

RADIUS EXPLORATIONS LTD  
Form 6-K  
February 18, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 6-K**

**REPORT OF FOREIGN ISSUER PURSUANT TO RULE 13a-16 AND 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the Period November 2003

File No: 0-30720

**Radius Explorations Ltd.**

(Name of Registrant)

355 Burrard Street, Suite 830, Vancouver, B.C. V6C 2G8, Canada

(Address of principal executive offices)

1.

News Release dated November 14, 2003

2.

Interim Financial Statements (Unaudited) for the period ended September 30, 2003

3.

Management Discussion for the 9-month period ended September 30, 2003.

Indicate by check mark whether the Registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

FORM 20-F XXX FORM 40-F \_\_\_\_\_

Indicate by check mark whether the Registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes \_\_\_\_\_

No XXX

### SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Form 6-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Radius Explorations Ltd.

(Registrant)

Dated: **February 16, 2004**

Signed: /s/ Simon Ridgway

President and Director

News Release 2003-18

November 14, 2003

### **Financing Closed**

Vancouver Radius Explorations Ltd. ( Radius ) is pleased to report that it has closed its previously announced brokered private placement. Radius has issued 6,545,000 units at a price of \$1.50 per unit, for proceeds after commissions of \$9,130,275. The present cash position of Radius is \$13.7 million. The securities issued have a hold period until March 14, 2004.

The proceeds of the financing will be used to fund the Company's gold exploration programs, primarily in Nicaragua, and for general corporate purposes. Radius has been exploring in Central America since 1999 and recently extended operations into Nicaragua, discovering two new gold systems in that country at El Pavon (formerly known as Las Brisas) and La Patriota.

For further information on Radius Explorations Ltd., please call toll free 1-888-627-9378 or visit our web site ([www.radiusgold.com](http://www.radiusgold.com)).

The TSX Venture Exchange has not reviewed and does not take responsibility for the adequacy or accuracy of this release.

ON BEHALF OF THE BOARD

Symbol:

TSXV-RDU

Shares Issued:

37.6 -million

*signed*

Simon Ridgway, President

NOT FOR RELEASE OR DISSEMINATION IN THE UNITED STATES. This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the U.S. Securities Act ) or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

**RADIUS EXPLORATIONS LTD.**

(A Development Stage Company)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2003

(Unaudited Prepared by Management)

(Expressed in Canadian Dollars)

**RADIUS EXPLORATIONS LTD.**

**(A Development Stage Company)**

**INTERIM CONSOLIDATED BALANCE SHEETS**

**AS AT SEPTEMBER 30, 2003**

**(Unaudited Prepared by Management)**

(Expressed in Canadian Dollars)

	September 30	December 31
	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and short-term deposits	\$ 5,163,881	\$ 1,858,623
Advances and other receivables	58,024	76,917
Due from related parties (Note 5)	337,732	82,444
Prepaid expenses and deposits	<u>62,141</u>	<u>53,812</u>
	5,621,778	2,071,796
<b>CAPITAL ASSETS</b>	158,098	40,629
<b>ADVANCES FOR EXPLORATION COSTS</b>	205,674	-
<b>DEFERRED EXPLORATION COSTS</b>	<u>7,456,691</u>	<u>6,714,040</u>
	<u>\$ 13,442,241</u>	<u>\$ 8,826,465</u>

**LIABILITIES**

<b>CURRENT</b>		
Accounts payable and accrued liabilities	<u>\$ 100,648</u>	<u>\$ 119,711</u>

**SHAREHOLDERS EQUITY**

<b>SHARE CAPITAL</b>	17,331,988	11,652,765
<b>CONTRIBUTED SURPLUS</b>	22,169	-
<b>SHARE SUBSCRIPTIONS</b>	<u>-</u>	<u>500,000</u>
	17,354,157	12,152,765
<b>DEFICIT</b>	<u>(4,012,564)</u>	<u>(3,446,011)</u>

<u>13,341,593</u>	<u>8,706,754</u>
\$ <u>13,442,241</u>	\$ <u>8,826,465</u>

**APPROVED BY THE DIRECTORS:**

_____ <i>signed</i> _____, Director	_____ <i>signed</i> _____, Director
Simon Ridgway	Mario Szotlender

**RADIUS EXPLORATIONS LTD.**

**(A Development Stage Company)**

**INTERIM CONSOLIDATED STATEMENTS OF DEFICIT**

**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2003**

**(Unaudited Prepared by Management)**

**(Expressed in Canadian Dollars)**

	Three Month Period Ended		Nine Month Period Ended	
	September 30,		September 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
<b>DEFICIT BEGINNING OF PERIOD</b>	\$ 3,811,741	\$ 3,042,076	\$3,446,011	\$2,803,385
Net loss for the period	<u>200,823</u>	<u>140,428</u>	<u>566,553</u>	<u>379,119</u>
<b>DEFICIT END OF PERIOD</b>	<u>\$ 4,012,564</u>	<u>\$3,182,504</u>	<u>\$4,012,564</u>	<u>\$3,182,504</u>





**RADIUS EXPLORATIONS LTD.**

**(A Development Stage Company)**

**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2003**

**(Unaudited Prepared by Management)**

**(Expressed in Canadian Dollars)**

	Three Month Period Ended		Nine Month Period Ended	
	September 30,		September 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
<b>REVENUE</b>				
Consulting income	\$ -	\$ -	\$ -	\$ 14,586
Interest income	<u>17,881</u>	<u>-</u>	<u>32,770</u>	<u>13,918</u>
	<u>17,881</u>	<u>-</u>	<u>32,770</u>	<u>28,504</u>
<b>EXPENSES</b>				
Amortization	5,750	5,195	16,920	15,585
Bank charges and interest	1,692	526	3,601	1,811
Consulting fees	9,240	15,000	26,394	45,000
Foreign currency exchange	421	(780)	30,776	3,151
Legal and accounting fees	7,123	3,700	8,457	3,902

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Management fees	7,500	7,500	22,500	22,500
Non-cash compensation charge (Note 6)	-	-	22,169	-
Office and miscellaneous	3,765	2,048	16,628	19,399
Public relations	114,630	38,213	214,875	61,953
Regulatory and stock exchange fees	905	13,104	13,355	14,527
Rent and utilities	8,212	6,437	18,941	29,919
Repair and maintenance	-	3,092	2,984	12,440
Salaries and wages	46,459	32,650	120,525	147,283
Telephone and fax	1,802	1,445	5,904	8,064
Transfer agent fees	3,159	1,536	8,169	4,240
Travel and accommodation	<u>8,045</u>	<u>10,762</u>	<u>67,126</u>	<u>17,849</u>
	<u>218,704</u>	<u>140,428</u>	<u>599,324</u>	<u>407,623</u>
<b>NET LOSS FOR THE PERIOD</b>	<u>200,823</u>	<u>140,428</u>	<u>566,553</u>	<u>379,119</u>
<b>LOSS PER SHARE</b>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ 0.02</u>

**RADIUS EXPLORATIONS LTD.**

(A Development Stage Company)

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2003**

(Unaudited Prepared by Management)

(Expressed in Canadian Dollars)

	Three Month Period Ended		Nine Month Period Ended	
	September 30,		September 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (200,823)	\$ (140,428)	\$ (566,553)	\$ (379,119)
Item not involving cash				
Amortization	5,750	5,195	16,920	15,585
Non-cash compensation charge	<u>-</u>	<u>-</u>	<u>22,169</u>	<u>-</u>
	(195,073)	(135,233)	(527,464)	(363,534)
Changes in non-cash working capital items	<u>(403,176)</u>	<u>(63,427)</u>	<u>(18,939)</u>	<u>(131,463)</u>
	<u>(598,249)</u>	<u>(198,660)</u>	<u>(546,403)</u>	<u>(494,997)</u>
<b>FINANCING ACTIVITIES</b>				
Proceeds on issuance of common shares	3,145,378	-	6,034,195	-
Share subscriptions converted to common shares	-	-	(500,000)	-
Issue costs of common shares	<u>387,665</u>	<u>-</u>	<u>(354,971)</u>	<u>(1,500)</u>
	<u>3,533,043</u>	<u>-</u>	<u>5,179,224</u>	<u>(1,500)</u>
<b>INVESTING ACTIVITIES</b>				
Advances for exploration costs	55,392	34,729	(205,674)	43,792
Due from related parties	(215,853)	(26,227)	(255,288)	75,294
Expenditures on deferred exploration costs	(273,957)	(576,546)	(742,651)	(1,394,613)
Purchase of capital assets	<u>(16,625)</u>	<u>-</u>	<u>(123,950)</u>	<u>-</u>

	<u>(451,043)</u>	<u>(568,044)</u>	<u>(1,327,563)</u>	<u>(1,275,527)</u>
<b>INCREASE (DECREASE) IN CASH</b>	2,483,751	(766,704)	3,305,258	(1,772,024)
Cash beginning of period	<u>2,680,130</u>	<u>1,614,796</u>	<u>1,858,623</u>	<u>2,620,116</u>
<b>CASH END OF PERIOD</b>	<u>\$ 5,163,881</u>	<u>\$ 848,092</u>	<u>\$ 5,163,881</u>	<u>\$ 848,092</u>

**RADIUS EXPLORATIONS LTD.**

(A Development Stage Company)

**INTERIM CONSOLIDATED SCHEDULE OF DEFERRED EXPLORATION COSTS**

**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2003**

(Unaudited Prepared by Management)

(Expressed in Canadian Dollars)

