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**BROCHURE  
(Part 2 of Form ADV)**

**This brochure provides information about the qualifications and business practices of UBS Securities LLC. If you have any questions about the contents of this brochure, please contact us at [scott.kloin@ubs.com](mailto:scott.kloin@ubs.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

Additional information about UBS Securities LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). As used in this brochure, “we,” “us” or “our” refers to UBS Securities LLC.

**March 27, 2012**

**Item 2 - Material Changes**

Since the last annual update of our brochure, dated July 30, 2011, there have been no material changes in our advisory activities. However, this brochure includes material changes to our disciplinary disclosures in Item 9 (see the first three bullets in Item 9).

**Item 3 - Table of Contents**

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#### **Item 4 - Advisory Business**

We conduct a full-service investment banking business in the United States primarily for institutional clients. We and our predecessor companies have been in business since 1928. We were registered with the SEC as an investment adviser in 2006. We are 32% owned by UBS AG, a publicly-traded company, and 68% owned by UBS Americas Inc., a privately-held company which is 100% owned by UBS AG. We are also registered with the SEC as a broker-dealer.

Our advisory business is limited to the sale of equity research reports, prepared and published by our Research Department, and provision of equity trading recommendations by certain of our Equity Sales personnel.

We do not provide retail investment advisory services and do not maintain investment advisory accounts for clients or provide discretionary advisory services. We also do not maintain advisory client assets or securities and do not select or recommend broker-dealers for advisory client transactions.

#### **Item 5 - Fees and Compensation**

Fees for the equity research reports and the equity trading recommendations are negotiated on a client-by-client basis and may be renegotiated at any time. If any equity trading recommendations are executed through UBS Securities LLC, in its capacity as a registered broker-dealer, UBS Securities LLC receives transaction based compensation for the execution of the trade.

Clients generally pay for advisory services on a quarterly basis in arrears, and may cancel their agreement to receive advisory services on 30 days notice to us. We may cancel our obligation to provide advisory services upon 30 days notice to the client.

UBS Securities LLC may receive compensation for the sale of securities in its capacity as a registered broker-dealer if an advisory client places securities transactions with us in our capacity as a registered broker-dealer. This practice presents a potential conflict of interest in so far as it may give UBS Securities LLC an incentive to recommend securities to its advisory clients based on potential future brokerage compensation rather than client needs. This conflict of interest, however, is strongly mitigated by our advisory client's freedom to place their brokerage transactions with the broker-dealer of their choice. Each of our clients has full discretion to determine whether, and to what extent and how, it will use research reports or equity trading recommendations obtained from us. In addition, our clients that are investment advisers are subject to complying with their "best execution" obligations when placing brokerage transactions on behalf of their clients. Typically our clients pay for research using "hard dollars" instead of with commission dollars in order to give themselves maximum leeway to choose broker-dealers of their choice to execute their or their client's brokerage transactions.

We do not off-set our advisory fee based on brokerage commissions received from our advisory clients.

#### **Item 6 - Performance-Based Fees and Side-By-Side Management**

We do not charge performance based fees or do side-by-side management.

#### **Item 7 - Types of Clients**

We provide advisory services to institutional clients.

#### **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

In preparing research reports, our Research Department utilizes our global network of contacts, and speaks with management, industry experts, competitors, suppliers, customers, former employees, other industry analysts, traders, major investors (including private equity investors) and hedge funds. Our Equity Sales Department bases its trading recommendations on public information, including research, market or price movements, recent news stories and other events.

The research reports and trading recommendations are provided on a stand-alone basis and do not take into account the other research reports or trading recommendations that may have been provided to the client or the client's diversification objective. Investments in equity securities are subject to various risks, such as company-specific and market risks, and may result in a loss of principal invested.

