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SEC File Number 801-7163  
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# Financial Planning Services

**This brochure provides information about the qualifications and business practices of UBS Financial Services Inc. and our financial planning services that you should consider before becoming a client of this program.**

**If you have any questions about the content of this brochure, please contact us at 888-526-7454. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about UBS Financial Services Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Please note that registration as an investment adviser does not imply a certain level of skill or training.**

**We will not provide another copy of the Form ADV Disclosure Brochure during your Financial Planning engagement unless there are material changes to the document we originally provided to you. Annually we will provide you with a copy of our updated Form ADV Disclosure Brochure or a summary of material changes from the brochure previously provided to you. The brochure is also available at [ubs.com/accountdisclosures](http://ubs.com/accountdisclosures)**

**Please retain this document for future references as it contains important information about our Financial Planning Services. You may obtain a copy of the current Form ADV Disclosure at any time by contacting your Financial Advisor.**

## ITEM 2. MATERIAL CHANGES

This section describes the material changes to our Financial Planning Services since the last amendment of our Form ADV on August 22, 2014.

- **Disciplinary History**

Item 9 - Disciplinary History has been updated to include the matters listed below.

Date of Action: December 2014

Brought By: State of Vermont Department of Financial Regulation

Entity: UBS Financial Services Inc.

The firm was fined \$325,000 for inaccurate books and records, breaches of policies and procedures which prohibited the solicitation of MAC Eligible managers and failure to provide a reasonable supervisory system to prevent such breaches. The Consent Order highlights the Firm's substantial cooperation with the investigation and its enhancements to procedures which were made to prevent recurrence of these facts.

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## **ABOUT UBS FINANCIAL SERVICES INC.**

UBS Financial Services Inc. ("UBS") is one of the nation's leading securities firms, serving the investment and capital needs of individual, corporate and institutional clients. We are a member of all principal securities and commodities exchanges in the United States including the New York Stock Exchange ("NYSE"). Our parent company, UBS AG is a global, integrated investment services firm and one of the world's leading banks. We are registered to act as a broker-dealer, investment adviser, and futures commission merchant.

As a registered investment adviser, we complete Part I of Form ADV, which contains additional information about our business and our affiliates. This information is publicly available through our filings with the U.S. Securities and Exchange Commission (SEC) at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

This information is current as of the date of this Brochure and is subject to change in our discretion.

### **Conducting Business with UBS: Investment Advisory and Broker Dealer Services**

As a wealth management firm providing services to clients in the United States, we are registered with the U.S. Securities and Exchange Commission (SEC) as a broker-dealer and an investment adviser, offering both investment advisory and brokerage services.<sup>1</sup>

Our clients work with their Financial Advisors to determine the services that are most appropriate given their goals and circumstances. Based on the services you request, we can fulfill your wealth management needs in our capacity as an investment adviser, as a broker-dealer, or as both. For example, we offer fee-based financial planning as an advisory service. Once we deliver a financial plan to you, you can decide whether to implement the financial plan via brokerage accounts, advisory programs or a combination, depending on your needs and preferences. Most of our Financial Advisors are qualified and licensed to provide both brokerage as well as advisory services depending on the services a client has requested.

In addition, some of our Financial Advisors hold educational credentials, such as the Certified Financial Planner™ (CFP®)<sup>2</sup> designation. Holding a professional designation typically indicates that the Financial Advisor

has completed certain courses or continuing education. However, use of a designation does not change UBS' or the Financial Advisor's obligation with respect to the advisory or brokerage products and services that may be offered to you.

**It is important to understand that investment advisory and brokerage services are separate and distinct and each is governed by different laws and separate contracts with you. While there are certain similarities among the brokerage and advisory services we provide, depending on the capacity in which we act, our contractual relationship and legal duties to you are subject to a number of important differences.**

### **Our Services as an Investment Adviser and our Relationship with You**

We offer a number of investment advisory programs to clients, acting in our capacity as an investment adviser, including fee-based financial planning, discretionary account management, non-discretionary investment advisory programs, and advice on the selection of investment managers, mutual funds, exchange traded funds and other securities offered through our investment advisory programs.

Generally, when we act as your investment adviser, we will enter into a written agreement with you expressly acknowledging our investment advisory relationship with you and describing our obligations to you. At the beginning of our advisory relationship, we will give you our Form ADV brochure(s) for our advisory program(s) which provides detailed information about, among other things, the advisory services we provide, our fees, our personnel, our other business activities and financial industry affiliations and conflicts between our interests and your interests.

**How We Charge for Investment Advisory Services** We may charge for our investment advisory services in any of the following ways:

- A percentage of the amount of assets held in your advisory account
- A flat annual fee
- A combination of asset based fee and commissions
- Periodic fees
- Advisory financial planning services are available for a fee.

Your Financial Advisor will receive a portion of the fees you pay us.

### **Our Fiduciary Responsibilities as an Investment Adviser**

When you participate in one of our investment advisory programs, we are considered to have a fiduciary

<sup>1</sup>Examples of our advisory programs and services include our fee-based financial planning services and our ACCESS, Portfolio Management Program, Managed Accounts Consulting, UBS Institutional Consulting, UBS Strategic Advisor, UBS Strategic Wealth Portfolio, UBS Managed Portfolio Program and PACE programs. Examples of our brokerage accounts include our Resource Management Account® and the International Resource Management Account.

<sup>2</sup> Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, Certified Financial Planner™ and federally registered CFP (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

relationship with you.<sup>3</sup> The fiduciary standards are established under the Investment Advisers Act of 1940 and state laws, where applicable, and include:

- Obligations to disclose to you all material conflicts between our interests and your interests.
- If we or our affiliates receive additional compensation from you or a third-party as a result of our relationship with you, we must disclose that to you.
- We must obtain your informed consent before engaging in transactions with you for our own account or that of an affiliate or another client when we act in an advisory capacity.
- We must treat you and our other advisory clients fairly and equitably and cannot unfairly advantage one client to the disadvantage of another.
- The investment decisions or recommendations we make for you must be suitable and appropriate for you and consistent with your investment objectives and goals and any restrictions you have placed on us.
- We must act in what we reasonably believe to be your best interests and in the event of a conflict of interest, we must place your interests before our own.

Termination of your advisory account or agreement will end our investment advisory fiduciary relationship with you as it pertains to that account or those services and, depending on the terms of your investment advisory agreement with us, will cause your account to be converted to, and designated as, a brokerage account only.

#### **Our Services as a Broker-Dealer and Our Relationship With You**

As a full-service broker-dealer, our services are not limited to taking customer orders and executing securities transactions. As a broker-dealer, we provide a variety of services relating to investments in securities, including providing investment research, executing trades and providing custody services. We also make recommendations to our brokerage clients about whether to buy, sell or hold securities. We consider these recommendations to be part of our brokerage account services and do not charge a separate fee for this advice. Our recommendations must be suitable for each client, in light of the client's particular financial circumstances, goals and tolerance for risk.

Our Financial Advisors can assist clients in identifying overall investment needs and goals and creating investment strategies that are designed to pursue those investment goals. The advice and services we provide to

our clients with respect to their brokerage accounts is an integral part of our services offered as a broker dealer. In our capacity as broker-dealer, we do not make investment decisions for clients or manage their accounts on a discretionary basis. Instead, we will only buy or sell securities for brokerage clients based on specific directions from you.

#### **How We Charge for Brokerage Services**

If you choose to establish a brokerage account with us, you may elect to:

- Pay us for our brokerage services each time we execute a transaction for your account in a Resource Management Account (RMA). If you choose to pay on a transaction-by-transaction basis, we can act as either your agent or "broker," or as a "dealer."
- When acting as your agent or broker, we will charge a commission to you each time we buy or sell a security for you.
- When acting as a "dealer," we act as a principal for our own account on the other side of a transaction from you. Using our own inventory, we will buy a security from or sell a security to you, and seek to make a profit on the trade by charging you a "mark up," "mark-down" or "spread" on the price of the security in addition to the commissions you pay on these transactions.

We pay our Financial Advisors a portion of commissions, profits on principal trades, and other charges.

