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CENTER TRUST INC
Form 10-Q
August 14, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended June 30, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-12588

CENTER TRUST, INC.
(Exact name of registrant as specified in charter)

Maryland
(State or other jurisdiction
of incorporation or organization)

95-4444963
(I.R.S. Employer
Identification Number)

3500 Sepulveda Boulevard, Manhattan Beach, California 90266
(Address of principal executive offices) (Zip Code)

(310) 546-4520
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to
such filing requirements for at least the past 90 days. YES NO

As of August 10, 2001, 27,622,072 shares of Common Stock, Par Value \$.01 Per
Share, were outstanding.

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CENTER TRUST, INC.

FORM 10-Q

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CENTER TRUST, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	June 30, 2001	December 31, 2000
	-----	-----
	(unaudited)	
ASSETS		
Rental properties.....	\$ 729,191	\$ 776,667
Accumulated depreciation and amortization.....	(140,650)	(136,828)
	-----	-----
Rental properties, net.....	588,541	639,839
Cash and cash equivalents.....	6,049	6,164
Tenant receivables, net.....	7,239	11,920
Other receivables.....	6,251	5,603
Restricted cash securities.....	9,656	9,531
Deferred charges, net.....	16,045	18,030
Other assets.....	3,090	3,492
	-----	-----
TOTAL.....	\$ 636,871	\$ 694,579
	=====	=====

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LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:			
Secured debt.....	\$ 405,599		\$ 318,052
7 1/2% Convertible subordinated debentures.....	--		128,548
Accrued dividends and distributions.....	1,173		6,035
Accrued interest.....	1,087		5,827
Accounts payable and other accrued expenses.....	10,652		10,161
Accrued construction costs.....	629		1,060
Tenant security and other deposits.....	1,703		1,797
	-----		-----
Total liabilities.....	420,843		471,480
	-----		-----
MINORITY INTERESTS:			
Operating Partnership (1,339,644 and 2,015,692 units issued as of June 30, 2001 and December 31, 2000, respectively).....	11,796		15,075
Other minority interests.....	1,366		1,620
	-----		-----
Total minority interests.....	13,162		16,695
	-----		-----
COMMITMENTS AND CONTINGENCIES:			
STOCKHOLDERS' EQUITY:			
Common stock (\$.01 par value, 100,000,000 shares authorized; 27,622,072 and 26,721,226 shares issued and outstanding as of June 30, 2001 and December 31, 2000, respectively).....	276		266
Additional paid-in capital.....	362,798		359,419
Accumulated distributions and deficit.....	(160,208)		(153,281)
	-----		-----
Total stockholders' equity.....	202,866		206,404
	-----		-----
TOTAL.....	\$ 636,871		\$ 694,579
	=====		=====

See Notes to Consolidated Financial Statements.

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CENTER TRUST, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except per share amounts) (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
REVENUES:				
Rental revenues.....	\$17,272	\$24,452	\$35,011	\$49,661
Expense reimbursements.....	5,964	7,715	11,906	15,425
Percentage rents.....	173	661	694	994

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Other income.....	1,108	1,512	2,534	3,101
	-----	-----	-----	-----
Total revenues.....	24,517	34,340	50,145	69,181
	-----	-----	-----	-----
EXPENSES:				
Interest.....	8,443	15,009	18,131	29,700
Property Operating Costs:				
Common Area.....	4,513	5,146	8,879	10,272
Property taxes.....	2,390	3,340	4,910	6,674
Leasehold rentals.....	269	361	534	725
Marketing.....	411	314	594	532
Other operating.....	1,149	838	2,330	1,941
Depreciation and amortization.....	5,175	6,314	10,414	12,783
Reorganization Costs.....	2,613	--	2,613	--
General and administrative.....	1,646	1,324	3,011	2,631
	-----	-----	-----	-----
Total expenses.....	26,609	32,646	51,416	65,258
	-----	-----	-----	-----
(LOSS) INCOME FROM OPERATIONS BEFORE OTHER ITEMS.....	(2,092)	1,694	(1,271)	3,923
(LOSS) GAIN ON SALE OF RENTAL PROPERTIES...	(3,279)	9,149	(2,379)	11,724
MINORITY INTERESTS:				
Operating Partnership.....	333	(675)	281	(821)
Other minority interests.....	(140)	(76)	(169)	(150)
	-----	-----	-----	-----
(LOSS) INCOME BEFORE EXTRAORDINARY ITEM....	(5,178)	10,092	(3,538)	14,676
EXTRAORDINARY LOSS ON EARLY EXTINGUISHMENT OF DEBT.....	(566)	--	(1,385)	(1,864)
	-----	-----	-----	-----
NET (LOSS) INCOME.....	\$ (5,744)	\$10,092	\$ (4,923)	\$12,812
	=====	=====	=====	=====
BASIC AND DILUTED INCOME PER SHARE:				
(Loss) Income before extraordinary item....	\$ (0.19)	\$ 0.38	\$ (0.13)	\$ 0.55
Extraordinary loss on early extinguishment of debt.....	(0.02)	--	(0.05)	(0.07)
	-----	-----	-----	-----
Net (Loss) Income.....	(0.21)	\$ 0.38	(0.18)	\$ 0.48
	=====	=====	=====	=====
Weighted Average Basic and Diluted Shares Outstanding.....	27,372	26,686	27,232	26,667
	=====	=====	=====	=====

See Notes to Consolidated Financial Statements

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CENTER TRUST, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

Six Months Ended
June 30,

2001 2000

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CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income.....	\$ (4,923)	\$ 12,812
Adjustment to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization of rental properties.....	10,414	12,783
Amortization of deferred financing costs.....	2,047	1,712
Extraordinary loss on early extinguishment of debt.....	1,385	1,864
Net loss on sale of rental properties.....	2,379	(11,724)
Minority interests in operations.....	(112)	971
Net changes in operating assets and liabilities.....	(3,550)	(13,063)
	-----	-----
Net cash provided by operating activities.....	7,640	5,355
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction and development costs.....	(4,458)	(7,790)
Net proceeds from sale of rental property.....	45,074	36,109
	-----	-----
Net cash provided by investing activities.....	40,616	28,319
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable.....	(139,023)	(2,273)
Proceeds from mortgages.....	--	17,390
Repayment of mortgages.....	--	(17,390)
Borrowings on secured line of credit.....	133,369	190,250
Repayment of secured line of credit.....	(35,347)	(200,191)
Proceeds from the sale of common stock.....	--	344
Increase in restricted cash.....	(125)	(4,596)
Dividends to shareholders.....	(6,678)	(15,191)
Distributions to minority interests.....	(567)	(1,240)
	-----	-----
Net cash used in financing activities.....	(48,371)	(32,897)
	-----	-----
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS.....	(115)	777
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD.....	6,164	5,204
	-----	-----
CASH AND CASH EQUIVALENTS, AT END OF PERIOD.....	\$ 6,049	\$ 5,981
	=====	=====

See Notes to Consolidated Financial Statements

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CENTER TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis Of Presentation

Center Trust, Inc., (the "Company"), a Maryland Corporation, is a self-administered and self-managed real estate investment trust ("REIT"). The Company engages in the ownership, management, leasing, acquisition, development and redevelopment of unenclosed retail shopping centers in the western United States. As of June 30, 2001 the Company owned 35 retail shopping centers (the "Properties") comprising 6.4 million square feet of total shopping center gross leasable area ("GLA").

The accompanying financial statements and related notes of the Company are unaudited; however, they have been prepared in accordance with generally

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accepted accounting principles for interim financial reporting and the instructions to Form 10-Q and the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under generally accepted accounting principles have been condensed or omitted pursuant to such rule. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. These financial statements should be read in conjunction with the Company's Form 10-K for the year ended December 31, 2000.

2. Secured Debt

On January 16, 2001, the Company repaid in full its 7 1/2% Convertible Subordinated Debentures. The outstanding balance of \$128.5 million was repaid with proceeds from the Company's Secured Credit Facility.

Subsequent to June 30, 2001, the Company refinanced an existing mortgage on North Mountain Village, located in Phoenix, Arizona. The \$7.1 million mortgage bears interest at 7.68% and matures in 2011

3. Property Disposition

In March 2001, the Company sold three community shopping centers and one single tenant facility for a combined sales price of \$38.4 million. The assets sold included Westgate North Shopping Center, a 104,000 square foot shopping center located in Tacoma, Washington, Center of El Centro, a 179,000 square foot shopping center located in El Centro, California, Madera Marketplace a 169,000 square foot shopping center located in Madera, California, and K-Mart Madera, a 86,000 square foot single tenant facility, located in Madera, California. After repayment of debt of \$16.9 million, net proceeds of \$17 million were used to reduce the outstanding balance on the Company's Credit Facility. During the fourth quarter of 2000, the Company recorded a \$4.8 million impairment of assets held for sale, a result of the anticipated sales of the Westgate North Shopping Center and the Center of El Centro. After consideration of the fourth quarter impairment loss adjustment, the Company recorded a gain on the sale of assets of \$0.9 million during 2001. In addition, the Company recorded an extraordinary loss of \$0.8 million for the early extinguishment of debt related to the payment of certain prepayment penalties and elimination of certain deferred costs.