		Nine Month	
<u>Guatemala</u>	<u>Nicaragua</u>		Year Ended

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	<u>JV Projects</u>				Period	Ended
	<u>Gold Fields</u>	<u>Pillar</u>	<u>Other</u>	<u>Other</u>	September 30, <u>2003</u>	Dec. 31, <u>2002</u>
<b>BALANCE BEGINNING OF PERIOD</b>	\$5,053,466	\$98,210	\$1,562,364	\$ -	\$6,714,040	\$5,087,394
<b>ACQUISITION COSTS</b>						
Cash	<u>-</u>	<u>-</u>	<u>74,709</u>	<u>-</u>	<u>74,709</u>	<u>208,030</u>
<b>EXPENDITURES DURING THE PERIOD</b>						
Automobile	-	-	12,270	9,843	22,113	43,528
Camp, food and supplies	-	-	12,550	14,698	27,248	46,939
Drafting, maps and printing	10	-	4,232	13,254	17,496	52,264
Drilling	-	-	-	-	-	184,997
Equipment	-	-	9,074	15,547	24,622	4,933
Equipment rental	-	-	-	-	-	6,975
Exploration administration	13	-	8,151	13,590	21,754	20,584
Geochemistry	-	-	26,926	16,755	43,682	135,341
Geological consulting	-	-	90,896	174,463	265,358	580,553
Geophysics	-	-	-	-	-	56,618
Legal and accounting	1,104	-	21,616	2,266	24,986	42,028
Licenses, rights and taxes	13,835	-	17,577	-	31,412	69,606
Materials	-	-	1,564	2,183	3,747	10,797
Medical expenses	-	-	9,181	7,061	16,242	45,647
Property payments	-	-	848	-	848	58
Rent and utilities	-	-	17,037	5,657	22,694	33,911
Repair and maintenance	-	-	-	194	194	5,555
Salaries and wages	-	-	52,905	38,801	91,706	95,099
Shipping	-	-	619	119	738	1,615
Telephone and communications	-	-	7,813	5,458	13,271	27,108
Travel and accommodation	<u>476</u>	<u>-</u>	<u>17,781</u>	<u>21,573</u>	<u>39,830</u>	<u>116,689</u>
	<u>15,438</u>	<u>-</u>	<u>311,041</u>	<u>341,462</u>	<u>667,942</u>	<u>1,580,845</u>
EXPENDITURES RECOVERED	-	-	-	-	-	(47,334)
WRITTEN-OFF DURING THE PERIOD	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,895)</u>

BALANCE, END OF PERIOD	\$5,068,904	\$98,210	\$1,948,114	\$341,462	\$7,456,691	\$6,714,040
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**Radius Explorations Ltd.**

Notes to the Interim Consolidated Financial Statements

(Unaudited Prepared by Management)

Nine Month Period Ended September 30, 2003

1.

**Basis Of Presentation**

The consolidated financial statements contained herein include the accounts of Radius Explorations Ltd. and its

wholly-owned subsidiaries located in Guatemala, Nicaragua and Panama.

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustment necessary in order to present a fair statement of the results of the interim periods presented.

2.

### **Nature Of Operations**

The Company was incorporated on September 9, 1997 and is or has been engaged in acquisition and exploration of mineral properties in Guatemala, Nicaragua and Panama. The amounts shown for the mineral properties represent costs incurred to date and do not reflect present or future values. The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. Accordingly, the recoverability of these capitalized costs is dependant upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their development and upon future profitable production.

3.

### **Stock-Based Compensation**

The Company grants options in accordance with the policies of the TSX Venture Exchange ( TSX-V ). Effective January 1, 2002, the Company adopted the new CICA Handbook Section 3870 Stock-Based Compensation and Other Stock-Based Payments , which recommends the fair value-based methodology for measuring compensation costs. The new section also permits, and the Company has adopted, the use of the intrinsic value-based method, which recognizes compensation cost for awards to employees only when the market price exceeds the exercise price at date of grant, but requires pro-forma disclosure of earnings and earnings per share as if the fair value method had been adopted.



4.

**Loss Per Share**

The basic loss per share is based on the weighted average number of shares outstanding. The fully diluted loss per share is not presented as it would be anti-dilutive.

**Radius Explorations Ltd.**

Notes to the Interim Consolidated Financial Statements

(Unaudited Prepared by Management)

September Month Period Ended September 30, 2003 Page 2

5.

**Due From Related Parties**

The amounts are due from companies related by common directors and are for the sharing of office space and administrative overhead. These amounts are non-interest bearing and have no fixed repayment terms. Of this amount \$216,497 was repaid in October 2003.

6.

**Capital Stock**

Authorized \_\_\_\_\_

100,000,000 common shares without par value

Issued: \_\_\_\_\_

Number of  
Shares

Price \_\_\_\_\_ \$ \_\_\_\_\_

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Issued			
Balance, December 31, 2000	10,550,500		\$ 4,197,496
Exercise of warrants	1,797,500	0.80	1,438,000
Issued for cash	1,373,334	0.60	824,000
Exercise of stock options	55,000	0.60	33,000
Issued for cash	3,904,762	1.05	4,100,000
Exercise of stock options	25,000	0.85	21,250
Issued for mineral property option	100,000	1.00	100,000
Exercise of stock options	105,000	0.35	36,750
Less: issue costs			<u>(49,618)</u>
Balance, December 31, 2001	17,911,096		10,700,879
Issued for cash	4,794,800	0.20	958,960
Less: issue costs			<u>(7,074)</u>
Balance, December 31, 2002	22,705,896		11,652,765
Issued for cash	1,000,000	0.50	500,000
Exercise of stock options	275,000	0.60	165,000
Exercise of stock options	155,000	0.65	100,750
Exercise of stock options	200,000	0.68	136,000
Exercise of stock options	30,000	0.90	27,000
Exercise of stock options	20,000	0.94	18,800
Exercise of stock options	50,000	0.99	49,500
Exercise of stock options	40,000	1.00	40,000
Exercise of stock options	10,000	1.01	10,100
Exercise of warrants	1,123,334	0.74	831,267
Exercise of warrants	1,395,000	0.25	348,750
Exercise of warrants	144,000	0.55	79,200
Exercise of warrants	2,982,262	1.25	3,727,828
Less: issue costs			<u>(354,971)</u>
Balance, September 30, 2003	<u>30,130,492</u>		<u>17,331,988</u>

**Radius Explorations Ltd.**

Notes to the Interim Consolidated Financial Statements

(Unaudited Prepared by Management)

Nine Month Period Ended September 30, 2003 Page 3

6.

**Capital Stock** (cont d)**Escrow Shares**

As at September 30, 2003, there are 750,000 common shares held in escrow, the release of which is subject to regulatory approval.

**Stock Options**

The Company has established a formal stock option plan in accordance with the policies of the TSX-V under which it is authorized to grant options up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options are for a maximum term of five years.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	September 30, 2003		September 30, 2002	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,530,000	\$ 0.90	1,790,000	\$0.88
Cancelled			(260,000)	0.74
Granted	940,000	0.68	-	-
	200,000	0.90		

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	270,000	0.99		
	10,000	1.01		
	75,000	0.95		
	50,000	1.25		
	300,000	1.10		
Exercised	(155,000)	0.65	-	-
	(275,000)	0.60		
	(20,000)	0.94		
	(40,000)	1.00		
	(200,000)	0.68		
	(10,000)	1.01		
	<u>(50,000)</u>	<u>0.99</u>		
Outstanding, end of period	2,595,000	\$ 0.92	1,530,000	\$0.90

**Radius Explorations Ltd.**

Notes to the Interim Consolidated Financial Statements

**Holders Of The Securities Have Limited Rights Of Acceleration.**

Payment of principal on the securities may be accelerated only in the case of payment defaults that continue for a period of 30 days or certain events of bankruptcy or insolvency, whether voluntary or involuntary. If you purchase the securities, you will have no right to accelerate the payment of principal on the securities if we fail in the performance of any of our obligations under the securities, other than the obligations to pay principal and interest on the securities. See “Description of Notes—Events of Default and Covenant Breaches” in the accompanying prospectus supplement.

**Holders Of The Securities Could Be At Greater Risk For Being Structurally Subordinated If We Convey, Transfer Or Lease All Or Substantially All Of Our Assets To One Or More Of Our Subsidiaries.**

Under the indenture, we may convey, transfer or lease all or substantially all of our assets to one or more of our subsidiaries. In that event, third-party creditors of our subsidiaries would have additional assets from which to recover on their claims while holders of the

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**Market Linked Securities—Auto-Callable with Fixed Percentage Buffered Downside**

**Principal at Risk Securities Linked to the Energy Select Sector SPDR® Fund due January 4, 2021**

securities would be structurally subordinated to creditors of our subsidiaries with respect to such assets. See “Description of Notes—Consolidation, Merger or Sale” in the accompanying prospectus supplement.

**The Estimated Value Of The Securities On The Pricing Date, Based On WFS’s Proprietary Pricing Models, Is Less Than The Original Offering Price.**

The original offering price of the securities includes certain costs that are borne by you. Because of these costs, the estimated value of the securities on the pricing date is less than the original offering price. The costs included in the original offering price relate to selling, structuring, hedging and issuing the securities, as well as to our funding considerations for debt of this type. The costs related to selling, structuring, hedging and issuing the securities include (i) the agent discount (if any), (ii) the projected profit that our hedge counterparty (which may be one of our affiliates) expects to realize for assuming risks inherent in hedging our obligations under the securities and (iii) hedging and other costs relating to the offering of the securities. Our funding considerations are reflected in the fact that we determine the economic terms of the securities based on an assumed funding rate that is generally lower than our secondary market rates. If the costs relating to selling, structuring, hedging and issuing the securities were lower, or if the assumed funding rate we use to determine the economic terms of the securities were higher, the economic terms of the securities would be more favorable to you and the estimated value would be higher.

**The Estimated Value Of The Securities Is Determined By Our Affiliate’s Pricing Models, Which May Differ From Those Of Other Dealers.**

The estimated value of the securities was determined for us by WFS using its proprietary pricing models and related market inputs and assumptions referred to above under “Investment Description—Determining the estimated value.” Certain inputs to these models may be determined by WFS in its discretion. WFS’s views on these inputs may differ from other dealers’ views, and WFS’s estimated value of the securities may be higher, and perhaps materially higher, than the estimated value of the securities that would be determined by other dealers in the market. WFS’s models and its inputs and related assumptions may prove to be wrong and therefore not an accurate reflection of the value of the securities.