#### **Our Responsibilities to You as a Broker-Dealer**

As a broker-dealer we are subject to the following:

- The Securities Exchange Act of 1934
- The Securities Act of 1933
- The rules of the Financial Industry Regulatory Authority (FINRA)
- The rules of the New York Stock Exchange
- State laws, where applicable

These laws and regulatory agencies have established certain standards for broker-dealers which include:

- As your broker-dealer, we have a duty to deal fairly with you. Consistent with our duty of fairness, we must ensure that the prices you receive when we execute transactions for you are reasonable and fair in light of prevailing market conditions and that the commissions and other fees we charge you are not excessive.
- We must have a reasonable basis for believing that any securities recommendations we make to you are suitable and appropriate for you, given your individual financial circumstances, needs and goals.
- We are permitted to trade with you for our own account or for an affiliate or another client and may earn a profit on those trades. When we engage in these trades, we disclose the capacity in which we acted on your confirmation, though we are not required to communicate this or obtain your consent in advance, or to inform you of the profit earned on

<sup>3</sup> Fiduciary status under the Investment Advisers Act is different from fiduciary status under ERISA or the Internal Revenue Code. While in our investment advisory programs we act as a fiduciary under the Investment Advisers Act, we do not act as a fiduciary under ERISA or the Internal Revenue Code unless we expressly agree to do so in writing.

the trades.

**It is important to note that when we act as your broker-dealer, we do not enter into a fiduciary relationship with you. Absent special circumstances, we are not held to the same legal standards that apply when we have a fiduciary relationship with you, as we do when providing investment advisory services. Our legal obligations to disclose detailed information to you about the nature and scope of our business, personnel, fees, conflicts between our interests and your interests and other matters are more limited than when we have a fiduciary relationship with you.**

#### ITEM 4. ADVISORY BUSINESS

This brochure describes our fee-based financial planning services also referred to as our Financial Planning Advisory Services (Financial Planning Services). When we charge a fee for the financial planning services, we act in the capacity of an investment adviser. We also provide financial planning services (as well as aspects of these services, such as an asset allocation analysis), free of charge in our capacity as a broker-dealer. In deciding whether to obtain the Financial Planning Services for a fee, you should consider whether you prefer to enter into a fiduciary relationship with us that is governed by a written services agreement outlining the services you will receive and the duration of the engagement, the scope and complexity of your planning needs and whether you want the engagement to extend beyond the delivery of the financial plan. Throughout this document, references to Financial Planning Services mean those services subject to a fee and provided to you as an investment adviser.

##### A. Our Corporate Structure

UBS Financial Services Inc. was organized as a Delaware corporation on June 30, 1969. It is a wholly owned subsidiary of UBS Americas Inc., a Delaware corporation, which in turn is a wholly owned subsidiary of UBS AG Swiss stock corporation. UBS Financial Services became a registered investment adviser on January 22, 1971. As of November 28, 2014, UBS AG, has a new Group Holding Company, UBS Group AG, that is now the ultimate parent of UBS Financial Services Inc.

##### B. Our Advisory Services

###### UBS Financial Planning Services

We offer customized Financial Planning Services designed to help you assess your financial situation and pursue your long term objectives. Our Financial Planning Services are designed to be a collaborative experience tailored to your personal goals and customized to the complexity of your financial circumstances.

###### Our Approach

The following steps are the cornerstone of our client experience process. These steps are geared towards developing a long-term relationship and are the process

through which our Financial Advisors deliver services to our clients, including Financial Planning Services .

1. *Understand Your Goals.* We will begin by understanding your financial needs and goals, and ensure we have a clear vision of your current financial position and your objectives.
2. *Gather Information.* We will gather information about your financial situation such as bank and brokerage statements, employee benefits statements, living expenses and income sources, and insurance information.
3. *Analyze Your Situation.* We will review the information you have provided and prepare an analysis that, depending on the complexity of your situation, may integrate multiple financial planning topics.
4. *Develop and Propose.* We will provide financial planning recommendations and guidance based on your personal goals, such as strategies to help fund retirement goals, liability management techniques, wealth protection strategies, and preparing to pass wealth to beneficiaries in an efficient manner.
5. *Ongoing Review.* If included as part of the services agreement, during the engagement, we can continue to assess your financial planning needs; update your financial plan as necessary; assess your progress to your goals; and identify changes to your financial situation and objectives that may impact your financial goals.

###### Financial Planning Topics

Depending on your personal situation, your financial plan may provide general guidance around one or more of the following financial goals.

1. Retirement planning—strategies for funding your retirement or transitioning into retirement with adequate income
2. Education funding—strategies for funding education of children, grandchildren or others
3. Planning to meet other goals—strategies for funding a particular goal or future purchase
4. Estate Planning – general observations and discussion points on your current estate plan which also may include strategies to explore with your legal and tax advisor.

In addition to reviewing specific financial goals, we will also address other subjects applicable to your personal situation, such as one or more of the following:

1. Net worth review—A high level compilation of your assets, liabilities, income and expenses. We may also provide recommendations on optimizing your resources to help you reach your financial goals, including liability management techniques and savings strategies.

2. Insurance planning—An inventory of your life, disability or long term care insurance policies. We may also analyze your needs in the event of death, long term illness or disability, as applicable.
3. Employee benefits planning—An assessment of your employer- sponsored benefit plans.
4. Evaluate tax considerations—A review of general tax considerations, including identification of tax planning strategies.
5. Estate and legacy planning—An inventory of your basic estate planning documents. We can also review asset ownership and beneficiary designations, and identify ideas for improving your estate plan, which you can address with your legal advisors.
6. Asset allocation, illustration of concentrated positions—A review of the current asset allocation for assets included in the plan and suggest alternative allocations to help you pursue your financial goals. We may also illustrate strategies to optimize portfolio performance, including stock option exercise and sale strategies. Our Financial Planning Services do not provide market timing or other product transfer timing advice, or advice regarding particular securities or investments.

### Financial Planning Resources

In working with you to develop a financial plan, your Financial Advisor will analyze your situation using one of the financial planning resources described below. All of these resources provide a personalized report to help you assess your financial situation and your ability to pursue specific financial goals.

1. *Financial Goal Analysis*—Financial Goal Analysis (including the Puerto Rico Financial Goal Analysis) is a goal based report available directly from your Financial Advisor and may include one or more of the following areas: Current Plan (a summary of current assets and their assignment to specific goals), Net Worth, Investment Profile, Asset Allocation Results, What If Comparison (a summary comparison of the Current Plan to an Alternative Plan), Executive Summary, Life Insurance Needs Analysis, Disability Needs Analysis, Long Term Care Needs Analysis, Estate Analysis (a summary of the current estate predicated upon information provided by the client), and Stock Options Summary (calculations based on Client's selection of potential future price and exercise strategy—up to 3 scenarios can be provided).
2. *Preferred Planning*—The Preferred Plan is a cash flow based analysis designed to provide a detailed review of your financial planning objectives and is available directly from your Financial Advisor or may be prepared by the UBS Financial Planning Department or other UBS specialist, and delivered by your Financial Advisor or other specialist. Using information that you provide, a Preferred Planning report consists of various sections predetermined by you and your Financial Advisor based on your specific needs. The Preferred Planning report may include an

analysis of one or more of the following areas: Financial Goals, Current Net Worth and Income Statement, Current Cash Flow, Education Planning, Major Purchase Planning, Risk Management Planning (can include disability and long term care needs), Asset Allocation, Estate Planning, Survivor Needs Analysis and an Alternative Plan and Recommendations.

3. *Private Plan*—This service provides individuals with a customized Private Plan. The service is intended for individuals with complex planning needs and a net worth of \$25,000,000 or more. The Private Plan report is prepared and delivered by members of the Advanced Planning Group. A current cash flow based analysis is provided to illustrate your present financial condition and an alternative analysis is provided to illustrate the hypothetical impact that may result from the adoption of certain strategies. The Private Planning report can provide a combination of short term and long term analysis based upon your immediate and longer range financial situation.
4. *Strategic Wealth Assessment*- This service provides a high level review of your balance sheet, summary of your current estate plan, a hypothetical estate tax analysis and observations and discussion points developed and delivered by the Advanced Planning team or Wealth Management Consulting team.

