.06
Expected volatility	**44.3 %**	53.9	22.4
Expected dividends (yield)	**-**	-	4.1
Expected dividends	**$ 0.20**	0.33	-
Expected term (in years)	**1.3**	4.5	4.4
Risk-free interest rate	**0.6 %**	1.8	2.7

Employee Stock Ownership Plan

The Wells Fargo & Company 401(k) Plan (401(k) Plan) is a defined contribution plan with an Employee Stock Ownership Plan (ESOP) feature. Effective December 31, 2009, the Wachovia Savings Plan, which also had an ESOP feature, merged into the 401(k) Plan, and all of its shares of our common stock were transferred to the 401(k) Plan. The ESOP feature enables the 401(k) Plan to borrow money to purchase our preferred or common stock. From 1994 through 2008, and in 2010, we loaned money to the 401(k) Plan to purchase shares of our ESOP Preferred Stock. As our employer contributions are made to the 401(k) Plan and are used by the Plan to make ESOP loan payments, the ESOP Preferred Stock in the 401(k) Plan is released and converted into our common shares. Dividends on the common shares allocated as a result of the release and conversion of the ESOP Preferred Stock reduce retained earnings and the shares are considered outstanding for computing earnings per share. Dividends on the unallocated ESOP Preferred Stock do not reduce retained earnings, and the shares are not considered to be common stock equivalents for computing earnings per share. Loan principal and interest payments are made from our employer contributions to the 401(k) Plan, along with dividends paid on the ESOP Preferred Stock. With each principal and interest payment, a portion of the ESOP Preferred Stock is released and converted to common shares, which are allocated to the 401(k) Plan participants and invested in the 401(k) Plan's ESOP Fund.

The balance of common stock held in the ESOP fund, the dividends on allocated shares of common stock and unreleased ESOP Preferred Stock paid to the 401(k) Plan and the fair value of unreleased ESOP Preferred Stock were:

		Shares outstanding December 31,		
(in millions, except shares)		**2010**	2009	2008
Allocated shares (common)		**118,901,327**	110,157,999	74,916,583
Unreleased shares (preferred)		**618,382**	414,019	519,900
Unreleased shares (common)		**-**	203,755	244,506
Fair value of unreleased ESOP Preferred shares	$	**618**	414	520
Fair value of unreleased ESOP Common shares		**-**	5	7

		Dividends paid Year ended December 31,		
		2010	2009	2008
Allocated shares (common)	$	**23**	45	100
Unreleased shares (preferred)		**76**	51	66

Deferred Compensation Plan for Independent Sales Agents

WF Deferred Compensation Holdings, Inc. is a wholly-owned subsidiary of the Parent formed solely to sponsor a deferred compensation plan for independent sales agents who provide investment, financial and other qualifying services for or with respect to participating affiliates.

The Nonqualified Deferred Compensation Plan for Independent Contractors, which became effective January 1, 2002, allows participants to defer all or part of their eligible compensation payable to them by a participating affiliate. The Parent has fully and unconditionally guaranteed the deferred compensation obligations of WF Deferred Compensation Holdings, Inc. under the plan.

Note 19: Employee Benefits and Other Expenses

Pension and Postretirement Plans

We sponsor a noncontributory qualified defined benefit retirement plan, the Wells Fargo & Company Cash Balance Plan (Cash Balance Plan), which covers eligible employees of Wells Fargo; the benefits earned under the Cash Balance Plan were frozen effective July 1, 2009.

On April 28, 2009, the Board of Directors approved amendments to freeze the benefits earned under the Wells Fargo qualified and supplemental Cash Balance Plans and the Wachovia Corporation Pension Plan, a cash balance plan that covered eligible employees of the legacy Wachovia Corporation, and to merge the Wachovia Pension Plan into the qualified Cash Balance Plan. These actions became effective on July 1, 2009.

Prior to July 1, 2009, eligible employees' cash balance plan accounts were allocated a compensation credit based on a percentage of their qualifying compensation. The compensation credit percentage was based on age and years of credited service. The freeze discontinues the allocation of compensation credit for services after June 30, 2009. Investment credits continue to be allocated to participants based on their accumulated balances. Employees become vested in their Cash Balance Plan accounts after completing three years of vesting service.

Freezing and merging the above plans effective July 1, 2009, resulted in a re-measurement of the pension obligations and plan assets as of April 30, 2009. Freezing and re-measuring decreased the pension obligations by approximately $945 million and decreased a cumulative loss in OCI by approximately $725 million pre tax ($456 million after tax) in second quarter 2009. The re-measurement resulted in a decrease in the fair value of plan assets of approximately $150 million. We used a discount rate of 7.75% for the April 30, 2009, re-measurement based on our consistent methodology of determining our discount rate based on an established yield curve developed by our outside actuarial firm. This methodology incorporates a broad group of top quartile Aa or higher rated bonds.

As a result of freezing our pension plans, we revised our amortization life for actuarial gains and losses from 5 years to 13 years to reflect the estimated average remaining participation period.

These actions lowered pension cost by approximately $500 million for 2009, including $67 million of one-time curtailment gains.

We did not make a contribution to our Cash Balance Plan in 2010. We do not expect that we will be required to make a contribution to the Cash Balance Plan in 2011; however, this is dependent on the finalization of the actuarial valuation. Our decision of whether to make a contribution in 2011 will be based on various factors including the actual investment performance of plan assets during 2011. Given these uncertainties, we cannot estimate at this time the amount, if any, that we will contribute in 2011 to the Cash Balance Plan. For the nonqualified pension plans and postretirement benefit plans, there is no minimum required contribution beyond the amount needed to fund benefit payments; we may contribute more to our postretirement benefit plans dependent on various factors.

We provide health care and life insurance benefits for certain retired employees and reserve the right to terminate, modify or amend any of the benefits at any time.

The information set forth in the following tables is based on current actuarial reports using the measurement date of December 31 for our pension and postretirement benefit plans.

Note 19: Employee Benefits and Other Expenses *(continued)*

The changes in the projected benefit obligation of pension benefits and the accumulated benefit obligation of other benefits and the fair value of plan assets, the funded status and the amounts recognized in the balance sheet were:

	December 31,					
	2010			2009		
	Pension benefits			Pension benefits		
(in millions)	**Qualified**	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits
Change in benefit obligation:						
Benefit obligation at beginning of year	**$ 10,038**	**681**	**1,401**	8,977	684	1,325
Service cost	**5**	**-**	**13**	210	8	13
Interest cost	**554**	**37**	**78**	595	43	83
Plan participants' contributions	**-**	**-**	**74**	-	-	79
Curtailment (1)	**-**	**-**	**-**	(910)	(35)	-
Amendments	**2**	**-**	**-**	-	-	(54)
Actuarial loss (gain)	**386**	**46**	**(5)**	1,763	59	120
Benefits paid	**(652)**	**(71)**	**(147)**	(605)	(79)	(167)
Liability transfer	**-**	**-**	**(17)**	-	-	-
Foreign exchange impact	**4**	**-**	**1**	8	1	2
Benefit obligation at end of year	**10,337**	**693**	**1,398**	10,038	681	1,401
Change in plan assets:						
Fair value of plan assets at beginning of year	**9,112**	**-**	**376**	7,863	-	368
Actual return on plan assets	**1,163**	**-**	**33**	1,842	-	48
Employer contribution	**12**	**71**	**361**	4	79	48
Plan participants' contributions	**-**	**-**	**74**	-	-	79
Benefits paid	**(652)**	**(71)**	**(147)**	(605)	(79)	(167)
Foreign exchange impact	**4**	**-**	**-**	8	-	-
Fair value of plan assets at end of year	**9,639**	**-**	**697**	9,112	-	376
Funded status at end of year	**$ (698)**	**(693)**	**(701)**	(926)	(681)	(1,025)
Amounts recognized in the balance sheet at end of year:						
Liabilities	**$ (698)**	**(693)**	**(701)**	(926)	(681)	(1,025)

(1) On April 28, 2009, the Board of Directors approved amendments to freeze the benefits earned under the Wells Fargo qualified and supplemental Cash Balance Plans and the Wachovia Corporation Pension Plan, a cash balance plan that covered eligible employees of legacy Wachovia Corporation, and to merge the Wachovia Pension Plan into the qualified Cash Balance Plan.

The accumulated benefit obligation for the defined benefit pension plans was $11.0 billion and $10.7 billion at December 31, 2010 and 2009, respectively.

The following table provides information for pension plans with benefit obligations in excess of plan assets.

	December 31,	
(in millions)	**2010**	2009
Projected benefit obligation	**$ 11,030**	10,719
Accumulated benefit obligation	**11,019**	10,706
Fair value of plan assets	**9,639**	9,112

The components of net periodic benefit cost were:

(in millions)	December 31, 2010 Pension benefits Qualified	2010 Pension benefits Non-qualified	2010 Other benefits	2009 Pension benefits Qualified	2009 Pension benefits Non-qualified	2009 Other benefits	2008 Pension benefits Qualified	2008 Pension benefits Non-qualified	2008 Other benefits
Service cost	**$ 5**	**-**	**13**	210	8	13	291	15	13
Interest cost	**554**	**37**	**78**	595	43	83	276	22	40
Expected return on plan assets	**(717)**	**-**	**(29)**	(643)	-	(29)	(478)	-	(41)
Amortization of net actuarial loss	**105**	**3**	**1**	194	2	3	1	13	1
Amortization of prior service cost	**-**	**-**	**(4)**	-	(1)	(3)	-	(5)	(4)
Curtailment loss (gain)	**3**	**-**	**(4)**	(32)	(33)	-	-	-	-
Net periodic benefit cost	**(50)**	**40**	**55**	324	19	67	90	45	9
Other changes in plan assets and benefit obligations recognized in other comprehensive income:									
Net actuarial loss (gain)	**(59)**	**46**	**(9)**	(346)	25	99	2,102	(16)	79
Amortization of net actuarial loss	**(105)**	**(3)**	**(1)**	(194)	(2)	(3)	(1)	(13)	(1)
Prior service cost	**2**	**-**	**-**	-	-	-	-	-	-
Amortization of prior service cost	**-**	**-**	**4**	-	1	3	-	5	4
Net loss (gain) in curtailment	**(3)**	**-**	**4**	32	33	-	-	-	-
Net gain on amendment	**-**	**-**	**-**	-	-	(54)	-	-	-
Translation adjustments	**-**	**-**	**-**	3	-	2	(5)	-	(4)
Total recognized in other comprehensive income	**(165)**	**43**	**(2)**	(505)	57	47	2,096	(24)	78
Total recognized in net periodic benefit cost and other comprehensive income	**$ (215)**	**83**	**53**	(181)	76	114	2,186	21	87

Note 19: Employee Benefits and Other Expenses *(continued)*

Amounts recognized in accumulated OCI (pre tax) consist of:

	December 31,					
	2010			2009		
	Pension benefits			Pension benefits		
(in millions)	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Net actuarial loss	$ 1,672	113	135	1,836	70	140
Net prior service credit	-	-	(30)	1	-	(34)
Net transition obligation	-	-	1	-	-	2
Translation adjustments	1	-	-	1	-	-
Total	$ 1,673	113	106	1,838	70	108

We generally amortize net actuarial gain or loss in excess of a 5% corridor from accumulated OCI into net periodic pension cost over the next 13 years. The net actuarial loss for the defined benefit pension plans that will be amortized from accumulated OCI into net periodic benefit cost in 2011 is $92 million. The net prior service credit for the other post retirement plans that will be amortized from accumulated OCI into net periodic benefit cost in 2011 is $3 million.

Plan Assumptions

The weighted-average discount rate used to determine the projected benefit obligation for pension benefits (qualified and nonqualified) and other postretirement benefits was 5.25% and 5.75% for year ended December 31, 2010 and 2009, respectively. We use a consistent methodology to determine the discount rate that is based on an established yield curve methodology. This methodology incorporates a broad group of top quartile Aa or higher rated bonds consisting of approximately 100-150 bonds. The discount rate is determined by matching this yield curve with the timing and amounts of the expected benefit payments for our plans.

