

# Impartial Lottery Allocation System for Callable Securities

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UBS Securities, LLC ("UBS") may hold callable bonds or preferred stocks (hereinafter referred to collectively as "callable securities") on your behalf in our street name, or in bearer form. 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 first scheduled call dates. UBS uses an impartial lottery allocation system to establish a fair and impartial allocation of partially redeemed or called securities in accordance with the provisions and rules of FINRA and the New York Stock Exchange.

In accordance with FINRA Rule 4340, when a partial call is favorable, no securities will be called in any account in which UBS, its officers, or employees have a beneficial interest until the partial call for the callable security is satisfied first from customer-held positions on an impartial allocation basis. UBS may not receive timely notice of calls and therefore may be required to allocate callable securities on an "as of" basis. 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. You agree that 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.

Once UBS receives notification of our allocated portion of the partial call, the firm will systemically determine whether the call is favorable or not. If the call is deemed to be unfavorable, all accounts, including UBS, its officers, employees and affiliates will be subject to the subsequent lottery. If a call is deemed to be favorable, only client accounts will be considered for the lottery until the entire population has been called. If there is a remaining obligation, firm and employee accounts will then become eligible for the lottery.

Once the favorability of the call is determined, UBS leverages our vendor Broadridge to facilitate the lottery process which conforms to the Depository Trust & Clearing Corporations (DTCC) impartial lottery process summarized in the steps below:

1. Determine the number of lots by dividing the total number of shares/bonds by the called increment. Each entitled account on the stock record represents a numbered lot.
2. Divide the total stock record position by the called quantity to determine the jump number.
3. A random fraction will be used to multiply it by the total number of positions to arrive at the start number. To create a random fraction Broadridge uses the minutes and seconds on the mainframe and converts it to a fraction. The fraction is then multiplied by 2.
4. The jump number (step 2) is added to the random start number (step 3) to determine the first called account/lot.
5. After the first account/lot is called Broadridge begins with step 3 and repeats the process until the called amount has been satisfied.

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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