We believe it is valuable that our UBS planning professionals coordinate with your legal and tax advisors during the development of your Private Plan report or Strategic Wealth Assessment so that they may assess any legal and tax issues relating to the planning strategies we discuss. As we do not provide legal or tax advice, you are encouraged to include your legal and tax advisors in all discussions and meetings.

### Financial Planning Services for Corporate Employees

UBS may provide the Financial Planning Services described in the brochure to individuals directly or through employer sponsored programs governed by written agreement between UBS and the corporation/ employer. The fees for employer sponsored programs may vary by agreement based on a variety of factors, and may be more or less than the fees assessed to an individual client receiving the same service.

**See Item 5 "Fees and Compensation" for a description of the fees for our Financial Planning Services.**

### Financial Planning as an Investment Advisory Service

We offer fee-based Financial Planning Services as an investment advisory service that creates a fiduciary relationship under the Investment Advisers Act of 1940, which regulates the activities of registered investment advisers. As an investment adviser fiduciary, we must place your interests above our own. This Disclosure Brochure explains your rights and our obligations in providing you with fee-based Financial Planning Services. Please read it carefully and keep it for your records.

Please note that although we act as your investment adviser in providing fee-based Financial Planning Services to you, this does not affect any other relationship you may have with your Financial Advisor or UBS. The nature of existing UBS accounts or accounts you may open in the future, your rights and obligations relating to these accounts, and the terms and conditions of any UBS account agreement in effect now or in the future do not change in any way.

### Financial Planning & Securities Recommendations

Our Financial Planning Services do not include initial or on-going advice regarding specific securities or other investments. You are not required to establish accounts, purchase products that UBS distributes, or otherwise transact business with UBS Financial Services Inc. or any of our affiliates in order to put into action any aspect of your financial plan. If you would like UBS to be involved with helping you develop an investment strategy, we would welcome the opportunity to assist you. The capacity in which we act when helping you implement an investment strategy will depend on, and vary by, the nature of your accounts (i.e., brokerage or advisory accounts) used for such implementation, and it is not impacted by the Financial Planning Services we provide to you.

### Tax Strategies

Any information presented in a financial planning report regarding potential tax considerations is not intended as tax advice and should not be relied upon for the purpose of avoiding any tax penalties. Neither UBS Financial Services nor any of its employees provide tax or legal advice and our Financial Planning Services are not intended to provide, and should not be construed as providing, such advice. You must consult with your legal or tax advisors regarding your personal circumstances. In addition, our Financial Planning Services assume that you are a U.S. citizen or resident and subject to U.S. taxes. Our Financial Planning Services may therefore not be applicable to or appropriate for non-US citizens or those persons subject to other tax jurisdictions and requirements.

### Scope of Financial Planning Services

Financial Planning Services do not address every aspect of a client's financial life (e.g., areas not covered include analysis of property and casualty, homeowners, medical and excess liability coverage, etc.). In addition a topic may not be included in your financial plan for a variety of reasons (e.g., insufficient data provided, separate analysis to be provided, etc.) and such omission does not indicate that the topic is not applicable to your financial situation. Please consult with your Financial Advisor regarding the specific topics you would like to include in your Financial Planning Services. Also, unless otherwise noted, our Financial Planning Services do not analyze your estate planning documents and, accordingly, the current estate and death tax liabilities illustrated are estimates. You are advised to seek the counsel of your legal and tax

advisors for a complete analysis of your estate and death tax liabilities.

### Other Investment Advisory Services

We offer other advisory services not described in this brochure. If you would like more information please ask your Financial Advisor for the Form ADV Disclosure Brochure for those programs and services.

We do not hold ourselves out as specializing in a particular type of advisory service or strategy. Instead, our advisory programs and services offer a broad variety of strategies, investment options and asset allocations and features.

- Wrap Fee Programs:

<b>Program type</b>	<b>Programs included</b>
Discretionary programs	UBS Managed Portfolio Programs and Portfolio Management Program
Separately managed accounts (SMA) programs	ACCESS and Managed Accounts Consulting
Unified managed accounts program	UBS Strategic Wealth Portfolio program
Non-discretionary Advisory programs	PACE and UBS Strategic Advisor Program

- Financial education program: an employer or other sponsoring entity can contract with UBS to have a UBS Financial Advisor provide one or more of a series of financial education seminars to their employees or members (generally, but not always, at no charge to the employee or member) or to the public for a fee.
- Consulting Services: available to retirement plans, institutions and corporate clients for an asset-based fee, a fixed fee, mutual fund distribution and finder's fees or brokerage commissions, as well as a combination of a consulting fee with a brokerage offset or transaction fee.

There are important differences among these Programs in terms of services, structure and administration, the depth of research conducted on the managers available in the programs, fees and the compensation that Financial Advisors receive. Please review the details of each service and program carefully as you decide which program is appropriate for your investment needs.

While we offer an extensive list of investment options, strategies and a variety of asset allocation models and investment strategies, our offerings are limited to those approved for sale or recommendation at the firm. We do not offer or recommend every investment strategy, asset allocation model, financial planning strategy or investment available in the industry.

### Qualifications of Financial Advisors and Specialists



## Who Provide Financial Planning Services

Most of our Financial Advisors are registered as broker-dealer and investment adviser representatives. We do not impose special requirements such as length of service, education or qualification requirements (other than the required registrations) for Financial Advisors who participate in our Financial Planning Services. Some advisory programs require that Financial Advisors fulfill certain internal training requirements in order to undertake certain activities.

Generally, our Financial Advisors and professional personnel who provide Financial Planning Services to clients have a college degree and/or securities industry experience. In addition, certain Financial Advisors and other UBS Financial Services Inc. employees participating in Financial Planning Services may possess a professional designation (e.g., Certified Financial Planner™ (CFP®), Chartered Financial Consultant (ChFC), etc.) or an internal certification. Holding a professional designation typically indicates that the Financial Advisor or UBS Financial Services Inc. employee has completed certain courses or continuing education. However, use of such designations does not change the nature of UBS' or the Financial Advisor's obligation with respect to the advisory or brokerage products and services that may be offered to you.

Members of the Advanced Planning Group and Wealth Management Consultants who deliver the Private Plan Report and/or Strategic Wealth Assessment may hold advanced professional designations such as a JD, CPA, Masters Degree in Taxation, Certified Financial Planner™ (CFP®), Chartered Financial Consultant (ChFC), Certified Life Underwriter (CLU), Chartered Advisor in Philanthropy (CAP) and Accredited Estate Planner (AEP).

In connection with our fee-based Financial Planning Services, we will provide to you a Brochure Supplement for your Financial Advisor and, if applicable, any specialist involved in providing the Financial Planning Service to you. The Brochure Supplement includes information regarding your Financial Advisor's education, business experience, disciplinary history, outside business activities, their compensation and supervision. You may also obtain information about your Financial Advisor, their licenses, educational background, employment history, and if they have had any problems with regulators or received serious complaints from investors through the FINRA BrokerCheck service available from FINRA at <http://www.finra.org> or from the Securities and Exchange Commission at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

You can also contact your state securities regulator through the North American Securities Administrators Association's website at <http://www.nasaa.org> and request information about our firm and your Financial Advisor.

### C. How We Tailor Our Advisory Services

All of our Financial Planning Services are based on information you provide regarding your particular goals and circumstances. Financial Planning Services using Financial Goal Analysis and Preferred Planning resources

are tailored to your specific investment objectives, risk tolerance and goals in various ways, including the following:

- *Reports.* The reports we provide can be tailored to meet your particular needs and goals. You and your Financial Advisor can determine which types of analysis to include in your reports.
- *Asset Allocations and Strategies.* If a report includes a target allocation for you, the asset allocation will be based on a proprietary process which offers several possible asset allocation models. Investment strategies are assigned a risk category rating. Your responses to certain risk tolerance questions are used in order to determine an appropriate strategy that is within your stated risk profile.