The weighted-average assumptions used to determine the net periodic benefit cost were:

	December 31,					
	2010		2009		2008	
	Pension benefits (1)	Other benefits	Pension benefits (1)	Other benefits	Pension benefits (1)	Other benefits
Discount rate (2)	5.75 %	5.75	7.42	6.75	6.25	6.25
Expected return on plan assets	8.25	8.25	8.75	8.75	8.75	8.75
Rate of compensation increase	-	-	4.0	-	4.0	-

(1) Includes both qualified and nonqualified pension benefits.
(2) Due to the freeze of the Wells Fargo qualified and supplemental Cash Balance Plans and the Wachovia Corporation Pension Plan, the discount rate for the 2009 pension benefits was the weighted average of 6.75% from January through April and 7.75% from May through December.

Our determination of the reasonableness of our expected long-term rate of return on plan assets is highly quantitative by nature. We evaluate the current asset allocations and expected returns under two sets of conditions: projected returns using several forward-looking capital market assumptions, and historical returns for the main asset classes dating back to 1970, the earliest period for which historical data was readily available as of a common time frame for the asset classes included. Using data dating back to 1970 allows us to capture multiple economic environments, which we believe is relevant when using historical returns. We place greater emphasis on the forward-looking return and risk assumptions than on historical results. We use the resulting projections to derive a base line expected rate of return and risk level for the Cash Balance Plans' prescribed asset mix. We then adjust the baseline projected returns for items not already captured, including the anticipated return differential from active over passive investment management and the estimated impact of an asset allocation methodology that allows for established deviations from the specified target allocations when a compelling opportunity exists.

We evaluate the portfolio based on: (1) the established target asset allocations over short term (one-year) and longer term (ten-year) investment horizons, and (2) the range of potential outcomes over these horizons within specific standard deviations. We perform the above analyses to assess the reasonableness of our expected long-term rate of return on plan assets. We consider the expected rate of return to be a long-term average view of expected returns. The expected rate of return would be assessed for significant long-term changes in economic conditions or in planned portfolio composition.

To account for postretirement health care plans we use health care cost trend rates to recognize the effect of expected changes in future health care costs due to medical inflation, utilization changes, new technology, regulatory requirements

and Medicare cost shifting. In determining the end of year benefit obligation we assume average annual increases of approximately 8.0% for health care costs in 2011. This rate is assumed to trend down 0.25% per year until the trend rate reaches an ultimate rate of 5.0% in 2023. The 2010 periodic benefit cost was determined using initial annual trend rates of 8.5% (before age 65) and 8.0% (after age 65). These rates were assumed to decrease 0.5% per year until they reached ultimate rates of 5% in 2017 (before age 65) and 2016 (after age 65). Increasing the assumed health care trend by one percentage point in each year would increase the benefit obligation as of December 31, 2010, by $80 million and the total of the interest cost and service cost components of the net periodic benefit cost for 2010 by $5 million. Decreasing the assumed health care trend by one percentage point in each year would decrease the benefit obligation as of December 31, 2010, by $71 million and the total of the interest cost and service cost components of the net periodic benefit cost for 2010 by $4 million.

Investment Strategy and Asset Allocation

We seek to achieve the expected long-term rate of return with a prudent level of risk given the benefit obligations of the pension plans and their funded status. Our overall investment strategy is designed to provide our Cash Balance Plan with a balance of long-term growth opportunities and short-term benefit strategies while ensuring that risk is mitigated through diversification across numerous asset classes and various investment strategies. We target the asset allocation for our Cash Balance Plan at a target mix range of 35-65% equities, 30-50% fixed income, and approximately 10-15% in real estate, venture capital, private equity and other investments. The target ranges referenced above account for the employment of an asset allocation methodology designed to overweight stocks or bonds when a compelling opportunity exists. The Employee Benefit Review Committee (EBRC), which includes several members of senior management, formally reviews the investment risk and performance of our Cash Balance Plan on a quarterly basis. Annual Plan liability analysis and periodic asset/liability evaluations are also conducted.

The investment strategy for assets held in the Retiree Medical Plan Voluntary Employees' Beneficiary Association (VEBA) trust is established separately from the strategy for the assets in the Cash Balance Plan. The general target asset mix is 45-65% equities and 35-55% fixed income. In addition, the strategy for the VEBA trust assets considers the effect of income taxes by utilizing a combination of variable annuity and low turnover investment strategies. Members of the EBRC formally review the investment risk and performance of these assets on a quarterly basis.

Projected Benefit Payments

Future benefits that we expect to pay under the pension and other benefit plans are presented in the following table. Other benefits payments are expected to be reduced by prescription drug subsidies from the federal government provided by the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

	Pension benefits		Other benefits	
(in millions)	Qualified	Non-qualified	Future benefits	Subsidy receipts
Year ended December 31,				
2011	$ 867	77	107	13
2012	846	68	110	14
2013	813	64	113	15
2014	807	63	116	16
2015	801	58	119	10
2016-2020	3,682	293	602	51

Note 19: Employee Benefits and Other Expenses *(continued)*

Fair Value of Plan Assets

The following table presents the balances of pension plan assets and other benefit plan assets measured at fair value. Other benefit plan assets include assets held in a 401(h) trust, which are invested using the same asset allocation targets as the Cash Balance Plan, and assets held in a VEBA trust. See Note 16 for fair value hierarchy level definitions.

	Carrying value at year end							
	Pension plan assets				Other benefits plan assets			
(in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
December 31, 2010								
Cash and cash equivalents	$ 47	488	-	535	2	252	-	254
Intermediate (core) fixed income (1)	297	1,964	10	2,271	10	109	-	119
High-yield fixed income	1	406	1	408	-	14	-	14
International fixed income	-	263	-	263	-	8	-	8
Specialty fixed income	-	95	-	95	-	3	-	3
Domestic large-cap stocks (2)	1,323	867	4	2,194	43	40	-	83
Domestic mid-cap stocks	263	129	-	392	9	20	-	29
Domestic small-cap stocks (3)	851	37	-	888	28	20	-	48
International stocks (4)	948	403	6	1,357	31	46	-	77
Emerging market stocks	-	700	-	700	-	23	-	23
Real estate/timber (5)	105	-	360	465	3	-	12	15
Multi-strategy hedge funds (6)	-	-	313	313	-	-	10	10
Private equity	-	-	112	112	-	-	4	4
Other	-	31	41	72	-	2	22	24
Total plan investments	$ 3,835	5,383	847	10,065	126	537	48	711
Payable upon return of securities loaned				(145)				(5)
Net receivables (payables)				(281)				(9)
Total plan assets				$ 9,639				697
December 31, 2009								
Cash and cash equivalents	$ 52	515	-	567	2	38	-	40
Intermediate (core) fixed income (1)	277	1,827	9	2,113	9	95	-	104
High-yield fixed income	2	481	-	483	-	12	-	12
International fixed income	-	376	-	376	-	3	-	3
Specialty fixed income	-	76	-	76	-	2	-	2
Domestic large-cap stocks (2)	1,046	630	5	1,681	40	30	-	70
Domestic mid-cap stocks	205	103	-	308	7	16	-	23
Domestic small-cap stocks (3)	867	126	-	993	18	16	-	34
International stocks (4)	354	890	1	1,245	11	39	-	50
Emerging market stocks	-	653	-	653	-	14	-	14
Real estate/timber (5)	78	-	353	431	2	-	4	6
Multi-strategy hedge funds (6)	-	-	339	339	-	-	5	5
Private equity	-	1	83	84	-	-	2	2
Other	-	25	46	71	-	-	21	21
Total plan investments	$ 2,881	5,703	836	9,420	89	265	32	386
Payable upon return of securities loaned				(320)				(10)
Net receivables (payables)				12				-
Total plan assets				$ 9,112				376

(1) This category includes assets that are primarily intermediate duration, investment grade bonds held in investment strategies benchmarked to the Barclays Capital U.S. Aggregate Bond Index. Includes U.S. Treasury securities, agency and non-agency asset-backed bonds and corporate bonds.

(2) This category covers a broad range of investment styles, both active and passive approaches, as well as style characteristics of value, core and growth emphasized strategies. Assets in this category are currently diversified across ten unique investment strategies. For December 31, 2010 and 2009, respectively, approximately 33% and 40% of the assets within this category are passively managed to popular mainstream market indexes including the Standard & Poor's 500 Index; excluding the allocation to the S&P 500 Index strategy, no single investment manager represents more than 2.5% of total plan assets.

(3) This category consists of a highly diversified combination of six distinct investment management strategies with no single strategy representing more than 2% of total plan assets. Allocations in this category are primarily spread across actively managed approaches with distinct value and growth emphasized approaches in fairly equal proportions.

(4) This category includes assets diversified across nine unique investment strategies providing exposure to companies based primarily in developed market, non-U.S. countries with no single strategy representing more than 2.5% of total plan assets.

(5) This category primarily includes investments in private and public real estate, as well as timber specific limited partnerships; real estate holdings are diversified by geographic location and sector (e.g., retail, office, apartments).

(6) This category consists of several investment strategies diversified over 30 hedge fund managers. Single manager allocation exposure is limited to 0.15% (15 basis points) of total plan assets.

The changes in Level 3 pension plan and other benefit plan assets measured at fair value are summarized as follows:

(in millions)	Balance beginning of year	Gains (losses) Realized	Gains (losses) Unrealized (1)	Purchases, sales, issuances and settlements (net)	Transfers into Level 3	Balance end of year
Year ended December 31, 2010						
Pension plan assets						
Intermediate (core) fixed income	**$ 9**	**-**	**2**	**(3)**	**2**	**10**
High-yield fixed income	**-**	**-**	**-**	**1**	**-**	**1**
Domestic large-cap stocks	**5**	**-**	**1**	**(2)**	**-**	**4**
International stocks	**1**	**-**	**2**	**3**	**-**	**6**
Real estate/timber	**353**	**(6)**	**8**	**5**	**-**	**360**
Multi-strategy hedge funds	**339**	**6**	**12**	**(44)**	**-**	**313**
Private equity	**83**	**1**	**10**	**18**	**-**	**112**
Other	**46**	**9**	**(1)**	**(13)**	**-**	**41**
	$ 836	**10**	**34**	**(35)**	**2**	**847**
Other benefits plan assets						
Real estate/timber	**$ 4**	**(7)**	**10**	**5**	**-**	**12**
Multi-strategy hedge funds	**5**	**(1)**	**(3)**	**9**	**-**	**10**
Private equity	**2**	**-**	**1**	**1**	**-**	**4**
Other	**21**	**(1)**	**-**	**2**	**-**	**22**
	$ 32	**(9)**	**8**	**17**	**-**	**48**
Year ended December 31, 2009						
Pension plan assets						
Intermediate (core) fixed income	$ 5	-	1	3	-	9
High-yield fixed income	6	(5)	-	(1)	-	-
Domestic large-cap stocks	1	-	1	3	-	5
International stocks	-	-	-	1	-	1
Real estate/timber	433	1	(161)	80	-	353
Multi-strategy hedge funds	310	1	36	(8)	-	339
Private equity	88	-	(2)	(3)	-	83
Other	41	-	(5)	10	-	46
	$ 884	(3)	(130)	85	-	836
Other benefits plan assets						
Real estate/timber	$ 4	-	(1)	1	-	4
Multi-strategy hedge funds	3	-	1	1	-	5
Private equity	2	-	-	-	-	2
Other	20	-	-	1	-	21
	$ 29	-	-	3	-	32

(1) All unrealized gains (losses) relate to instruments held at period end.

VALUATION METHODOLOGIES Following is a description of the valuation methodologies used for assets measured at fair value.

Cash and Cash Equivalents – includes highly liquid government securities such as U.S. Treasuries. Also includes investments in collective investment funds valued at fair value based upon the quoted market values of the underlying net assets. The unit price is quoted on a private market that is not active; however, the unit price is based on underlying investments traded on an active market.

Intermediate (Core), High-Yield, International and Specialty Fixed Income – includes investments traded on the secondary markets; prices are measured by using quoted market prices for similar securities, pricing models, discounted cash flow analyses using significant inputs observable in the market where available or combination of multiple valuation techniques. Also includes investments in collective investment funds and government securities described above.