#### **Item 9 - Disciplinary Information**

The SEC and other regulatory agencies including, but not limited to, self-regulatory organizations ("SROs") and state regulators have, in the past, taken certain disciplinary actions against UBS Securities for alleged violations of federal and state laws, regulations and rules and SRO rules. Many of those matters have been settled, and UBS Securities has paid fines with respect to such violations. Pursuant to Item 9 of Form ADV, Part 2A ("Item 9"), UBS Securities is required to disclose certain of those disciplinary actions to Clients and potential Clients. Below are descriptions of the disciplinary actions that need to be disclosed to Clients and potential Clients under Item 9. Descriptions of additional disciplinary actions that are not required to be disclosed pursuant to Item 9 below can be found in UBS Securities' Form ADV, Part 1A which is available at <http://www.adviserinfo.sec.gov> on the Investment Adviser Public Disclosure website. The following disclosure also includes relevant disciplinary actions that occurred at predecessor firms that are now incorporated into UBS Securities' business.

- On May 2, 2011, UBS Securities agreed to a settlement with the Financial Industry Regulatory Authority, Inc. ("FINRA"), formerly known as NASD, Inc. ("NASD"), regarding required non-investment banking disclosures in connection with research reports and public appearances. FINRA alleged that, as a result of certain inadvertent failures dating back to October 2007 by UBS Securities in connection with the updating of an internal client-based database, UBS Securities (i) published 260 equity reports that failed to include one or more required non-investment banking disclosures related to non-investment banking compensation, non-investment banking securities-related services and non-securities services; (ii) research analysts creating and sending information about

the impacted subject companies to media outlets in connection with public appearances failed to disclose UBS Securities' non-investment banking related compensation and the types of services (*i.e.*, non-investment banking securities-related services and non-securities services) that the firm provided in the prior 12 months; (iii) failed to adequately implement its supervisory procedures concerning compliance with NASD Rule 2711(h) by failing to conduct follow-up and review to ensure that its employees were performing their assigned responsibilities of collecting and updating data to generate accurate disclosures, and have a verification process to confirm that each group was performing its task to ensure the flow of updated information at each stage in order to have accurate disclosures; and (iv) failed to adequately implement its written procedures providing for step-by-step guidance for updating the required disclosures in the relevant databases in order to reasonably ensure that they were disclosed in the research reports and in public appearances. Without admitting or denying the findings, UBS Securities consented to the described sanctions and to the entry of findings, a censure and a fine of \$300,000.

- On February 25, 2011, UBS Securities agreed to a settlement with the New York Stock Exchange (“NYSE”) regarding trade reporting and order handling. For purposes of settling the disciplinary proceeding, without adjudication of any issues of law or fact, and without admitting or denying any allegations or findings, UBS Securities stipulated that it (i) violated NYSE Rule 411(B)(1) by entering thousands of principal odd-lot market orders for execution on the NYSE in the same stock on the same side of the market, pre-opening that aggregated 100 shares or more without having those orders consolidated into round-lots as far as possible during the period from December 2007 through December 2009; (ii) violated NYSE Rule 410A, during the period from July 2006 through February 2010, by failing on approximately 437 occasions to submit complete and accurate trading information through the submission of blue sheets in response to requests for such information by NYSE regulations; and (iii) violated NYSE Rule 342 by failing to reasonably supervise and implement adequate controls, including a separate system of follow-up and review, reasonably designed to achieve compliance with NYSE rules and policies concerning certain pre-opening odd-lot orders routed to the NYSE, and pertaining to the submission of complete and accurate blue sheet data. As part of the settlement, UBS Securities agreed to a censure and a fine of \$225,000.
- On February 2, 2011, UBS Securities agreed to a settlement with the NYSE Arca, regarding equities transactions on the NYSE Arca marketplace. For purposes of settling the disciplinary proceeding, without adjudication of any issues of law or fact, and without admitting or denying any allegations or findings, UBS Securities stipulated that it violated (i) NYSE Arca Equities Rule 7.38(C)(2) on numerous occasions when as an equity trading permit holder it unbundled round lots for the purpose of entering approximately 8,800 odd-lot limit orders in comparable amounts, and (ii) NYSE Arca Equities Rule 6.18 by failing to establish, maintain and/or enforce appropriate written policies and procedures for supervision and control, including a separate system of follow-up and review, with respect to odd lot transactions on the NYSE Arca marketplace. As part of the settlement, UBS Securities agreed to a censure and a fine of \$175,000.
- On December 9, 2010, UBS Securities agreed to a settlement with FINRA regarding manipulation of trading systems and concealment of losses. In particular, FINRA alleged