During the 2nd quarter of 2001, the Company sold one community shopping center and one single tenant facility. The assets sold were K-Mart Rocklin, a 86,000 single tenant facility located in Rocklin, California and Marshalls' Plaza, a 79,000 square foot shopping center located in Modesto, California. After repayment of debt of \$1.4 million, net proceeds of \$8.3 million were used to reduce the outstanding balance on the Company's Credit Facility. The Company recorded a loss of \$3.3 million on the sale. In addition, the Company recorded an extraordinary loss of \$566,000 for the early extinguishment of debt related to the payment of certain prepayment penalties and elimination of certain deferred costs.

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CENTER TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

4. Per Share Data

In accordance with SFAS No. 128 (Earnings Per Share), basic earnings per share ("EPS") is based on the weighted average number of shares of common

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stock outstanding during the period and diluted EPS is based on the weighted average number of shares of common stock outstanding combined with the incremental weighted average shares that would have been outstanding if all dilutive potential common shares had been issued as of the beginning of the period. The weighted average number of shares of common stock used in the computation of basic and diluted EPS for the three and six-month periods ended June 30, 2001 were 28,962,000 and 28,850,000, respectively. The weighted average number of common shares for the same periods ended June 30, 2000 were 28,446,000 and 28,379,000, respectively. Units held by limited partners in the Operating Partnership may be exchanged for shares of common stock of the Company on a one-for-one basis, in certain circumstances, and therefore are not dilutive.

On July 20, 2001, the Company paid a \$0.04 dividend per share to shareholders of record as of July 2, 2001. Year-to-date the Company has paid dividends of \$0.08 per share or \$2.2 million.

5. Reorganization Costs

At the end of the second quarter of 2001, the Company recorded a non-recurring Reorganization expense of \$2.6 million. The expense consists of employee severance and other related costs. Substantially all amounts have been paid as of August, 2001.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The following discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Forward Looking Statements

The following discussion of financial condition and Results of Operations contains certain forward-looking statements that are subject to risk and uncertainty. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, all our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. Forward looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described, or that they will happen at all. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "would," "seeks," "approximately," "intends," "plans," "pro forma" "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases. You can also identify forward-looking statements by discussions of strategy, plans or intentions. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- . defaults on or non-renewal of leases by tenants;
- . increased interest rates and operations costs;

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- . our failure to obtain necessary outside financing;
- . difficulties in identifying properties to acquire and completing acquisitions;
- . difficulties in disposing of properties;
- . our failure to successfully operate acquired properties and operations;
- . our failure to successfully develop property;
- . our failure to maintain our status as a REIT;
- . environmental uncertainties and risks related to natural disasters;
- . financial market fluctuations; and
- . changes in real estate and zoning laws and increases in real property tax rates.

Our success also depends upon economic trends generally, as well as income tax laws, governmental regulation, legislation, population changes and other matters discussed above in section entitled "Risk Factors." We caution you, however, that any list of risk factors may not be exhaustive.

Results of Operations

Comparison of the three months ended June 30, 2001 to the three months ended June 30, 2000.

Rental revenues decreased by \$7.2 million to \$17.3 million for the three months ended June 30, 2001 from \$24.5 million for the three months ended June 30, 2000. The entire decrease was due to the sale of 16 community shopping centers and four single tenant facilities, for a total of 20 properties sold since June 30, 2000.

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Property operating costs decreased by 1.3 million to \$8.7 million for the three months ended June 30, 2001 from \$10.0 million for the three months ended June 30, 2000. Substantially all of the decrease was a result of decreased operating costs from the sale of the properties previously discussed.

Interest expense decreased to \$8.4 million for the three months ended June 30, 2001 from \$15.0 million for the three months ended June 30, 2000. The decrease resulted from lower average debt outstanding and lower effective interest rates in the second quarter of 2001 compared to the same period in 2000. The lower average debt outstanding was due to the repayment of the \$128.5 million 7 1/2% Convertible Subordinated Debentures and proceeds from the sale of assets during the later half of 2000 and the first half of 2001, which were used to reduce the Company's Secured Credit Facility.

General and Administrative costs increased slightly by \$0.3 million from \$1.3 million for the three months ended June 30, 2000 to \$1.6 million for the three months ended June 30, 2001.

At the end of the second quarter of 2001, the Company recorded a non-recurring Reorganization expense of \$2.6 million. The expense consists of employee severance and other related costs. The Company anticipates that cost savings related to the reorganization will be realized during the remaining quarters of 2001.

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The Company reported a net loss of \$5.7 million for the three months ended June 30, 2001 compared to net income of \$10.1 million for the same period ended June 30, 2001. The net loss was primarily due to lower net operating income of \$8.3 million from the sale of properties, \$2.6 million in reorganization costs and a \$3.3 million loss on the sale of assets partially offset by lower interest of \$8.4 million as noted above. The gain in 2000 resulted primarily from a \$9.1 million gain on the sale of assets.

Comparison of the six months ended June 30, 2001 to the six months ended June 30, 2000.

Rental revenues decreased by \$14.7 million to \$35.0 million for the six months ended June 30, 2001 from \$49.7 million for the six months ended June 30, 2000. The decrease of \$14.3 million is due to the sale of 16 community shopping centers and four single tenant facilities, for a total of 20 properties sold since June 30, 2000.

Property operating costs decreased by \$2.9 million to \$17.2 million for the six months ended June 30, 2001 from \$20.1 million for the six months ended June 30, 2000. Substantially all of the decrease was a result of decreased property taxes and operating costs from the sale of the properties previously discussed.

Interest expense decreased to \$18.1 million for the six months ended June 30, 2001 from \$29.7 million for the six months ended June 30, 2000. The decrease is the result of lower average debt outstanding and lower interest rates as previously discussed.

General and Administrative costs increased slightly by \$0.4 million from \$2.6 million for the six months ended June 30, 2000 to \$3.0 million for the six months ended June 30, 2001.

The Company reported a net loss of \$4.9 million for the six months ended June 30, 2001 compared to net income of \$12.8 million for the same period ended June 30, 2001. The net loss was primarily due to lower net operating income of \$15.6 million from the sale of properties, \$2.6 million in reorganization costs and a \$2.4 million loss on the sale of assets partially offset by lower interest of \$18.1 million as noted above. The gain in 2000 resulted primarily from a \$11.7 million gain on the sale of assets.

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Selected Property Financial Information

Net operating income (defined as revenues, less property operating costs) for the Company's properties is as follows:

	Six Months Ended June 30,	
	2001	2000
Retail Properties (35 in 2001 and 55 in 2000):		
Regional Malls.....	\$ 8,240	\$ 8,623
Community Centers.....	23,368	38,007
Single Tenants.....	810	1,746

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Other income.....	480	661
	-----	-----
Net Operating Income.....	\$32,898	\$49,037
	=====	=====

The following summarizes the percentage of leased GLA (excluding non-owned GLA) as of:

	June 30, 2001	December 31, 2000
	-----	-----
Retail Properties (35 in 2001 and 41 in 2000):		
Community Centers.....	92.1%	93.1%
Regional Malls.....	93.6	90.9
Single Tenants.....	100.0	100.0
Aggregate Portfolio.....	92.7	93.3

Funds from Operations

The Company considers funds from operations ("FFO") to be an alternative measure of the performance of an equity REIT since such measure does not recognize depreciation and amortization expenses as operating expenses. FFO is defined, as outlined in the October 1999 White Paper, by the National Association of Real Estate Investment Trusts ("NAREIT") as net income plus depreciation and amortization of real estate, less gains or losses on sales of properties. Additionally, the definition also permits FFO to be adjusted for significant non-recurring items. Funds from operations do not represent cash flows from operations as defined by generally accepted accounting principles and should not be considered as an alternative to those indicators in evaluating the Company's operating performance or liquidity. Further, the methodology for computing FFO utilized by the Company may differ from that utilized by other equity REITs and, accordingly may not be comparable to such other REITs.

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The Company computes FFO on both a basic and diluted basis. The diluted basis assumes the conversion of the convertible and exchangeable debentures into shares of common stock. The following table summarizes the Company's computation of FFO and provides certain additional disclosures (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	-----	-----	-----	-----
	2001	2000	2001	2000
	-----	-----	-----	-----
FUNDS FROM OPERATIONS				
Net (loss) income.....	\$ (5,744)	\$ 10,092	\$ (4,923)	\$ 12,812
Adjustments to reconcile net income to funds from operations:				
Depreciation and Amortization:				
Buildings and improvements.....	3,212	4,327	6,444	8,663

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Tenant improvements and allowances.....	1,138	1,271	2,234	2,700
Leasing costs.....	605	653	1,313	1,299
Minority Interests.....	(377)	571	(496)	630
Extraordinary loss--early extinguishment of debt.....	566	--	1,385	1,864
Loss (Gain) on Sale of Assets.....	3,279	(9,149)	2,379	(11,724)
Reorganization Costs.....	2,613	--	2,613	--
Other.....	377	354	538	817
	-----	-----	-----	-----
Funds from operations, basic and diluted.....	\$ 5,669	\$ 8,119	\$11,487	\$ 17,061
	=====	=====	=====	=====

Funds from operations, on a basic basis, decreased to \$5.7 million for the three months ended June 30, 2001, as compared to \$8.1 million for the same period in 2000. Funds from operations decreased to \$11.5 million for the six months ended June 30, 2001, as compared to \$17.1 million for the same period in 2000. The three and six month decreases in funds from operations are principally a result of the reasons stated above under Results of Operations, adjusted for the items outlined in the above table.