Domestic, International and Emerging Market Stocks – investments in exchange-traded equity securities are valued at quoted market values. Investments in registered investment companies are valued at the NAV of shares held at year end. Also includes investments in collective investment funds described above.

Real Estate and Timber – the fair value of real estate and timber is estimated based primarily on appraisals prepared by third-party appraisers. Market values are estimates and the actual market price of the real estate can only be determined by negotiation between independent third parties in a sales

transaction. Also includes investments in exchange-traded equity securities described above.

Multi-Strategy Hedge Funds and Private Equity – the fair values of hedge funds are valued based on the proportionate share of the underlying net assets of the investment funds that comprise the fund, based on valuations supplied by the underlying investment funds. Investments in private equity funds are valued at the NAV provided by the fund sponsor. Market values are estimates and the actual market price of the investments can only be determined by negotiation between independent third parties in a sales transaction.

Other – the fair values of miscellaneous investments are valued at the NAV provided by the fund sponsor. Market values are estimates and the actual market price of the investments can only be determined by negotiation between independent third parties in a sales transaction. Also includes insurance contracts that are generally stated at cash surrender value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While we believe our valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Defined Contribution Retirement Plans

We sponsor a defined contribution retirement plan named the Wells Fargo & Company 401(k) Plan (401(k) Plan). The Wachovia Savings Plan was merged with the 401(k) Plan effective December 31, 2009. We also have a frozen defined contribution plan resulting from a company acquired by Wachovia; no contributions are permitted to this frozen plan which will merge with the 401(k) Plan on June 30, 2011. Under the 401(k) Plan, after one month of service, eligible employees may contribute up to 50% of their certified compensation, although there may be a lower limit for certain highly compensated employees in order to maintain the qualified status of the 401(k) Plan. Eligible employees who complete one year of service are eligible for company matching contributions, which are generally a 100% match up to 6% of an employee's certified compensation. Effective January 1, 2010, previous and future matching contributions are 100% vested for active participants.

In 2009, the 401(k) Plan was amended to permit us to make discretionary profit sharing contributions. Based on 2010 and 2009 earnings, we committed to make a contribution in shares of common stock to eligible employees' 401(k) Plan accounts equaling 2% and 1% of certified compensation, respectively, which resulted in recognizing $316 million and $150 million of defined contribution retirement plan expense recorded in 2010 and 2009, respectively. Total defined contribution retirement plan expenses were $1,092 million, $862 million and $411 million in 2010, 2009 and 2008, respectively.

Other Expenses

Expenses exceeding 1% of total interest income and noninterest income in any of the years presented that are not otherwise shown separately in the financial statements or Notes to Financial Statements were:

	Year ended December 31,		
(in millions)	**2010**	2009	2008
Outside professional services	**$ 2,370**	1,982	847
Contract services	**1,642**	1,088	407
Foreclosed assets	**1,537**	1,071	414
Operating losses	**1,258**	875	142
Outside data processing	**1,046**	1,027	480
Postage, stationery and supplies	**944**	933	556
Insurance	**464**	845	725

Note 20: Income Taxes

The components of income tax expense were:

(in millions)		Year ended December 31, 2010	2009	2008
Current:				
Federal	$	**1,425**	(3,952)	2,043
State and local		**548**	(334)	171
Foreign		**78**	164	30
Total current		**2,051**	(4,122)	2,244
Deferred:				
Federal		**4,060**	8,709	(1,506)
State and local		**211**	794	-
Foreign		**16**	(50)	(136)
Total deferred		**4,287**	9,453	(1,642)
Total	$	**6,338**	5,331	602

Our net deferred tax asset (liability) and the tax effects of temporary differences that gave rise to significant portions of these deferred tax assets and liabilities are presented in the following table.

(in millions)		Year ended December 31, 2010	2009
Deferred tax assets			
Allowance for loan losses	$	**8,157**	9,178
Deferred compensation and employee benefits		**3,473**	3,026
Accrued expenses, deductible when paid		**1,989**	2,235
PCI loans		**4,933**	8,645
Basis difference in investments		**2,598**	208
Net operating loss and tax credit carry forwards		**1,514**	3,370
Other		**1,891**	1,706
Total deferred tax assets		**24,555**	28,368
Deferred tax assets valuation allowance		**(711)**	(827)
Deferred tax liabilities			
Mortgage servicing rights		**(8,020)**	(8,073)
Leasing		**(3,703)**	(3,439)
Mark to market, net		**(5,161)**	(4,853)
Intangible assets		**(3,322)**	(5,567)
Net unrealized gains on securities available for sale		**(3,243)**	(2,079)
Other		**(2,875)**	(318)
Total deferred tax liabilities		**(26,324)**	(24,329)
Net deferred tax asset (liability)	$	**(2,480)**	3,212

Deferred taxes related to net unrealized gains (losses) on securities available for sale, net unrealized gains (losses) on derivatives, foreign currency translation, and employee benefit plan adjustments are recorded in cumulative OCI (see Note 22-OCI). These associated adjustments decreased OCI by $1.3 billion.

We have determined that a valuation reserve is required for 2010 in the amount of $711 million primarily attributable to deferred tax assets in various state and foreign jurisdictions where we believe it is more likely than not that these deferred tax assets will not be realized. In these jurisdictions, carry back limitations, lack of sources of taxable income, and tax planning strategy limitations contributed to our conclusion that the deferred tax assets would not be realizable. We have concluded that it is more likely than not that the remaining deferred tax assets will be realized based on our history of earnings, sources of taxable income in carry back periods, and our ability to implement tax planning strategies.

At December 31, 2010, we had net operating loss and credit carry forwards with related deferred tax assets of $1.4 billion and $128 million, respectively. If these carry forwards are not utilized, they will expire in varying amounts through 2030.

At December 31, 2010, we had undistributed foreign earnings of $1.6 billion related to foreign subsidiaries. We intend to reinvest these earnings indefinitely outside the U.S. and accordingly have not provided $508 million of income tax liability on these earnings.

The following table reconciles the statutory federal income tax expense and rate to the effective income tax expense and rate. Effective January 1, 2009, we adopted new accounting guidance that changed the way noncontrolling interests are presented in the income statement such that the consolidated income statement includes amounts from both Wells Fargo interests and the noncontrolling interests. As a result, our effective tax rate is calculated by dividing income tax expense by income before income tax expense less the net income from noncontrolling interests.

(in millions)	2010 Amount	2010 Rate	2009 Amount	2009 Rate	2008 Amount	2008 Rate
			December 31,			
Statutory federal income tax expense and rate	**$ 6,545**	**35.0 %**	$ 6,162	35.0 %	$ 1,140	35.0 %
Change in tax rate resulting from:						
State and local taxes on income, net of federal income tax benefit	**586**	**3.1**	468	2.7	94	2.9
Tax-exempt interest	**(283)**	**(1.5)**	(260)	(1.5)	(130)	(4.0)
Excludable dividends	**(258)**	**(1.3)**	(253)	(1.4)	(186)	(5.7)
Other deductible dividends	**(33)**	**(0.2)**	(29)	(0.2)	(71)	(2.2)
Tax credits	**(577)**	**(3.1)**	(533)	(3.0)	(266)	(8.2)
Life insurance	**(223)**	**(1.2)**	(257)	(1.5)	(67)	(2.0)
Leveraged lease tax expense	**461**	**2.5**	400	2.3	-	-
Other	**120**	**0.6**	(367)	(2.1)	88	2.7
Effective income tax expense and rate	**$ 6,338**	**33.9 %**	$ 5,331	30.3 %	$ 602	18.5 %

Income tax expense for 2010 increased primarily due to the new health care legislation and to fewer favorable settlements with tax authorities.

The change in unrecognized tax benefits follows:

(in millions)	Year ended December 31, 2010	2009
Balance at beginning of year	**$ 4,921**	7,521
Additions:		
For tax positions related to the current year	**579**	438
For tax positions related to prior years	**301**	898
For tax positions from business combinations (1)	**-**	6
Reductions:		
For tax positions related to prior years	**(111)**	(834)
Lapse of statute of limitations	**(148)**	(75)
Settlements with tax authorities	**(42)**	(3,033)
Balance at end of year	**$ 5,500**	4,921

(1) Unrecognized tax benefits from the Wachovia acquisition.

Of the $5.5 billion of unrecognized tax benefits at December 31, 2010, approximately $3.1 billion would, if recognized, affect the effective tax rate. The remaining $2.4 billion of unrecognized tax benefits relates to income tax positions on temporary differences.

We recognize interest and penalties as a component of income tax expense. We accrued approximately $870 million and $771 million for the payment of interest and penalties at December 31, 2010 and 2009, respectively. A net expense from interest expense and penalties expense of $45 million (after tax) for 2010 and a net benefit from interest income and penalties expense of $72 million (after tax) for 2009 was recognized as a component of income tax expense.

During 2009, we and the IRS executed settlement agreements in accordance with the IRS's settlement initiative related to certain leverage leases that the IRS considers sale-in, lease-out (SILO) transactions. These settlement agreements resolved the SILO transactions originally entered into by Wachovia and reduced our tax exposure on our overall SILO portfolio by approximately 90%. As a result of this resolution, our unrecognized tax benefits decreased $2.7 billion in 2009.

We are subject to U.S. federal income tax as well as income tax in numerous state and foreign jurisdictions. With few exceptions, Wells Fargo and its subsidiaries are not subject to federal income tax examinations for taxable years prior to 2007, and state, local and foreign income tax examinations for taxable years prior to 2006. Wachovia Corporation and its subsidiaries, with few exceptions, are no longer subject to federal income tax examinations for taxable years prior to 2006, and state, local and foreign income tax examinations for taxable years prior to 2003.

We are routinely examined by tax authorities in various jurisdictions. The IRS is examining the 2007 and 2008 consolidated federal income tax returns of Wells Fargo & Company and its Subsidiaries. We are also litigating or appealing various issues related to our prior IRS examinations for the periods 1997-2006. We have paid the IRS the contested income tax associated with these issues and refund claims have been filed for the respective years. The IRS is also examining the consolidated federal income tax returns of Wachovia and its Subsidiaries for tax years 2006 through 2008. We are appealing various issues related to Wachovia's federal 2003 through 2005 tax years. In addition, we are currently subject to examination by various state, local and foreign taxing authorities. While it is possible that one or more of these examinations may be resolved within the next twelve months, we do not anticipate that there will be a significant impact to our unrecognized tax benefits as a result of these examinations.

In September 2006, we filed a federal tax refund suit in the U.S. Court of Federal Claims related to certain leveraged lease transactions, which the IRS considers SILO transactions that we entered into between 1997 and 2002. On February 19, 2010, the Court of Federal Claims entered an adverse judgment, and on April 15, 2010, we filed a Notice of Appeal to the U.S. Court of Appeals for the Federal Circuit. Oral argument was heard on December 7, 2010, and we expect a decision sometime during 2011. There will be no adverse financial statement impact if the Court of Appeals affirms the judgment of the Court of Federal Claims.

We estimate that our unrecognized tax benefits could decrease by between $100 million and $500 million during the next 12 months primarily related to statute expirations and settlements.

Note 21: Earnings Per Common Share

The table below shows earnings per common share and diluted earnings per common share and reconciles the numerator and denominator of both earnings per common share calculations.

		Year ended December 31,		
(in millions, except per share amounts)		**2010**	2009	2008
Wells Fargo net income	$	**12,362**	12,275	2,655
Less: Preferred stock dividends and accretion and other (1)		**730**	4,285	286
Wells Fargo net income applicable to common stock (numerator)	$	**11,632**	7,990	2,369
Earnings per common share				
Average common shares outstanding (denominator)		**5,226.8**	4,545.2	3,378.1
Per share	$	**2.23**	1.76	0.70
Diluted earnings per common share				
Average common shares outstanding		**5,226.8**	4,545.2	3,378.1
Add: Stock Options		**28.3**	17.2	13.1
Restricted share rights		**8.0**	0.3	0.1
Diluted average common shares outstanding (denominator)		**5,263.1**	4,562.7	3,391.3
Per share	$	**2.21**	1.75	0.70

(1) Includes Series J, K and L preferred stock dividends of $737 million, $804 million and $67 million for the year ended 2010, 2009 and 2008, respectively. Also includes $3.5 billion and $219 million in 2009 and 2008, respectively, for Series D Preferred Stock, which was redeemed in 2009. In conjunction with the redemption, we accelerated accretion of the remaining discount of $1.9 billion. See Note 17 for additional information.