The risk category ratings were developed to approximate investor expectations of risk and reward, and to reflect the preferences of a range of investors from conservative to aggressive. Investment strategies within a particular risk category may employ a variety of investment approaches, but are expected to share similar return and volatility characteristics over the long term. There can be no assurance that the stated investment objectives of the investment strategies will be realized.

With the advice of your Financial Advisor, you can select an investment strategy or asset allocation within your risk profile. You may tailor your allocations to your needs from the recommended asset allocation by certain levels not to exceed internally determined risk bands. We may change, in our sole discretion, the number and types of asset allocation models offered in our programs.

Financial Planning Services using the Private Plan resource are tailored to your needs by providing a phased approach to data collection and analysis. We provide a customized report to illustrate your entire current situation, include any tax and estate planning implemented to date. We also identify opportunities based on your current situation and model alternate strategies for consideration. The Private Plan report will include the appropriate sections based on your needs and the information you provided.

### D. Provision of Portfolio Management Services in Wrap Fee Programs

Our Financial Planning Services do not include the participation in, or offering of those services in wrap fee programs.

We provide our own portfolio management services, and in some programs, those of our Financial Advisors as discretionary portfolio managers in the wrap fee programs we sponsor. We receive a wrap fee for those services and share a portion of that fee with Financial Advisors who participate in the wrap programs. Details of the programs are available in our Wrap Fee Disclosure Brochure which is available from your Financial Advisor.

Financial Advisors who participate in wrap fee programs

may also have clients with accounts in brokerage or other advisory programs. The services and management of those accounts differ. For example, when acting in a discretionary capacity, PMP Financial Advisors should place transactions for their PMP clients' accounts prior to soliciting the same securities in their non-discretionary advisory and brokerage clients' accounts. PMP Financial Advisors are also subject to an internal personal trading policy.

Our activities as portfolio manager and sponsor of wrap fee programs are separate from our Financial Planning Services.

#### E. **Assets Under Management**

Our Financial Planning Services do not include our management of client assets on a discretionary or non-discretionary basis.

Our assets under management as of December 31, 2013 are listed below. These figures include asset values for DVP accounts as of 12/31/13 (where data is available), but excludes (i) assets in separately managed accounts for which we do not have the authority to hire and fire managers, and (ii) assets in institutional investment advisory programs in which the value of assets managed by other investment advisers could not be segregated from those non-discretionary assets for which we provide ongoing advice and recommendations. Although this information does not apply to our Financial Planning Services, it provides you additional background regarding our activities as an investment adviser.

• Non-discretionary Programs:	<b>161,283,206,222</b>
• Discretionary Programs:	<b>110,999,155,620</b>
• Total:	<b>272,282,361,842</b>

### **ITEM 5. FEES AND COMPENSATION**

Fees for Financial Planning Services:

- General range, \$500 to \$50,000
- Fees greater than \$50,000 and not exceeding \$100,000 may be permitted for complex situations involving relationships with a net worth of \$100 million or more
- Private Planning Services have a minimum fee of \$10,000; Financial Advisors, in their discretion, may choose to waive this \$10,000 minimum fee and pay the fee directly to the Financial Planning Group.

#### **A. Financial Planning Fees**

Fees for our Financial Planning Services are negotiable, are at our sole discretion and may differ significantly from client to client based on a number of factors. These factors include, but are not limited to:

- the range of Financial Planning Services selected,
- the scope of the engagement,
- the complexity of the services provided,
- the nature and amount of client assets involved, and
- the Financial Advisor's business model

Our ability to negotiate the fee may result in one client paying for the same set of Financial Planning Services provided to another client at a lower fee. We may also discount fees for clients in certain circumstances or in connection with sales promotions or marketing campaigns.

#### **Your Financial Advisor receives a percentage of the Financial Planning Fees you pay to us.**

Fees as well as other account requirements may vary as a result of the application of prior policies depending upon when you received Financial Planning Services from us. From time to time, the fees for Financial Planning Services or certain Advisory services available through UBS may be reduced for our employees, certain other family members or employees of our affiliates.

Other types of fee arrangements—such as a wrap fee arrangements, fee plus commission, or a fixed fee arrangement—are available in other advisory programs and services. We may enter into special agreements to provide other services involving specific clients, Financial Advisors or any of our branch offices. For more information regarding the above, contact your Financial Advisor.

#### **Financial Planning Services Free of Charge**

**We also provide financial planning services (and certain aspects of the service, such as an asset allocation analysis) free of charge as a service incidental to our brokerage relationship with clients. When no fee is charged for the service, we will act as your broker and not in a fiduciary capacity as your investment advisor.**

#### **B. Billing Practices**

Fees associated with the Financial Planning Services are disclosed, in advance, in a separate services agreement. The engagement begins and these fees are generally payable at the time we enter into the services agreement, rather than after delivery of the financial planning report. However, other fee arrangements may be offered at our sole discretion. Payment is made by check or by debit from a UBS account you designate. Clients may cancel the agreement for the services and receive a full refund of fees paid by contacting their Financial Advisor within 5 business days from the date we enter into the services agreement. After that period, the fee is refundable in accordance with our agreement.

#### **C. Fees/Other Charges Not Covered by Your Financial Planning Fee**

The fee you pay covers only the Financial Planning Services selected in the agreement you enter into with us. The fee does not cover any other services, accounts or products. If

you maintain accounts with us, or if we assist you in implementing your financial plan, you will pay other charges in addition to the Financial Planning Services fee. This will add to the overall compensation that we receive. Fees for Financial Planning Services will not be reduced or offset by these other fees. Notably, these additional fees will reduce the overall return of accounts you maintain with us. Examples of additional fees you may incur that are not part of the Financial Planning Services fees include:

- **Implementation of your Financial Plan:** Our fees for Financial Planning Services do not include the asset-based fees, transaction based charges or commissions, account maintenance fees or other charges you may incur in implementing your financial plan. You will incur such fees whether you implement your financial plan at UBS or at other financial institutions.
- custody fees imposed by other financial institutions if you choose to custody your assets at other financial institutions;
- fees associated with custody, delivery and conversion of precious metals imposed by affiliates, or other financial institutions;
- mark-ups/mark-downs on principal transactions with us, our affiliates or other broker-dealers;
- internal trust fees;
- costs relating to trading in and holding foreign securities (other than commissions otherwise payable to us);
- internal administrative, management, redemption and performance fees that may be imposed by collective investment vehicles such as open-end and closed-end mutual funds, UITs, hedge funds and other alternative investments, exchange-traded funds or real estate investment trusts;
- and other specialized charges, such as transfer taxes, and fees we charge to customers to off-set fees we pay to exchanges and/or regulatory agencies on certain transactions.

Either UBS Financial Services or UBS Bank USA will also charge interest on any outstanding loan balances (including margin loans) to clients who borrow money from us or UBS Bank USA. Clients also may be charged additional fees for specific account services, such as:

- Account Transfer Fee
- Wire transfer charges
- Annual Account Service Fees for retirement accounts
- Fees relating to custody and transactions in physical securities
  - Voluntary corporate actions fees
  - Fees for RMA and BSA services

#### **D. Compensation to Financial Advisors Who Recommend Advisory Programs**

In general, we pay our Financial Advisors a percentage of

the commissions and fees (called a payout or grid rate), that each Financial Advisor generates from the clients he or she serves minus certain adjustments that are requested by our Financial Advisors, according to an established schedule.

**The percentage of firm revenues credited to Financial Advisors in asset-based programs and for Financial Planning Services is higher than the percentage of firm revenues credited on most other products and services, including the compensation they would receive if you paid separately for advice, brokerage and other services. The differences in compensation create an incentive for Financial Advisors to recommend products for which they receive higher compensation.**

For Financial Planning Services with a fee of at least \$1,000, the payout to the Financial Advisor is 50% of the total fee, with an additional 25% of the fee paid into an expense allowance (for a total payout of 75%). The expense allowance maximum is \$25,000 per year.

Financial planning fees less than \$1,000 are paid at the grid rate plus 3% (for payout ranging from 20% to 48%) and will not generate the additional expense allowance.

