

# Vanguard Brokerage Services<sup>®</sup> partial call allocation procedures

When a security is subject to a partial redemption, the issuer notifies the depository (i.e., Depository Trust Company, or "DTC") holding broker-dealer "street name" positions in that security of the number of units the issuer will redeem. The depository conducts an impartial, computerized lottery that randomly determines the allocation of called securities to broker-dealers for which it holds securities on deposit.

When Vanguard Marketing Corporation ("VMC") receives an allocation of called securities, a similar, computer-generated random lottery is conducted for VMC's clients. VMC's lottery for a partial call is a random process designed to allocate called securities on a fair and impartial basis. The lottery process is based on a mathematical formula that determines the accounts that will be selected and the number of securities in the account that will be redeemed.

The lottery process assigns each potentially callable security held by a client a random number (e.g., each \$1,000 bond position is assigned a separate number). The lottery process then randomly selects the particular securities that will be called based on the number assigned.

When a partial call is deemed favorable to the holders of the called security, VMC will exclude certain accounts from the lottery. Excluded accounts will include firm and employee accounts. No allocation will be made to these firm and employee accounts until all other client positions in such securities have been called. When a partial call is deemed unfavorable to holders of the called security, VMC won't exclude any accounts from the lottery.