The following table presents the outstanding options and warrants to purchase shares of common stock that were anti-dilutive (the exercise price was higher than the weighted-average market price), and therefore not included in the calculation of diluted earnings per common share.

	Weighted-average shares		
	Year ended December 31,		
(in millions)	**2010**	2009	2008
Options	**212.1**	247.2	169.3
Warrants	**66.9**	110.3	25.4

Note 22: Other Comprehensive Income

The components of other comprehensive income (OCI) and the related tax effects were:

	Year ended December 31,								
			2010			2009			2008
(in millions)	**Before tax**	**Tax effect**	**Net of tax**	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
Translation adjustments	**$ 71**	**(26)**	**45**	118	(45)	73	(93)	35	(58)
Securities available for sale:									
Net unrealized gains (losses) arising during the year	**2,611**	**(1,134)**	**1,477**	15,998	(5,972)	10,026	(10,552)	3,960	(6,592)
Reclassification of gains (losses) included in net income	**77**	**(29)**	**48**	(349)	129	(220)	(29)	11	(18)
Net unrealized gains (losses) arising during the year	**2,688**	**(1,163)**	**1,525**	15,649	(5,843)	9,806	(10,581)	3,971	(6,610)
Derivatives and hedging activities:									
Net unrealized gains arising during the year	**750**	**(282)**	**468**	193	(86)	107	955	(363)	592
Reclassification of net gains on cash flow hedges included in net income	**(613)**	**234**	**(379)**	(531)	203	(328)	(252)	96	(156)
Net unrealized gains (losses) arising during the year	**137**	**(48)**	**89**	(338)	117	(221)	703	(267)	436
Defined benefit pension plans:									
Net actuarial gain (loss)	**20**	**(9)**	**11**	222	(73)	149	(2,165)	799	(1,366)
Amortization of net actuarial loss and prior service cost included in net income	**104**	**(45)**	**59**	184	(60)	124	6	(2)	4
Net gains (losses) arising during the year	**124**	**(54)**	**70**	406	(133)	273	(2,159)	797	(1,362)
Other comprehensive income	**$ 3,020**	**(1,291)**	**1,729**	15,835	(5,904)	9,931	(12,130)	4,536	(7,594)

Cumulative OCI balances were:

(in millions)	Translation adjustments	Securities available for sale	Derivatives and hedging activities	Defined benefit pension plans	Cumulative other comprehensive income
Balance, December 31, 2007	$ 52	398	435	(160)	725
Net change	(58)	(6,610)	436	(1,362)	(7,594)
Balance, December 31, 2008	(6)	(6,212)	871	(1,522)	(6,869)
Cumulative effect from change in accounting for other-than-temporary impairment on debt securities	-	(53)	-	-	(53)
Net change	73	9,806	(221)	273	9,931
Balance, December 31, 2009	67	3,541	650	(1,249)	3,009
Net change	**45**	**1,525**	**89**	**70**	**1,729**
Balance, December 31, 2010	**$ 112**	**5,066**	**739**	**(1,179)**	**4,738**

Note 23: Operating Segments

We have three operating segments for management reporting: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. The results for these operating segments are based on our management accounting process, for which there is no comprehensive, authoritative guidance equivalent to GAAP for financial accounting. The management accounting process measures the performance of the operating segments based on our management structure and is not necessarily comparable with similar information for other financial services companies. We define our operating segments by product type and customer segment. If the management structure and/or the allocation process changes, allocations, transfers and assignments may change. In first quarter 2010, we conformed certain funding and allocation methodologies of legacy Wachovia to those of Wells Fargo; in addition, integration expense related to mergers other than the Wachovia merger is now included in segment results. In fourth quarter 2010, we aligned certain lending businesses into Wholesale Banking from Community Banking to reflect our previously announced restructuring of Wells Fargo Financial. Prior periods have been revised to reflect these changes.

Community Banking offers a complete line of diversified financial products and services to consumers and small businesses with annual sales generally up to $20 million in which the owner generally is the financial decision maker. Community Banking also offers investment management and other services to retail customers and securities brokerage through affiliates. These products and services include the *Wells Fargo Advantage Funds*SM, a family of mutual funds. Loan products include lines of credit, auto floor plan lines, equity lines and loans, equipment and transportation loans, education loans, origination and purchase of residential mortgage loans and servicing of mortgage loans and credit cards. Other credit products and financial services available to small businesses and their owners include equipment leases, real estate and other commercial financing, Small Business Administration financing, venture capital financing, cash management, payroll services, retirement plans, Health Savings Accounts, credit cards, and merchant payment processing. Community Banking also purchases sales finance contracts from retail merchants throughout the United States and directly from auto dealers in Puerto Rico. Consumer and business deposit products include checking accounts, savings deposits, market rate accounts, Individual Retirement Accounts, time deposits and debit cards.

Community Banking serves customers through a complete range of channels, including traditional banking stores, in-store banking centers, business centers, ATMs, Online and Mobile Banking, and *Wells Fargo Customer Connection,* a 24-hours a day, seven days a week telephone service.

Wholesale Banking provides financial solutions to businesses across the United States with annual sales generally in excess of $20 million and to financial institutions globally. Wholesale Banking provides a complete line of commercial, corporate, capital markets, cash management and real estate banking products and services. These include traditional commercial loans and lines of credit, letters of credit, asset-based lending, equipment leasing, international trade facilities, trade financing, collection services, foreign exchange services, treasury management, investment management, institutional fixed-income sales, interest rate, commodity and equity risk management, online/electronic products such as the *Commercial Electronic Office*® (*CEO*®) portal, insurance, corporate trust fiduciary and agency services, and investment banking services. Wholesale Banking manages customer investments through institutional separate accounts and mutual funds, including the Wells Fargo Advantage Funds and Wells Capital Management. Wholesale Banking also supports the CRE market with products and services such as construction loans for commercial and residential development, land acquisition and development loans, secured and unsecured lines of credit, interim financing arrangements for completed structures, rehabilitation loans, affordable housing loans and letters of credit, permanent loans for securitization, CRE loan servicing and real estate and mortgage brokerage services.

Wealth, Brokerage and Retirement provides a full range of financial advisory services to clients using a planning approach to meet each client's needs. Wealth Management provides affluent and high net worth clients with a complete range of wealth management solutions, including financial planning, private banking, credit, investment management and trust. Family Wealth meets the unique needs of ultra high net worth customers. Brokerage serves customers' advisory, brokerage and financial needs as part of one of the largest full-service brokerage firms in the United States. Retirement is a national leader in providing institutional retirement and trust services (including 401(k) and pension plan record keeping) for businesses, retail retirement solutions for individuals, and reinsurance services for the life insurance industry.

Other includes corporate items (such as integration expenses related to the Wachovia merger) not specific to a business segment and elimination of certain items that are included in more than one business segment.

Note 23: Operating Segments *(continued)*

(income/expense in millions, average balances in billions)		Community Banking	Wholesale Banking	Wealth, Brokerage and Retirement	Other (1)	Consolidated Company
2010						
Net interest income (2)	**$**	**31,864**	**11,495**	**2,707**	**(1,309)**	**44,757**
Provision for credit losses		**13,807**	**1,920**	**334**	**(308)**	**15,753**
Noninterest income		**22,834**	**10,721**	**9,023**	**(2,125)**	**40,453**
Noninterest expense		**30,073**	**11,267**	**9,768**	**(652)**	**50,456**
Income (loss) before income tax expense (benefit)		**10,818**	**9,029**	**1,628**	**(2,474)**	**19,001**
Income tax expense (benefit)		**3,425**	**3,237**	**616**	**(940)**	**6,338**
Net income (loss) before noncontrolling interests		**7,393**	**5,792**	**1,012**	**(1,534)**	**12,663**
Less: Net income from noncontrolling interests		**275**	**19**	**7**	**-**	**301**
Net income (loss) (3)	**$**	**7,118**	**5,773**	**1,005**	**(1,534)**	**12,362**
2009						
Net interest income (2)	$	34,799	10,218	2,407	(1,100)	46,324
Provision for credit losses		17,866	3,648	460	(306)	21,668
Noninterest income		25,699	10,363	8,358	(2,058)	42,362
Noninterest expense		29,956	10,771	9,426	(1,133)	49,020
Income (loss) before income tax expense (benefit)		12,676	6,162	879	(1,719)	17,998
Income tax expense (benefit)		3,449	2,211	324	(653)	5,331
Net income (loss) before noncontrolling interests		9,227	3,951	555	(1,066)	12,667
Less: Net income from noncontrolling interests		339	27	26	-	392
Net income (loss) (3)	$	8,888	3,924	529	(1,066)	12,275
2008						
Net interest income (2)	$	20,492	4,564	642	(555)	25,143
Provision for credit losses		14,822	1,157	299	(299)	15,979
Noninterest income		12,298	3,785	1,834	(1,183)	16,734
Noninterest expense		16,429	5,375	1,986	(1,192)	22,598
Income (loss) before income tax expense (benefit)		1,539	1,817	191	(247)	3,300
Income tax expense (benefit)		202	421	73	(94)	602
Net income (loss) before noncontrolling interests		1,337	1,396	118	(153)	2,698
Less: Net income from noncontrolling interests		32	11	-	-	43
Net income (loss) (3)	$	1,305	1,385	118	(153)	2,655
2010						
Average loans	**$**	**530.1**	**230.5**	**43.0**	**(33.0)**	**770.6**
Average assets		**773.0**	**373.2**	**139.3**	**(58.6)**	**1,226.9**
Average core deposits		**536.4**	**170.0**	**121.2**	**(55.6)**	**772.0**
2009						
Average loans	$	552.7	260.2	45.7	(35.8)	822.8
Average assets		806.1	383.2	127.9	(54.8)	1,262.4
Average core deposits		552.8	147.3	114.2	(51.8)	762.5

(1) Includes Wachovia integration expenses and the elimination of items that are included in both Community Banking and Wealth, Brokerage and Retirement, largely representing services and products for wealth management customers provided in Community Banking stores.

(2) Net interest income is the difference between interest earned on assets and the cost of liabilities to fund those assets. Interest earned includes actual interest earned on segment assets and, if the segment has excess liabilities, interest credits for providing funding to other segments. The cost of liabilities includes interest expense on segment liabilities and, if the segment does not have enough liabilities to fund its assets, a funding charge based on the cost of excess liabilities from another segment.

(3) Represents segment net income (loss) for Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement segments and Wells Fargo net income for the consolidated company.

Note 24: Condensed Consolidating Financial Statements

Following are the condensed consolidating financial statements of the Parent and Wells Fargo Financial, Inc. and its owned subsidiaries (WFFI). In 2002, the Parent issued a full and unconditional guarantee of all outstanding term debt securities and commercial paper of WFFI. WFFI ceased filing periodic reports under the Securities Exchange Act of 1934 and is no longer a separately rated company. The Parent also guaranteed all outstanding term debt securities of Wells Fargo Financial Canada Corporation (WFFCC), WFFI's wholly owned Canadian subsidiary. WFFCC has continued to issue term debt securities and commercial paper in Canada, unconditionally guaranteed by the Parent.