**The Estimated Value Of The Securities Is Not An Indication Of The Price, If Any, At Which WFS Or Any Other Person May Be Willing To Buy The Securities From You In The Secondary Market.**

The price, if any, at which WFS or any of its affiliates may purchase the securities in the secondary market will be based on WFS’s proprietary pricing models and will fluctuate over the term of the securities as a result of changes in

the market and other factors described in the next risk factor. Any such secondary market price for the securities will also be reduced by a bid-offer spread, which may vary depending on the aggregate face amount of the securities to be purchased in the secondary market transaction, and the expected cost of unwinding any related hedging transactions. Unless the factors described in the next risk factor change significantly in your favor, any such secondary market price for the securities is likely to be less than the original offering price.

If WFS or any of its affiliates makes a secondary market in the securities at any time up to the issue date or during the 3-month period following the issue date, the secondary market price offered by WFS or any of its affiliates will be increased by an amount reflecting a portion of the costs associated with selling, structuring, hedging and issuing the securities that are included in the original offering price. Because this portion of the costs is not fully deducted upon issuance, any secondary market price offered by WFS or any of its affiliates during this period will be higher than it would be if it were based solely on WFS's proprietary pricing models less the bid-offer spread and hedging unwind costs described above. The amount of this increase in the secondary market price will decline steadily to zero over this 3-month period. If you hold the securities through an account at WFS or any of its affiliates, we expect that this increase will also be reflected in the value indicated for the securities on your brokerage account statement. If you hold your securities through an account at a broker-dealer other than WFS or any of its affiliates, the value of the securities on your brokerage account statement may be different than if you held your securities at WFS or any of its affiliates, as discussed above under "Investment Description—Valuation of the securities after issuance."

**The Value Of The Securities Prior To Stated Maturity Will Be Affected By Numerous Factors, Some Of Which Are Related In Complex Ways.**

The value of the securities prior to stated maturity will be affected by the then-current price of the Fund, interest rates at that time and a number of other factors, some of which are interrelated in complex ways. The effect of any one factor may be offset or magnified by the effect of another factor. The following factors, which we refer to as the "derivative component factors," are expected to affect the value of the securities. When we refer to the "value" of your security, we mean the value you could receive for your security if you are able to sell it in the open market before the stated maturity date.

**Fund Performance.** The value of the securities prior to maturity will depend substantially on the then-current price of the Fund. The price at which you may be able to sell the securities before stated maturity may be at a discount, which could be substantial, from their original offering price, if the price of the Fund at such time is less than, equal to or not sufficiently above the starting price or threshold price.

- **Interest Rates.** The value of the securities may be affected by changes in the interest rates in the U.S. markets.

- **Volatility Of The Fund.** Volatility is the term used to describe the size and frequency of market fluctuations. The value of the securities may be affected if the volatility of the Fund changes.

-

**Time Remaining To Maturity.** The value of the securities at any given time prior to maturity will likely be different from that which would be expected based on the then-current price of the Fund. This difference will most likely reflect a discount due to expectations and uncertainty concerning the price of the Fund during the period of time still remaining to the stated

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maturity date. In general, as the time remaining to maturity decreases, the value of the securities will approach the amount that would be payable at maturity based on the then-current price of the Fund.

**Dividend Yields On Securities Included In The Fund.** The value of the securities may be affected by the dividend yields on securities held by the Fund (the amount of such dividends may influence the closing price of the shares of the Fund).

In addition to the derivative component factors, the value of the securities will be affected by actual or anticipated changes in our creditworthiness, as reflected in our secondary market rates. The value of the securities will also be limited by the automatic call feature because if the securities are automatically called, the return will not be greater than the applicable call premium. You should understand that the impact of one of the factors specified above, such as a change in interest rates, may offset some or all of any change in the value of the securities attributable to another factor, such as a change in the price of the Fund. Because numerous factors are expected to affect the value of the securities, changes in the price of the Fund may not result in a comparable change in the value of the securities.

**The Securities Will Not Be Listed On Any Securities Exchange And We Do Not Expect A Trading Market For The Securities To Develop.**

The securities will not be listed or displayed on any securities exchange or any automated quotation system. Although the agent and/or its affiliates may purchase the securities from holders, they are not obligated to do so and are not required to make a market for the securities. There can be no assurance that a secondary market will develop. Because we do not expect that any market makers will participate in a secondary market for the securities, the price at which you may be able to sell your securities is likely to depend on the price, if any, at which the agent is willing to buy your securities.

If a secondary market does exist, it may be limited. Accordingly, there may be a limited number of buyers if you decide to sell your securities prior to stated maturity. This may affect the price you receive upon such sale. Consequently, you should be willing to hold the securities to stated maturity.

**Historical Prices Of The Fund Or The Securities Included In The Fund Should Not Be Taken As An Indication Of The Future Performance Of The Fund During The Term Of The Securities.**

The trading price of the shares of the Fund will determine the closing price of the Fund and, therefore, whether the securities will be automatically called on any of the call dates (including the final calculation day) or the amount

payable to you at maturity. As a result, it is impossible to predict whether the fund closing price of the Fund will fall or rise compared to the starting price. The trading price of the shares of the Fund will be influenced by complex and interrelated political, economic, financial and other factors that can affect the markets in which the Fund and the securities comprising the Fund are traded and the values of the Fund and such securities. Accordingly, any historical prices of the Fund do not provide an indication of the future performance of the Fund.

**An Investment In The Securities Is Subject To Risks Associated With Investing In Stocks In The Energy Sector.**

The stocks included in the Energy Select Sector Index and that are generally tracked by the Fund are stocks of companies whose primary business is directly associated with the energy sector, including the following two sub-sectors: oil, gas and consumable fuels; and energy equipment and services. Because the value of the securities is linked to the performance of the Fund, an investment in the securities exposes investors to risks associated with investments in the stocks of companies in the energy sector.

Energy companies develop and produce crude oil and natural gas and/or provide drilling and other energy resources production and distribution related services. Stock prices for these types of companies are mainly affected by the business, financial and operating conditions of the particular company, as well as changes in prices for oil, gas and other types of fuels, which in turn largely depend on supply and demand for various energy products and services. Some of the factors that may influence supply and demand for energy products and services include: general economic conditions and growth rates; weather conditions; the cost of exploring for, producing and delivering oil and gas; technological advances affecting energy efficiency and energy consumption; the ability of the Organization of Petroleum Exporting Countries (OPEC) to set and maintain production levels of oil; currency fluctuations; inflation; natural disasters; civil unrest, acts of sabotage or terrorism; and other regional or global events. The profitability of energy companies may also be adversely affected by existing and future laws, regulations, government actions and other legal requirements relating to protection of the environment, health and safety matters and others that may increase the costs of conducting their business or may reduce or delay available business opportunities. Increased supply or weak demand for energy products and services, as well as various developments leading to higher costs of doing business or missed business opportunities, would adversely impact the performance of companies in the energy sector. The value of the securities may be subject to greater volatility and be more adversely affected by a single economic, political or regulatory occurrence affecting the energy sector or one of the sub-sectors of the energy sector than a different investment linked to a more broadly diversified group of issuers. All of these factors could have an adverse effect on the price of the Fund and, therefore, on the value of the securities.

In addition, the Fund is classified as “non-diversified.” A non-diversified fund generally may invest a larger percentage of its assets in the securities of a smaller number of companies. As a result, the Fund may be more susceptible to the risks associated with these particular companies, or to a single economic, political or regulatory occurrence affecting these companies.

**The Fund May Not Be Representative Of An Investment In The Energy Sector.**

The Fund does not represent a direct investment in the energy sector. The Fund consists of securities of companies whose primary lines of business are directly associated with the energy sector. As a result, the fund closing price of the Fund will be influenced by a variety of economic, financial and other factors affecting those companies, some of which may be unrelated to the market and other conditions

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applicable to the U.S. energy sector. As a result, the Fund may not perfectly correlate with the performance in the energy sector and the fund closing price of the Fund could decrease even if the performance of the energy sector as a whole increases.

**Changes That Affect The Fund Or The Underlying Index May Adversely Affect The Value Of The Securities And The Amount You Will Receive At Stated Maturity.**

The policies of the sponsor of the Fund (the “fund sponsor”) concerning the calculation of the Fund’s net asset value, additions, deletions or substitutions of securities in the Fund and the manner in which changes in the underlying index are reflected in the Fund, and changes in those policies, could affect the closing price of the shares of the Fund and, therefore, may affect the value of the securities, the likelihood of the occurrence of an automatic call and the amount payable at stated maturity. Similarly, the policies of the sponsor of the underlying index (the “underlying index sponsor”) concerning the calculation of the underlying index and the addition, deletion or substitution of securities comprising the underlying index and the manner in which the underlying index sponsor takes account of certain changes affecting such securities may affect the level of the underlying index and the closing price of the shares of the Fund and, therefore, may affect the value of the securities, the likelihood of the occurrence of an automatic call and the amount payable at stated maturity. The underlying index sponsor could also discontinue or suspend calculation or dissemination of the underlying index or materially alter the methodology by which it calculates the underlying index. Any such actions could adversely affect the value of the securities.

**We Cannot Control Actions By Any Of The Unaffiliated Companies Whose Securities Are Included In The Fund Or The Underlying Index.**

Actions by any company whose securities are included in the Fund or in the underlying index may have an adverse effect on the price of its security, the closing price of the Fund on any call date (including the final calculation day) and the value of the securities. We are not affiliated with any company whose security is represented in the Fund or the underlying index. These companies will not be involved in the offering of the securities and will have no obligations with respect to the securities, including any obligation to take our or your interests into consideration for any reason. These companies will not receive any of the proceeds of the offering of the securities and will not be responsible for, and will not have participated in, the determination of the timing of, prices for, or quantities of, the securities to be issued. These companies will not be involved with the administration, marketing or trading of the securities and will have no obligations with respect to any amounts to be paid to you on the securities.

