

Impartial Lottery Allocation System for Callable Securities

UBS Financial Services Inc. may hold callable bonds or preferred stocks for your account. These callable securities may be subject to call or other redemption features and may be redeemed, in whole or in part, before maturity or before the scheduled call dates. We use an impartial lottery allocation system to establish a fair and impartial allocation of partially redeemed or called securities in accordance with the rules of the Financial Industry Regulatory Authority and the New York Stock Exchange.

We may not receive timely notice of calls and therefore may be required to allocate called securities retroactively, that is, "as of" the effective date of the call, even though that date is already passed. Redemption features, in addition to those disclosed on the trade confirmation, may exist for certain debt securities. The existence of special mandatory redemption features, such as sinking funds provisions, may not be disclosed on a trade confirmation. It is your obligation to review all disclosure documents you may receive, and to understand the risks of extraordinary calls or early redemptions, which may affect yield. Issuers may, from time to time, publish notices of offers to redeem callable securities within limited time, price and tender parameters. We are not obligated to notify you of such published calls, nor will we tender any securities on your behalf when you have failed to request the tender in a timely manner, allowing us reasonable time to act on your instructions.

In the event of a partial call, once we receive notification of our allocated portion of the partial call, we will systemically determine whether the call is favorable or not. Whether a call is favorable to the holders of called securities is determined by using the end of day price in our records and comparing it to the call price. If the call price is deemed to be greater, the call is considered favorable. We may in our discretion deem a call to be favorable for reasons other than price in some circumstances, for example during the period of extremely limited liquidity in the market for auction rate securities.

If the call is deemed to be favorable, no securities will be called in any account in which UBS Financial Services or its affiliates, their officers, or employees have a beneficial interest until the partial call for bonds is satisfied first from customer-held positions on an impartial lottery basis.

If the call is deemed to be unfavorable, all accounts, including UBS Financial Services or its affiliates, their officers, employees and affiliates will be subject to the subsequent lottery.

Once a call is determined to be favorable to the holders of called securities, we initiate the lottery process which, in summary, is as follows:

1. Determine the base denomination and the total par value of the securities eligible for the lottery
2. Determine how many units of the base denomination that each account holds
3. A sequential number is then assigned to each unit (for example, if the base denomination is 5,000 and account A holds 50,000 par value, the account will be assigned 10 numbers)
4. A random number is generated by multiplying the record date by the publication date, then taking the square root of that resulting number, followed by truncating the decimal positions until it falls within the total number of units eligible for the lottery
5. For example, if the resulting square root is 732.83217724 and the number of units held is 1,200, 724 will be used as the random number, being the last 3 available digits; moving to the left an additional space would cause the random number to be 7724, which is greater than the units called
6. This random number is used in determining which unit will be the first selected
7. An increment number is then determined based on the percentage of the total UBS Financial Services position called
8. For example, if UBS Financial Services holds 1,200 units and 250 have been called, the increment is determined by dividing 1,200 by 250
9. After the first unit is selected, the program moves forward by this increment, selecting units until the allocation is fulfilled

The probability of any unit held being selected is proportional to the total number of units eligible for the lottery. The lottery is not conducted on a pro-rata basis.

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