that UBS Securities failed to reasonably supervise Francesco Fiske Rusciano (“Rusciano”), a junior trader on its fixed income emerging markets Latin American desk who, by various means, made false and inaccurate entries into UBS Securities’ trading systems for non-deliverable forward (“NDF”) transactions and Brazil 40 bond transactions. This allegedly caused incorrect calculations of Rusciano’s risk positions and the overstatement of his profits and the understatement of his losses. FINRA found that Rusciano manipulated two trading systems by making undetected amended, late, mispriced and fictitious NDF transactions by which he concealed more than \$28 million in trading losses. FINRA claimed that UBS Securities failed to (i) provide Rusciano’s supervisor with reports concerning his trading in NDFs and Brazil 40 bonds that were necessary to supervise Rusciano’s activities; (ii) have adequate written supervisory procedures for supervision of Rusciano’s NDF trading and for the maintenance of books and records recording such NDF trading; (iii) make and keep current memoranda of the NDF transactions that Rusciano entered for UBS Securities’ account; and (iv) keep required records. In connection with the settlement, without admitting or denying the alleged charges, UBS Securities consented to the entry of FINRA’s findings, a censure and a fine of \$600,000.

- On November 18, 2010, UBS Securities reached a settlement with the State of Massachusetts regarding UBS Securities’ provision of gifts and gratuities to hedge fund advisers who were leasing office space from UBS Securities. Allegations against UBS Securities included dishonest and unethical practices, failure to supervise and books and records violations. UBS Securities agreed to pay a fine of \$100,000 and implement a disclosure policy concerning investment advisors who have a prime brokerage agreement with UBS Securities and who license office space from UBS Securities in Massachusetts. UBS Securities also agreed to retain an independent consultant to develop and monitor its disclosure policy for a three-year period.
- On September 29, 2010, UBS Securities agreed to a settlement with FINRA regarding fully paid securities lending. FINRA alleged that, during January 1, 2006 through June 30, 2009, UBS Securities failed to (i) disclose material facts to customers concerning fully paid securities lending that were necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of NASD Conduct Rule 2110 and FINRA Rule 2010; (ii) establish, maintain and enforce written procedures to supervise the fully paid securities lending process, members of the securities lending department and the activities of financial advisors, in violation of NASD Conduct Rule 3010(b); and (iii) establish and maintain a system to supervise the activities of the staff of the securities lending department and UBS Securities’ financial advisors relating to fully paid lending that was reasonably designed to achieve compliance with applicable securities laws and regulations, in violation of NASD Conduct Rule 3010(a). Without admitting or denying the findings, UBS Securities consented to the described sanctions and to the entry of findings, a censure and a fine of \$175,000. UBS Securities also agreed to an undertaking that, prior to soliciting or facilitating any new fully paid securities loans from customers, UBS Securities will establish and maintain a system, including written procedures, to supervise the activities of each registered representative, registered principal and other associated person relating to fully paid securities lending or a similar program that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with FINRA and NASD

rules. Furthermore, prior to soliciting or facilitating any new fully paid securities loans from customers, an officer of UBS Securities will certify that its system and written procedures relating to fully paid securities lending are in compliance with NASD Rule 3010(a) and (b).