**We And Our Affiliates Have No Affiliation With The Fund Sponsor Or The Underlying Index Sponsor And Have Not Independently Verified Their Public Disclosure Of Information.**

We and our affiliates are not affiliated in any way with the fund sponsor or the underlying index sponsor (collectively, the “sponsors”) and have no ability to control or predict their actions, including any errors in or discontinuation of disclosure regarding their methods or policies relating to the management or calculation of the Fund or the underlying index. We have derived the information about the sponsors, the Fund and the underlying index contained in this pricing supplement and the accompanying market measure supplement from publicly available information, without independent verification. You, as an investor in the securities, should make your own investigation into the Fund, the underlying index and the sponsors. The sponsors are not involved in the offering of the securities made hereby in any way and have no obligation to consider your interests as an owner of the securities in taking any actions that might affect the value of the securities.

**An Investment Linked To The Shares Of The Fund Is Different From An Investment Linked To The Underlying Index.**

The performance of the shares of the Fund may not exactly replicate the performance of the underlying index because the Fund may not invest in all of the securities included in the underlying index and because the Fund will reflect transaction costs and fees that are not included in the calculation of the underlying index. The Fund may also hold securities or derivative financial instruments not included in the underlying index. It is also possible that the Fund may not fully replicate the performance of the underlying index due to the temporary unavailability of certain securities in the secondary market or due to other extraordinary circumstances. In addition, because the shares of the Fund are traded on a securities exchange and are subject to market supply and investor demand, the value of a share of the Fund may differ from the net asset value per share of the Fund. As a result, the performance of the Fund may not correlate perfectly with the performance of the underlying index, and the return on the securities based on the performance of the Fund will not be the same as the return on securities based on the performance of the underlying index.

**There Are Risks Associated With The Fund.**

Although the shares of the Fund are listed for trading on NYSE Arca, Inc. (the “NYSE Arca”) and a number of similar products have been traded on the NYSE Arca or other securities exchanges for varying periods of time, there is no assurance that an active trading market will continue for the shares of the Fund or that there will be liquidity in the trading market.

In addition, the Fund is subject to management risk, which is the risk that the fund sponsor’s investment strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. For example, the fund sponsor may elect to invest certain Fund assets in shares of equity securities that are not included in the underlying index. The Fund is also not actively managed and may be affected by a general decline in market segments relating to the underlying index. Further, the fund sponsor invests in securities included in, or representative of, the underlying index regardless of their investment merits, and the fund sponsor does not attempt to take defensive positions in declining markets.

Further, under continuous listing standards adopted by the NYSE Arca, the Fund will be required to confirm on an ongoing basis that the securities included in the underlying index satisfy the applicable listing requirements. In the event that the underlying index does

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not comply with the applicable listing requirements, the Fund would be required to rectify such non-compliance by requesting that the underlying index sponsor modify such underlying index, transitioning to a new underlying index or obtaining relief from the SEC. There can be no assurance that the underlying index sponsor would modify the underlying index or that relief would be obtained from the SEC and, therefore, non-compliance with the continuous listing standards may result in the Fund being delisted by the NYSE Arca. If the Fund were delisted by the NYSE Arca, the calculation agent would select a successor fund or, if no successor fund is available, would determine the fund closing price of the Fund on any date of determination.

These risks may adversely affect the price of the shares of the Fund and, consequently, the value of the securities.

**You Will Not Have Any Shareholder Rights With Respect To The Shares Of The Fund.**

You will not become a holder of shares of the Fund or a holder of securities included in the underlying index as a result of owning a security. You will not have any voting rights, any right to receive dividends or other distributions or any other rights with respect to such shares or securities. You will have no right to receive delivery of any shares or securities at stated maturity or upon automatic call.

**Anti-dilution Adjustments Relating To The Shares Of The Fund Do Not Address Every Event That Could Affect Such Shares.**

An adjustment factor, as described herein, will be used to determine the fund closing price of the Fund. The adjustment factor will be adjusted by the calculation agent for certain events affecting the shares of the Fund. However, the calculation agent will not make an adjustment for every event that could affect such shares. If an event occurs that does not require the calculation agent to adjust the adjustment factor, the value of the securities may be adversely affected.

**A Call Settlement Date And The Stated Maturity Date May Be Postponed If A Calculation Day Is Postponed.**

A calculation day (including the final calculation day) will be postponed if the applicable originally scheduled calculation day is not a trading day or if the calculation agent determines that a market disruption event has occurred or is continuing on that calculation day. If such a postponement occurs with respect to a calculation day other than the final calculation day, then the related call settlement date will be postponed. If such a postponement occurs with

respect to the final calculation day, the stated maturity date will be the later of (i) the initial stated maturity date and (ii) three business days after the final calculation day as postponed.

**Our Economic Interests And Those Of Any Dealer Participating In The Offering Are Potentially Adverse To Your Interests.**

You should be aware of the following ways in which our economic interests and those of any dealer participating in the distribution of the securities, which we refer to as a “participating dealer,” are potentially adverse to your interests as an investor in the securities. In engaging in certain of the activities described below, our affiliates or any participating dealer or its affiliates may take actions that may adversely affect the value of and your return on the securities, and in so doing they will have no obligation to consider your interests as an investor in the securities. Our affiliates or any participating dealer or its affiliates may realize a profit from these activities even if investors do not receive a favorable investment return on the securities.

***The calculation agent is our affiliate and may be required to make discretionary judgments that affect the return you receive on the securities.*** WFS, which is our affiliate, will be the calculation agent for the securities. As calculation agent, WFS will determine the fund closing price of the Fund on each calculation day and whether the securities are automatically called, and may be required to make other determinations that affect the return you receive on the securities. In making these determinations, the calculation agent may be required to make discretionary judgments, including determining whether a market disruption event has occurred on a scheduled calculation day, which may result in postponement of that calculation day; determining the fund closing price of the Fund if a calculation day is postponed to the last day to which it may be postponed and a market disruption event occurs on that day; adjusting the adjustment factor and other terms of the securities in certain circumstances; if the Fund undergoes a liquidation event, selecting a successor fund or, if no successor fund is available, determining the fund closing price of the Fund on the applicable calculation day; and determining whether to adjust the fund closing price of the Fund on a calculation day in the event of certain changes in or modifications to the Fund or the underlying index. In making these discretionary judgments, the fact that WFS is our affiliate may cause it to have economic interests that are adverse to your interests as an investor in the securities, and WFS’s determinations as calculation agent may adversely affect your return on the securities.

***The estimated value of the securities was calculated by our affiliate and is therefore not an independent third-party valuation.*** WFS calculated the estimated value of the securities set forth on the cover page of this pricing supplement, which involved discretionary judgments by WFS, as described under “Risk Factors—The Estimated Value Of The Securities Is Determined By Our Affiliate’s Pricing Models, Which May Differ From Those Of Other Dealers” above. Accordingly, the estimated value of the securities set forth on the cover page of this pricing supplement is not an independent third-party valuation.

***Research reports by our affiliates or any participating dealer or its affiliates may be inconsistent with an investment in the securities and may adversely affect the price of the Fund.*** Our affiliates or any participating dealer in the offering of the securities or its affiliates may, at present or in the future, publish research reports on the Fund or the underlying index or the companies whose securities are included in the Fund or the underlying index. This research is modified from time to time without notice and may, at present or in the future, express opinions or provide recommendations that are inconsistent with purchasing or holding the securities. Any research reports on the Fund or



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the underlying index or the companies whose securities are included in the Fund or the underlying index could adversely affect the price of the Fund and, therefore, adversely affect the value of and your return on the securities. You are encouraged to derive information concerning the Fund from multiple sources and should not rely on the views expressed by us or our affiliates or any participating dealer or its affiliates. In addition, any research reports on the Fund or the underlying index or the companies whose securities are included in the Fund or the underlying index published on or prior to the pricing date could result in an increase in the price of the Fund on the pricing date, which would adversely affect investors in the securities by increasing the price at which the Fund must close on a calculation day in order for investors in the securities to receive a favorable return.

***Business activities of our affiliates or any participating dealer or its affiliates with the companies whose securities are included in the Fund may adversely affect the price of the Fund.*** Our affiliates or any participating dealer or its affiliates may, at present or in the future, engage in business with the companies whose securities are included in the Fund or the underlying index, including making loans to those companies (including exercising creditors' remedies with respect to such loans), making equity investments in those companies or providing investment banking, asset management or other advisory services to those companies. These business activities could adversely affect the price of the Fund and, therefore, adversely affect the value of and your return on the securities. In addition, in the course of these business activities, our affiliates or any participating dealer or its affiliates may acquire non-public information about one or more of the companies whose securities are included in the Fund or the underlying index. If our affiliates or any participating dealer or its affiliates do acquire such non-public information, we and they are not obligated to disclose such non-public information to you.

***Hedging activities by our affiliates or any participating dealer or its affiliates may adversely affect the price of the Fund.*** We expect to hedge our obligations under the securities through one or more hedge counterparties, which may include our affiliates or any participating dealer or its affiliates. Pursuant to such hedging activities, our hedge counterparties may acquire shares of the Fund, securities included in the Fund or the underlying index or listed or over-the-counter derivative or synthetic instruments related to the Fund or such securities. Depending on, among other things, future market conditions, the aggregate amount and the composition of such positions are likely to vary over time. To the extent that our hedge counterparties have a long hedge position in shares of the Fund or any of the securities included in the Fund or the underlying index, or derivative or synthetic instruments related to the Fund or such securities, they may liquidate a portion of such holdings at or about the time of a calculation day or at or about the time of a change in the securities included in the Fund or the underlying index. These hedging activities could potentially adversely affect the price of the shares of the Fund and, therefore, adversely affect the value of and your return on the securities.