In addition, for plans for which a Financial Advisor charges \$1,000 or more, we pay awards of \$100 per plan to sales support personnel who assist Financial Advisors who deliver Financial Planning Services.

For Private Planning Services, Financial Advisors (or their branch offices) will be charged the minimum \$10,000 fee if not paid by the client.

For transactions-based accounts, which hold products such as stocks, bonds, options and mutual funds, the payout rate ranges from 20% to 45% of the commissions or sales charges credited to the Financial Advisor by the Firm. Generally, for stock and option transactions, the payout is adjusted downward to account for a transaction fee ranging from \$0 to \$24. For asset-based fee programs the payout ranges from 20% to 48% of the fees, commissions or sales charges credited to the Financial Advisor by the Firm but may be lower based on pricing.

We may reduce or terminate the above payouts to Financial Advisors in connection with accounts they service that do not meet certain prescribed asset levels on a household basis.

Under certain circumstances (e.g., acquisitions and recruitment), some Financial Advisors or producing Branch Office Managers may be compensated differently.

Financial Advisors also receive certain awards based on their production amount, business mix and net new assets. Financial planning fees count toward their production and various awards and recognitions.

Revenue from financial planning relationships and engagements count toward certain awards.

We reserve the right, at our discretion and without prior notice, to change the methods by which we compensate our Financial Advisors.

#### **ITEM 6. PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT**

UBS Financial Services Inc. does not impose performance fees in its advisory programs. UBS Financial Services does not serve as investment manager to hedge funds, private equity or similar types of investment vehicles. However, as a distributor of alternative investments, including hedge funds and fund of funds UBS receives a portion of the performance fees charged by the investment adviser to those funds. Financial Advisors who sell those alternative investments, including those investments held in Advisory accounts receive a portion of those fees.

#### **ITEM 7. TYPES OF CLIENTS**

##### **A. Type of Clients**

We provide investment advisory services to individuals, banks, thrift institutions, mutual funds and other investment companies, pension and employee benefit plans, trusts, estates, charities, corporations and other business and government entities. Generally, the majority of our clients in the Advisory programs and those receiving Financial Planning Services are individuals.

##### **B. Requirements for Financial Planning Services**

**You are not required to maintain or establish accounts, purchase products that we distribute or otherwise transact business with UBS Financial Services or any of our affiliates to receive Financial Planning Services or implement any of the suggestions made in connection with the Financial Planning Services we provide.** The Financial Planning Services available may differ depending on the client's personal goals, net worth and the complexity of each client's financial situation.

**Profiling Questionnaires:** To receive a financial plan, your Financial Advisor will collect various information and documentation from you, including your responses to certain risk profiling questions, to determine your investment needs, objectives, risk tolerances and financial goals. These objectives, risk tolerance and goals form the basis of your selection of an investment strategy or asset allocations for your financial plan.

To make the most of your Financial Planning Services, we recommend that you work with your Financial Advisor to establish clear and measurable financial goals. The more specific and accurate you can be regarding your financial goals, the better equipped your Financial Advisor will be to help you develop a financial plan.

It is important that you provide complete and timely information to your Financial Advisor as he/she will base the financial planning analysis and recommendations on the information that you provide. You are responsible for the accuracy of the information you provide to us. If you experience significant life events or material changes in your financial situation, inform your Financial Advisor promptly so that we may assess how these changes may impact your financial objectives and your financial plan.

#### **Financial Planning Services and Your Brokerage and other Advisory Agreements with UBS**

The Financial Planning Services we provide are not account specific and do not alter or modify in any way the nature of your accounts, or your rights and our obligations relating to any UBS accounts or the UBS account agreements in effect when the Financial Planning Service is provided to you. The terms and conditions of those account agreements, unless otherwise amended, continue to be in effect during and after the termination of the Financial Planning Service.

**The Financial Planning Services Agreement:** In order to provide you with fee-based Financial Planning Services, we will ask that you enter into a written agreement with us. The agreement will identify the Financial Planning Services to be provided, the fees charged, the length of the engagement, and our respective rights and obligations under the agreement. After the first five days after entering into the services agreement (see Item 5, section B, *Billing Practices*), you may terminate the agreement at any time by providing us written notice. **Upon expiration or termination of the services agreement, our Financial Planning Services, as well as the fiduciary relationship created, will end and we will have no obligation to provide ongoing financial planning advice to you.**

**Including Outside Assets in your financial plan:** When we develop a financial plan for you, you may choose to include assets held at other institutions in your asset allocation or target allocation. Because these assets are not held at UBS, we will not be able to verify or ensure the accuracy of information regarding these assets. UBS does not provide advice with respect to your assets at other firms, and we will not assume any liability for your activity at other firms.

**No Specific Security Recommendations.** Our Financial Planning Services **do not:**

- make investment recommendations
- analyze particular securities or investments
- provide on-going advice regarding specific securities or other investments; rather, a general asset allocation strategy based upon your stated risk tolerance, investment objectives, financial needs, age, current asset allocation and value of the assets may be suggested in the financial planning report.

**Implementing Your Financial Plan:** It is your responsibility to determine if, and how, the suggestions made in connection with the Financial Planning Services

should be implemented or otherwise followed. You should carefully consider all relevant factors in making these decisions, and we encourage you to consult with your outside professional advisers and with your legal counsel and/or accountant or tax professional regarding the legal or tax implications of a particular recommendation, strategy or investment, including any estate planning strategies, before you invest or implement a particular strategy.

You should also understand that all investments involve risk, the amount of which will vary, and that your ability to implement any financial strategy may be affected by a number of factors including:

- market fluctuations
- the actual value of assets held at other financial institutions
- your ability to make the contributions required, and
- the impact of your other investment decisions

If you decide to implement any portion of your financial plan with UBS, at your request, your Financial Advisor can make specific investment recommendations and help you develop an investment strategy. The capacity in which we act when we are involved in implementing your investment strategy will depend on, and vary by, the nature of the accounts used (i.e., brokerage or advisory accounts).

Generally, we will implement securities transactions in our capacity as a broker-dealer, not as an investment advisor (unless you are participating in one of our investment advisory programs). You will be charged any applicable fees for effecting the transactions you choose to make. See *"Fees/Other Charges Not Covered by Your Financial Planning Fee"* for more information.

We and our Financial Advisors receive compensation from the sponsor of securities, mutual funds and other investments in which you may invest. See *"Participation or Interest in Client Transactions—Additional Compensation"* for more information. We will also benefit from the possession or use of free credit balances in the accounts the client maintains with us subject to the restrictions imposed by Rule 15c3-3 under the Securities Exchange Act of 1934.

**Electronic delivery of documents.** To the extent permissible by applicable law, we may, with your consent, deliver financial plans, Form ADV Disclosure brochures, and other documents and notices related to our services via electronic format.

## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Our Asset Allocations**

In providing our Financial Planning Services, we may create analyses that include asset allocations. Our

asset allocations are based upon on a proprietary methodology. In developing those allocations, UBS considers asset class risk and return results that are based on estimated forward-looking return and risk assumptions, as measured by standard deviation ("capital market assumptions"), which are based on UBS proprietary research. The development process includes a review of a variety of factors, including the return, risk, correlations and historical performance of various asset classes, inflation and risk premium.

The process assumes a situation where the supply and demand for investments is in balance and in which expected returns of all asset classes are a reflection of their expected risk and correlations regardless of timeframe. These capital market assumptions do not assume any particular investment time horizon.

UBS periodically reviews the economic or market conditions or other general investment considerations that it believes may impact the capital market assumptions. The capital market assumptions may change from time to time at the discretion of UBS. UBS has changed its risk and return assumptions in the past and may do so in the future. We will not provide you with an updated plan automatically based upon changes to these or other underlying assumptions, but you may request an updated plan from your Financial Advisor. Changes in the assumptions may affect your target allocation on the broad, subclass or style level.

We may also add or remove asset classes, subclasses and styles from the allocation methodology at any time. Once our agreement for Financial Planning Services has ended, we are not required to provide you with an updated analysis based upon changes to these capital market assumptions or resulting changes to your target allocation. It is important to note that implementing changes to your target allocation may result in tax consequences to you. Please consult your tax advisor if this occurs.