Liquidity Sources and Requirements

The primary focus of the Company during the first half of 2001 was to repay the 7 1/2% Convertible Subordinated Debentures and to continue to strengthen its financial stability and flexibility. Through a series of asset sales and debt refinancing transactions, as well as a modification of the Company's Credit Facility, the Company was able to successfully repay its 7 1/2% Convertible Debentures which matured on January 15, 2001. Further, with the sale of the three community shopping centers and a single tenant facility in 2001, the Company reduced its outstanding balance on its Secured Credit Facility to a level below 70% loan to value, which reduced the interest rate paid on the outstanding balance to 250 basis points over LIBOR by March 31, 2000. Asset sales during the second quarter have further enabled the Company to reduce its outstanding balance by \$8.3 million. This combined with the reduction of the dividend, discussed below, provides the Company with the anticipated cash and financial flexibility required to meet its capital requirements in the near future.

During 2001, the maximum availability under the Credit Facility was reduced from \$193 million to \$170 million as a result of the sale of assets which were previously included as collateral within the pool of assets securing the Credit Facility. The Company currently has availability of approximately \$7 million as of June 30, 2001.

The Company announced that it will pay a quarterly dividend of \$0.04 per share for both the first and second quarters of 2001, which equates to an annual dividend rate of \$0.16 per share and approximates the Company's minimum required distribution to maintain its REIT status. This compares to the annual dividend of \$0.84 paid

in the year 2000. The dividend reduction was necessitated by the contraction in the Company's asset base as a result of the sale of over \$290 million in assets of the last twelve months. The dividend reduction will allow the Company to maximize its retention of capital, reduce its leverage level, and provide financial flexibility to appropriately evaluate value-added redevelopment opportunities within its portfolio, while maintaining its REIT

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status.

During the 2nd quarter of 2001, the Company sold one community shopping center and one single tenant facility. The assets sold were K-Mart Rocklin, a 86,000 single tenant facility located in Rocklin, California and Marshalls' Plaza, a 79,000 square foot shopping center located in Modesto, California. After repayment of debt of \$1.4 million, net proceeds of \$8.3 million were used to reduce the outstanding balance on the Company's Credit Facility.

During the first quarter of 2001, the Company sold three community shopping centers and one single tenant facility for a combined sales price of \$38.4 million. The assets sold included Westgate North Shopping Center, a 104,000 square foot shopping center located in Tacoma, Washington, Center of El Centro, a 179,000 square foot shopping center located in El Centro, California, Madera Marketplace a 169,000 square foot shopping center located in Madera, California, and K-Mart Madera, a 86,000 square foot single tenant facility, located in Madera, California. The total net proceeds from the sales were \$17 million, after repayment of debt of approximately \$16.9 million that reduced the outstanding balance on the Company's Credit Facility.

Subsequent to June 30, 2001, the Company refinanced an existing mortgage on North Mountain Village, located in Phoenix, Arizona. The \$7.1 million mortgage bears interest at 7.68% and matures in 2011. The Company has no other debt maturities in 2001.

Debt maturities of \$193.4 million in 2002, as well as significant amounts due from 2003 to 2015, will require refinancing. Loans maturing in 2002 include the amount outstanding on the Company's Secured Credit Facility of \$151 million, which is due on March 31, 2002. The Secured Credit Facility has a 1-year extension available subject to certain covenant compliance. The Company expects to extend the maturity of the Secured Credit Facility. The Company believes, based on the collateral available within the Properties, that it will be able to effect such refinancings.

Cash Flows

Net cash provided by operating activity increased by \$2.3 million from \$5.4 million for the six months ended June 30, 2000 to \$7.6 million for the same period of 2001. The increase resulted primarily from lower working capital requirements in the period ended June 30, 2001 compared to the same period of June 30, 2000 partially offset by the sale of assets previously discussed.

Net cash from investment activities was \$40.6 million for the six months ended June 30, 2001 as compared to \$28.3 million for the six months ended June 30, 2000. The increase was the result of proceeds received from the sale of four community shopping centers and two single tenant facilities in 2001 compared to the sale of one single tenant facility and a freestanding theatre in 2000. Financing activities used cash of \$48.4 million for the six months ended June 30, 2001 as compared to \$32.9 million for the six months ended June 30, 2000. The decrease was primarily the result of the repayment of the 7 % Convertible Subordinated Debentures in January 2001 partially offset by lower pay-down of the Company's Secured Credit Facility in 2001 compared to 2000.

Inflation

Center Trust's long term leases contain provisions designed to mitigate the adverse impact of inflation on its results from operations. Such provisions include clauses enabling Center Trust to receive percentage rents based upon tenants' gross sales, which generally increase as prices rise, and/or, in certain cases, escalation clauses are often related to increases in the CPI or similar inflation indices. In addition, many of Center Trust's leases are for terms of less than ten years, which permits Center Trust to seek to increase

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rents upon re-rental at market rates if rents are below then existing market rates. Many of Center Trust's leases require the tenants to

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pay a pro rata share of operating expenses, including common area maintenance, real estate taxes, insurance and utilities, thereby reducing Center Trust's exposure to increases in costs and operating expenses from inflation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk primarily due to fluctuations in interest rates. Specifically, the risk resulting from increasing LIBOR-based interest rates as interest on the Company's Credit Facility of \$158.1 million as well as mortgage notes of \$108.5 million are tied to various LIBOR interest rates. The Credit Facility matures March 31, 2002. The Company is also subject to market risk resulting from fluctuations in the general level of U.S. interest rates as \$112.0 million of the Company's debt is based on a weighted average fixed rate of 8.8%. As a result, the Company will be obligated to pay contractually agreed upon rates on interest on its fixed rate debt, unless management refinances its existing fixed rate debt and potentially incurs substantial prepayment penalties. The \$36 million of tax-exempt certificates of participation are tied to a general index of AAWA-rated tax-free municipal bonds.

The following table provides information about the Company's interest rate sensitive financial instruments, including, amounts due at maturity, principal amortization, weighted average interest rates and fair market values as of June 30, 2001 (dollars in thousands):

As of June 30, 2001	2001	2002	2003	2004	2005	Thereafter	Total	Fair Market Value
Interest Rate Sensitive Liabilities:								
Credit Facility.....		\$151,365					\$151,365	\$151,365
Interest Rate.....		LIBOR					LIBOR	
		+ 2.50%					+ 2.50%	
Variable Rate Debt.....		\$ 33,253	\$75,185				\$108,438	\$108,438
Interest Rate.....		LIBOR	LIBOR				LIBOR	
		+2.50%	+ 2.366%				+2.407%	
Fixed Rate Debt.....	\$8,105	\$ 9,020	\$15,052			\$77,620	\$109,797	\$112,667
Weighted Average Interest Rate.....	8.25%	10.45%	10.375%			8.343%	8.787%	
Tax Exempt Certificates.						\$36,000	\$ 36,000	\$ 36,000
Weighted Average Interest Rate.....						5.28%	5.28%	

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PART II--OTHER INFORMATION

Item 1: Legal Proceedings

None

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Item 2: Changes in Securities

None

Item 3: Defaults Upon Senior Securities

None

Item 4: Submission of Matters to a Vote of Security Holders

None

Item 5: Other Information

None

Item 6: Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

On May 2, 2001, the Company filed a report on Form 8-K to make available additional financial and operational information concerning the Company and properties owned as of March 31, 2001.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CENTER TRUST RETAIL PROPERTIES, INC.

/s/ EDWARD A. STOKX

By: _____

Edward A. Stokx
Senior Vice President of Finance
(Principal Financial Officer)

/s/ SIDNEY M. SHIBATA

By: _____

Sidney M. Shibata
Controller

Dated: August 14, 2001

is the lowest performing Index on the final calculation day. The lowest performing Index on the final calculation day is the Index with the lowest performance factor on the final calculation day. The performance factor of an Index on the final calculation day is its ending level as a percentage of its starting level (i.e., its ending level *divided by* its starting level).

Step 2: Calculate the redemption amount based on the ending level of the lowest performing Index, as follows:

PRS-10

**Market Linked Securities Callable with Contingent Coupon and
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Hypothetical Payout Profile

The following profile illustrates the potential payment at stated maturity on the securities (excluding the final contingent coupon payment, if any) for a range of hypothetical performances of the lowest performing Index on the final calculation day from its starting level to its ending level, assuming the securities have not been redeemed prior to the stated maturity date. This graph has been prepared for purposes of illustration only. Your actual return will depend on the actual ending level of the lowest performing Index on the final calculation day and whether you hold your securities to stated maturity. The performance of the better performing Index is not relevant to your return on the securities.

PRS-11

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Risk Factors

The securities have complex features and investing in the securities will involve risks not associated with an investment in conventional debt securities. You should carefully consider the risk factors set forth below as well as the other information contained in this pricing supplement and the accompanying market measure supplement, prospectus supplement and prospectus, including the documents they incorporate by reference. As described in more detail below, the value of the securities may vary considerably before the stated maturity date due to events that are difficult to predict and are beyond our control. You should reach an investment decision only after you have carefully considered with your advisors the suitability of an investment in the securities in light of your particular circumstances.