***Trading activities by our affiliates or any participating dealer or its affiliates may adversely affect the price of the Fund.*** Our affiliates or any participating dealer or its affiliates may engage in trading in the shares of the Fund or the securities included in the Fund or the underlying index and other instruments relating to the Fund or such securities on a regular basis as part of their general broker-dealer and other businesses. Any of these trading activities could potentially adversely affect the price of the shares of the Fund and, therefore, adversely affect the value of and your return on the securities.

*A participating dealer or its affiliates may realize hedging profits projected by its proprietary pricing models in addition to any selling concession and/or distribution expense fee, creating a further incentive for the participating dealer to sell the securities to you.* If any participating dealer or any of its affiliates conducts hedging activities for us in connection with the securities, that participating dealer or its affiliates will expect to realize a projected profit from such hedging activities. If a participating dealer receives a concession and/or distribution expense fee for the sale of the securities to you, this projected hedging profit will be in addition to the concession and/or distribution expense fee, creating a further incentive for the participating dealer to sell the securities to you.

**The U.S. Federal Tax Consequences Of An Investment In The Securities Are Unclear.**

There is no direct legal authority regarding the proper U.S. federal tax treatment of the securities, and we do not plan to request a ruling from the IRS. Consequently, significant aspects of the tax treatment of the securities are uncertain, and the IRS or a court might not agree with the treatment of the securities as prepaid derivative contracts that are “open transactions” for U.S. federal income tax purposes. If the IRS were successful in asserting an alternative treatment of the securities, the tax consequences of the ownership and disposition of the securities might be materially and adversely affected. Even if the treatment of the securities as prepaid derivative contracts that are “open transactions” is respected, a security may be treated as a “constructive ownership transaction,” with potentially adverse consequences described below under “United States Federal Tax Considerations.”

Furthermore, Section 871(m) of the Internal Revenue Code of 1986, as amended (the “Code”), imposes a withholding tax of up to 30% on “dividend equivalents” paid or deemed paid to non-U.S. investors in respect of certain financial instruments linked to U.S. equities. In light of Treasury regulations, as modified by an IRS notice, that provide a general exemption for financial instruments issued prior to January 1, 2021 that do not have a “delta” of one, the securities should not be subject to withholding under Section 871(m). However, the IRS could challenge this conclusion. If withholding applies to the securities, we will not be required to pay any additional amounts with respect to amounts withheld.

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In addition, in 2007 the U.S. Treasury Department and the IRS released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. Any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, including the character and timing of income or loss and the degree, if any, to which income realized by non-U.S. persons should be subject to withholding tax, possibly with retroactive effect. You should read carefully the discussion under “United States Federal Tax Considerations” in this pricing supplement. You should also consult your tax adviser regarding the U.S. federal tax consequences of an investment in the securities, as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

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**Hypothetical Returns**

**If the securities are automatically called:**

Assuming that the securities are automatically called, the following table illustrates, for each hypothetical call date on which the securities are automatically called:

- the hypothetical payment per security on the related call settlement date;
- the hypothetical pre-tax total rate of return; and
- the hypothetical pre-tax annualized rate of return.

<b>Hypothetical call date on which securities are automatically called</b>	<b>Hypothetical payment per security on related call settlement date</b>	<b>Hypothetical pre-tax total rate of return</b>	<b>Hypothetical pre-tax annualized rate of return<sup>(1)</sup></b>
1st call date	\$1,103.00	10.30%	9.85%
2nd call date	\$1,154.50	15.45%	9.64%
3rd call date	\$1,206.00	20.60%	9.56%

(1) The annualized rates of return are calculated with compounding on a semi-annual basis.

**If the securities are not automatically called:**

Assuming that the securities are not automatically called, the following table illustrates, for a range of hypothetical ending prices of the Fund:

the hypothetical percentage change from the hypothetical starting price to the hypothetical ending price, assuming a hypothetical starting price of \$100.00. The hypothetical starting price of \$100.00 has been chosen for illustrative purposes only and does not represent the actual starting price. The actual starting price is set forth under “Terms of the Securities” above. For historical data regarding the actual closing prices of the Fund, see the historical information provided herein;

- the hypothetical maturity payment amount per security;
- the hypothetical pre-tax total rate of return; and
- the hypothetical pre-tax annualized rate of return.

<b>Hypothetical ending price</b>	<b>Hypothetical percentage change from the hypothetical starting price to the hypothetical ending price</b>	<b>Hypothetical maturity payment amount per security</b>	<b>Hypothetical pre-tax total rate of return</b>	<b>Hypothetical pre-tax annualized rate of return<sup>(1)</sup></b>
\$95.00	-5.00%	\$1,000.00	0.00%	0.00%
\$90.00	-10.00%	\$1,000.00	0.00%	0.00%
\$89.00	-11.00%	\$990.00	-1.00%	-0.50%
\$80.00	-20.00%	\$900.00	-10.00%	-5.19%
\$75.00	-25.00%	\$850.00	-15.00%	-7.94%
\$50.00	-50.00%	\$600.00	-40.00%	-23.92%
\$25.00	-75.00%	\$350.00	-65.00%	-46.06%
\$0.00	-100.00%	\$100.00	-90.00%	-87.35%

(1) The annualized rates of return are calculated with compounding on a semi-annual basis.

The above figures are for purposes of illustration only and may have been rounded for ease of analysis. The actual amount you will receive upon an automatic call or at stated maturity and the resulting pre-tax rate of return will depend on (i) whether the securities are automatically called; (ii) if the securities are automatically called, the actual call date on which the securities are called; and (iii) if the securities are not automatically called, the actual starting price and actual ending price.

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**Hypothetical Payment at Maturity**

If the fund closing price of the Fund is less than the starting price on each of the first two call dates, the securities will not be automatically called prior to the final calculation day, and you will receive a maturity payment amount that will be greater than, equal to or less than the original offering price per security, depending on the ending price (i.e., the fund closing price of the Fund on the final calculation day). Set forth below are three examples of calculations of the payment at stated maturity, assuming that the securities have not been automatically called on either of the first two call dates, and assuming the hypothetical starting price, threshold price and ending prices indicated in the examples. The terms used for purposes of these hypothetical examples do not represent any actual starting price or threshold price. The hypothetical starting price of \$100.00 has been chosen for illustrative purposes only and does not represent the actual starting price. The actual starting price and threshold price are set forth under “Terms of the Securities” above. For historical data regarding the actual closing prices of the Fund, see the historical information provided herein. These examples are for purposes of illustration only and the values used in the examples may have been rounded for ease of analysis.

**Example 1. Ending price is greater than the starting price, the securities are automatically called on the final calculation day and the maturity payment amount is equal to the original offering price plus the applicable call premium:**

Hypothetical starting price: \$100.00

Hypothetical ending price: \$150.00

Since the hypothetical ending price is greater than the hypothetical starting price, the securities are automatically called on the final calculation day and you will receive the original offering price of your securities plus a call premium of 20.60% of the original offering price per security. Even though the Fund appreciated by 50.00% from its starting price to its ending price in this example, your return is limited to the call premium of 20.60% that is applicable to the final calculation day.

On the stated maturity date, you would receive \$1,206.00 per security.

**Example 2. Ending price is less than the starting price but greater than the threshold price and the maturity payment amount is equal to the original offering price:**

Hypothetical starting price: \$100.00

Hypothetical ending price: \$95.00

Hypothetical threshold price: \$90.00, which is 90% of the hypothetical starting price

Since the hypothetical ending price is less than the hypothetical starting price, but not by more than 10%, you would be repaid the original offering price of your securities at maturity.

On the stated maturity date, you would receive \$1,000.00 per security.

**Example 3. Ending price is less than the threshold price and the maturity payment amount is less than the original offering price:**

Hypothetical starting price: \$100.00

Hypothetical ending price: \$50.00

Hypothetical threshold price: \$90.00, which is 90% of the hypothetical starting price

Since the hypothetical ending price is less than the hypothetical starting price by more than 10%, you would lose a portion of the original offering price of your securities and receive a maturity payment amount equal to \$600.00 per security, calculated as follows:

$$\$1,000 - \$1,000 \times \frac{\$90.00 - \$50.00}{\$100.00} = \$600.00$$

On the stated maturity date, you would receive \$600.00 per security, resulting in a loss of 40.00%.

To the extent that the starting price, threshold price and ending price differ from the values assumed above, the results indicated above would be different.



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**Additional Terms of the Securities**

Wells Fargo will issue the securities as part of a series of senior unsecured debt securities entitled “Medium-Term Notes, Series S,” which is more fully described in the prospectus supplement. Information included in this pricing supplement supersedes information in the market measure supplement, prospectus supplement and prospectus to the extent that it is different from that information.

**Certain Definitions**

A “trading day” means a day, as determined by the calculation agent, on which the relevant stock exchange and each related futures or options exchange with respect to the Fund or any successor thereto, if applicable, are scheduled to be open for trading for their respective regular trading sessions.

The “relevant stock exchange” for the Fund means the primary exchange or quotation system on which shares (or other applicable securities) of the Fund are traded, as determined by the calculation agent.

The “related futures or options exchange” for the Fund means each exchange or quotation system where trading has a material effect (as determined by the calculation agent) on the overall market for futures or options contracts relating to the Fund.

**Calculation Agent**

Wells Fargo Securities, LLC, one of our subsidiaries, will act as calculation agent for the securities and may appoint agents to assist it in the performance of its duties. Pursuant to a calculation agent agreement, we may appoint a different calculation agent without your consent and without notifying you.