UBS employs a variety of asset allocation models and tools. As a result, our modeling in programs outside of Financial Planning Services may vary depending upon the asset allocation model, amount invested and software program used for analysis.

### **Limitations on Statistical Analysis:**

Historical statistical data, based on the performance of various market indices, may be provided in the financial planning reports to show relative historic risk and return information regarding the asset allocation strategies presented. In addition, forward looking analyses are presented based upon various risk and return assumptions developed by UBS Financial Services Inc. Probabilistic modeling (which presents the likelihood that the client may be able to achieve certain goals) may be presented using forward looking or historical assumptions, is hypothetical in nature, does not reflect actual investments results and is not a guarantee of



future results. These analyses do not analyze specific securities. Rather, the asset allocation presented is analyzed. Actual market conditions may result in outcomes significantly different than those illustrated. With respect to probabilistic modeling, the results may vary over time and with each use if any of the underlying assumptions or profile data is adjusted. In addition, the analysis does not present the results that could occur from an extreme market event, either positive or negative, due to the low probability of such an occurrence.

**Analysis and reports used as a part of delivering Financial Planning Services describe the basis, limitations and potential risks. Please review this information carefully.**

Those analysis and/or reports are based on information that you provide. The accuracy of the analysis is dependent upon your providing accurate and complete data. Any changes to your personal situation or any of the data or assumptions that underlie the analysis could materially impact the results presented and resulting recommendations. The results presented in the analysis or reports are not guarantees of future results.

There is no guarantee that you will meet all of your objectives. As actual investment returns, inflation, taxes, and other economic conditions will vary from the assumptions used in our financial planning analyses and reports, your actual results will vary from those presented and may impact your ability to reach your financial planning goals.

We obtain information from various sources, including:

- Financial publications
- Inspections of corporate activities
- Company press releases and securities filings
- Research material prepared by UBS Financial Services Inc., our affiliates and third parties
- Rating or timing services
- Regulatory and self-regulatory reports
- Third party data providers
- Outside consultants, industry experts and other professionals
- Other public sources

In addition, we receive a broad range of research and information about the following:

- The economy
- Industries
- Groups of securities and individual companies
- Statistical information
- Market data
- Accounting and tax law interpretations
- Political developments
- Pricing and appraisal services
- Credit analysis
- Risk measurement analysis
- Performance analysis
- Other information that may affect the economy or securities prices

Research can be received through various channels, including:

- Written reports
- Telephone contacts and personal meetings with research analysts
- Economists
- Government representatives
- Corporate and industry spokespersons

We may receive research, model portfolios and asset allocation services generated by UBS, UBS affiliates, third parties, by or through brokers or dealers or investment advisers, including research, model portfolios and asset allocation advice purchased through economic arrangements with such parties.

Our Investment Advisory services generally rely on a variety of fundamental, technical, quantitative and statistical tools and valuation methodologies. As a result of these different methodologies employed, technical or quantitative research recommendations may differ from, or be inconsistent with, fundamental opinions for the same security. We may use computer technology to more readily display these factors and to create asset allocation recommendations. Personnel involved in providing investment Advisory services may have access to specialists or other information for all major industry groups.

Our Financial Advisors and clients have access to research from UBS CIO Wealth Management Research Americas (CIO WMR), which is part of UBS Wealth Management Americas. CIO WMR is designed specifically for use by private clients and our Financial Advisors. As a result, subject to certain exceptions, we expect that product areas in UBS Financial Services Inc. will incorporate insights and economic perspectives of CIO WMR, where appropriate, in their products and services.

Clients and Financial Advisors also have access to certain categories of UBS Investment Research (INV Research) that is issued by UBS Investment Bank. Because both sources of research reflect the different assumptions, views and analytical methods of the analysts who prepared them, there may be a difference of opinions between CIO WMR and INV Research. Neither source is necessarily more reliable than the other. The various research content provided does not take into account the unique investment objectives, financial situation, or particular needs of any specific individual investor.

CIO WMR and INV research analyst compensation is not based on investment banking revenues; however, their compensation may relate to the revenues or profitability of UBS business groups as a whole, which may include investment banking, sales and trading services.

Financial Advisors also have access to proprietary models covering equities, fixed income, mutual funds and municipal securities developed by our various business areas.

**ITEM 9. ADDITIONAL INFORMATION.**

## A. Executive Officers and Board of Directors

- **Robert J. McCann** is Chief Executive Officer of UBS Group Americas and UBS Wealth Management Americas, (WMA), Chairman of the Board of UBS Financial Services Inc. (UBS FS) and a member of the Group Executive Board of UBS AG.

As regional CEO, he works closely with the business division heads in the Americas to leverage UBS's integrated platform for the benefit of individuals, corporations, institutions and governments. He is also CEO of WMA, which comprises the registered broker-dealer, UBS FS, as well as the Private Banking operation.

- **Rosemary T. Berkery** is Chairman of UBS Bank USA and Vice Chairman of WMA. She is also the head of the Banking Group for WMA and a member of the Board of UBS FS.
- **Jason Chandler** is the Head of the Wealth Management Advisor Group of WMA and a member of the Board of UBS FS.
- **Daniel C. Cochran** is Chief of Staff of UBS Group Americas and WMA and is a member of the Board of UBS FS.
- **Kathleen Lynch** is the Chief Operating Officer for UBS Group Americas and WMA and is a member of the Board of UBS FS.
- **John Dalby** is the Chief Financial Officer of UBS Group Americas and WMA and a member of the Board of UBS FS.
- **Lance Deal** is an Executive Director and the Chief Financial Officer of UBS FS.
- **John McDermott** is Head of Compliance and Operational Risk Control for UBS Group Americas and WMA and a member of the Board of UBS FS.
- **Robert E. Mulholland** is a Group Managing Director and the Head of Wealth Management & Investment Solutions for WMA. He is the President and Chief Executive Officer of UBS FS and a member of its Board.
- **Frank LaQuinta** is a Managing Director and Chief Information Officer of WMA.
- **Joseph Pigott** is a Managing Director and Chief Risk Officer of WMA.

### CIO Wealth Management Research Americas

- **Mike Ryan** is a Managing Director, Regional Chief Investment Officer for the US and Chief Investment Strategist for UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation.

### Management for the Investment Advisory Products Covered in this Brochure

- **David McWilliams** is a Managing Director and Head of Wealth Management Transformation, which includes Wealth Planning, Wealth Management Consulting and Field Talent & Development
- **Richard Scarpelli** is an Executive Director and Head of Financial Planning and Co-Head of Advanced Planning.

### General Counsel, Director of Compliance and Chief Compliance Officer

- **Michael L. Crowl**, is a Group Managing Director and General Counsel of UBS Wealth Management Americas, which includes the registered broker-dealers, UBS Financial Services Inc. and UBS Financial Services (Puerto Rico) LLC, as well as UBS Bank USA, UBS National Trust Company N.A., UBS Trust Company of Puerto Rico, and the Private Banking Operation which is comprised of UBS AG branches in the United States.
- **Douglas T. Siegel** is a Managing Director and Head of Compliance for UBS Wealth Management Americas, which includes UBS Financial Services Inc. and the Private Banking Operation as well as UBS Bank USA, UBS National Trust Company N.A. and UBS Trust Company of Puerto Rico. Mr. Siegel is also the Chief Compliance Officer of UBS Financial Services of Puerto Rico, Inc. a registered broker-dealer.
- **Lisa M. Francomano** is an Executive Director, Deputy Director of Compliance and Chief Compliance Officer for UBS Financial Services' advisory business.

## B. Disciplinary History

Below is a summary of the material legal and disciplinary events against UBS Financial Services Inc. during the last ten years. As of the date of this brochure, there are no reportable legal and disciplinary events for our senior management personnel or those individuals in senior management responsible for determining the general investment advice available to our clients.