If We Do Not Redeem The Securities Prior to Stated Maturity, You May Lose Some Or All Of The Original Offering Price Of Your Securities At Stated Maturity.

We will not repay you a fixed amount on your securities at stated maturity. If we do not exercise our right to redeem the securities prior to stated maturity, you will receive a payment at stated maturity that will be equal to or less than the original offering price per security, depending on the ending level of the lowest performing Index on the final calculation day.

If the ending level of the lowest performing Index on the final calculation day is less than its downside threshold level, the payment you receive at stated maturity will be reduced by an amount equal to the decline in the level of the lowest performing Index from its starting level (expressed as a percentage of its starting level). The downside threshold level for each Index is 50% of its starting level. For example, if we do not redeem the securities prior to stated maturity and the lowest performing Index on the final calculation day has declined by 50.1% from its starting level to its ending level, you will not receive any benefit of the contingent downside protection feature and you will lose 50.1% of the original offering price per security. As a result, you will not receive any protection if the level of the lowest performing Index on the final calculation day declines significantly and you may lose some, and possibly all, of the original offering price per security at stated maturity, even if the level of the lowest performing Index is greater than or equal to its starting level or its downside threshold level at certain times during the term of the securities.

Even if the ending level of the lowest performing Index on the final calculation day is greater than its downside threshold level, the amount you receive at stated maturity will not exceed the original offering price, and your yield on the securities, taking into account any contingent coupon payments you may have received during the term of the securities, may be less than the yield you would earn if you bought a traditional interest-bearing debt security of Wells Fargo or another issuer with a similar credit rating.

The Securities Do Not Provide For Fixed Payments Of Interest And You May Receive No Coupon Payments On One Or More Quarterly Contingent Coupon Payment Dates, Or Even Throughout The Entire Five-Year Term Of The Securities.

On each quarterly contingent coupon payment date you will receive a contingent coupon payment if, **and only if**, the closing level of the lowest performing Index on the related calculation day is greater than or equal to its coupon threshold level. The coupon threshold level for each Index is 60% of its starting level. If the closing level of the lowest performing Index on any calculation day is less than its coupon threshold level, you will not receive any contingent coupon payment on the related contingent coupon payment date, and if the closing level of the lowest performing Index is less than its coupon threshold level on each calculation day over the term of the securities, you will not receive any contingent coupon payments over the entire five-year term of the securities.

The Securities Are Subject To The Full Risks Of Both Indices And Will Be Negatively Affected If Either Index Performs Poorly, Even If The Other Index Performs Favorably.

You are subject to the full risks of both Indices. If either Index performs poorly, you will be negatively affected, even if the other Index performs favorably. The securities are not linked to a basket composed of the Indices, where the better performance of one Index could offset the poor performance of the other Index. Instead, you are subject to the full risks of whichever Index is the lowest performing Index on each calculation day. As a result, the securities are riskier than an alternative investment linked to only one of the Indices or linked to a basket composed of both Indices. You should not invest in the securities unless you understand and are willing to accept the full downside risks of both Indices.

Your Return On The Securities Will Depend Solely On The Performance Of The Index That Is The Lowest Performing Index On Each Calculation Day, And You Will Not Benefit In Any Way From The Performance Of The Better Performing Index.

Your return on the securities will depend solely on the performance of the Index that is the lowest performing Index on each calculation day. Although it is necessary for both Indices to close above their respective coupon threshold levels on the relevant calculation day in order for you to receive a quarterly contingent coupon payment and above their respective downside threshold levels on the final calculation day for you to be repaid the original offering price of your securities at maturity, you will not benefit in

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Risk Factors (Continued)

any way from the performance of the better performing Index. The securities may underperform an alternative investment linked to a basket composed of the Indices, since in such case the performance of the better performing Index would be blended with the performance of the lowest performing Index, resulting in a better return than the return of the lowest performing Index alone.

You Will Be Subject To Risks Resulting From The Relationship Between The Indices.

It is preferable from your perspective for the Indices to be correlated with each other so that their levels will tend to increase or decrease at similar times and by similar magnitudes. By investing in the securities, you assume the risk that the Indices will not exhibit this relationship. The less correlated the Indices, the more likely it is that either one of the Indices will be performing poorly at any time over the term of the securities. All that is necessary for the securities to perform poorly is for one of the Indices to perform poorly; the performance of the better performing Index is not relevant to your return on the securities. It is impossible to predict what the relationship between the Indices will be over the term of the securities. Although the Indices both represent the United States equity markets, it is important to understand that they represent different segments of the United States equity markets the large capitalization segment in one case and the small capitalization segment in the other which may not perform similarly over the term of the securities.

You May Be Fully Exposed To The Decline In The Lowest Performing Index On The Final Calculation Day From Its Starting Level, But Will Not Participate In Any Positive Performance Of Either Index.

Even though you will be fully exposed to a decline in the level of the lowest performing Index on the final calculation day if its ending level is below its downside threshold level, you will not participate in any increase in the level of either Index over the term of the securities. Your maximum possible return on the securities will be limited to the sum of the contingent coupon payments you receive, if any. Consequently, your return on the securities may be significantly less than the return you could achieve on an alternative investment that provides for participation in an increase in the level of either or both of the Indices.

Higher Contingent Coupon Rates Are Associated With Greater Risk.

The securities offer contingent coupon payments at a higher rate, if paid, than the fixed rate we would pay on conventional debt securities of the same maturity. These higher potential contingent coupon payments are associated with greater levels of expected risk as of the pricing date as compared to conventional debt securities, including the risk that you may not receive a contingent coupon payment on one or more, or any, contingent coupon payment dates and the risk that you may lose a substantial portion, and possibly all, of the original offering price per security at maturity. The volatility of the Indices and the correlation between the Indices are important factors affecting this risk. Volatility is a measurement of the size and frequency of daily fluctuations in the level of an Index, typically observed

over a specified period of time. Volatility can be measured in a variety of ways, including on a historical basis or on an expected basis as implied by option prices in the market. Correlation is a measurement of the extent to which the levels of the Indices tend to fluctuate at the same time, in the same direction and in similar magnitudes. Greater expected volatility of the Indices or lower expected correlation between the Indices as of the pricing date may result in a higher contingent coupon rate, but it also represents a greater expected likelihood as of the pricing date that the closing level of at least one Index will be less than its coupon threshold level on one or more calculation days, such that you will not receive one or more, or any, contingent coupon payments during the term of the securities, and that the closing level of at least one Index will be less than its downside threshold level on the final calculation day such that you will lose a substantial portion, and possibly all, of the original offering price per security at maturity. In general, the higher the contingent coupon rate is relative to the fixed rate we would pay on conventional debt securities, the greater the expected risk that you will not receive one or more, or any, contingent coupon payments during the term of the securities and that you will lose a substantial portion, and possibly all, of the original offering price per security at maturity.

Our Redemption Right May Limit Your Potential To Receive Contingent Coupon Payments.

We may, at our option, redeem the securities on any contingent coupon payment date beginning approximately one year after issuance. Although exercise of the redemption right will be within our sole discretion, we will be more likely to redeem the securities at a time when the lowest performing Index is performing favorably from your perspective in other words, at a time when, if the securities were to remain outstanding, it is more likely that you would have continued to receive contingent coupon payments and been repaid the original offering price at maturity. Therefore, our redemption right is likely to limit your potential to receive contingent coupon payments if the lowest performing Index is performing favorably from your perspective. On the other hand, we will be less likely to redeem the securities at a time when the lowest performing Index is performing unfavorably from your perspective in other words, you are more likely to continue to hold the securities at a time when it is less likely that you will continue to receive contingent coupon payments and it is less likely that you will be repaid the original offering price at maturity.

If we exercise our redemption right, the term of the securities may be reduced to as short as approximately one year. There is no guarantee that you would be able to reinvest the proceeds from an investment in the securities at a comparable return for a similar level of risk in the event we redeem the securities prior to maturity.

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Risk Factors (Continued)

The Securities Are Subject To The Credit Risk Of Wells Fargo.

The securities are our obligations and are not, either directly or indirectly, an obligation of any third party. Any amounts payable under the securities are subject to our creditworthiness, and you will have no ability to pursue any securities included in either Index for payment. As a result, our actual and perceived creditworthiness may affect the value of the securities and, in the event we were to default on our obligations, you may not receive any amounts owed to you under the terms of the securities.

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, (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 5-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 5-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.

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 level of each Index at that time, 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.

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Risk Factors(Continued)

Performance of the Indices. The value of the securities prior to maturity will depend substantially on the level of each Index. 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 level of the lowest performing Index at such time is less than, equal to or not sufficiently above its starting level, its coupon threshold level or its downside threshold level.

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

Volatility Of The Indices. 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 Indices changes.

Correlation Between The Indices. Correlation refers to the extent to which the levels of the Indices tend to fluctuate at the same time, in the same direction and in similar magnitudes. The correlation between the Indices may be positive, zero or negative. The value of the securities is likely to decrease if the correlation between the Indices decreases.