The calculation agent will determine whether the securities are automatically called on any of the call dates and the amount of the payment you receive upon automatic call or at stated maturity. In addition, the calculation agent will, among other things:

- determine whether a market disruption event has occurred;
- determine if adjustments are required to the fund closing price of the Fund under various circumstances; and

if the Fund undergoes a liquidation event, select a successor fund (as defined below) or, if no successor fund is available, determine the fund closing price.

All determinations made by the calculation agent will be at the sole discretion of the calculation agent and, in the absence of manifest error, will be conclusive for all purposes and binding on us and you. The calculation agent will have no liability for its determinations.

### **Market Disruption Events**

A “market disruption event” means any of the following events as determined by the calculation agent in its sole discretion:

The occurrence or existence of a material suspension of or limitation imposed on trading by the relevant stock exchange or otherwise relating to the shares (or other applicable securities) of the Fund or any successor fund on (A) the relevant stock exchange at any time during the one-hour period that ends at the close of trading on such day, whether by reason of movements in price exceeding limits permitted by such relevant stock exchange or otherwise.

The occurrence or existence of a material suspension of or limitation imposed on trading by any related futures or options exchange or otherwise in futures or options contracts relating to the shares (or other applicable securities) (B) of the Fund or any successor fund on any related futures or options exchange at any time during the one-hour period that ends at the close of trading on that day, whether by reason of movements in price exceeding limits permitted by the related futures or options exchange or otherwise.

The occurrence or existence of any event, other than an early closure, that materially disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, shares (or other applicable securities) (C) of the Fund or any successor fund on the relevant stock exchange at any time during the one-hour period that ends at the close of trading on that day.

The occurrence or existence of any event, other than an early closure, that materially disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, futures or options contracts (D) relating to shares (or other applicable securities) of the Fund or any successor fund on any related futures or options exchange at any time during the one-hour period that ends at the close of trading on that day.

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(E) The closure of the relevant stock exchange or any related futures or options exchange with respect to the Fund or any successor fund prior to its scheduled closing time unless the earlier closing time is announced by the relevant stock exchange or related futures or options exchange, as applicable, at least one hour prior to the earlier of (1) the actual closing time for the regular trading session on such relevant stock exchange or related futures or options exchange, as applicable, and (2) the submission deadline for orders to be entered into the relevant stock exchange or related futures or options exchange, as applicable, system for execution at the close of trading on that day.

(F) The relevant stock exchange or any related futures or options exchange with respect to the Fund or any successor fund fails to open for trading during its regular trading session.

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For purposes of determining whether a market disruption event has occurred:

(1) “close of trading” means the scheduled closing time of the relevant stock exchange with respect to the Fund or any successor fund; and

(2) the “scheduled closing time” of the relevant stock exchange or any related futures or options exchange on any trading day for the Fund or any successor fund means the scheduled weekday closing time of such relevant stock exchange or related futures or options exchange on such trading day, without regard to after hours or any other trading outside the regular trading session hours.

If a market disruption event occurs or is continuing on any calculation day, then such calculation day will be postponed to the first succeeding trading day on which a market disruption event has not occurred and is not continuing; however, if such first succeeding trading day has not occurred as of the eighth trading day after the originally scheduled calculation day, that eighth trading day shall be deemed to be the calculation day. If the calculation day has been postponed eight trading days after the originally scheduled calculation day and a market disruption event occurs or is continuing with respect to the Fund on such eighth trading day, the calculation agent will determine the closing price of the Fund on such eighth trading day based on its good faith estimate of the value of the shares (or other applicable securities) of the Fund as of the close of trading on such eighth trading day.

**Anti-dilution Adjustments Relating to the Fund; Alternate Calculation**

*Anti-dilution Adjustments*

The calculation agent will adjust the adjustment factor as specified below if any of the events specified below occurs with respect to the Fund and the effective date or ex-dividend date, as applicable, for such event is after the pricing date and on or prior to the final calculation day.

The adjustments specified below do not cover all events that could affect the Fund, and there may be other events that could affect the Fund for which the calculation agent will not make any such adjustments, including, without limitation, an ordinary cash dividend. Nevertheless, the calculation agent may, in its sole discretion, make additional adjustments to any terms of the securities upon the occurrence of other events that affect or could potentially affect the market price of, or shareholder rights in, the Fund, with a view to offsetting, to the extent practical, any such change, and preserving the relative investment risks of the securities. In addition, the calculation agent may, in its sole discretion, make adjustments or a series of adjustments that differ from those described herein if the calculation agent

determines that such adjustments do not properly reflect the economic consequences of the events specified in this pricing supplement or would not preserve the relative investment risks of the securities. All determinations made by the calculation agent in making any adjustments to the terms of the securities, including adjustments that are in addition to, or that differ from, those described in this pricing supplement, will be made in good faith and a commercially reasonable manner, with the aim of ensuring an equitable result. In determining whether to make any adjustment to the terms of the securities, the calculation agent may consider any adjustment made by the Options Clearing Corporation or any other equity derivatives clearing organization on options contracts on the Fund.

For any event described below, the calculation agent will not be required to adjust the adjustment factor unless the adjustment would result in a change to the adjustment factor then in effect of at least 0.10%. The adjustment factor resulting from any adjustment will be rounded up or down, as appropriate, to the nearest one-hundred thousandth.

(A) *Stock Splits and Reverse Stock Splits*

If a stock split or reverse stock split has occurred, then once such split has become effective, the adjustment factor will be adjusted to equal the *product* of the prior adjustment factor and the number of securities which a holder of one share (or other applicable security) of the Fund before the effective date of such stock split or reverse stock split would have owned or been entitled to receive immediately following the applicable effective date.

(B) *Stock Dividends*

If a dividend or distribution of shares (or other applicable securities) to which the securities are linked has been made by the Fund ratably to all holders of record of such shares (or other applicable security), then the adjustment factor will be adjusted on the ex-dividend date to equal the prior adjustment factor plus the *product* of the prior adjustment factor and the number of shares (or other applicable security) of the Fund which a holder of one share (or other applicable security) of the Fund before the ex-dividend date would have owned or been entitled to receive immediately following that date; provided, however, that no adjustment will be made for a distribution for which the number of securities of the Fund paid or distributed is based on a fixed cash equivalent value.

(C) *Extraordinary Dividends*

If an extraordinary dividend (as defined below) has occurred, then the adjustment factor will be adjusted on the ex-dividend date to equal the *product* of the prior adjustment factor and a fraction, the numerator of which is the closing price per share (or other applicable security) of the Fund on the trading day preceding the ex-dividend date, and the denominator of which is the amount by which the closing price per share (or other applicable security) of the Fund on the trading day preceding the ex-dividend date exceeds the extraordinary dividend amount (as defined below).

For purposes of determining whether an extraordinary dividend has occurred:

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(1) “extraordinary dividend” means any cash dividend or distribution (or portion thereof) that the calculation agent determines, in its sole discretion, is extraordinary or special; and

(2) “extraordinary dividend amount” with respect to an extraordinary dividend for the securities of the Fund will equal the amount per share (or other applicable security) of the Fund of the applicable cash dividend or distribution that is attributable to the extraordinary dividend, as determined by the calculation agent in its sole discretion.

A distribution on the securities of the Fund described below under the section entitled “—Reorganization Events” below that also constitutes an extraordinary dividend will only cause an adjustment pursuant to that “—Reorganization Events” section.

(D) *Other Distributions*

If the Fund declares or makes a distribution to all holders of the shares (or other applicable security) of the Fund of any non-cash assets, excluding dividends or distributions described under the section entitled “—Stock Dividends” above, then the calculation agent may, in its sole discretion, make such adjustment (if any) to the adjustment factor as it deems appropriate in the circumstances. If the calculation agent determines to make an adjustment pursuant to this paragraph, it will do so with a view to offsetting, to the extent practical, any change in the economic position of a holder of the securities that results solely from the applicable event.

(E) *Reorganization Events*

If the Fund, or any successor fund, is subject to a merger, combination, consolidation or statutory exchange of securities with another exchange traded fund, and the Fund is not the surviving entity (a “reorganization event”), then, on or after the date of such event, the calculation agent shall, in its sole discretion, make an adjustment to the adjustment factor or the method of determining the payment at maturity, whether the securities are automatically called on any of the call dates or any other terms of the securities as the calculation agent determines appropriate to account for the economic effect on the securities of such event, and determine the effective date of that adjustment. If the calculation agent determines that no adjustment that it could make will produce a commercially reasonable result, then the calculation agent may deem such event a liquidation event (as defined below).

*Liquidation Events*

If the Fund is de-listed, liquidated or otherwise terminated (a “liquidation event”), and a successor or substitute exchange traded fund exists that the calculation agent determines, in its sole discretion, to be comparable to the Fund, then, upon the calculation agent’s notification of that determination to the trustee and Wells Fargo, any subsequent fund closing price for the Fund will be determined by reference to the fund closing price of such successor or substitute exchange traded fund (such exchange traded fund being referred to herein as a “successor fund”), with such adjustments as the calculation agent determines are appropriate to account for the economic effect of such substitution on holders of the securities.

If the Fund undergoes a liquidation event prior to, and such liquidation event is continuing on, the date that any fund closing price of the Fund is to be determined and the calculation agent determines that no successor fund is available at such time, then the calculation agent will, in its discretion, calculate the fund closing price for the Fund on such date by a computation methodology that the calculation agent determines will as closely as reasonably possible replicate the Fund, provided that if the calculation agent determines in its discretion that it is not practicable to replicate the Fund (including but not limited to the instance in which the underlying index sponsor discontinues publication of the underlying index), then the calculation agent will calculate the fund closing price for the Fund in accordance with the formula last used to calculate such fund closing price before such liquidation event, but using only those securities that were held by the Fund immediately prior to such liquidation event without any rebalancing or substitution of such securities following such liquidation event.

