

Impartial Lottery for Securities Subject to Partial Call or Partial Redemption

General

When a security Charles Schwab ("Schwab") holds for clients in street name, in Schwab's name, or in bearer form is subject to a partial call or partial redemption, Schwab uses an impartial lottery system to select the holdings that will be called or redeemed. Securities registered in a client's name, even if they are held by Schwab, are not included in Schwab's impartial lottery.

When a partial call or redemption is deemed favorable to the holders (for example, when the partial call or redemption price is above the current market price reported by the Schwab pricing system), accounts in which Schwab or its employees have an interest ("Schwab interested accounts") generally are excluded from the lottery. In a favorable partial call or redemption, generally no allocation is made to Schwab interested accounts until allocations have been made to all client accounts. In the case of an unfavorable partial call or redemption (for example, when the partial call or redemption price is equal to or below the current market price reported by the Schwab pricing system), Schwab interested accounts are included in the lottery.

The Issuer's Announcement and the Agent's/Depository's Allocation to Schwab

Following an issuer's announcement of a partial call or partial redemption of a security, the issuer's agent and/or the depository conducts a lottery to determine the allocation of securities to be called or redeemed among the bearer certificates or registered holders known to the agent or among participants for which the depository is holding the security.

When Schwab is notified by an agent and/or depository that it has received an allocation of partially called or redeemed securities, Schwab conducts an impartial lottery to select the holdings that will be called or redeemed. Because the allocation of partially called or redeemed securities through the lottery is random, allocations are not made on a pro rata basis. As a result, it is possible that an account may receive a full or partial call or redemption allocation or may not receive any allocation of securities for call or redemption.

The Lottery Process

Schwab's system initially identifies all accounts holding the called or redeemed security, the accounts eligible to participate in the lottery, and the aggregate principal or face quantity of the called or redeemed security held in lottery-eligible accounts. Using the minimum trading unit in which the called or redeemed security trades, Schwab's system then determines the number of trading units or "lots" held by each lottery-eligible account and identifies which of those lots are associated with each lottery-eligible account. In the event that a lottery-eligible account holds an "odd lot" (that is, a quantity that is not divisible by the minimum trading unit for the security), this holding will also be subject to partial call or redemption and will be included in the lottery.

Schwab's system (1) randomly selects a starting lot from among the lottery-eligible accounts and (2) calculates a lottery increment number that is used to select successive lots subject to call or redemption after the initial lot is selected. Schwab's system continues using the lottery increment number to select the next lot subject to call or redemption until the aggregate principal or face quantity of the selected lots equals the aggregate principal or face quantity of the allocation Schwab received from the agent and/or depository.*

*Depending on the called quantity and positions held by accounts at Schwab, it is possible that the results of the lottery may leave an account with an "odd lot" quantity.

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