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 levels of the Indices. This difference will most likely reflect a discount due to expectations and uncertainty concerning the levels of the Indices during the period of time still remaining to the stated maturity date.

Dividend Yields On Securities Included In The Indices. The value of the securities may be affected by the dividend yields on securities included in the Indices.

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 our redemption right because if we redeem the securities, you will not receive the contingent coupon payments that would have accrued, if any, after the early redemption. 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 level of either or both of the Indices. Because numerous factors are expected to affect the value of the securities, changes in the level of the Indices 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 Levels Of The Indices Should Not Be Taken As An Indication Of The Future Performance Of The Indices During The Term Of The Securities.

The trading prices of the securities included in the Indices will determine the levels of the Indices and, therefore, the amount payable to you at maturity and whether contingent coupon payments will be made. As a result, it is impossible to predict whether the closing levels of the Indices will fall or rise compared to their respective starting levels. Trading prices of the securities included in the Indices will be influenced by complex and interrelated political, economic, financial and other factors that can affect the markets in which those securities are traded and the values of those securities themselves. Accordingly, any historical levels of the Indices do not provide an indication of the future performance of the Indices.

Changes That Affect The Indices May Adversely Affect The Value Of The Securities And The Amount You Will Receive At Stated Maturity.

The policies of an index sponsor concerning the calculation of the relevant Index and the addition, deletion or substitution of securities comprising such Index and the manner in which an index sponsor takes account of certain changes affecting such securities may affect the level of such Index and, therefore, may affect the value of the securities, the amount payable at maturity and whether contingent coupon payments will be made. An index sponsor may discontinue or suspend calculation or dissemination of the relevant Index or materially alter the methodology by which it calculates such Index. Any such actions could adversely affect the value of the securities.

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Risk Factors (Continued)

We Cannot Control Actions By Any Of The Unaffiliated Companies Whose Securities Are Included In The Indices.

Actions by any company whose securities are included in an Index may have an adverse effect on the price of its security, the closing level of such Index on any calculation day, the ending level of such Index and the value of the securities. We are one of the companies included in the S&P 500 Index, but we are not affiliated with any of the other companies included in either 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 Either Index Sponsor And Have Not Independently Verified Their Public Disclosure Of Information.

We and our affiliates are not affiliated in any way with either index sponsor and have no ability to control or predict their actions, including any errors in or discontinuation of disclosure regarding the methods or policies relating to the calculation of the applicable Index. We have derived the information about the index sponsors and the Indices 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 each Index and the index sponsors. The index sponsors are not involved in the offering of the securities made hereby in any way and have no obligation to consider your interest as an owner of the securities in taking any actions that might affect the value of the securities.

An Investment In The Securities Is Subject To Risks Associated With Investing In Stocks With A Small Market Capitalization.

The stocks that constitute the Russell 2000 Index are issued by companies with relatively small market capitalization. These companies often have greater stock price volatility, lower trading volume and less liquidity than large capitalization companies. As a result, the Russell 2000 Index may be more volatile than that of an equity index that does not track solely small capitalization stocks. Stock prices of small capitalization companies are also generally more vulnerable than those of large capitalization companies to adverse business and economic developments, and the stocks of small capitalization companies may be thinly traded, and be less attractive to many investors if they do not pay dividends. In addition, small capitalization companies are typically less well-established and less stable financially than large capitalization companies and may depend on a small number of key personnel, making them more vulnerable to loss of those individuals. Small capitalization companies tend to have lower revenues, less diverse

product lines, smaller shares of their target markets, fewer financial resources and fewer competitive strengths than large capitalization companies. These companies may also be more susceptible to adverse developments related to their products or services.

A Contingent Coupon Payment Date, An Optional Redemption 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 with respect to either Index or if the calculation agent determines that a market disruption event has occurred or is continuing with respect to either Index on that calculation day. If such a postponement occurs with respect to a calculation day other than the final calculation day, then the related contingent coupon payment date or optional redemption date, as applicable, 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.

We will exercise our rights under the securities without taking your interests into account. We may, at our option, redeem the securities on any contingent coupon payment date beginning approximately one year after issuance. Any redemption of the securities will be at our option and will not automatically occur based on the performance of either Index. As described under Risk Factors Our Redemption Right May Limit Your Potential To Receive Contingent Coupon Payments above, we are more likely to redeem the securities at a time when it would otherwise be advantageous for you to continue to hold the

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Risk Factors (Continued)

securities, and we are less likely to redeem the securities at a time when it would otherwise be advantageous to you for us to exercise our redemption right.

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 closing level of each Index on each calculation day, the ending level of each Index and whether you receive a contingent coupon payment on a contingent coupon payment date 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 with respect to either Index on a scheduled calculation day, which may result in postponement of that calculation day with respect to each Index; determining the closing level of an Index if a calculation day is postponed to the last day to which it may be postponed and a market disruption event occurs with respect to that Index on that day; if an Index is discontinued, selecting a successor index or, if no successor index is available, determining the closing level of that Index on any calculation day and the ending level of that Index; and determining whether to adjust the closing level of an Index on a calculation day in the event of certain changes in or modifications to that 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 levels of the Indices. 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 Indices or the companies whose securities are included in an 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 Indices or the companies whose securities are included in an Index could adversely affect the level of the

applicable Index and, therefore, could adversely affect the value of and your return on the securities. You are encouraged to derive information concerning the Indices 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 Indices or the companies whose securities are included in an Index published on or prior to the pricing date could result in an increase in the levels of the Indices on the pricing date, which would adversely affect investors in the securities by increasing the level at which each Index must close on each calculation day (including the final 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 an Index may adversely affect the level of such Index. 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 an 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 level of such Index and, therefore, could 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 an 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 levels of the Indices. 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 securities included in an Index or listed or over-the-counter derivative or synthetic instruments related to the Indices 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 any of the securities included in an Index, or derivative or synthetic instruments related to the Indices or such securities, they may

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Risk Factors (Continued)

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 Indices. These hedging activities could potentially adversely affect the levels of the Indices and, therefore, could 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 levels of the Indices. Our affiliates or any participating dealer or its affiliates may engage in trading in the securities included in an Index and other instruments relating to the Indices 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 levels of the Indices and, therefore, could 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, 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 and this projected profit will be in addition to any concession that the participating dealer realizes for the sale of the securities to you. This additional projected profit may create 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 as to the proper U.S. federal tax treatment of the securities, and we do not intend to request a ruling from the Internal Revenue Service (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 described in this pricing supplement under United States Federal Tax Considerations. If the IRS were successful in asserting an alternative treatment, the tax consequences of ownership and disposition of the securities might be materially and adversely affected.

Non-U.S. holders should note that persons having withholding responsibility in respect of the securities may withhold on any coupon payment paid to a non-U.S. holder, generally at a rate of 30%. To the extent that we have withholding responsibility in respect of the securities, we intend to so withhold. We will not be required to pay any additional amounts with respect to amounts withheld.

You should read carefully the discussion under United States Federal Tax Considerations in this pricing supplement and consult your tax adviser regarding the U.S. federal tax consequences of an investment in the securities.

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Market Linked Securities Callable with Contingent Coupon and**Contingent Downside****Principal at Risk Securities Linked to the Lowest Performing of the S&P 500[®] Index and the****Russell 2000[®] Index due July 8, 2021****Hypothetical Returns****If we redeem the securities prior to stated maturity:**

If we redeem the securities prior to stated maturity, you will receive the original offering price of your securities plus a final contingent coupon payment, if any, on the applicable optional redemption date. In the event we redeem the securities prior to stated maturity, your total return on the securities will equal any contingent coupon payments received prior to the applicable optional redemption date and the contingent coupon payment received on such optional redemption date, if any.

If we do not redeem the securities prior to stated maturity:

If we do not redeem the securities prior to stated maturity, the following table illustrates, for a range of hypothetical performance factors of the lowest performing Index on the final calculation day, the hypothetical redemption amount payable at stated maturity per security (excluding the final contingent coupon payment, if any). The performance factor of the lowest performing Index on the final calculation day is its ending level expressed as a percentage of its starting level (i.e., its ending level *divided by* its starting level).

Hypothetical performance factor of**lowest performing Index on final****Hypothetical payment at stated****calculation day****maturity per security**

175.00%	\$1,000.00
160.00%	\$1,000.00
150.00%	\$1,000.00
140.00%	\$1,000.00
130.00%	\$1,000.00
120.00%	\$1,000.00
110.00%	\$1,000.00
100.00%	\$1,000.00
90.00%	\$1,000.00
80.00%	\$1,000.00
70.00%	\$1,000.00
60.00%	\$1,000.00
50.00%	\$1,000.00
49.00%	\$490.00
40.00%	\$400.00
25.00%	\$250.00

The above figures do not take into account contingent coupon payments, if any, received during the term of the securities. As evidenced above, in no event will you have a positive rate of return based solely on the redemption amount received at maturity; any positive return will be based solely on the contingent coupon payments, if any, received during the term of the securities.

The above figures are for purposes of illustration only and may have been rounded for ease of analysis. If we do not redeem the securities prior to stated maturity, the actual amount you will receive at stated maturity will depend on the actual ending level of the lowest performing Index on the final calculation day. The performance of the better performing Index is not relevant to your return on the securities.