The disciplinary reporting requirements for broker-dealers and investment advisers differ in some ways, with FINRA requiring broker-dealers to report on matters (for example, pending complaints and arbitrations) which are

not required to be reported by investment advisers. Since our firm operates as both broker-dealer and investment adviser we file the information as required by each entity. The information in this report is not the only resource you can consult. You can access additional information about our firm and our management personnel on the Securities and Exchange Commission's website, located at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), as well as the Financial Industry Regulatory Authority's website, [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

**Please note that in each instance described below, the Firm entered into the various orders, consents and settlements without admitting or denying any of the allegations.**



## Disciplinary History

- 1      Date of Action: December 2014  
  
          Brought By: State of Vermont Department of Financial Regulation  
  
          Entity: UBS Financial Services Inc.  
  
          The firm was fined \$325,000 for inaccurate books and records, breaches of policies and procedures which prohibited the solicitation of MAC Eligible managers and failure to provide a reasonable supervisory system to prevent such breaches. The Consent Order highlights the Firm's substantial cooperation with the investigation and its enhancements to procedures which were made to prevent recurrence of these facts.

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- 2      Date of Action: December 2013  
  
          Brought By: FINRA  
          Entity: UBS Financial Services Inc.  
  
          The firm was fined a total of \$260,000 for rule breaches involving fair pricing of 5 municipal bond transactions, best execution obligations relating to 51 transactions and late reporting to TRACE of 303 trades. The breaches occurred over sporadic periods between 2008 and 2012.  
  
          Censure & Fine: \$260,000

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- 3      Date of Action: August 2013  
  
          Brought By: North American Securities Administrators Association  
  
          Entity: UBS Financial Services Inc.  
  
          UBS employed client service associates who accepted client orders without being registered with relevant state authorities and failed to supervise those associates adequately. UBS settled the matter without admitting or denying the findings of fact. UBS agreed to enter into separate settlements with each state and the civil penalty will be divided amongst the states in individual settlement amounts.  
  
          Fine: \$4.58 million

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- 4      Date of Action: December 12, 2012  
  
          Brought By: FSA, FINMA, CFTC  
  
          Entity: UBS AG  
  
          On 19 December 2012, UBS AG entered into settlements with the US Department of Justice (DOJ), UK Financial Services Authority, and the Commodity Futures Trading Commission (CFTC) in connection with their investigations of manipulation of LIBOR and other benchmark interest rates. The Swiss Financial Market Supervisory Authority (FINMA) also issued an order concluding its formal proceedings with respect to UBS. UBS agreed to pay a total of approximately CHF 1.4 billion in fines and disgorgement. UBS will pay GBP 160million in fines to the FSA and CHF 59million as disgorgement of estimated profits to FINMA.  
  
          FINMA: Reprimand and disgorgement of estimated profits CHF 59 million  
          FSA: Fine GBP 160 million  
          CFTC: Fine, USD 700 million

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- 5      Date of Action: November 12, 2012  
  
          Brought By: FSA, FINMA  
  
          Entity: UBS AG London  
  
          The UBS AG London branch was fined by the FSA for (1) failure to establish and maintain systems and control appropriate to its business, and (2) failure to act with due skill, care and diligence in conducting its business. The penalties were levied in connection with an unauthorized trading incident.  
  
          Disposition: FSA Fine GBP £29.7 million  
  
          FINMA: Disposition: Reprimand; Additional measure re: business conduct and capital until effective remediation is demonstrated.

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- 6      Date of Action: May 1, 2012

## Disciplinary History

Brought By: SEC

Entity: UBS Financial Services of Puerto Rico

UBS Financial Services of Puerto Rico, a subsidiary of UBS Financial Services, settled with the SEC without admitting or denying charges regarding misrepresentations and omissions of material facts to numerous retail customers during the period 2008 and 2009 regarding the secondary market liquidity and pricing of UBS PR affiliated closed end funds. The Firm is required to retain an independent consultant to review its sales and trading policies, procedures and practices in connection with such funds. "

Disposition and Fines: Censure \$14,000,000; Disgorgement \$11,500,000; Interest \$1,109,739

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7 Date of Action: May 1, 2012

Brought By: FINRA

FINRA Rule 2010, NASD Rules 2110, 2310, 3010 -

Allegations: FINRA alleged that the Firm failed to establish and maintain a supervisory system, including written procedures, reasonably designed to achieve compliance with NASD and FINRA rules in connection with the sale of non-traditional exchange-traded funds (ETFs) in accounts where the firm provided brokerage services to certain retail customers and the firm failed to provide adequate formal training and guidance to its registered representatives and supervisors regarding non-traditional ETFs.

Disposition: Letter of Acceptance, Waiver and Consent, Censure and Fine

Fine: 1.5 million; \$431,488 in restitution

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8 Date of Action: Feb. 22, 2012

Brought By: Pennsylvania Securities Commission

Allegations: The Pennsylvania Securities Commission alleged that the Firm failed to reasonably supervise three agents in one branch office relating to the sale of certain structured products issued by Lehman Brothers to two investors and that such conduct formed a basis to sanction the Firm under Section 305 (A)(VII) of the Pennsylvania Securities Act of 1972, 70 P.S. Section 1-305(A)(VII)

Disposition: Consent to the Commission's Findings of Fact, Conclusion of Law, and Order. Administrative Assessment of \$200,000

Legal and investigation costs of \$75,000

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9 Date of Action: Sept. 30, 2011

Brought By: FINRA

Allegations: FINRA alleged that during the period of November 2004 to September 2006, the Firm violated Municipal Securities Rulemaking Board Rule G-27 by failing to reasonably supervise certain cross-trading of municipal bonds by retail customers, in that the Firm lacked adequate policies and procedures to monitor this type of trading and did not conduct adequate follow-up on red flags which put it on notice that one of its registered representatives may have been exercising discretion in customer accounts to engage in unsuitable cross-trading of municipal bonds.

Acceptance, Waiver and Consent

Censure and Monetary Fine: \$300,000

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10 Date of Action: August 22, 2011

Brought By: New Hampshire Bureau of Securities Regulation

Allegations: UBS sold Lehman Structured Products to clients (specifically referencing three particular investors), who were not made aware of the risks of these products and failed to inform clients of Lehman's financial condition prior to Lehman's bankruptcy. It was also alleged that the firm's recommendations to a small number of New Hampshire residents to purchase Lehman Structured Products were unsuitable.

Disposition: Consent Order

Administrative fine of \$100,000; Investigation costs of \$200,000; Administrative payment of \$700,000

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11 Date of Action: May 4, 2011

Brought By: SEC, Internal Revenue Service (IRS), Dept. of Justice (DOJ), State Attorney General of 24 States

UBS AG and UBS Financial Services Inc. reached settlements with the SEC, the IRS, the DOJ and a group of State Attorneys General regarding investigations into the conduct of certain former employees in UBS Financial Services' former municipal reinvestment and derivatives group from 2001 to 2006. Allegations included violations of: Section 15(c)(1)(A) of the Securities Exchange Act of 1934, Section 1 of the Sherman Act, and IRS regulations in bidding practices and representations made involving the investment of proceeds of municipal securities transactions.

## Disciplinary History

Disposition: SEC: Waiver and Consent to Final Judgment enjoining UBS from violating Section 15(c) of the Act, disgorgement of profits, interest and civil penalty; IRS: Closing Agreement; DOJ: Non-prosecution Agreement

SEC: Disgorgement of \$9,606,543 plus interest of \$5,100,637 and civil penalty of \$32,500,000; IRS: penalty of \$18 million and restitution of 4.3 million; States: \$70.8 million plus \$20 million credited from the SEC settlement

12 Date of Action: April 11, 2011

Brought By: FINRA

Allegations: Violations of NASD Rules 2110, 2010, 2210, 2211, 2310, 3010 and IM2310- 2 with regard to Lehman Brothers Holdings Inc. 100% Principal Protection Notes ("Notes"): violated NASD Rule 2110 by making statements and omitting certain facts through communications through some financial advisors that may have misled certain customers, failed to disseminate adequately to financial advisors certain market information relating to Lehman's financial condition, violated NASD Rules 3010 and 2110 by failing to maintain and establish adequate supervisory systems in connection with marketing and sale of the Notes, violated NASD Rules 2310 and 2110 and IM-2310-2 by not adequately analyzing the suitability of sales to certain customers, and use of advertising and marketing materials and training and education materials that were not fair and balanced in violation of Rules 2210(d)(1) (A) and (B), 2211 and 2110.