If a successor fund is selected or the calculation agent calculates the fund closing price as a substitute for the Fund, such successor fund or fund closing price will be used as a substitute for the Fund for all purposes, including for purposes of determining whether a market disruption event exists. Notwithstanding these alternative arrangements, a liquidation event with respect to the Fund may adversely affect the value of the securities.

If any event is both a reorganization event and a liquidation event, such event will be treated as a reorganization event for purposes of the securities unless the calculation agent makes the determination referenced in the last sentence of the section entitled “—Anti-dilution Adjustments—Reorganization Events” above.

### ***Alternate Calculation***

If at any time the method of calculating the Fund or a successor fund, or the underlying index, is changed in a material respect, or if the Fund or a successor fund is in any other way modified so that the Fund does not, in the opinion of the calculation agent, fairly represent the price of the securities of the Fund or such successor fund had such changes or modifications not been made, then the calculation agent may, at the close of business in New York City on the date that any fund closing price is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a closing price of the Fund comparable to the Fund or such successor fund, as the case may be, as if such changes or modifications had not been made, and calculate the fund closing price and the payment at maturity and determine whether the securities are automatically called on any call date with reference to such adjusted closing price of the Fund or such successor fund, as applicable.



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**Events of Default and Acceleration**

If an event of default with respect to the securities has occurred and is continuing, the amount payable to a holder of a security upon any acceleration permitted by the securities, with respect to each security, will be equal to the maturity payment amount, calculated as provided herein, as though the date of acceleration were the final calculation day; provided that if the fund closing price of the Fund on the date of acceleration is equal to or greater than the starting price, then the maturity payment amount will be calculated using a call premium that is prorated to the date of acceleration.

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**The Energy Select Sector SPDR® Fund**

The Energy Select Sector SPDR Fund is an exchange traded fund that seeks to track the Energy Select Sector Index, an equity index that is intended to provide investors with a way to track the movements of certain public companies that represent the energy sector of the S&P 500 Index. See “Description of Exchange Traded Funds—The Energy Select Sector SPDR® Fund” in the accompanying market measure supplement for additional information about the Energy Select Sector SPDR Fund.

In addition, information about the Energy Select Sector SPDR Fund may be obtained from other sources, including, but not limited to, the fund sponsor’s website (including information regarding (a) the Fund’s top ten constituents and their weightings; (b) returns of the Fund and underlying index for certain periods; and (c) the fees paid to the fund sponsor). We are not incorporating by reference into this pricing supplement the website or any material it includes. Neither we nor the agent makes any representation that such publicly available information regarding the Energy Select Sector SPDR Fund is accurate or complete.

**Historical Information**

We obtained the closing prices in the graph below from Bloomberg Financial Markets, without independent verification.

The following graph sets forth daily closing prices of the Fund for the period from January 1, 2013 to December 28, 2018. The closing price on December 28, 2018 was \$57.05. The historical performance of the Fund should not be taken as an indication of the future performance of the Fund during the term of the securities.

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**Benefit Plan Investor Considerations**

Each fiduciary of a pension, profit-sharing or other employee benefit plan to which Title I of the Employee Retirement Income Security Act of 1974 (“ERISA”) applies (a “plan”), should consider the fiduciary standards of ERISA in the context of the plan’s particular circumstances before authorizing an investment in the securities. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan. When we use the term “holder” in this section, we are referring to a beneficial owner of the securities and not the record holder.

Section 406 of ERISA and Section 4975 of the Code prohibit plans, as well as individual retirement accounts and Keogh plans to which Section 4975 of the Code applies (also “plans”), from engaging in specified transactions involving “plan assets” with persons who are “parties in interest” under ERISA or “disqualified persons” under the Code (collectively, “parties in interest”) with respect to such plan. A violation of those “prohibited transaction” rules may result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless statutory or administrative exemptive relief is available. Therefore, a fiduciary of a plan should also consider whether an investment in the securities might constitute or give rise to a prohibited transaction under ERISA and the Code.

Employee benefit plans that are governmental plans, as defined in Section 3(32) of ERISA, certain church plans, as defined in Section 3(33) of ERISA, and foreign plans, as described in Section 4(b)(4) of ERISA (collectively, “Non-ERISA Arrangements”), are not subject to the requirements of ERISA, or Section 4975 of the Code, but may be subject to similar rules under other applicable laws or regulations (“Similar Laws”).

We and our affiliates may each be considered a party in interest with respect to many plans. Special caution should be exercised, therefore, before the securities are purchased by a plan. In particular, the fiduciary of the plan should consider whether statutory or administrative exemptive relief is available. The U.S. Department of Labor has issued five prohibited transaction class exemptions (“PTCEs”) that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the securities. Those class exemptions are:

PTCE 96-23, for specified transactions determined by in-house asset managers;

- PTCE 95-60, for specified transactions involving insurance company general accounts;
- PTCE 91-38, for specified transactions involving bank collective investment funds;

- PTCE 90-1, for specified transactions involving insurance company separate accounts; and
- PTCE 84-14, for specified transactions determined by independent qualified professional asset managers.

In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide an exemption for transactions between a plan and a person who is a party in interest (other than a fiduciary who has or exercises any discretionary authority or control with respect to investment of the plan assets involved in the transaction or renders investment advice with respect thereto) solely by reason of providing services to the plan (or by reason of a relationship to such a service provider), if in connection with the transaction of the plan receives no less, and pays no more, than “adequate consideration” (within the meaning of Section 408(b)(17) of ERISA).

Any purchaser or holder of the securities or any interest in the securities will be deemed to have represented by its purchase and holding that either:

• no portion of the assets used by such purchaser or holder to acquire or purchase the securities constitutes assets of any plan or Non-ERISA Arrangement; or

• the purchase and holding of the securities by such purchaser or holder will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any Similar Laws.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the securities on behalf of or with “plan assets” of any plan consult with their counsel regarding the potential consequences under ERISA and the Code of the acquisition of the securities and the availability of exemptive relief.

The securities are contractual financial instruments. The financial exposure provided by the securities is not a substitute or proxy for, and is not intended as a substitute or proxy for, individualized investment management or advice for the benefit of any purchaser or holder of the securities. The securities have not been designed and will not be administered in a manner intended to reflect the individualized needs and objectives of any purchaser or holder of the securities.

Each purchaser or holder of the securities acknowledges and agrees that:

- (i) the purchaser or holder or its fiduciary has made and shall make all investment decisions for the purchaser or holder and the purchaser or holder has not relied and shall not rely in any way upon us or our affiliates to act as a fiduciary or adviser of the purchaser or holder with respect to (a) the design and terms of the securities, (b) the purchaser or holder’s investment in the securities, or (c) the exercise of or failure to exercise any rights we have under or with

respect to the securities;

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(ii) we and our affiliates have acted and will act solely for our own account in connection with (a) all transactions relating to the securities and (b) all hedging transactions in connection with our obligations under the securities;

(iii) any and all assets and positions relating to hedging transactions by us or our affiliates are assets and positions of those entities and are not assets and positions held for the benefit of the purchaser or holder;

(iv) our interests may be adverse to the interests of the purchaser or holder; and

neither we nor any of our affiliates is a fiduciary or adviser of the purchaser or holder in connection with any such (v) assets, positions or transactions, and any information that we or any of our affiliates may provide is not intended to be impartial investment advice.

Purchasers of the securities have the exclusive responsibility for ensuring that their purchase, holding and subsequent disposition of the securities does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any Similar Law. Nothing herein shall be construed as a representation that an investment in the securities would be appropriate for, or would meet any or all of the relevant legal requirements with respect to investments by, plans or Non-ERISA Arrangements generally or any particular plan or Non-ERISA Arrangement.

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**United States Federal Tax Considerations**

The following is a discussion of the material U.S. federal income and certain estate tax consequences of the ownership and disposition of the securities. It applies to you only if you purchase a security for cash in the initial offering at the “issue price,” which is the first price at which a substantial amount of the securities is sold to the public, and hold the security as a capital asset within the meaning of Section 1221 of the Code. It does not address all of the tax consequences that may be relevant to you in light of your particular circumstances or if you are an investor subject to special rules, such as:

- a financial institution;
- a “regulated investment company”;
- a tax-exempt entity, including an “individual retirement account” or “Roth IRA”;
- a dealer or trader subject to a mark-to-market method of tax accounting with respect to the securities;

a person holding a security as part of a “straddle” or conversion transaction or who has entered into a “constructive sale” with respect to a security;

- a U.S. holder (as defined below) whose functional currency is not the U.S. dollar; or
- an entity classified as a partnership for U.S. federal income tax purposes.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds the securities, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partnership holding the securities or a partner in such a partnership, you should consult your tax adviser as to your particular U.S. federal tax consequences of holding and disposing of the securities.

We will not attempt to ascertain whether the Fund is treated as a “U.S. real property holding corporation” (“USRPHC”) within the meaning of Section 897 of the Code. If the Fund were so treated, certain adverse U.S. federal income tax consequences might apply to you, if you are a non-U.S. holder (as defined below), upon the sale, exchange or other disposition of the securities. You should refer to information filed with the Securities and Exchange Commission or another governmental authority by the Fund and consult your tax adviser regarding the possible consequences to you



if the Fund is or becomes a USRPHC.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date of this pricing supplement, changes to any of which subsequent to the date of this pricing supplement may affect the tax consequences described herein, possibly with retroactive effect. This discussion does not address the effects of any applicable state, local or non-U.S. tax laws, any alternative minimum tax consequences, the potential application of the Medicare tax on investment income or the consequences to taxpayers subject to special tax accounting rules under Section 451(b) of the Code. You should consult your tax adviser concerning the application of U.S. federal income and estate tax laws to your particular situation (including the possibility of alternative treatments of the securities), as well as any tax consequences arising under the laws of any state, local or non-U.S. jurisdiction.