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Market Linked Securities Callable with Contingent Coupon and**Contingent Downside****Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the****Russell 2000® Index due July 8, 2021****Hypothetical Contingent Coupon Payments**

Set forth below are two examples that illustrate how to determine whether a contingent coupon payment will be paid on a quarterly contingent coupon payment date. The examples do not reflect any specific quarterly contingent coupon payment date. The following examples assume the hypothetical closing levels for each Index indicated in the examples. These examples are for purposes of illustration only and the values used in the examples may have been rounded for ease of analysis. If we were to redeem the securities on the relevant contingent coupon payment date in either of the examples below, you would receive the original offering price on the contingent coupon payment date in addition to the contingent coupon payment, if any.

Example 1. The closing level of the lowest performing Index on the relevant calculation day is greater than or equal to its coupon threshold level. As a result, investors receive a contingent coupon payment on the applicable quarterly contingent coupon payment date.

	S&P 500 Index	Russell 2000 Index
Starting level:	2102.95	1156.770
Hypothetical closing level on relevant calculation day:	1892.66	867.578
Coupon threshold level:	1261.77	694.062
Performance factor (closing level on calculation day <i>divided by</i> starting level):	90.00%	75.00%

Step 1: Determine which Index is the lowest performing Index on the relevant calculation day.

In this example, the Russell 2000 Index has the lowest performance factor and is, therefore, the lowest performing Index on the relevant calculation day.

Step 2: Determine whether a contingent coupon payment will be paid on the applicable quarterly contingent coupon payment date.

Since the hypothetical closing level of the lowest performing Index on the relevant calculation day is greater than or equal to its coupon threshold level, you would receive a contingent coupon payment on the applicable contingent coupon payment date. The contingent coupon payment would be equal to \$17.50 per security, which is the product of $\$1,000 \times 7.00\% \text{ per annum} \times (90/360)$, rounded to the nearest cent.

Example 2. The closing level of the lowest performing Index on the relevant calculation day is less than its coupon threshold level. As a result, investors do not receive a contingent coupon payment on the applicable quarterly contingent coupon payment date.

S&P 500 Index Russell 2000 Index

Starting level:	2102.95	1156.770
Hypothetical closing level on relevant calculation day:	1240.74	1214.609
Coupon threshold level:	1261.77	694.062
Performance factor (closing level on calculation day <i>divided by</i> starting level):	59.00%	105.00%

Step 1: Determine which Index is the lowest performing Index on the relevant calculation day.

In this example, the S&P 500 Index has the lowest performance factor and is, therefore, the lowest performing Index on the relevant calculation day.

Step 2: Determine whether a contingent coupon payment will be paid on the applicable quarterly contingent coupon payment date.

Since the hypothetical closing level of the lowest performing Index on the relevant calculation day is less than its coupon threshold level, you would not receive a contingent coupon payment on the applicable contingent coupon payment date. As this example illustrates, whether you receive a contingent coupon payment on a quarterly contingent coupon payment date will depend solely on the closing level of the lowest performing Index on the relevant calculation day. The performance of the better performing Index is not relevant to your return on the securities.

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Market Linked Securities Callable with Contingent Coupon and**Contingent Downside****Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the****Russell 2000® Index due July 8, 2021****Hypothetical Payment at Stated Maturity**

Set forth below are four examples of calculations of the redemption amount payable at stated maturity, assuming that we have not redeemed the securities prior to stated maturity and assuming the hypothetical ending levels for each Index indicated in the examples. 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. The ending level of the lowest performing Index on the final calculation day is greater than its starting level, the redemption amount is equal to the original offering price of your securities at maturity and you receive a final contingent coupon payment:

	S&P 500 Index	Russell 2000 Index
Starting level:	2102.95	1156.770
Hypothetical ending level:	2838.98	1445.963
Coupon threshold level:	1261.77	694.062
Downside threshold level:	1051.475	578.385
Performance factor (ending level <i>divided by</i> starting level):	135.00%	125.00%

Step 1: Determine which Index is the lowest performing Index on the final calculation day.

In this example, the Russell 2000 Index has the lowest performance factor and is, therefore, the lowest performing Index on the final calculation day.

Step 2: Determine the redemption amount based on the ending level of the lowest performing Index on the final calculation day.

Since the hypothetical ending level of the lowest performing Index on the final calculation day is greater than its downside threshold level, the redemption amount would equal the original offering price. Although the hypothetical ending level of the lowest performing Index on the final calculation day is significantly greater than its starting level in this scenario, the redemption amount will not exceed the original offering price.

In addition to any contingent coupon payments received during the term of the securities, on the stated maturity date you would receive \$1,000 per security as well as a final contingent coupon payment.

Example 2. The ending level of the lowest performing Index on the final calculation day is less than its starting level but greater than its downside threshold level and its coupon threshold level, the redemption amount is equal to the original offering price of your securities at maturity and you receive a final contingent coupon payment:

	S&P 500 Index	Russell 2000 Index
Starting level:	2102.95	1156.770
Hypothetical ending level:	1682.36	1272.447
Coupon threshold level:	1261.77	694.062
Downside threshold level:	1051.475	578.385
Performance factor (ending level <i>divided by</i> starting level):	80.00%	110.00%

Step 1: Determine which Index is the lowest performing Index on the final calculation day.

In this example, the S&P 500 Index has the lowest performance factor and is, therefore, the lowest performing Index on the final calculation day.

Step 2: Determine the redemption amount based on the ending level of the lowest performing Index on the final calculation day.

Since the hypothetical ending level of the lowest performing Index is less than its starting level, but not by more than 50%, you would be repaid the original offering price of your securities at maturity.

In addition to any contingent coupon payments received during the term of the securities, on the stated maturity date you would receive \$1,000 per security as well as a final contingent coupon payment.

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Market Linked Securities Callable with Contingent Coupon and**Contingent Downside****Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the****Russell 2000® Index due July 8, 2021****Hypothetical Payment at Stated Maturity (Continued)**

Example 3. The ending level of the lowest performing Index on the final calculation day is less than its starting level and its coupon threshold level but greater than its downside threshold level and the redemption amount is equal to the original offering price of your securities at maturity, but you will not receive a final contingent coupon payment:

	S&P 500 Index	Russell 2000 Index
Starting level:	2102.95	1156.770
Hypothetical ending level:	1156.62	1272.447
Coupon threshold level:	1261.77	694.062
Downside threshold level:	1051.475	578.385
Performance factor (ending level <i>divided by</i> starting level):	55.00%	110.00%

Step 1: Determine which Index is the lowest performing Index on the final calculation day.

In this example, the S&P 500 Index has the lowest performance factor and is, therefore, the lowest performing Index on the final calculation day.

Step 2: Determine the redemption amount based on the ending level of the lowest performing Index on the final calculation day.

Since the hypothetical ending level of the lowest performing Index is less than its starting level, but not by more than 50%, you would be repaid the original offering price of your securities at maturity.

In addition to any contingent coupon payments received during the term of the securities, on the stated maturity date you would receive \$1,000 per security. However, because the hypothetical ending level of the lowest performing Index is less than its coupon threshold level, you will not receive a final contingent coupon payment.

Example 4. The ending level of the lowest performing Index on the final calculation day is less than its downside threshold level, the redemption amount is less than the original offering price of your securities at maturity and you do not receive a final contingent coupon payment:

S&P 500 Index	Russell 2000 Index
------------------------------	-------------------------------

Starting level:	2102.95	1156.770
Hypothetical ending level:	2523.54	520.547
Coupon threshold level:	1261.77	694.062
Downside threshold level:	1051.475	578.385
Performance factor (ending level <i>divided by</i> starting level):	120.00%	45.00%

Step 1: Determine which Index is the lowest performing Index on the final calculation day.

In this example, the Russell 2000 Index has the lowest performance factor and is, therefore, the lowest performing Index on the final calculation day.

Step 2: Determine the redemption amount based on the ending level of the lowest performing Index on the final calculation day.

Since the hypothetical ending level of the lowest performing Index on the final calculation day is less than its starting level by more than 50%, you would lose a portion of the original offering price of your securities and receive the redemption amount equal to \$450.00 per security, calculated as follows:

= \$1,000 × performance factor of the lowest performing Index on the final calculation day

= \$1000 × 45.00%

= \$450.00

In addition to any contingent coupon payments received during the term of the securities, on the stated maturity date you would receive \$450.00 per security, but no final contingent coupon payment.

These examples illustrate that you will not participate in any appreciation of either Index, but will be fully exposed to a decrease in the lowest performing Index if the ending level of the lowest performing Index on the final calculation day is less than its downside threshold level, even if the ending level of the other Index has appreciated or has not declined below its downside threshold level.

To the extent that the ending level of the lowest performing Index differs 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 K, 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 with respect to an Index means a day, as determined by the calculation agent, on which (i) the relevant stock exchanges with respect to each security underlying such Index are scheduled to be open for trading for their respective regular trading sessions and (ii) each related futures or options exchange with respect to such Index is scheduled to be open for trading for its regular trading session.

The relevant stock exchange for any security underlying an Index means the primary exchange or quotation system on which such security is traded, as determined by the calculation agent.

