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9 Attorneys for Complainant

10 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
11 OF THE STATE OF CALIFORNIA

12 In the Matter of)
)
13 WELLS FARGO FUNDS) SETTLEMENT AGREEMENT
14 DISTRIBUTOR, LLC)
)
15)

16 This SETTLEMENT AGREEMENT ("Agreement") is entered into as of February 7, 2014,
17 by and between the California Department of Business Oversight ("Department") through the
18 Commissioner of Business Oversight ("Commissioner"), on the one hand, and Wells Fargo
19 Funds Distributor, LLC ("WFFD") on the other hand (collectively, "Parties").

20 RECITALS

21 This Agreement is made with reference to the following facts:

22 A. WFFD is a limited liability company in good standing, duly formed and existing
23 pursuant to the laws of the State of Delaware, and is authorized to conduct business in this State.
24 WFFD has its principal place of business in this state located at 525 Market St., 12th Floor, San
25 Francisco, California 94105.

26 B. Wayne Scott Badorf is the President and Secretary of WFFD and, as such, is
27 authorized to enter into this Agreement on behalf of WFFD.

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1 C. WFFD has operated as broker dealer registered with the Securities and
2 Exchange Commission (“SEC”) and the Department since 2005. From October 14, 2009,
3 until November 2013, WFFD had an individual working as an unregistered broker dealer
4 agent (“BDA”) in California.

5 D. WFFD voluntarily came forward and disclosed to the Commissioner that it had failed
6 to register this BDA with the Department. WFFD has responded fully to all of the Commissioner’s
7 requests for information regarding this issue. The Commissioner has determined that the public
8 interest will not be served by denying this BDA’s request for registration or by requiring the BDA
9 to retake the Series 63 exam.

10 E. It is the intention and desire of the Parties to resolve this matter without the
11 necessity of a hearing and/or other litigation.

12 NOW, THEREFORE, for good and valuable consideration, and the terms and conditions
13 set forth herein, the Parties agree as follows:

14 TERMS AND CONDITIONS

15 1. Purpose. The purpose of this Agreement is to settle and resolve the matters between
16 the Parties hereto, for judicial economy and expediency, and to avoid the expense of a hearing, and
17 possible further court proceedings.

18 2. Waiver of Hearing Rights. WFFD acknowledges its right to a hearing under the
19 Corporate Securities Law of 1968 in connection with the BDA application, and hereby waives that
20 right to a hearing, and to any reconsideration, appeal, or other right to review which may be
21 afforded pursuant to the Corporate Securities Law of 1968, the California Administrative
22 Procedure Act, the California Code of Civil Procedure, or any other provision of law, and by
23 waiving such rights, consents to the Penalty becoming final.

24 3. Acknowledgement. WFFD acknowledges that it did not timely file/update the
25 BDA registration application with the Department. Although the delay was neither willful nor
26 intentional, WFFD acknowledges that such delay was inconsistent with the provisions of
27 Corporations Code section 25210(b). The acknowledgment of WFFD is for the purposes of this
28 and any other future proceedings that may be initiated by or brought before the Department. The

1 Parties agree that this Agreement and any acknowledgements hereunder shall not be admissible or
2 binding against WFFD in any action(s) brought against WFFD by third parties who are not
3 signatories to this Agreement.

4 4. Administrative Penalty. WFFD agrees to pay to the Commissioner an
5 administrative penalty in the amount of eight thousand dollars (\$8,000) (“Penalty”). Such Penalty
6 shall be paid by WFFD within fourteen (14) days of the execution of this Agreement. The check
7 shall be made payable to “The Department of Business Oversight,” and shall be sent by WFFD to
8 the following address:

9 Joanne Ross
10 Senior Corporations Counsel
11 Department of Business Oversight
12 1515 K Street, Suite 200
13 Sacramento, CA 95814

14 In the event the payment due date falls on a weekend or holiday, the payment shall be due the
15 next business day. WFFD acknowledges that failure to timely pay the Penalty shall be a breach of
16 this Agreement and shall be cause for the Commissioner to immediately revoke any licenses held
17 by, and/or deny any pending application(s) of WFFD, its successors and assigns, by whatever
18 names they might be known. WFFD hereby waives any notice and hearing rights to contest such
19 revocations and/or denial(s) which may be afforded under the Corporate Securities Law of 1968,
20 the California Administrative Procedure Act, the California Code of Civil Procedure, or any other
21 provision of law in connection therewith.

22 5. Series 63 Exam. The BDA at issue is identified in the November 20, 2013 letter to
23 the Department from Debra Ann Early, Chief Compliance Officer of Wells Fargo Funds
24 Management. The Department will not require that this BDA retake the Series 63 exam, since the
25 BDA took and passed this exam prior to conducting sales activity and has continued to conduct
26 sales activity from the date of passage in 2009 until November 2013. This activity was conducted
27 in good faith and in reliance upon WFFD’s timely reporting the Series 63 passage to the
28 Department. Since WFFD did not report the Series 63 exam passage to the Department timely, the
BDA unknowingly conducted broker dealer activity while unregistered in California.

