

Callable Securities Procedures Disclosure



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FINRA Rule 4340 sets forth requirements on the handling of callable securities. This document details TD Ameritrade's procedures for the partial call process.

The lottery system uses a pro-rata method of selection. After the percentage is applied to client accounts, a random selection method is used to round out the call.

Example: 42% of bonds called, TD Ameritrade has 10 clients holding, each with 10 bonds.

- i. Each of the 10 clients is selected for 4 bonds for the pro-rata lottery.
- ii. There are 2 bonds remaining to be called. A random lottery is then utilized to choose which account(s) are called for the remaining 2 bonds.

A favorable election is defined as one in which the redemption price (principal) to be paid in the call is higher than or equal to the market price of the security. In the case of a favorable redemption, the lottery system will exclude TD Ameritrade employee accounts and TD Ameritrade house accounts from the lottery, and only enter them into the lottery if all client positions have been exhausted.

An unfavorable election is defined as one in which the redemption price (principal) to be paid in the call is lower than the market price of the security. In the case of an unfavorable redemption, the lottery system will include TD Ameritrade employee and TD Ameritrade house accounts in the lottery.

Market prices are pulled from a data feed and systemically compared to the principal amount to be paid in the call. If no price is provided by the feed, the redemption price (principal) will be compared to the par value of the security. If the redemption price is greater than or equal to par, the lottery will be treated as favorable. If the redemption price is less than par, the lottery will be treated as unfavorable. Lotteries for pre-refunding and defeasance events will be treated as favorable.

If the last price is greater than 90 days old, further research will be conducted to determine the favorability of the action.

Investment Products: Not FDIC Insured • No Bank Guarantee • May Lose Value

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