

**National Financial Services**  
**Impartial Lottery Process for Auction Rate Securities**

When an auction rate security is subject to a partial redemption, pursuant to NYSE Rule 402.30 NFS has procedures that are designed to treat customers fairly in accordance with an impartial lottery process.

When an issuer initiates a partial call of securities, the depository holding such securities (typically, the Depository Trust Corporation “DTC”) conducts an impartial computerized lottery using an incremental random number technique to determine the allocation of called securities to its participants (including NFS) for which it holds securities on deposit. Because DTC’s lottery is random and impartial, in the case of a partial call, depository participants may or may not receive an allocation of securities selected for redemption.

When NFS is notified that it received an allocation of called securities, NFS conducts a similar computer-generated random lottery. The lottery determines the accounts that will be selected and the number of securities in the account that will be redeemed. Allocations are based on the number of trading units (e.g \$25,000 lots) that the accounts hold. The probability of any trading unit held by an account being selected as called in a partial call is proportional to the total number of trading units being held through NFS. Once the lottery is completed, NFS notifies its affiliate, Fidelity Brokerage Services LLC (“FBS”) of the accounts that received an allocation. Securities registered in customer name, either in transit or held in custody, are excluded from the NFS lottery process.

Through the lottery process, NFS’s system identifies:

- All FBS accounts that hold the called security;
- The number of trading units assigned to each account which are subject to the call; and,
- The total par value of the called securities for each account which is derived by multiplying the # of trading units by the unit size

Example (unit of trade = \$25,000)

<b>Customer Account</b>	<b>Par Value</b>	<b>Number of Trading Units</b>
ABC-123234	\$100,000	4
DEF-325465	\$ 75,000	3
EDR-567433	\$150,000	6
EGT-876574	\$ 50,000	2
EGT-888345	\$ 25,000	1
FRT-435234	\$ 25,000	1
FRT-658797	\$ 75,000	3

In brief, that allocation process involves the following steps:

- Each account gets identified with the number of trading units held.
- Each trading unit gets a sequential number assigned. (e.g, Acct EDR-567433 would get 6 numbers assigned to it.)
- A random number is generated that will result in one of these trading units being the first unit in the selection process.
- Thereafter, the trading units participating in the allocation are based on an incremental random number technique until the number of trading units allocated for NFS is exhausted.

The allocation of called securities is not made on a pro rata basis. Therefore, it is possible that a customer may receive a full or partial redemption or may not have any securities selected for redemption at all.

When a partial call is deemed favorable to the holders of the called security, NFS will exclude its and FBS’ proprietary and employee accounts from the lottery and no allocation will be made to its or FBS’ proprietary and employee accounts until all other customer positions in such securities

have been called. Generally when a partial call is deemed unfavorable to holders of the called security, NFS will not exclude its or FBS' proprietary or employee accounts from the lottery.

If the partial call is made at a price equal to or above the current market price as captured in NFS's price reporting system, NFS will generally categorize the call as one that is favorable to the holders of such security. If the partial call is made at a price that is below the current market price of the security as captured in NFS's price reporting system, NFS will generally categorize that call as one that is unfavorable to holders of the security.