Condensed Consolidating Statement of Income

(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
Year ended December 31, 2010					
Dividends from subsidiaries:					
Bank	$ 12,896	-	-	(12,896)	-
Nonbank	21	-	-	(21)	-
Interest income from loans	-	2,674	37,404	(318)	39,760
Interest income from subsidiaries	1,375	-	14	(1,389)	-
Other interest income	304	116	12,616	-	13,036
Total interest income	14,596	2,790	50,034	(14,624)	52,796
Deposits	-	-	2,832	-	2,832
Short-term borrowings	277	46	586	(817)	92
Long-term debt	2,910	963	1,905	(890)	4,888
Other interest expense	2	-	225	-	227
Total interest expense	3,189	1,009	5,548	(1,707)	8,039
Net interest income	11,407	1,781	44,486	(12,917)	44,757
Provision for credit losses	-	1,064	14,689	-	15,753
Net interest income after provision for credit losses	11,407	717	29,797	(12,917)	29,004
Noninterest income					
Fee income – nonaffiliates	-	107	23,385	-	23,492
Other	363	145	17,111	(658)	16,961
Total noninterest income	363	252	40,496	(658)	40,453
Noninterest expense					
Salaries and benefits	143	150	26,919	-	27,212
Other	1,192	632	22,078	(658)	23,244
Total noninterest expense	1,335	782	48,997	(658)	50,456
Income (loss) before income tax expense (benefit) and equity in undistributed income of subsidiaries	10,435	187	21,296	(12,917)	19,001
Income tax expense (benefit)	(749)	62	7,025	-	6,338
Equity in undistributed income of subsidiaries	1,178	-	-	(1,178)	-
Net income (loss) before noncontrolling interests	12,362	125	14,271	(14,095)	12,663
Less: Net income from noncontrolling interests	-	-	301	-	301
Parent, WFFI, Other and Wells Fargo net income (loss)	$ 12,362	125	13,970	(14,095)	12,362

Note 24: Condensed Consolidating Financial Statements *(continued)*

Condensed Consolidating Statements of Income

(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
Year ended December 31, 2009					
Dividends from subsidiaries:					
Bank	$ 6,974	-	-	(6,974)	-
Nonbank	528	-	-	(528)	-
Interest income from loans	-	3,467	38,140	(18)	41,589
Interest income from subsidiaries	2,126	-	-	(2,126)	-
Other interest income	424	111	14,150	-	14,685
Total interest income	10,052	3,578	52,290	(9,646)	56,274
Deposits	-	-	3,774	-	3,774
Short-term borrowings	174	38	782	(772)	222
Long-term debt	3,391	1,305	2,458	(1,372)	5,782
Other interest expense	-	-	172	-	172
Total interest expense	3,565	1,343	7,186	(2,144)	9,950
Net interest income	6,487	2,235	45,104	(7,502)	46,324
Provision for credit losses	-	1,901	19,767	-	21,668
Net interest income after provision for credit losses	6,487	334	25,337	(7,502)	24,656
Noninterest income					
Fee income – nonaffiliates	-	148	22,815	-	22,963
Other	738	169	19,135	(643)	19,399
Total noninterest income	738	317	41,950	(643)	42,362
Noninterest expense					
Salaries and benefits	320	129	26,018	-	26,467
Other	521	711	21,964	(643)	22,553
Total noninterest expense	841	840	47,982	(643)	49,020
Income (loss) before income tax expense (benefit) and equity in undistributed income of subsidiaries	6,384	(189)	19,305	(7,502)	17,998
Income tax expense (benefit)	(164)	(86)	5,581	-	5,331
Equity in undistributed income of subsidiaries	5,727	-	-	(5,727)	-
Net income (loss) before noncontrolling interests	12,275	(103)	13,724	(13,229)	12,667
Less: Net income from noncontrolling interests	-	1	391	-	392
Parent, WFFI, Other and Wells Fargo net income (loss)	$ 12,275	(104)	13,333	(13,229)	12,275
Year ended December 31, 2008					
Dividends from subsidiaries:					
Bank	$ 1,806	-	-	(1,806)	-
Nonbank	326	-	-	(326)	-
Interest income from loans	2	5,275	22,417	(62)	27,632
Interest income from subsidiaries	2,892	-	-	(2,892)	-
Other interest income	241	108	7,051	(134)	7,266
Total interest income	5,267	5,383	29,468	(5,220)	34,898
Deposits	-	-	4,966	(445)	4,521
Short-term borrowings	475	220	1,757	(974)	1,478
Long-term debt	2,957	1,807	661	(1,669)	3,756
Total interest expense	3,432	2,027	7,384	(3,088)	9,755
Net interest income	1,835	3,356	22,084	(2,132)	25,143
Provision for credit losses	-	2,970	13,009	-	15,979
Net interest income after provision for credit losses	1,835	386	9,075	(2,132)	9,164
Noninterest income					
Fee income – nonaffiliates	-	437	10,110	-	10,547
Other	(101)	168	8,181	(2,061)	6,187
Total noninterest income	(101)	605	18,291	(2,061)	16,734
Noninterest expense					
Salaries and benefits	(385)	719	12,606	-	12,940
Other	15	1,119	10,585	(2,061)	9,658
Total noninterest expense	(370)	1,838	23,191	(2,061)	22,598
Income (loss) before income tax expense (benefit) and equity in undistributed income of subsidiaries	2,104	(847)	4,175	(2,132)	3,300
Income tax expense (benefit)	(83)	(289)	974	-	602
Equity in undistributed income of subsidiaries	468	-	-	(468)	-
Net income (loss) before noncontrolling interests	2,655	(558)	3,201	(2,600)	2,698
Less: Net income from noncontrolling interests	-	-	43	-	43
Parent, WFFI, Other and Wells Fargo net income (loss)	$ 2,655	(558)	3,158	(2,600)	2,655

Condensed Consolidating Balance Sheets

(in millions)		Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
December 31, 2010						
Assets						
Cash and cash equivalents due from:						
Subsidiary banks	**$**	**30,240**	**154**	**-**	**(30,394)**	**-**
Nonaffiliates		**9**	**212**	**96,460**	**-**	**96,681**
Securities available for sale		**2,368**	**2,742**	**167,544**	**-**	**172,654**
Mortgages and loans held for sale		**-**	**-**	**53,053**	**-**	**53,053**
Loans		**7**	**30,329**	**742,807**	**(15,876)**	**757,267**
Loans to subsidiaries:						
Bank		**3,885**	**-**	**-**	**(3,885)**	**-**
Nonbank		**53,382**	**-**	**-**	**(53,382)**	**-**
Allowance for loan losses		**-**	**(1,709)**	**(21,313)**	**-**	**(23,022)**
Net loans		**57,274**	**28,620**	**721,494**	**(73,143)**	**734,245**
Investments in subsidiaries:						
Bank		**133,867**	**-**	**-**	**(133,867)**	**-**
Nonbank		**14,904**	**-**	**-**	**(14,904)**	**-**
Other assets		**8,363**	**1,316**	**192,821**	**(1,005)**	**201,495**
Total assets	**$**	**247,025**	**33,044**	**1,231,372**	**(253,313)**	**1,258,128**
Liabilities and equity						
Deposits	**$**	**-**	**-**	**878,336**	**(30,394)**	**847,942**
Short-term borrowings		**2,412**	**14,490**	**86,523**	**(48,024)**	**55,401**
Accrued expenses and other liabilities		**6,819**	**1,685**	**62,414**	**(1,005)**	**69,913**
Long-term debt		**99,745**	**15,240**	**55,476**	**(13,478)**	**156,983**
Indebtedness to subsidiaries		**11,641**	**-**	**-**	**(11,641)**	**-**
Total liabilities		**120,617**	**31,415**	**1,082,749**	**(104,542)**	**1,130,239**
Parent, WFFI, Other and Wells Fargo stockholders' equity		**126,408**	**1,618**	**147,153**	**(148,771)**	**126,408**
Noncontrolling interests		**-**	**11**	**1,470**	**-**	**1,481**
Total equity		**126,408**	**1,629**	**148,623**	**(148,771)**	**127,889**
Total liabilities and equity	**$**	**247,025**	**33,044**	**1,231,372**	**(253,313)**	**1,258,128**
December 31, 2009						
Assets						
Cash and cash equivalents due from:						
Subsidiary banks	$	27,303	205	-	(27,508)	-
Nonaffiliates		11	249	67,705	-	67,965
Securities available for sale		4,666	2,665	165,379	-	172,710
Mortgages and loans held for sale		-	-	44,827	-	44,827
Loans		7	35,199	750,045	(2,481)	782,770
Loans to subsidiaries:						
Bank		6,760	-	-	(6,760)	-
Nonbank		56,316	-	-	(56,316)	-
Allowance for loan losses		-	(1,877)	(22,639)	-	(24,516)
Net loans		63,083	33,322	727,406	(65,557)	758,254
Investments in subsidiaries:						
Bank		134,063	-	-	(134,063)	-
Nonbank		12,816	-	-	(12,816)	-
Other assets		10,758	1,500	189,049	(1,417)	199,890
Total assets	$	252,700	37,941	1,194,366	(241,361)	1,243,646
Liabilities and equity						
Deposits	$	-	-	851,526	(27,508)	824,018
Short-term borrowings		1,546	10,599	59,813	(32,992)	38,966
Accrued expenses and other liabilities		7,878	1,439	54,542	(1,417)	62,442
Long-term debt		119,353	24,437	80,499	(20,428)	203,861
Indebtedness to subsidiaries		12,137	-	-	(12,137)	-
Total liabilities		140,914	36,475	1,046,380	(94,482)	1,129,287
Parent, WFFI, Other and Wells Fargo stockholders' equity		111,786	1,456	145,423	(146,879)	111,786
Noncontrolling interests		-	10	2,563	-	2,573
Total equity		111,786	1,466	147,986	(146,879)	114,359
Total liabilities and equity	$	252,700	37,941	1,194,366	(241,361)	1,243,646

Note 24: Condensed Consolidated Financial Statements *(continued)*

Condensed Consolidating Statements of Cash Flows

(in millions)	Year ended December 31, 2010 Parent	2010 WFFI	2010 Other consolidating subsidiaries/ eliminations	2010 Consolidated Company	2009 Parent	2009 WFFI	2009 Other consolidating subsidiaries/ eliminations	2009 Consolidated Company
Cash flows from operating activities:								
Net cash provided by operating activities	**$ 14,180**	**1,774**	**2,818**	**18,772**	7,356	1,655	19,602	28,613
Cash flows from investing activities:								
Securities available for sale:								
Sales proceeds	**2,441**	**796**	**5,431**	**8,668**	1,184	925	50,929	53,038
Prepayments and maturities	**-**	**229**	**47,690**	**47,919**	-	290	38,521	38,811
Purchases	**(119)**	**(1,037)**	**(52,310)**	**(53,466)**	(463)	(1,667)	(93,155)	(95,285)
Loans:								
Loans originated by banking subsidiaries, net of principal collected	**-**	**(206)**	**16,075**	**15,869**	-	(981)	53,221	52,240
Proceeds from sales (including participations) of loans originated for investment by banking subsidiaries	**-**	**-**	**6,517**	**6,517**	-	-	6,162	6,162
Purchases (including participations) of loans by banking subsidiaries	**-**	**-**	**(2,297)**	**(2,297)**	-	-	(3,363)	(3,363)
Principal collected on nonbank entities' loans	**-**	**10,829**	**4,731**	**15,560**	-	11,119	3,309	14,428
Loans originated by nonbank entities	**-**	**(6,336)**	**(4,500)**	**(10,836)**	-	(5,523)	(4,438)	(9,961)
Net repayments from (advances to) subsidiaries	**(5,485)**	**(842)**	**6,327**	**-**	11,369	(138)	(11,231)	-
Capital notes and term loans made to subsidiaries	**-**	**-**	**-**	**-**	(497)	(1,000)	1,497	-
Principal collected on notes/loans made to subsidiaries	**11,282**	**-**	**(11,282)**	**-**	12,979	-	(12,979)	-
Net decrease (increase) in investment in subsidiaries	**1,198**	**-**	**(1,198)**	**-**	(1,382)	-	1,382	-
Net cash paid for acquisitions	**-**	**-**	**(36)**	**(36)**	-	-	(138)	(138)
Other, net	**15**	**64**	**(31,652)**	**(31,573)**	22,513	355	(7,015)	15,853
Net cash provided (used) by investing activities	**9,332**	**3,497**	**(16,504)**	**(3,675)**	45,703	3,380	22,702	71,785
Cash flows from financing activities:								
Net change in:								
Deposits	**-**	**-**	**23,924**	**23,924**	-	-	42,473	42,473
Short-term borrowings	**1,860**	**4,118**	**5,330**	**11,308**	(19,100)	2,158	(52,166)	(69,108)
Long-term debt:								
Proceeds from issuance	**1,789**	**-**	**1,700**	**3,489**	8,297	1,347	(1,248)	8,396
Repayment	**(23,281)**	**(9,478)**	**(30,558)**	**(63,317)**	(22,931)	(8,508)	(34,821)	(66,260)
Preferred stock:								
Cash dividends paid	**(737)**	**-**	**-**	**(737)**	(2,178)	-	-	(2,178)
Redeemed	**-**	**-**	**-**	**-**	(25,000)	-	-	(25,000)
Common stock warrants repurchased	**(545)**	**-**	**-**	**(545)**	-	-	-	-
Common stock:								
Proceeds from issuance	**1,375**	**-**	**-**	**1,375**	21,976	-	-	21,976
Repurchased	**(91)**	**-**	**-**	**(91)**	(220)	-	-	(220)
Cash dividends paid	**(1,045)**	**-**	**-**	**(1,045)**	(2,125)	-	-	(2,125)
Excess tax benefits related to stock option payments	**98**	**-**	**-**	**98**	18	-	-	18
Change in noncontrolling interests:								
Purchase of Prudential's noncontrolling interest	**-**	**-**	**-**	**-**	-	-	(4,500)	(4,500)
Other, net	**-**	**1**	**(593)**	**(592)**	-	(4)	(549)	(553)
Other, net	**-**	**-**	**-**	**-**	(140)	-	140	-
Net cash used by financing activities	**(20,577)**	**(5,359)**	**(197)**	**(26,133)**	(41,403)	(5,007)	(50,671)	(97,081)
Net change in cash and due from banks	**2,935**	**(88)**	**(13,883)**	**(11,036)**	11,656	28	(8,367)	3,317
Cash and due from banks at beginning of year	**27,314**	**454**	**(688)**	**27,080**	15,658	426	7,679	23,763
Cash and due from banks at end of year	**$ 30,249**	**366**	**(14,571)**	**16,044**	27,314	454	(688)	27,080