- On April 9, 2010, UBS Securities agreed to a settlement with the NYSE regarding trade reporting and order handling. For purposes of settling the disciplinary proceeding, without adjudication of any issues of law or fact, and without admitting or denying any allegations or findings, UBS Securities stipulated that it (i) violated NYSE Rule 92(a) by entering an order to buy (sell) an NYSE-listed security while knowingly in possession of a customer order to buy (sell) such security, which could have been executed at the same price; (ii) violated NYSE Rule 401 by failing to conduct its business affairs in accordance with the principles of good business practice by failing to adequately document a customer's permission to trade along with, or ahead of, customer orders executed pursuant to NYSE Rule 92(b); (iii) violated Section 11(a)(1) of the Exchange Act and NYSE Rule 90 in that orders were executed by UBS Securities' floor brokers on the NYSE floor for an account in which UBS Securities had an interest without such orders complying with the requirements of a statutory exemption; (iv) violated NYSE Rule 410(b) by allowing proprietary orders that could have been properly executed pursuant to section 11(a)(1)(g) of the Exchange Act to be transmitted to the NYSE floor without being identified in a manner that would enable the order to be handled pursuant to the requirements of Exchange Act Section 11(a)(1)(g); (v) violated NYSE Rule 132.30 by submitting inaccurate account type indicators to the NYSE for comparison and settlement; (vi) violated NYSE Rules 410(a) and 440 and Exchange Act rules 17a-3(a)(1) and (3) and 17a-4(b)(1) by failing to make and maintain certain records of order information and order tickets; (vii) during the period January 19, 2007 through December 24, 2008, violated NYSE Rule 123(c) by failing to comply with the requirements governing the entry and cancellation of market-on-close and limit-on-close orders; and (viii) violated NYSE Rule 410(b) by failing to report to the NYSE certain transactions in NYSE-listed securities. As part of the settlement, UBS Securities agreed to a censure and a fine of \$350,000.
- On January 20, 2010, UBS Securities agreed to a settlement with FINRA regarding trade reporting and order handling. Specifically, FINRA alleged, among other things, that UBS Securities (i) failed to report to the FINRA/Nasdaq trade reporting facility the correct symbol indicating whether transactions were buy, sell, sell short or cross for transactions in reportable securities; (ii) transmitted reports to the order audit trail system ("OATS") that failed to transmit, or incorrectly transmitted, execution reports, desk reports, cancel reports or route reports; (iii) incorrectly classified a not held order as covered and in one instance (covering marketable limit orders between 5,000 and 9,999 shares) failed to publish accurate statistics; (iv) failed to provide documentary evidence of how it classified an order; (v) maintained a supervisory system that failed to provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning order handling, best execution, sales transactions, anti-intimidation/coordination and other rules, including the maintenance of appropriate books and records; and (vi) failed to provide documentary evidence that it performed, on a particular date, the supervisory reviews set forth in its written supervisory procedures concerning best execution, trade reporting, sales transactions



(long/short determination and marking), trading halts, OATS (accurate and timely oats submissions and repairing rejected reportable order events) and books and records. In connection with the settlement, without admitting or denying the alleged charges, UBS Securities consented to the entry of FINRA's findings, a censure and a fine of \$60,000. UBS Securities also agreed to revise its written supervisory procedures regarding order handling, best execution, sales transactions, anti-intimidation/coordination and other rules, trade reporting, trading halts, OATS (accurate and timely oats submissions and repairing rejected reportable order events) and books and records.