The related futures or options exchange for an Index means an 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 such Index.

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 the amount of the payment you receive upon redemption or at stated maturity and the contingent coupon payments, if any. In addition, the calculation agent will, among other things:

determine whether a market disruption event has occurred;

determine the closing levels of the Indices under certain circumstances;

determine if adjustments are required to the closing level of an Index under various circumstances; and

if publication of an Index is discontinued, select a successor equity index (as defined below) or, if no successor equity index is available, determine the closing level of that Index.

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 with respect to an Index means any of the following events as determined by the calculation agent in its sole discretion:

- (A) The occurrence or existence of a material suspension of or limitation imposed on trading by the relevant stock exchanges or otherwise relating to securities which then comprise 20% or more of the level of such Index or any successor equity index 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 those relevant stock exchanges or otherwise.
- (B) 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 such Index or any successor equity index 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.
- (C) 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, securities that then comprise 20% or more of the level of such Index or any successor equity index on their relevant stock exchanges at any time during the one-hour period that ends at the close of trading on that day.
- (D) 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 relating to such Index or any successor equity index 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 on any exchange business day of the relevant stock exchanges on which securities that then comprise 20% or more of the level of such Index or any successor equity index are traded or any related futures or options exchange with respect to such Index or any successor equity index 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 such actual closing time on that day.
- (F) The relevant stock exchange for any security underlying such Index or successor equity index or any related futures or options exchange with respect to such Index or successor equity index fails to open for trading during its regular trading session.

For purposes of determining whether a market disruption event has occurred with respect to an Index:

- (1) the relevant percentage contribution of a security to the level of such Index or any successor equity index will be based on a comparison of (x) the portion of the level of such Index attributable to that security and (y) the overall level of such Index or successor equity index, in each case immediately before the occurrence of the market disruption event;
- (2) the close of trading on any trading day for such Index or any successor equity index means the scheduled closing time of the relevant stock exchanges with respect to the securities underlying such Index or successor equity index on such trading day; provided that, if the actual closing time of the regular trading session of any such relevant stock exchange is earlier than its scheduled closing time on such trading day, then (x) for purposes of clauses (A) and (C) of the definition of market disruption event above, with respect to any security underlying such Index or successor equity index for which such relevant stock exchange is its relevant stock exchange, the close of trading means such actual closing time and (y) for purposes of clauses (B) and (D) of the definition of market disruption event above, with respect to any futures or options contract relating to such Index or successor equity index, the close of trading means the latest actual closing time of the regular trading session of any of the relevant stock exchanges, but in no event later than the scheduled closing time of the relevant stock exchanges;
- (3)

the scheduled closing time of any relevant stock exchange or related futures or options exchange on any trading day for such Index or any successor equity index 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; and

- (4) an exchange business day means any trading day for such Index or any successor equity index on which each relevant stock exchange for the securities underlying such Index or any successor equity index and each related futures or options exchange with respect to such Index or any successor equity index are open for trading during their respective regular trading sessions, notwithstanding any such relevant stock exchange or related futures or options exchange closing prior to its scheduled closing time.

If a market disruption event occurs or is continuing with respect to either Index on any calculation day, then such calculation day will be postponed for each Index to the first succeeding day that is a trading day for each Index and on which a market disruption event has not occurred and is not continuing for either Index; however, if such first succeeding trading day has not occurred as of the eighth day that is a trading day for each Index after the originally scheduled calculation day, that eighth day shall be deemed to be the calculation day for each Index. If a calculation day has been postponed to that eighth day and a market disruption event occurs or is continuing with respect to either Index on that eighth day, the calculation agent will determine the closing level of that Index on that day in accordance with the formula for and method of calculating the closing level of such Index last in effect prior to commencement of the market disruption event, using the closing price (or, with respect to any relevant security, if a market disruption event has occurred with respect to such security, its good faith estimate of the value of such security at the scheduled closing time of the relevant stock exchange for such security or, if earlier, the actual closing time of the regular trading session of such relevant stock exchange) on that day of each security included in such Index. As used herein, closing price means, with respect to any security on any date, the relevant stock exchange traded or quoted price of such security as of the scheduled closing time of the relevant stock exchange for such security or, if earlier, the actual closing time of the regular trading session of such relevant stock exchange.

Adjustments to an Index

If at any time a sponsor or publisher of an Index (each, an index sponsor) makes a material change in the formula for or the method of calculating such Index, or in any other way materially modifies such Index (other than a modification prescribed in that formula or method to maintain such Index in the event of changes in constituent stock and capitalization and other routine events), then, from and after that time, the calculation agent will, at the close of business in New York, New York, on each date that the closing level of such

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Index is to be calculated, calculate a substitute closing level of such Index in accordance with the formula for and method of calculating such Index last in effect prior to the change, but using only those securities that comprised such Index immediately prior to that change. Accordingly, if the method of calculating an Index is modified so that the level of such Index is a fraction or a multiple of what it would have been if it had not been modified, then the calculation agent will adjust such Index in order to arrive at a level of such Index as if it had not been modified.

Discontinuance of an Index

If an index sponsor discontinues publication of an Index, and such index sponsor or another entity publishes a successor or substitute equity index that the calculation agent determines, in its sole discretion, to be comparable to such Index (a successor equity index), then, upon the calculation agent's notification of that determination to the trustee and Wells Fargo, the calculation agent will substitute the successor equity index as calculated by the relevant index sponsor or any other entity for purposes of calculating the closing level of such Index on any date of determination. Upon any selection by the calculation agent of a successor equity index, Wells Fargo will cause notice to be given to holders of the securities.

In the event that an index sponsor discontinues publication of an Index prior to, and the discontinuance is continuing on, a calculation day and the calculation agent determines that no successor equity index is available at such time, the calculation agent will calculate a substitute closing level for such Index in accordance with the formula for and method of calculating such Index last in effect prior to the discontinuance, but using only those securities that comprised such Index immediately prior to that discontinuance. If a successor equity index is selected or the calculation agent calculates a level as a substitute for such Index, the successor equity index or level will be used as a substitute for such Index for all purposes, including the purpose of determining whether a market disruption event exists.

If on a calculation day an index sponsor fails to calculate and announce the level of an Index, the calculation agent will calculate a substitute closing level of such Index in accordance with the formula for and method of calculating such Index last in effect prior to the failure, but using only those securities that comprised such Index immediately prior to that failure; *provided* that, if a market disruption event occurs or is continuing on such day with respect to such Index, then the provisions set forth above under Market Disruption Events shall apply in lieu of the foregoing.

Notwithstanding these alternative arrangements, discontinuance of the publication of, or the failure by the relevant index sponsor to calculate and announce the level of, an Index may adversely affect the value of the securities.

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 redemption amount, calculated as provided herein, plus a portion of a final contingent coupon payment, if any. The redemption amount and any final contingent coupon payment will be calculated as though the date of acceleration were the final calculation day. The final contingent coupon payment, if any, will be prorated from and including the immediately preceding contingent coupon payment date to but excluding the date of acceleration.

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The S&P 500® Index

The S&P 500 Index is an equity index that is intended to provide an indication of the pattern of common stock price movement in the large capitalization segment of the United States equity market. Wells Fargo & Company is one of the companies currently included in the S&P 500 Index. See Description of Equity Indices The S&P 500 Index in the accompanying market measure supplement for additional information about the S&P 500 Index.

Historical Information

We obtained the closing levels listed below from Bloomberg Financial Markets, without independent verification.

The following graph sets forth daily closing levels of the S&P 500 Index for the period from January 1, 2006 to July 1, 2016. The closing level on July 1, 2016 was 2102.95. The historical performance of the S&P 500 Index should not be taken as an indication of the future performance of the S&P 500 Index during the term of the securities.

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The following table sets forth the high and low closing levels, as well as end-of-period closing levels, of the S&P 500 Index for each quarter in the period from January 1, 2006 through June 30, 2016 and for July 1, 2016.