Condensed Consolidating Statement of Cash Flows

(in millions)	Parent	WFFI	Other consolidating subsidiaries/ eliminations	Consolidated Company
Year ended December 31,2008				
Cash flows from operating activities:				
Net cash provided (used) by operating activities	$ 730	2,023	(7,541)	(4,788)
Cash flows from investing activities:				
Securities available for sale:				
Sales proceeds	2,570	875	57,361	60,806
Prepayments and maturities	-	283	24,034	24,317
Purchases	(3,514)	(1,258)	(100,569)	(105,341)
Loans:				
Loans originated by banking subsidiaries, net of principal collected	-	(1,684)	(53,131)	(54,815)
Proceeds from sales (including participations) of loans originated for investment by banking subsidiaries	-	-	1,988	1,988
Purchases (including participations) of loans by banking subsidiaries	-	-	(5,513)	(5,513)
Principal collected on nonbank entities' loans	-	14,447	7,399	21,846
Loans originated by nonbank entities	-	(12,362)	(7,611)	(19,973)
Net repayments from (advances to) subsidiaries	(12,415)	-	12,415	-
Capital notes and term loans made to subsidiaries	(2,008)	-	2,008	-
Principal collected on notes/loans made to subsidiaries	8,679	-	(8,679)	-
Net decrease (increase) in investment in subsidiaries	(37,108)	-	37,108	-
Net cash acquired from acquisitions	9,194	-	2,009	11,203
Other, net	(21,823)	(91)	69,235	47,321
Net cash provided (used) by investing activities	(56,425)	210	38,054	(18,161)
Cash flows from financing activities:				
Net change in:				
Deposits	-	-	7,697	7,697
Short-term borrowings	17,636	5,580	(38,104)	(14,888)
Long-term debt:				
Proceeds from issuance	21,931	1,113	12,657	35,701
Repayment	(16,560)	(8,983)	(4,316)	(29,859)
Preferred stock:				
Proceeds from issuance	22,674	-	-	22,674
Proceeds from issuance of stock warrants	2,326	-	-	2,326
Common stock:				
Proceeds from issuance	14,171	-	-	14,171
Repurchased	(1,623)	-	-	(1,623)
Cash dividends paid	(4,312)	-	-	(4,312)
Excess tax benefits related to stock option payments	121	-	-	121
Change in noncontrolling interests:				
Other, net	-	-	(53)	(53)
Net cash provided (used) by financing activities	56,364	(2,290)	(22,119)	31,955
Net change in cash and due from banks	669	(57)	8,394	9,006
Cash and due from banks at beginning of year	14,989	483	(715)	14,757
Cash and due from banks at end of year	$ 15,658	426	7,679	23,763

Note 25: Regulatory and Agency Capital Requirements

The Company and each of its subsidiary banks are subject to regulatory capital adequacy requirements promulgated by federal regulatory agencies. The Federal Reserve establishes capital requirements, including well capitalized standards, for the consolidated financial holding company, and the OCC has similar requirements for the Company's national banks, including Wells Fargo Bank, N.A. Under the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), federal regulatory agencies were required to adopt regulations defining five capital tiers for banks: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on our financial statements.

Quantitative measures, established by the regulators to ensure capital adequacy, require that the Company and each of its subsidiary banks maintain minimum ratios (set forth in the following table) of capital to risk-weighted assets. Tier 1 capital is considered core capital and generally includes common stockholders' equity, qualifying preferred stock, and trust preferred securities, and noncontrolling interests in consolidated subsidiaries, reduced by goodwill, net of related taxes, certain intangible and other assets in excess of prescribed limitations, and adjusted for the aggregate impact of certain items included in other comprehensive income. Total capital includes Tier 1 capital, subordinated debt and other components that do not qualify for Tier 1 capital, and the aggregate allowance for credit losses up to a specified percentage of risk-weighted assets.

Risk-weighted assets reflect the perceived risk, expressed as a percentage of the amount of each asset included on the balance sheet, as well as certain off-balance sheet exposures, including unfunded loan commitments, letters of credit and derivative contracts. Additional information with respect to off-balance sheet exposures is included in Notes 6 and 15.

We do not consolidate our wholly-owned trusts (the Trusts) formed solely to issue trust preferred securities. Trust preferred securities and perpetual preferred purchase securities issued by the Trusts includable in Tier 1 capital were $19.2 billion at December 31, 2010. The junior subordinated debentures held by the Trusts were included in the Company's long-term debt. See Note 13 for additional information on trust preferred securities.

Management believes that, as of December 31, 2010, the Company and each of the covered subsidiary banks met all capital adequacy requirements to which they are subject. The most recent notification from the OCC categorized each of the covered subsidiary banks as well capitalized, under the FDICIA prompt corrective action provisions applicable to banks. To be categorized as well capitalized, the institution must maintain a total risk-based capital (RBC) ratio as set forth in the table and not be subject to a capital directive order. There are no conditions or events since that notification that management believes have changed the RBC category of any of the covered subsidiary banks.

Certain subsidiaries of the Company are approved seller/servicers, and are therefore required to maintain minimum levels of shareholders' equity, as specified by various agencies, including the United States Department of Housing and Urban Development, GNMA, FHLMC and FNMA. At December 31, 2010, each seller/servicer met these requirements. Certain broker-dealer subsidiaries of the Company are subject to SEC Rule 15c3-1 (the Net Capital Rule), which requires that we maintain minimum levels of net capital, as defined. At December 31, 2010, each of these subsidiaries met these requirements.

The following table presents regulatory capital information for Wells Fargo & Company and Wells Fargo Bank, N.A.

	Wells Fargo & Company		Wells Fargo Bank, N.A.		Well-	Minimum
				December 31,	capitalized	capital
(in billions, except ratios)	**2010**	2009	**2010**	2009	ratios (1)	ratios (1)
Regulatory capital:						
Tier 1	**$ 109.4**	93.8	**90.2**	43.8		
Total	**147.1**	134.4	**117.1**	58.4		
Assets:						
Risk-weighted	**$ 980.0**	1,013.6	**895.2**	492.0		
Adjusted average (2)	**1,189.5**	1,191.6	**1,057.7**	583.3		
Capital ratios:						
Tier 1 capital	**11.16 %**	9.25	**10.07**	8.90	6.00	4.00
Total capital	**15.01**	13.26	**13.09**	11.87	10.00	8.00
Tier 1 leverage (2)	**9.19**	7.87	**8.52**	7.50	5.00	4.00

(1) As defined by the regulations issued by the Federal Reserve, OCC and FDIC.
(2) The leverage ratio consists of Tier 1 capital divided by quarterly average total assets, excluding goodwill and certain other items. The minimum leverage ratio guideline is 3% for banking organizations that do not anticipate significant growth and that have well-diversified risk, excellent asset quality, high liquidity, good earnings, effective management and monitoring of market risk and, in general, are considered top-rated, strong banking organizations.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Wells Fargo & Company:

We have audited the accompanying consolidated balance sheet of Wells Fargo & Company and Subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company adopted a new accounting standard related to its involvement with variable interest entities effective January 1, 2010, and the Company changed its method of evaluating other than temporary impairment for debt securities in 2009 and certain investment securities in 2008.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 25, 2011, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

San Francisco, California
February 25, 2011

Quarterly Financial Data

Condensed Consolidated Statement of Income - Quarterly (Unaudited)

(in millions, except per share amounts)	2010 Quarter ended Dec. 31	Sept. 30	June 30	Mar. 31	2009 Quarter ended Dec. 31	Sept. 30	June 30	Mar. 31
Interest income	$ **12,969**	**13,130**	**13,472**	**13,225**	13,692	13,968	14,301	14,313
Interest expense	**1,906**	**2,032**	**2,023**	**2,078**	2,192	2,284	2,537	2,937
Net interest income	**11,063**	**11,098**	**11,449**	**11,147**	11,500	11,684	11,764	11,376
Provision for credit losses	**2,989**	**3,445**	**3,989**	**5,330**	5,913	6,111	5,086	4,558
Net interest income after provision for credit losses	**8,074**	**7,653**	**7,460**	**5,817**	5,587	5,573	6,678	6,818
Noninterest income								
Service charges on deposit accounts	**1,035**	**1,132**	**1,417**	**1,332**	1,421	1,478	1,448	1,394
Trust and investment fees	**2,958**	**2,564**	**2,743**	**2,669**	2,605	2,502	2,413	2,215
Card fees	**941**	**935**	**911**	**865**	961	946	923	853
Other fees	**1,063**	**1,004**	**982**	**941**	990	950	963	901
Mortgage banking	**2,757**	**2,499**	**2,011**	**2,470**	3,411	3,067	3,046	2,504
Insurance	**564**	**397**	**544**	**621**	482	468	595	581
Net gains from trading activities	**532**	**470**	**109**	**537**	516	622	749	787
Net gains (losses) on debt securities available for sale	**(268)**	**(114)**	**30**	**28**	110	(40)	(78)	(119)
Net gains (losses) from equity investments	**317**	**131**	**288**	**43**	273	29	40	(157)
Operating leases	**79**	**222**	**329**	**185**	163	224	168	130
Other	**453**	**536**	**581**	**610**	264	536	476	552
Total noninterest income	**10,431**	**9,776**	**9,945**	**10,301**	11,196	10,782	10,743	9,641
Noninterest expense								
Salaries	**3,513**	**3,478**	**3,564**	**3,314**	3,505	3,428	3,438	3,386
Commission and incentive compensation	**2,195**	**2,280**	**2,225**	**1,992**	2,086	2,051	2,060	1,824
Employee benefits	**1,192**	**1,074**	**1,063**	**1,322**	1,144	1,034	1,227	1,284
Equipment	**813**	**557**	**588**	**678**	681	563	575	687
Net occupancy	**750**	**742**	**742**	**796**	770	778	783	796
Core deposit and other intangibles	**549**	**548**	**553**	**549**	642	642	646	647
FDIC and other deposit assessments	**301**	**300**	**295**	**301**	302	228	981	338
Other	**4,027**	**3,274**	**3,716**	**3,165**	3,691	2,960	2,987	2,856
Total noninterest expense	**13,340**	**12,253**	**12,746**	**12,117**	12,821	11,684	12,697	11,818
Income before income tax expense	**5,165**	**5,176**	**4,659**	**4,001**	3,962	4,671	4,724	4,641
Income tax expense	**1,672**	**1,751**	**1,514**	**1,401**	949	1,355	1,475	1,552
Net income before noncontrolling interests	**3,493**	**3,425**	**3,145**	**2,600**	3,013	3,316	3,249	3,089
Less: Net income from noncontrolling interests	**79**	**86**	**83**	**53**	190	81	77	44
Wells Fargo net income	$ **3,414**	**3,339**	**3,062**	**2,547**	2,823	3,235	3,172	3,045
Less: Preferred stock dividends and accretion and other	**182**	**189**	**184**	**175**	2,429	598	597	661
Wells Fargo net income applicable to common stock	$ **3,232**	**3,150**	**2,878**	**2,372**	394	2,637	2,575	2,384
Per share information								
Earnings per common share	$ **0.62**	**0.60**	**0.55**	**0.46**	0.08	0.56	0.58	0.56
Diluted earnings per common share	**0.61**	**0.60**	**0.55**	**0.45**	0.08	0.56	0.57	0.56
Dividends declared per common share	**0.05**	**0.05**	**0.05**	**0.05**	0.05	0.05	0.05	0.34
Average common shares outstanding	**5,256.2**	**5,240.1**	**5,219.7**	**5,190.4**	4,764.8	4,678.3	4,483.1	4,247.4
Diluted average common shares outstanding	**5,293.8**	**5,273.2**	**5,260.8**	**5,225.2**	4,796.1	4,706.4	4,501.6	4,249.3
Market price per common share (1)								
High	$ **31.61**	**28.77**	**34.25**	**31.99**	31.53	29.56	28.45	30.47
Low	**23.37**	**23.02**	**25.52**	**26.37**	25.00	22.08	13.65	7.80
Quarter-end	**30.99**	**25.12**	**25.60**	**31.12**	26.99	28.18	24.26	14.24