- On June 16, 2009, UBS Securities agreed to a settlement with FINRA regarding trade reporting and order handling. FINRA alleged, among other things, that UBS Securities (i) transmitted to OATS numerous reports that contained inaccurate, incomplete or improperly formatted data and/or did not comply with OATS requirements; (ii) failed to submit certain required reports to OATS; (iii) failed to enforce its written supervisory procedures relating to OATS compliance; (iv) failed to report to the FINRA/Nasdaq trade reporting facility the correct symbol indicating whether it executed transactions in reportable securities in a principal or agency capacity; (v) failed to show the correct capacity on brokerage order memoranda; (vi) failed to produce customer sales activity blotters, proprietary sales activity blotters and required order tickets and memoranda adequate for FINRA to complete its review of UBS Securities' compliance with SEC Rule 605 under Regulation NMS; and (vii) maintained a supervisory system that did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning order handling, sales transactions, soft dollar accounts and trading, UBS Securities' use of multiple market participant identifiers, prevention of anti-intimidation/coordination, quoting and trading, and maintenance of appropriate books and records. In connection with the settlement, without admitting or denying the alleged charges, UBS Securities consented to the entry of FINRA's findings, a censure and a fine of \$320,000. UBS Securities also agreed to revise its written supervisory procedures regarding OATS compliance, order handling, sales transactions, soft dollar accounts and trading, UBS Securities' use of multiple market participant identifiers, preventing anti-intimidation/coordination, other quoting and trading rules including the maintenance of appropriate books and records.
- On August 8, 2008, UBS Securities and its affiliate, UBS Financial Services, Inc., entered into agreements with the SEC and the State of New York in connection with misrepresenting auction rate securities to customers as safe, cash-equivalent products, while such securities actually faced increasing liquidity risk. Furthermore, UBS Securities failed to adequately disclose to customers that the liquidity of auction rate securities depended on UBS Securities providing support bids for auctions it managed when there was not enough customer demand. UBS Securities stopped providing support bids in February 2008 leading to widespread auction failures for its customers. Pursuant to these settlements, UBS Securities will, among other things, (i) pay a civil penalty of \$75 million to the State of New York; (ii) pay a civil penalty of \$75 million to the North American Securities Administrators Association ("NASAA"); (iii) restore approximately \$22 billion in liquidity to customers who invested in auction rate securities; (iv) consent to public arbitration with customers to resolve consequential damages claims; and (v) reimburse all refinancing fees to New York State municipal issuers who issued auction rate securities through UBS Securities since August 1, 2007. A number of other states

have also reached settlements with UBS Securities. Pursuant to these settlements, UBS Securities has agreed to repurchase up to an additional \$200 million in auction rate securities from investors nationally and such states will receive a portion of the \$75 million civil penalty paid to NASAA. UBS Securities also faces the possibility of receiving a financial penalty from the SEC. The amount of any such penalty will depend on UBS Securities' performance of its obligations under the SEC settlement and the costs of such performance.

- On December 18, 2007, UBS Securities, along with 18 other broker-dealers, reached a settlement with FINRA regarding overstatements of trading volumes in advertisements. With regard to UBS Securities, FINRA alleged that UBS Securities overstated in advertisements to private service providers its aggregated trade volume (buy or sell) for specific equity securities for a one month period. The advertised trade volumes were made available by the service providers to market participants. The service providers also used the inaccurate trade volumes when compiling rankings and reports about the brokerage industry, including rankings on the most active broker-dealers by security. In addition, FINRA alleged that (i) UBS Securities' supervisory system did not provide for supervision reasonably designed to achieve compliance with the NASD rule regarding publication of transactions and quotations and other applicable securities laws; and (ii) UBS Securities did not supervise the production of certain of its advertisements containing trade volumes. In connection with the settlement, without admitting or denying the alleged charges, UBS Securities consented to the entry of FINRA's findings, a censure and a fine of \$200,000.
- On September 17, 2007, UBS Securities settled with the NYSE and consented to findings that it violated certain NYSE rules, including failure to include required disclosures in certain of its published research reports. The omitted disclosures related to non-investment banking related compensation, non-investment banking related subject company relationships, and investment banking subject company relationships. UBS Securities further violated certain NYSE rules by failing to maintain appropriate supervisory and control procedures and failing to establish and maintain a separate system for follow-up and review to reasonably ensure that proper disclosures were included in UBS Securities-issued research reports. NYSE censured UBS Securities and fined it \$150,000 for these violations. UBS Securities self-reported these violations to the NYSE, fully cooperated with the NYSE, remedied the issues, and enhanced its supervisory procedures.
- On January 5, 2006, UBS Securities consented to findings that it violated certain NYSE rules related to the production of electronic blue sheets to regulators at their request in connection with investigations by such regulators into insider trading, market manipulation and other potential violations. Blue Sheets provide regulators with trade information such as whether the trade was a buy or a sell and long or short and the identity of the account holder making the trade. UBS Securities consented to findings of failure to: (i) submit accurate trading information through the submission of electronic blue sheets in response to request(s) by the NYSE; (ii) adhere to good business principles by not accurately submitting trading information on electronic blue sheets; (iii) establish and maintain appropriate systems and procedures for the supervision and control of areas responsible for complying with electronic blue sheet reporting requirements; and (iv)

establish a separate system of follow-up and review to reasonably ensure compliance with rules related to the preparation and submission of electronic blue sheets. NYSE censured UBS Securities for these violations, fined UBS Securities \$500,000, and required UBS Securities to validate its blue sheet data trade reporting processes and confirm such validations to the NYSE.