### **Tax Treatment of the Securities**

In the opinion of our counsel, Davis Polk & Wardwell LLP, which is based on current market conditions, a security should be treated as a prepaid derivative contract that is an “open transaction” for U.S. federal income tax purposes. By purchasing a security, you agree (in the absence of an administrative determination or judicial ruling to the contrary) to this treatment.

**Due to the absence of statutory, judicial or administrative authorities that directly address the U.S. federal tax treatment of the securities or similar instruments, significant aspects of the treatment of an investment in the securities are uncertain. We do not plan to request a ruling from the IRS, and the IRS or a court might not agree with the treatment described below. Accordingly, you should consult your tax adviser regarding all aspects of the U.S. federal income and estate tax consequences of an investment in the securities. Unless otherwise indicated, the following discussion is based on the treatment of the securities as prepaid derivative contracts that are “open transactions.”**

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**Tax Consequences to U.S. Holders**

This section applies only to U.S. holders. You are a “U.S. holder” if you are a beneficial owner of a security that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;

a corporation created or organized in or under the laws of the United States, any state therein or the District of Columbia; or

- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

*Tax Treatment Prior to Maturity.* You should not be required to recognize income over the term of the securities prior to maturity, other than pursuant to a sale, exchange or retirement as described below.

*Sale, Exchange or Retirement of the Securities.* Upon a sale, exchange or retirement of the securities, you should recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and your tax basis in the securities that are sold, exchanged or retired. Your tax basis in the securities should equal the amount you paid to acquire them. Subject to the discussion below concerning the potential application of the “constructive ownership” rules under Section 1260 of the Code, this gain or loss should be long-term capital gain or loss if at the time of the sale, exchange or retirement you held the securities for more than one year, and short-term capital gain or loss otherwise. Long-term capital gains recognized by non-corporate U.S. holders are generally subject to taxation at reduced rates. The deductibility of capital losses is subject to certain limitations.

*Potential Application of Section 1260 of the Code.* There is a risk that your purchase of a security may be treated as entry into a “constructive ownership transaction,” within the meaning of Section 1260 of the Code, with respect to the Fund. In that case, all or a portion of any long-term capital gain you would otherwise recognize in respect of your securities would be recharacterized as ordinary income to the extent such gain exceeded the “net underlying long-term capital gain.” Any long-term capital gain recharacterized as ordinary income under Section 1260 would be treated as accruing at a constant rate over the period you held your securities, and you would be subject to an interest charge in respect of the deemed tax liability on the income treated as accruing in prior tax years. Due to the lack of governing authority under Section 1260, our counsel is not able to opine as to whether or how Section 1260 applies to the securities, including how the “net underlying long-term capital gain” should be computed if Section 1260 does apply. You should consult your tax adviser regarding the potential application of the “constructive ownership” rule.

*Possible Alternative Tax Treatments of an Investment in the Securities*

Alternative U.S. federal income tax treatments of the securities are possible that, if applied, could materially and adversely affect the timing and/or character of income, gain or loss with respect to them. It is possible, for example, that the securities could be treated as debt instruments governed by Treasury regulations relating to the taxation of contingent payment debt instruments. In that case, regardless of your method of tax accounting for U.S. federal income tax purposes, you would be required to accrue income based on our comparable yield for similar non-contingent debt, determined as of the time of issuance of the securities, in each year that you held the securities, even though we are not required to make any payment with respect to the securities prior to maturity. In addition, any gain on the sale, exchange or retirement of the securities would be treated as ordinary income.

Other possible U.S. federal income tax treatments of the securities could also affect the timing and character of income or loss with respect to the securities. In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; and whether these instruments are or should be subject to the “constructive ownership” regime described above. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, possibly with retroactive effect. You should consult your tax adviser regarding the possible alternative treatments of an investment in the securities and the issues presented by this notice.

**Tax Consequences to Non-U.S. Holders**

This section applies only to non-U.S. holders. You are a “non-U.S. holder” if you are a beneficial owner of a security that is, for U.S. federal income tax purposes:

- an individual who is classified as a nonresident alien;
- a foreign corporation; or

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- a foreign estate or trust.

You are not a non-U.S. holder for purposes of this discussion if you are (i) an individual who is present in the United States for 183 days or more in the taxable year of disposition or (ii) a former citizen or resident of the United States. If you are or may become such a person during the period in which you hold a security, you should consult your tax adviser regarding the U.S. federal tax consequences of an investment in the securities.

*Sale, Exchange or Retirement of the Securities.* Subject to the possible application of Section 897 of the Code and the discussion below regarding Section 871(m), you generally should not be subject to U.S. federal income or withholding tax in respect of amounts paid to you, provided that income in respect of the securities is not effectively connected with your conduct of a trade or business in the United States.

If you are engaged in a U.S. trade or business, and if income from the securities is effectively connected with the conduct of that trade or business, you generally will be subject to regular U.S. federal income tax with respect to that income in the same manner as if you were a U.S. holder, unless an applicable income tax treaty provides otherwise. If you are such a holder and you are a corporation, you should also consider the potential application of a 30% (or lower treaty rate) branch profits tax.

*Tax Consequences Under Possible Alternative Treatments.* If all or any portion of a security were recharacterized as a debt instrument, subject to the possible application of Section 897 of the Code and the discussions below regarding FATCA and Section 871(m), any payment made to you with respect to the security generally should not be subject to U.S. federal withholding or income tax, provided that: (i) income or gain in respect of the security is not effectively connected with your conduct of a trade or business in the United States, and (ii) you provide an appropriate IRS Form W-8 certifying under penalties of perjury that you are not a United States person.

Other U.S. federal income tax treatments of the securities are also possible. In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. Among the issues addressed in the notice is the degree, if any, to which income with respect to instruments such as the securities should be subject to U.S. withholding tax. While the notice requests comments on appropriate transition rules and effective dates, it is possible that any Treasury regulations or other guidance promulgated after consideration of these issues might materially and adversely affect the withholding tax consequences of an investment in the securities, possibly with retroactive effect. Accordingly, you should consult your tax adviser regarding the issues presented by the notice.

*Possible Withholding Under Section 871(m) of the Code.* Section 871(m) of the Code and Treasury regulations promulgated thereunder (“Section 871(m)”) generally impose a 30% withholding tax on dividend equivalents paid or deemed paid to non-U.S. holders with respect to certain financial instruments linked to U.S. equities (“U.S. underlying equities”) or indices that include U.S. underlying equities. Section 871(m) generally applies to instruments that substantially replicate the economic performance of one or more U.S. underlying equities, as determined based on tests set forth in the applicable Treasury regulations (a “specified security”). However, the regulations, as modified by an IRS notice, exempt financial instruments issued prior to January 1, 2021 that do not have a “delta” of one. Based on the terms of the securities and representations provided by us, our counsel is of the opinion that the securities should not be treated as transactions that have a “delta” of one within the meaning of the regulations with respect to any U.S. underlying equity and, therefore, should not be specified securities subject to withholding tax under Section 871(m).

A determination that the securities are not subject to Section 871(m) is not binding on the IRS, and the IRS may disagree with this treatment. Moreover, Section 871(m) is complex and its application may depend on your particular circumstances. For example, if you enter into other transactions relating to a U.S. underlying equity, you could be subject to withholding tax or income tax liability under Section 871(m) even if the securities are not specified securities subject to Section 871(m) as a general matter. You should consult your tax adviser regarding the potential application of Section 871(m) to the securities.

If withholding tax applies to the securities, we will not be required to pay any additional amounts with respect to amounts so withheld.

### ***U.S. Federal Estate Tax***

If you are an individual non-U.S. holder or an entity the property of which is potentially includible in such an individual’s gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers), you should note that, absent an applicable treaty exemption, the securities may be treated as U.S. situs property subject to U.S. federal estate tax. If you are such an individual or entity, you should consult your tax adviser regarding the U.S. federal estate tax consequences of investing in the securities.

**Market Linked Securities—Auto-Callable with Fixed Percentage Buffered Downside**

**Principal at Risk Securities Linked to the Energy Select Sector SPDR® Fund due January 4, 2021**

**Information Reporting and Backup Withholding**

Amounts paid on the securities, and the proceeds of a sale, exchange or other disposition of the securities, may be subject to information reporting and, if you fail to provide certain identifying information (such as an accurate taxpayer identification number if you are a U.S. holder) or meet certain other conditions, may also be subject to backup withholding at the rate specified in the Code. If you are a non-U.S. holder that provides an appropriate IRS Form W-8, you will generally establish an exemption from backup withholding. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the relevant information is timely furnished to the IRS.

**FATCA Legislation**

Legislation commonly referred to as “FATCA” generally imposes a withholding tax of 30% on payments to certain non-U.S. entities (including financial intermediaries) with respect to certain financial instruments, unless various U.S. information reporting and due diligence requirements have been satisfied. An intergovernmental agreement between the United States and the non-U.S. entity’s jurisdiction may modify these requirements. This legislation applies to certain financial instruments that are treated as paying U.S.-source interest, dividends or dividend equivalents or other U.S.-source “fixed or determinable annual or periodical” income (“FDAP income”). If required under FATCA, withholding applies to payments of FDAP income and to payments of gross proceeds of the disposition (including upon retirement) of certain financial instruments treated as providing U.S.-source interest or dividends. If the securities were treated as debt instruments or as subject to Section 871(m), the withholding regime under FATCA would apply to the securities. If withholding applies to the securities, we will not be required to pay any additional amounts with respect to amounts withheld. If you are a non-U.S. holder, or a U.S. holder holding securities through a non-U.S. intermediary, you should consult your tax adviser regarding the potential application of FATCA to the securities.

**The preceding discussion constitutes the full opinion of Davis Polk & Wardwell LLP regarding the material U.S. federal tax consequences of owning and disposing of the securities.**

**You should consult your tax adviser regarding all aspects of the U.S. federal income and estate tax consequences of an investment in the securities and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.**