(1) Based on daily prices reported on the New York Stock Exchange Composite Transaction Reporting System.

Average Balances, Yields and Rates Paid (Taxable-Equivalent Basis) - Quarterly (1) (2) - (Unaudited)

(in millions)	Quarter ended December 31, 2010 Average balance	2010 Yields/ rates	2010 Interest income/ expense	2009 Average balance	2009 Yields/ rates	2009 Interest income/ expense
Earning assets						
Federal funds sold, securities purchased under resale agreements and other short-term investments	$ 72,029	0.40 %	$ 74	46,031	0.33 %	$ 39
Trading assets	33,871	3.56	302	23,179	4.05	235
Debt securities available for sale (3):						
Securities of U.S. Treasury and federal agencies	1,670	2.80	12	2,381	3.54	21
Securities of U.S. states and political subdivisions	18,398	5.58	255	13,574	6.48	217
Mortgage-backed securities:						
Federal agencies	80,459	4.48	859	85,063	5.43	1,099
Residential and commercial	33,365	10.95	850	43,243	9.20	1,000
Total mortgage-backed securities	113,824	6.35	1,709	128,306	6.74	2,099
Other debt securities (4)	37,793	6.15	545	33,710	7.60	600
Total debt securities available for sale (4)	171,685	6.18	2,521	177,971	6.84	2,937
Mortgages held for sale (5)	45,063	4.39	495	34,750	5.13	446
Loans held for sale (5)	1,140	5.15	15	5,104	2.48	32
Loans:						
Commercial:						
Commercial and industrial	147,866	4.71	1,755	164,050	4.65	1,918
Real estate mortgage	99,188	3.85	961	97,296	3.49	855
Real estate construction	26,882	3.68	250	38,364	2.98	289
Lease financing	13,033	9.00	293	14,107	10.20	360
Foreign	30,986	3.57	279	30,086	3.74	283
Total commercial	317,955	4.42	3,538	343,903	4.28	3,705
Consumer:						
Real estate 1-4 family first mortgage	228,802	5.06	2,901	232,273	5.26	3,066
Real estate 1-4 family junior lien mortgage	97,673	4.37	1,075	103,584	4.58	1,195
Credit card	21,888	13.44	736	23,717	12.18	723
Other revolving credit and installment	87,357	6.48	1,427	88,963	6.46	1,450
Total consumer	435,720	5.61	6,139	448,537	5.71	6,434
Total loans (5)	753,675	5.11	9,677	792,440	5.09	10,139
Other	5,338	3.93	51	6,147	3.13	49
Total earning assets	$ 1,082,801	4.87 %	$ 13,135	1,085,622	5.12 %	$ 13,877
Funding sources						
Deposits:						
Interest-bearing checking	$ 60,879	0.09 %	$ 15	61,229	0.15 %	$ 23
Market rate and other savings	431,171	0.25	266	389,905	0.31	303
Savings certificates	79,146	1.43	285	109,306	1.66	458
Other time deposits	13,438	2.00	67	16,501	2.28	94
Deposits in foreign offices	55,463	0.21	29	59,870	0.23	35
Total interest-bearing deposits	640,097	0.41	662	636,811	0.57	913
Short-term borrowings	50,609	0.24	31	32,757	0.18	14
Long-term debt	160,801	2.86	1,153	210,707	2.31	1,218
Other liabilities	8,258	3.13	65	5,587	3.49	50
Total interest-bearing liabilities	859,765	0.89	1,911	885,862	0.99	2,195
Portion of noninterest-bearing funding sources	223,036	-	-	199,760	-	-
Total funding sources	$ 1,082,801	0.71	1,911	1,085,622	0.81	2,195
Net interest margin and net interest income on a taxable-equivalent basis (6)		4.16 %	$ 11,224		4.31 %	$ 11,682
Noninterest-earning assets						
Cash and due from banks	$ 18,016			19,216		
Goodwill	24,832			24,093		
Other	111,388			110,525		
Total noninterest-earning assets	$ 154,236			153,834		
Noninterest-bearing funding sources						
Deposits	$ 197,943			179,204		
Other liabilities	52,930			45,058		
Total equity	126,399			129,332		
Noninterest-bearing funding sources used to fund earning assets	(223,036)			(199,760)		
Net noninterest-bearing funding sources	$ 154,236			153,834		
Total assets	$ 1,237,037			1,239,456		

(1) Our average prime rate was 3.25% for the quarters ended December 31, 2010 and 2009. The average three-month London Interbank Offered Rate (LIBOR) was 0.29% and 0.27% for the same quarters, respectively.
(2) Interest rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.
(3) Yields and rates are based on interest income/expense amounts for the period, annualized based on the accrual basis for the respective accounts. The average balance amounts include the effects of any unrealized gain or loss marks but those marks carried in other comprehensive income are not included in yield determination of affected earning assets. Thus yields are based on amortized cost balances computed on a settlement date basis.
(4) Includes certain preferred securities.
(5) Nonaccrual loans and related income are included in their respective loan categories.
(6) Includes taxable-equivalent adjustments of $161 million and $182 million for the quarters ended December 31, 2010 and 2009, respectively primarily related to tax-exempt income on certain loans and securities. The federal statutory tax rate was 35% for the periods presented.

Glossary of Acronyms

ACL	Allowance for credit losses
ALCO	Asset/Liability Management Committee
ARS	Auction rate security
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ARM	Adjustable-rate mortgage
AVM	Automated valuation model
CD	Certificate of deposit
CDO	Collateralized debt obligation
CLO	Collateralized loan obligation
CLTV	Combined loan-to-value
CMO	Collateralized mortgage obligation
CPP	Capital Purchase Program
CPR	Constant prepayment rate
CRE	Commercial real estate
ESOP	Employee Stock Ownership Plan
FAS	Statement of Financial Accounting Standards
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Company
FICO	Fair Isaac Corporation (credit rating)
FNMA	Federal National Mortgage Association
FRB	Federal Reserve Board
GAAP	Generally accepted accounting principles
GNMA	Government National Mortgage Association
GSE	Government-sponsored entity
HAMP	Home Affordability Modification Program
HPI	Home Price Index
IRA	Individual Retirement Account
LHFS	Loans held for sale
LIBOR	London Interbank Offered Rate
LOCOM	Lower of cost or market value
LTV	Loan-to-value
MBS	Mortgage-backed security
MERS	Mortgage Electronic Registration Systems, Inc.
MHFS	Mortgages held for sale
MSR	Mortgage servicing right
NAV	Net asset value
NPA	Nonperforming asset
OCC	Office of the Comptroller of the Currency
OCI	Other comprehensive income
OTC	Over-the-counter
OTTI	Other-than-temporary impairment
PCI Loans	Purchased credit-impaired loans
PPS	Perpetual preferred securities
PTPP	Pre-tax pre-provision profit
QSPE	Qualifying special purpose entity
RBC	Risk-based capital
ROA	Wells Fargo net income to average total assets
ROE	Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders' equity
RSR	Restricted share right
SCAP	Supervisory Capital Assessment Program
SEC	Securities and Exchange Commission
S&P	Standard & Poor's
SIV	Structured investment vehicle
SPE	Special purpose entity
TARP	Troubled Asset Relief Program
TDR	Troubled debt restructuring
TLGP	Temporary Liquidity Guarantee Program
VA	Department of Veterans Affairs
VaR	Value-at-risk
VIE	Variable interest entity
WFFCC	Wells Fargo Financial Canada Corporation
WFFI	Wells Fargo Financial, Inc. and its wholly-owned subsidiaries

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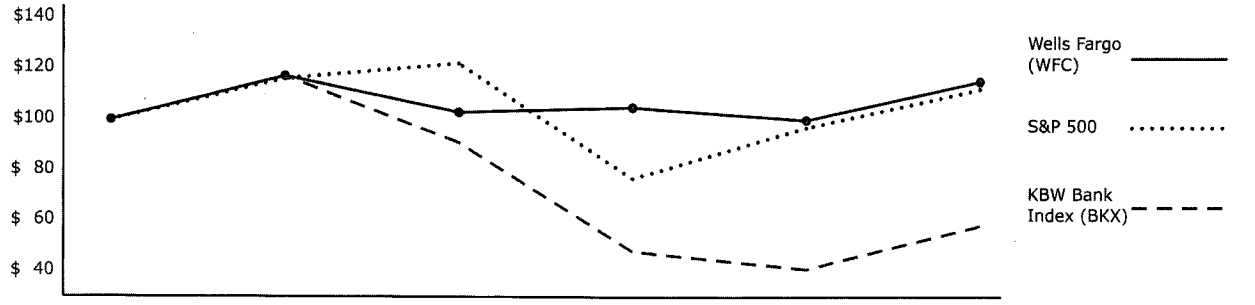
Stock Performance

These graphs compare the cumulative total stockholder return and total compound annual growth rate (CAGR) for our common stock (NYSE: WFC) for the five- and ten-year periods ended December 31, 2010, with the cumulative total stockholder returns for the same periods for the Keefe, Bruyette and Woods (KBW) Total Return Bank Index (KBW Bank Index (BKX)) and the S&P 500 Index.

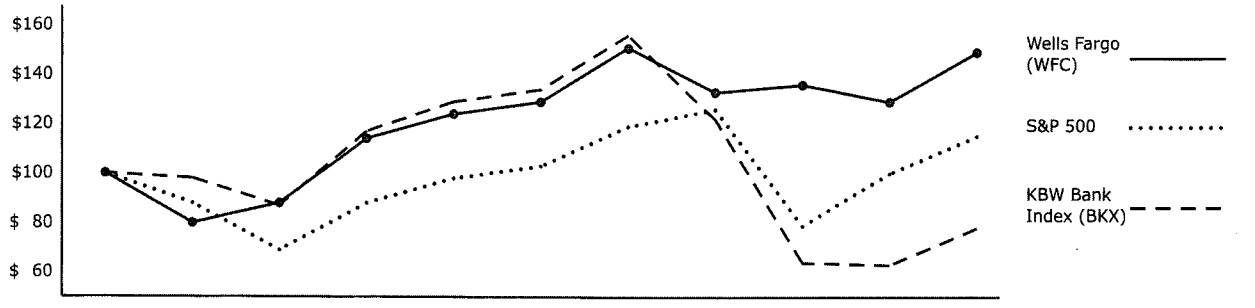
The cumulative total stockholder returns (including reinvested dividends) in the graphs assume the investment of $100 in Wells Fargo's common stock, the KBW Bank Index and the S&P 500 Index.