- On December 23, 2005, UBS Securities submitted to the NASD a Letter of Acceptance, Waiver and Consent in which UBS Securities, without admitting or denying the allegations contained therein, consented to a censure, a fine of \$10,000 and the entry of findings that it disseminated approximately 170 research reports to clients that failed to contain disclosures required by NASD rules. In determining the amount of the fine, the NASD considered the fact that, before the examination was commenced, UBS Securities self-reported the disclosure violations to its designated examining authority and implemented demonstrable corrective actions.
- On April 28, 2003, the SEC, NASD, Inc., the NYSE, the New York Attorney General and other state regulators (collectively the “Regulators”) settled charges against UBS Securities and nine other brokerage firms as part of a global settlement by such regulators arising from an investigation of research analyst conflicts of interest at such firms. The Regulators alleged that research analysts at UBS Securities were subject to inappropriate influence by the firm’s investment banking department and that UBS Securities: (i) published exaggerated or unwarranted research or research that lacked a reasonable basis; (ii) received undisclosed payments to publish research on certain companies; (iii) made payments to other firms to publish research about the firm’s investment banking clients and (iv) failed to maintain appropriate supervision over its research and investment banking operations. Under the global settlement, UBS Securities agreed to pay a total of \$80 million which consisted of: (i) \$25 million as a fine (“Fine”); (ii) \$25 million as disgorgement (“Disgorgement”) of commissions, fees and other monies; (iii) \$25 million to procure independent research for UBS Securities’ clients; and (iv) \$5 million to be used for investor education. Half of the Fine and Disgorgement amounts was paid in connection with the SEC action and related proceedings by the NASD and NYSE and was placed into a distribution fund for the benefit of customers of the firm. The second half of the Fine and Disgorgement was paid to resolve related proceedings by state regulators. As part of the Global Settlement, UBS Securities agreed, without admitting or denying the allegations, to be permanently enjoined from violating certain federal securities laws and to cease and desist from violating various state securities laws. In addition, UBS Securities agreed to make changes in the operations of its equity research and investment banking departments.
- On April 1, 2003, the Chicago Board of Trade (“CBOT”) entered an order against UBS Securities arising out of alleged violations of specific CBOT Rules, claiming that, less than two business days prior to the firm delivery date (i) UBS Securities made transfer trades for the purpose of offsetting existing positions where no change in ownership was involved; (ii) the date of execution of the positions being transferred was not the same as the transfer date; and (iii) UBS Securities failed to accurately report its open interest to the CBOT exchange. As part of the order, UBS Securities paid a fine of \$40,000 to the CBOT.
- On July 9, 2002, UBS Securities agreed to a settlement with CBOT, without admitting or

denying any of the alleged violations, arising out of alleged violations of specific CBOT Rules, claiming that, less than two business days prior to the firm delivery date (i) UBS Securities made transfer trades for the purpose of offsetting existing positions where no change in ownership was involved; (ii) the date of execution of the positions being transferred was not the same as the transfer date; and (iii) UBS Securities failed to accurately report its open interest to the CBOT exchange. As part of the order, UBS Securities paid a fine of \$12,000 to the CBOT.

**Item 10 - Other Financial Industry Activities and Affiliations**

We are a registered broker-dealer and a member of the New York Stock Exchange and the Financial Industry Regulatory Authority. Certain of our management persons are registered representatives of our broker dealer.