	High	Low	Last
2006			
First Quarter	1307.25	1254.78	1294.83
Second Quarter	1325.76	1223.69	1270.20
Third Quarter	1339.15	1234.49	1335.85
Fourth Quarter	1427.09	1331.32	1418.30
2007			
First Quarter	1459.68	1374.12	1420.86
Second Quarter	1539.18	1424.55	1503.35
Third Quarter	1553.08	1406.70	1526.75
Fourth Quarter	1565.15	1407.22	1468.36
2008			
First Quarter	1447.16	1273.37	1322.70
Second Quarter	1426.63	1278.38	1280.00
Third Quarter	1305.32	1106.39	1166.36
Fourth Quarter	1161.06	752.44	903.25
2009			
First Quarter	934.70	676.53	797.87
Second Quarter	946.21	811.08	919.32
Third Quarter	1071.66	879.13	1057.08
Fourth Quarter	1127.78	1025.21	1115.10
2010			
First Quarter	1174.17	1056.74	1169.43
Second Quarter	1217.28	1030.71	1030.71
Third Quarter	1148.67	1022.58	1141.20
Fourth Quarter	1259.78	1137.03	1257.64
2011			
First Quarter	1343.01	1256.88	1325.83
Second Quarter	1363.61	1265.42	1320.64
Third Quarter	1353.22	1119.46	1131.42
Fourth Quarter	1285.09	1099.23	1257.60
2012			

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First Quarter	1416.51	1277.06	1408.47
Second Quarter	1419.04	1278.04	1362.16
Third Quarter	1465.77	1334.76	1440.67
Fourth Quarter	1461.40	1353.33	1426.19
2013			
First Quarter	1569.19	1457.15	1569.19
Second Quarter	1669.16	1541.61	1606.28
Third Quarter	1725.52	1614.08	1681.55
Fourth Quarter	1848.36	1655.45	1848.36
2014			
First Quarter	1878.04	1741.89	1872.34
Second Quarter	1962.87	1815.69	1960.23
Third Quarter	2011.36	1909.57	1972.29
Fourth Quarter	2090.57	1862.49	2058.90
2015			
First Quarter	2117.39	1992.67	2067.89
Second Quarter	2130.82	2057.64	2063.11
Third Quarter	2128.28	1867.61	1920.03
Fourth Quarter	2109.79	1923.82	2043.94
2016			
First Quarter	2063.95	1829.08	2059.74
Second Quarter	2119.12	2000.54	2098.86
July 1, 2016	2102.95	2102.95	2102.95

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The Russell 2000® Index

The Russell 2000 Index is an equity index that is designed to track the performance of the small capitalization segment of the United States equity market. See [Description of Equity Indices The Russell 2000 Index](#) in the accompanying market measure supplement for additional information about the Russell 2000 Index.

Historical Information

We obtained the closing levels of the Russell 2000 Index listed below from Bloomberg Financial Markets, without independent verification.

The following graph sets forth daily closing levels of the Russell 2000 Index for the period from January 1, 2006 to July 1, 2016. The closing level on July 1, 2016 was 1156.770. The historical performance of the Russell 2000 Index should not be taken as an indication of the future performance of the Russell 2000 Index during the term of the securities.

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The following table sets forth the high and low closing levels, as well as end-of-period closing levels, of the Russell 2000 Index for each quarter in the period from January 1, 2006 through June 30, 2016 and for July 1, 2016.

	High	Low	Last
2006			
First Quarter	765.140	689.250	765.140
Second Quarter	781.830	672.720	724.670
Third Quarter	734.479	671.940	725.594
Fourth Quarter	797.732	718.352	787.664
2007			
First Quarter	829.438	760.063	800.710
Second Quarter	855.092	803.218	833.699
Third Quarter	855.774	751.544	805.450
Fourth Quarter	845.720	735.066	766.031
2008			
First Quarter	753.548	643.966	687.967
Second Quarter	763.266	686.073	689.659
Third Quarter	754.377	657.718	679.583
Fourth Quarter	671.590	385.308	499.453
2009			
First Quarter	514.710	343.260	422.748
Second Quarter	531.680	429.158	508.281
Third Quarter	620.695	479.267	604.278
Fourth Quarter	634.072	562.395	625.389
2010			
First Quarter	690.303	586.491	678.643
Second Quarter	741.922	609.486	609.486
Third Quarter	677.642	590.034	676.139
Fourth Quarter	792.347	669.450	783.647
2011			
First Quarter	843.549	773.184	843.549
Second Quarter	865.291	777.197	827.429
Third Quarter	858.113	643.421	644.156
Fourth Quarter	765.432	609.490	740.916
2012			

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First Quarter	846.129	747.275	830.301
Second Quarter	840.626	737.241	798.487
Third Quarter	864.697	767.751	837.450
Fourth Quarter	852.495	769.483	849.350
2013			
First Quarter	953.068	872.605	951.542
Second Quarter	999.985	901.513	977.475
Third Quarter	1078.409	989.535	1073.786
Fourth Quarter	1163.637	1043.459	1163.637
2014			
First Quarter	1208.651	1093.594	1173.038
Second Quarter	1192.964	1095.986	1192.964
Third Quarter	1208.150	1101.676	1101.676
Fourth Quarter	1219.109	1049.303	1204.696
2015			
First Quarter	1266.373	1154.709	1252.772
Second Quarter	1295.799	1215.417	1253.947
Third Quarter	1273.328	1083.907	1100.688
Fourth Quarter	1204.159	1097.552	1135.889
2016			
First Quarter	1114.028	953.715	1114.028
Second Quarter	1188.954	1089.646	1151.923
July 1, 2016	1156.770	1156.770	1156.770

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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

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Benefit Plan Investor Considerations (Continued)

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;
- (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
- (v) neither we nor any of our affiliates is a fiduciary or adviser of the purchaser or holder in connection with any such 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 at its stated principal amount and hold it as a capital asset within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the Code). This discussion does not address all of the tax consequences that may be relevant to you in light of your particular circumstances or if you are a holder subject to special rules, such as:

a financial institution;

a regulated investment company ;

a real estate investment trust ;

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.

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 or the potential application of the Medicare tax on investment income. You should consult your tax adviser concerning the application of the 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

Due to the absence of statutory, judicial or administrative authorities that directly address the treatment of the securities or instruments that are similar to the securities for U.S. federal income tax purposes, no assurance can be given that the IRS or a court will agree with the tax treatment described herein. We intend to treat a security for U.S. federal income tax purposes as a prepaid derivative contract that provides for a coupon that will be treated as gross income to you at the time received or accrued in accordance with your regular method of tax accounting. In the opinion of our counsel, Davis Polk & Wardwell LLP, this treatment of the securities is reasonable under current law; however, our counsel has advised us that it is unable to conclude affirmatively that this treatment is more likely than not to be upheld, and that alternative treatments are possible.

You should consult your tax adviser regarding the U.S. federal tax consequences of an investment in the securities. Unless otherwise stated, the following discussion is based on the treatment of the securities as described in the previous paragraph.

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United States Federal Tax Considerations (Continued)

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 thereof 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 of Coupon Payments. Any coupon payments on the securities should be taxable as ordinary income to you at the time received or accrued in accordance with your regular method of accounting for U.S. federal income tax purposes.

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. For this purpose, the amount realized does not include any coupon paid at retirement and may not include sale proceeds attributable to an accrued coupon, which may be treated as a coupon payment. Your tax basis in the securities should equal the amount you paid to acquire them. This gain or loss should be long-term capital gain or loss if you have held the securities for more than one year at the time of the sale, exchange or retirement, and should be short-term capital gain or loss otherwise. The ordinary income treatment of the coupon payments, in conjunction with the capital loss treatment of any loss recognized upon the sale, exchange or settlement of the securities, could result in adverse tax consequences to holders of the securities because the deductibility of capital losses is subject to limitations.

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 event, (i) regardless of your regular method of tax accounting, in each year that you held the securities you would be required to accrue income, subject to certain adjustments, based on our comparable yield for similar non-contingent debt, determined as of the time of issuance of the securities, and (ii) any gain on the sale, exchange or retirement of

the securities would be treated as ordinary income. Even if the securities are treated for U.S. federal income tax purposes as prepaid derivative contracts rather than debt instruments, the IRS could treat the timing and character of income with respect to coupon payments in a manner different from that described above.

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 investors in 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; whether these instruments are or should be subject to the constructive ownership regime, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose a notional interest charge; and appropriate transition rules and effective dates. While it is not clear whether the securities would be viewed as similar to the typical prepaid forward contract described in the notice, 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:

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United States Federal Tax Considerations (Continued)

an individual who is classified as a nonresident alien;

a foreign corporation; or

a foreign trust or estate.

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 of a security, (ii) a former citizen or resident of the United States or (iii) a person for whom income or gain in respect of the securities is effectively connected with the conduct of a trade or business in 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.

Because significant aspects of the tax treatment of the securities are uncertain, persons having withholding responsibility in respect of the securities may withhold on any coupon payment paid to you, generally at a rate of 30%. To the extent that we have (or an affiliate of ours has) withholding responsibility in respect of the securities, we intend to so withhold. We will not be required to pay any additional amounts with respect to amounts withheld. In order to claim an exemption from, or a reduction in, the 30% withholding, you may need to comply with certification requirements to establish that you are not a U.S. person and are eligible for such an exemption or reduction under an applicable tax treaty. You should consult your tax adviser regarding the tax treatment of the securities, including the possibility of obtaining a refund of any amounts withheld and the certification requirement described above.

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, a security 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.

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 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 generally applies to certain financial instruments that are treated as paying U.S.-source interest or other U.S.-source fixed or determinable annual or periodical income. While the treatment of the securities is unclear, you should assume that any coupon payment on the securities will be subject to the FATCA rules. It is also possible in light of this uncertainty that an applicable withholding agent will treat all or a portion of the gross proceeds of a disposition (including upon retirement) of the securities after 2018 as being subject to the FATCA rules. If withholding applies to the securities, we will not be required to pay any additional amounts with respect to amounts withheld. Both U.S. and non-U.S. holders should consult their tax advisers regarding the potential application of FATCA to the securities.

THE TAX CONSEQUENCES OF OWNING AND DISPOSING OF THE SECURITIES ARE UNCLEAR. YOU SHOULD CONSULT YOUR TAX ADVISER REGARDING THE TAX CONSEQUENCES OF OWNING AND DISPOSING OF THE SECURITIES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN U.S. FEDERAL OR OTHER TAX LAWS.

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.