1 6. Future Actions by the Commissioner. The Commissioner reserves the right to
2 bring any future action(s) against WFFD or any of the officers, directors, shareholders, or
3 employees of WFFD for any and all unknown or future violations of the Corporate Securities Act
4 of 1968. This Agreement shall not serve to exculpate WFFD or any of the officers, directors,
5 shareholders, or employees of WFFD from liability for any and all unknown or future violations of
6 the Corporate Securities Act of 1968.

7 7. Effective Date. This Agreement shall not become effective until signed and
8 delivered by all Parties.

9 8. Settlement Agreement Coverage. The Parties hereby acknowledge and agree that this
10 Agreement is intended to constitute a full, final, and complete resolution of this matter. The
11 Parties further acknowledge and agree that nothing contained in this Agreement shall operate to limit
12 the Commissioner's ability to assist any other agency, county, state or federal, with any
13 prosecution, administrative, civil or criminal, brought by any such agency against WFFD based
14 upon any of the activities alleged in this matter or otherwise.

15 9. Independent Legal Advice. Each of the Parties represents, warrants, and agrees
16 that it has received or been advised to seek independent legal advice from its attorneys with
17 respect to the advisability of executing this Agreement.

18 10. No Other Representation. Each of the Parties represents, warrants, and agrees that in
19 executing this Agreement, it has relied solely on the statements set forth herein and the advice of its
20 own counsel. Each of the Parties further represents, warrants, and agrees that in executing this
21 Agreement, it has placed no reliance on any statement, representation, or promise of any other
22 party, or any other person or entity not expressly set forth herein, or upon the failure of any party or
23 any other person or entity to make any statement, representation or disclosure of anything
24 whatsoever. The Parties have included this clause: (1) to preclude any claim that any party was in
25 any way fraudulently induced to execute this Agreement; and (2) to preclude the introduction of
26 parol evidence to vary, interpret, supplement, or contradict the terms of this Agreement.

27 11. Modifications and Qualified Integration. No amendment, change or
28 modification of this Agreement shall be valid or binding to any extent unless it is in writing

1 and signed by all of the parties affected by it.

2 12. Full Integration. This Agreement is the final written expression and the complete
3 and exclusive statement of all the agreements, conditions, promises, representations, and
4 covenants between the Parties with respect to the subject matter hereof, and supersedes all
5 discussions between and among the Parties, their respective representatives, and any other
6 person or entity, with respect to the subject matter covered hereby.

7 13. No Presumption From Drafting. In that the Parties have had the opportunity to
8 draft, review and edit the language of this Agreement, no presumption for or against any party
9 arising out of drafting all or any part of this Agreement will be applied in any action
10 relating to, connected to, or involving this Agreement. Accordingly, the Parties waive the
11 benefit of Civil Code section 1654 and any successor or amended statute, providing that in
12 cases of uncertainty, language of a contract should be interpreted most strongly against the party
13 who caused the uncertainty to exist.

14 14. Counterparts. This Agreement may be executed in any number of counter-parts
15 by the Parties, and when each party has signed and delivered at least one such counterpart to the
16 other party, each counterpart shall be deemed an original and taken together shall constitute
17 one and the same Agreement.

18 15. Headings and Governing Law. The headings to the paragraphs of this Agreement
19 are inserted for convenience only and will not be deemed a part hereof or affect the
20 construction or interpretation of the provisions hereof. This Agreement shall be
21 construed and enforced in accordance with, and governed by, the laws of the State of
22 California.

23 16. Authority For Settlement. Each party warrants and represents that such party is
24 fully entitled and duly authorized to enter into and deliver this Agreement. In particular, and
25 without limiting the generality of the foregoing, each party warrants and represents that it is
26 fully entitled to enter into the covenants, and undertake the obligations set forth herein.

27 17. Public Record. WFFD hereby acknowledges that this Agreement will be a matter
28 of public record.

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18. Voluntary Agreement. The Parties each represent and acknowledge that he, she or it is executing this Agreement completely voluntarily and without any duress or undue influence of any kind from any source.

IN WITNESS WHEREOF, the Parties hereto have approved and executed this Agreement on the dates set forth opposite their respective signatures.

JAN LYNN OWEN
Commissioner of Business Oversight

Dated: 2/11/14

By _____
MARY ANN SMITH
Deputy Commissioner

Dated: 2/7/14

WELLS FARGO FUNDS DISTRIBUTOR, LLC

By _____
WAYNE SCOTT BADORF
President and Secretary