We are also a registered futures commission merchant, commodity pool operator and commodity trading advisor and a member of the National Futures Association.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

We have adopted a Code of Conduct and Ethics and various other policies and procedures designed to identify and control certain types of personal securities and other transactions that may create a potential or actual conflict of interest. Every employee of ours must receive, read and annually acknowledge in writing compliance with these policies and procedures. For example, we have policies and procedures that, among other things:

1. Place limitations on personal trading by employees and impose pre-clearance and reporting obligations with respect to personal trading, such as prohibiting employees from:
  - depriving client orders of priority, precedence or best execution as a result of personal trading;
  - personal trading in a security when they have knowledge of pending or potential client orders in the security, or where they have recommended or intend to recommend a client transaction in the security on the same day or at any point through the following trading day;
  - dealing on the back of client orders or attempting to replicate client trading strategies; or
  - trading contrary to a recommendation that was made to a client unless they have a reasonable basis for doing so.
2. Require employees to maintain accounts at designated brokers and provide initial and monthly reports of securities holdings and transaction reports;
3. Prohibit employees from violating applicable laws; and
4. Require employees to promptly report any violations of these policies and procedures to the Chief Compliance Officer.

Our employees may open and retain personal trading accounts in accordance with these policies and procedures.

Our Code of Conduct and Ethics is made available to any client or prospective client on request.

### **Principal and Agency Transactions**

We may execute transactions for advisory clients on a principal or agency basis at our discretion provided we obtain consent on such transactions as described below. We may also execute agency cross transactions with advisory clients at our discretion provided we comply with the procedures described further below. An agency cross transaction occurs when we or one of our broker-dealer affiliates acts as broker to an advisory client and to the other party in the securities transaction.

Purchasing or selling securities on a principal, agency or agency cross basis with advisory clients may raise certain conflicts of interest. For example, advice regarding securities owned by us or a related entity could cause clients to buy from us or our affiliates such securities, thereby allowing us or an affiliate to reduce the inventory we or one of our affiliates hold in the securities. Even where we or our affiliates do not transact on a principal basis with clients, the provision of advice on securities can create certain conflicts of interest. For example, such advice could lead clients to purchase or sell the securities in a manner that causes the price of the securities to move in a direction that benefits us. Thus, we may have an incentive to recommend securities transactions for securities which we or our affiliates hold in inventory.

Even where we or our related entities do not hold in inventory securities that are the subject of advice provided to clients, we or our related entities may derive financial benefits from our recommendations. For instance, the advice may serve to increase the brokerage business we or our related entities perform for advisory and brokerage clients. Thus, we have incentives to recommend securities transactions in which we act as agent and/or cross transactions with other brokerage clients. Furthermore, our advice may recommend securities held by pooled investment vehicles that are related to us, thereby increasing the value of such securities and the value of the pooled investment vehicles holding them.

To address conflicts of interest involved in principal transactions with advisory clients to whom we provide equity trading recommendations, we disclose the terms of the transaction prior to the settlement of the transaction and obtain their consent to the transaction.

To address conflicts of interest involved in agency cross transactions with advisory clients to whom we provide equity trading recommendations, we: (i) obtain prospective authorization in writing to enter into agency cross transaction from the client; (ii) disclose to the client the potential conflicts of interest inherent in cross trading; (iii) confirm each agency cross transaction in writing to the client; (iv) provide the client in whose accounts cross trading occurred with an annual summary of cross transactions; and (v) disclose to the client that it may terminate agency cross transactions at any time.

#### **Item 12 - Brokerage Practices**

We do not select or recommend broker-dealers for client transactions.

#### **Item 13 - Review of Accounts**

We do not maintain client advisory accounts and thus do not do period reviews. Our research and recommendations are not client specific.

#### **Item 14 - Client Referrals and Other Compensation**

We do not compensate for client referrals.

#### **Item 15 - Custody**

We do not maintain custody of client funds or securities.

#### **Item 16 - Investment Discretion**

We do not have discretionary authority to manage securities on behalf of clients. Our clients make their own investment decisions.

**Item 17 - Voting Client Securities**

We do not have authority to vote advisory client securities in the context of our advisory services.

**Item 18 - Financial Information**

We do not require prepayment of advisory fees and do not have custody of client funds or securities.

**Item 19 - Requirements for State –Registered Advisers**

Not Applicable.