Five Year Performance Graph



	2005	2006	2007	2008	2009	2010	5-year CAGR	
Wells Fargo	**$100**	**$117**	**$103**	**$105**	**$100**	**$115**	**3%**	**Wells Fargo**
S&P 500	100	116	122	77	97	112	2%	S&P 500
KBW Bank Index	100	117	91	48	47	58	-10%	KBW Bank Index

Ten Year Performance Graph



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	10-year CAGR	
Wells Fargo	**$100**	**$ 80**	**$ 88**	**$114**	**$124**	**$129**	**$151**	**$133**	**$136**	**$129**	**$149**	**4%**	**Wells Fargo**
S&P 500	100	88	69	88	98	103	119	126	79	100	115	1%	S&P 500
KBW Bank Index	100	98	87	117	129	134	156	122	64	63	78	-2%	KBW Bank Index

Wells Fargo & Company

Common stock

Wells Fargo & Company is listed and trades on the New York Stock Exchange: WFC

5,262,283,228 common shares outstanding (12/31/10)

Stock purchase and dividend reinvestment

You can buy Wells Fargo stock directly from Wells Fargo, even if you're not a Wells Fargo stockholder, through optional cash payments or automatic monthly deductions from a bank account. You can also have your dividends reinvested automatically. It's a convenient, economical way to increase your Wells Fargo investment.

Call 1-877-840-0492 for an enrollment kit including a plan prospectus.

Form 10-K

We will send Wells Fargo's 2010 Annual Report on Form 10-K (including the financial statements filed with the Securities and Exchange Commission) free to any stockholder who asks for a copy in writing. Stockholders also can ask for copies of any exhibit to the Form 10-K. We will charge a fee to cover expenses to prepare and send any exhibits. Please send requests to: Corporate Secretary, Wells Fargo & Company, Wells Fargo Center, MAC N9305-173, Sixth and Marquette, Minneapolis, MN 55479.

SEC filings

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available free of charge on our website (www.wellsfargo.com) as soon as practical after they are electronically filed with or furnished to the SEC. Those reports and amendments are also available free of charge on the SEC's website at www.sec.gov.

Independent registered public accounting firm

KPMG LLP
San Francisco, California
1-415-963-5100

Contacts

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415-371-2921
investorrelations@wellsfargo.com

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Wells Fargo Shareowner Services
P.O. Box 64854
Saint Paul, Minnesota 55164-0854
1-877-840-0492
www.wellsfargo.com/com/shareowner_services

Annual Stockholders' Meeting
1:00 p.m., Tuesday, May 3, 2011
Julia Morgan Ballroom
Merchants Exchange Building
465 California Street
San Francisco, California

Our reputation

Fortune
Among the World's Most Admired Companies, Among the 20 Largest in the U.S. based on revenue

Forbes
Top 100 Best Companies in the world

American Customer Satisfaction Index (ACSI)
Best among large banks

Barron's
Among World's 50 Most Respected Companies

BusinessWeek
America's #2 Most Generous Corporate Foundation

Newsweek
Among America's Top 50 Greenest Big Companies

U.S. Banker* and *American Banker
One of America's Top Banking Teams

DiversityInc
Among Top 50 Companies for Diversity, Top 10 Companies for Asian Americans, Top 10 Companies for Lesbian, Gay, Bisexual, and Transgender Employees

LATINAStyle
Among Best Companies for Latinas

CAREERS & the disABLED
Among Top 50 Employers

Human Rights Campaign
Perfect Score on Corporate Equality Index

Workforce Diversity for Engineering & IT Professionals
Among Top Employers for Workforce Diversity

United Way of America
Summit Award for Exceptional Volunteerism

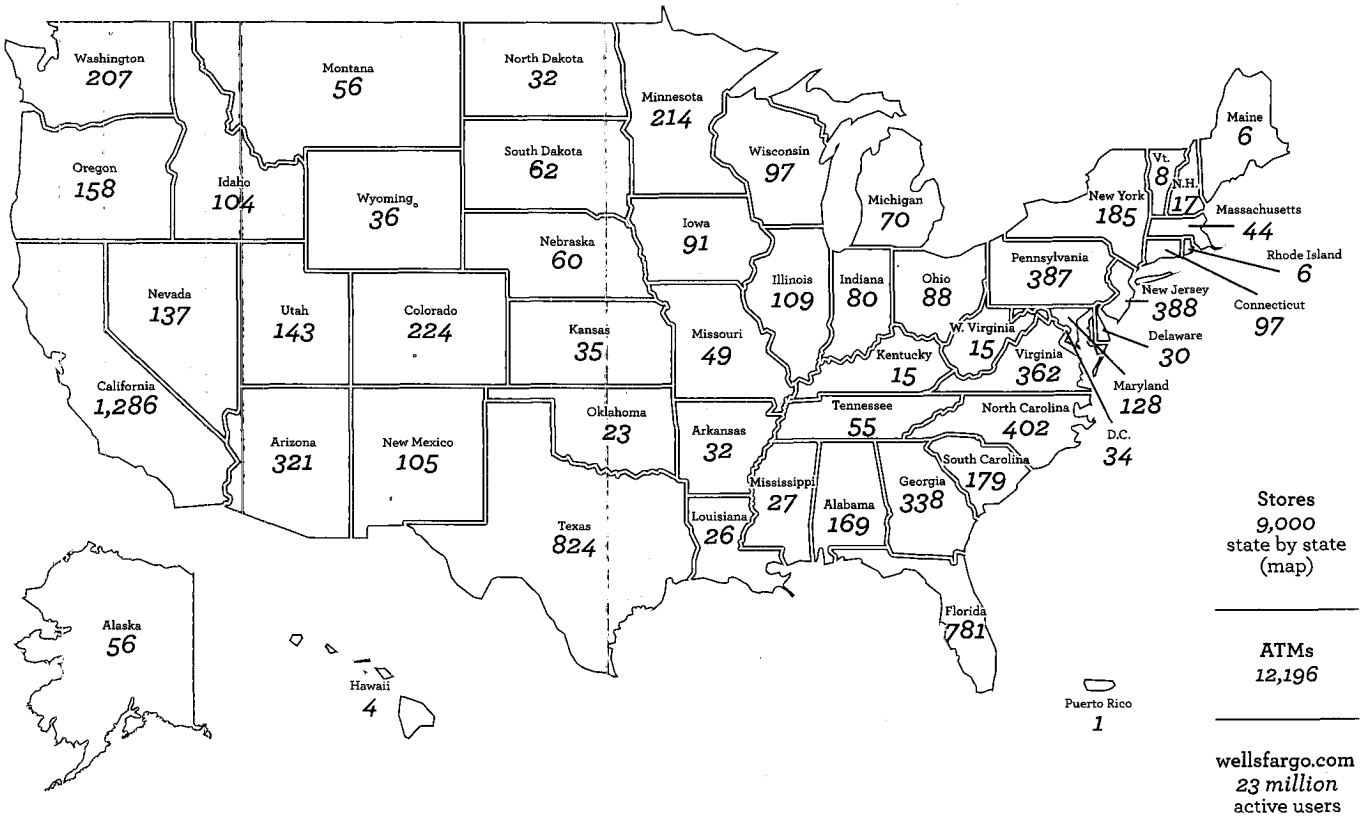
Office of the Comptroller of the Currency
"Outstanding" rating for Community Reinvestment Act performance (Wells Fargo Bank, N.A.)

Trade Finance
#2 Best Trade Bank in the U.S.
#4 Best Trade Bank in North America

Brand Keys
#1 Bank Brand in Customer Loyalty Engagement Index

Forward-Looking Statements This Annual Report, including the Financial Review and the Financial Statements and related Notes, contains forward-looking statements, which may include forecasts of our financial results and condition, expectations for our operations and business, and our assumptions for those forecasts and expectations. Do not unduly rely on forward-looking statements. Actual results may differ materially from our forward-looking statements due to several factors. Some of these factors are described in the Financial Review and in the Financial Statements and related Notes. For a discussion of other factors, refer to "Forward-Looking Statements" and "Risk Factors" in the Financial Review.

Wells Fargo across North America and around the world



Stores
9,000
state by state (map)

ATMs
12,196

wellsfargo.com
23 million
active users

Wells Fargo Customer Connection
500+ million
calls, e-mails and letters

Countries

Argentina
Australia
Bangladesh
Brazil
Canada
Cayman Islands
Chile
China
Colombia
Dominican Republic
Ecuador
Egypt
England
France
Germany
Hong Kong
India
Indonesia
Ireland
Italy
Japan
Malaysia
Mexico
Philippines
Russia
Singapore
South Africa
South Korea
Spain
Taiwan
Thailand
Turkey
United Arab Emirates
Uruguay
Vietnam

- #1 Banking stores (Wells Fargo and Wachovia stores in 39 states & D.C.)
- #1 Retail banking deposits[1]
- #1 Total stores (Wells Fargo and Wachovia stores)
- #1 Total mortgage producer; Retail mortgage producer
- #1 Mortgage lender to low-to-moderate income home buyers (2009 HMDA data)
- #1 Residential mortgage lender
- #1 Used car lender (AutoCount 2010)
- #1 Small business lender in dollars (2009 Community Reinvestment Act government data)
- #1 SBA 7(a) lender in dollars (2010 Small Business Administration federal fiscal year-end data)
- #1 Underwriter of preferred stock (FY 2010, Bloomberg)
- #1 REIT preferred stock (FY 2010, Thomas Financial)
- #1 Real estate lead arranger of loan syndications by volume and number of transactions (FY 2010, Thomson Reuters LPC)
- #2 U.S. Deposits
- #2 Debit card issuer
- #2 Mortgage servicer
- #2 Annuity distributor
- #2 REIT common stock (FY 2010, Dealogic)
- #2 High grade bond secondary trading (FY 2010, Thomson Reuters LPC)
- #2 Arranger of asset-based loans by volume and number of transactions (FY 2010, Thomson Reuters LPC)
- #2 Non-investment grade loan issuer by number of transactions (FY 2010, Thomson Reuters LPC)
- #3 Branded bank ATM owner (12,196 Wells Fargo and Wachovia ATMs)
- #3 Full-service retail brokerage provider based on number of Financial Advisors and client assets
- #3 Loan syndication bookrunner by number of transactions (FY 2010, Thomson Reuters LPC)
- #3 High grade corporate loan issuer by number of transactions (FY 2010, Thomson Reuters LPC)
- #4 Wealth management provider
- #5 IRA provider
- #5 Family wealth provider
- #5 Equity capital markets bookrunner by number of transactions (FY 2010, SDC)
- #6 Institutional retirement plan recordkeeper
- #7 Issuer of Credit Cards
- #7 Merchant processor for Credit and Debit Cards
- #7 Top senior manager of municipal competitive bond issues (FY 2010)
- #8 High yield bond issuer by number of transactions (FY 2010, Bloomberg)

[1] *FDIC-insured deposits up to $500 million in a single banking store, excludes credit unions.*

WELLS FARGO

Wells Fargo & Comp
420 Montgomery Street
San Francisco, California 94104
1-866-878-5865 wellsfargo.com

Our Vision:

Satisfy all our customers' financial needs and help them succeed financially.

Nuestra Vision:

Deseamos satisfacer todas las necesidades financieras de nuestros clientes y ayudarlos a tener éxito en el área financiera.

我們的目標：

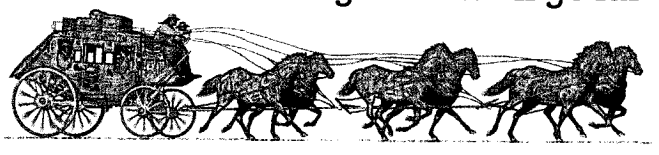
滿足客戶在財務方面的所有需求，幫助他們在財務上發展成功。

Notre Vision:

Satisfaire tous les besoins financiers de nos clients et les aider à atteindre le succès financier.

FSC www.fsc.org
MIX
Paper from responsible sources
FSC® C015197

Edward R., Wells Fargo home-preservation specialist

Kimberly H., Wells Fargo trainer

Together we'll go far