Disposition: Letter of Acceptance Waiver & Consent.; Censure, Fine, and Restitution to specific classes of customers

Fine: \$2.5 million; Restitution: \$8.5 Million

13 Date of Action: Jan. 5, 2011

Brought By: FINRA

Allegations: From October 1, 2007 through December 31, 2007, the Firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to five of its customers was as favorable as possible under prevailing market conditions.

Disposition: AWC Censure, Fine

Monetary/Fine: \$30,000 Disgorgement/ Restitution

14 Date of Action: January 2011

Disposition: SIX Swiss Exchange Regulation

UBS AG was fined for (i) publishing too late internally available information related to expected losses in the summer of 2007 and (2) breaching rules on the provision of information about corporate governance in the 2008 UBS annual report.

Disposition: Fine

CHF100,000

15 Date of Action: Nov. 3, 2010

Brought By: FINRA

Allegations: Violation of NASD Rules 1021, 1031, 2110 and 3010, FINRA Rule 2010 by permitting 70 individuals to act as principals without registration, and inadequate supervisory procedures.

Disposition: Letter of Acceptance, Waiver & Consent.; Censure, Fine.; Establish supervisory procedures

Fine: \$200,000 - Test of Supervisory procedures with written report within 120 days and certification of supervisory changes and written report within 90 days

16 Date of Action: Sept. 29, 2010

Brought By: FINRA

Allegations: Violation of NASD Rules 2110, 3010(a) and 3010(b), FINRA Rule 2010 by lending customer securities to facilitate short selling without disclosing certain facts to customers and failing to adequately supervise.

Disposition: Letter of Acceptance, Waiver & Consent, Censure, Fine, Establish supervisory procedures

Fine: \$175,000

## Disciplinary History

- 17      Date of Action: June 26, 2009  
           Brought By: FINRA  
           Allegations: Inadequate systems/procedures, to detect patterns of unsuitable short-term trading of Closed-End Funds.  
           Disposition: Letter of Acceptance, Waiver & Consent, Censure & Fine  
           Fine: \$100,000
- 
- 18      Date of Action: February 2009  
           Brought By: SEC and US Department of Justice  
           Allegations: UBS entered into a Deferred Prosecution Agreement with the D.O.J. and a Consent Order with the SEC in connection with an investigation into the firms Cross-Border business. UBS AG agreed to disgorge profits and pay back taxes. UBS AG will terminate cross-border business serving private clients out on non SEC registered entities.  
           Disposition: Disgorgement (\$200,000,000 is to the SEC); Back Taxes Payment, Monetary Sanctions: \$380,000,000; \$400,000,000
- 
- 19      Date of Action: Feb. 26, 2009  
           Brought By: FINRA  
           Allegations: Violated NASD Rules 2110, 3010, 2320, 3110, 3360, 3370, 6130, 6955(A) by failing to find the best inter-dealer market, did not obtain a favorable price, did not mark short-sales as such, did not note delivery instructions. The supervisory procedures were not adequate to achieve compliance.  
           Disposition: Letter of Acceptance, Waiver & Consent, Censure and Fine Restitution to customer and revision of firm procedures  
           Fine: \$110,000; Restitution: \$2,719.65
- 
- 20      Date of Action: Jan. 9, 2009  
           Brought By: CFTC  
           Allegations: UBS FA violated Sections 6(c) and 6(d) of Commodities Exchange Act and did not file with the National Futures Association the commodity pools' annual reports in a timely manner or deliver to pool participants.  
           Disposition: Cease & Desist from violating Regulation 4.7(b)(3)(i) and CFR 4.7(b)(3)(i)(2008) and pay a civil penalty  
           Civil Penalty: \$50,000
- 
- 21      Date of Action: December 2008  
           Brought By: Swiss Federal Banking Commission  
           Allegations: The cross-border business of UBS AG private clients was investigated and the firm was required to cease operating its non-W9 relationships, and to establish an adequate risk management and control system for this business.  
           Disposition: Injunction
- 
- 22      Date of Action: Dec. 22, 2008  
           Brought By: SEC and the 50 states  
           Auction Rate Securities (ARS): UBS is permanently enjoined from violations of the broker/dealer anti-fraud provisions.  
           Allegations: Violations of 34 Act Section 15(c) regarding the marketing and sale of Auction Rate Securities.  
           Disposition: Cease & Desist Injunction; Civil Penalty; Consent Judgment  
           Cease & Desist, and Fines in varying amounts currently being paid to all 50 states out of a total fine of \$75 million
- 
- 23      Date of Action: Feb. 28, 2008  
           Brought By: FINRA  
           Allegations: UBS effected transactions in Mutual Fund shares where other share classes were advantageous, or within the NAV transfer

## Disciplinary History

program, Failure to maintain supervisory procedures designed to identify NAV Programs.

Disposition: Letter of Acceptance, Waiver & Consent, Censure and Fine. Firm to undertake initiative to provide remediation to certain customers who purchased Class B or C shares or who did not receive benefit of the NAV transfer program.

Fine: \$1,000,000

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24 Date of Action: Dec. 3, 2007

Brought By: State of Missouri

Allegations: Firm failed to supervise former FA's for public seminars and recommendations to customers re: mutual fund share sales.

Disposition: Consent Order, Censure, Fine & Disgorgement

Civil : \$ 75,000; Investor Restitution: \$247,680; Disgorge: \$135,946; Investor Education: \$230,000; Cost to Investigate: \$8,584

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25 Date of Action: Oct. 24, 2007

Brought By: FINRA

Allegations: Firm did not file certain amendments to U-4's and U-5's during the period 1.1.02 to 12.31.04 and did not have adequate supervisory procedures re: late filings.

Disposition: Letter of Acceptance Waiver & Consent & Fine

Fine: \$370,000

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26 Date of Action: Oct. 2, 2007

Brought By: FINRA

Allegations: Violations of NYSE Rule 401(a) and 342 by failing to deliver prospectuses and failing to maintain supervisory and control procedures.

Disposition: Letter of Acceptance, Waiver & Consent, Censure & Fine Certification to NYSE re: policy & procedure revisions within 90 days.

Fine: \$500,000

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27 Date of Action: July 16, 2007

Brought By: Attorney General State of NY

Allegations: Non-discretionary fee-based brokerage accounts were unsuitable for certain clients and fees/commissions were higher than non-fee based accounts

Disposition: Remediation to Customers & Penalty to State of NY

Remediation: \$21,300,000; Penalty: \$2,000,000

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28 Date of Action: April 16, 2007

Brought By: State of Connecticut Department of Banking

Allegations: Failure to keep certain books & records pertaining to sub-account transfers with insurance products & failure to supervise agents re: market timing.

Fine, Financial  
Literacy Initiatives, Education Initiatives

Fine: \$1,500,000; (Public School Initiative: \$1,250,000; Public College Initiative: \$1,000,000; Dept of Social Service Initiative: \$1,500,000; CT Law Enforcement: \$250,000

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29 Date of Action: May 26, 2006

Brought By: NYSE

Allegations: Sales Practice exams in 2003 and 2004 revealed overcharges and the Firm violated Section 17(a)(2) of the '33 Act, and Rule 10b-10 of the '34 Act.

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### Disciplinary History

Disposition: Stipulation of Facts & Consent to Penalty

Fine: \$175,000

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30 Date of Action: Jan. 11, 2006

Brought By: NYSE

Allegations: Failure to supervise brokers who engaged in deceptive market timing of mutual funds and varied insurance products.

Disposition: Fine, Consent Order, Censure, Civil Penalty

Fine: \$23,700,000; Fine State of NJ: \$24,700,000

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31 Date of Action: March 7, 2005

Brought By: State of Illinois

Allegations: Failure to provide investors with accurate information re: callable CD's and failure to supervise.

Disposition: Fine

Fine: \$95,000

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## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. Our Business**

UBS Financial Services Inc. is a member of all principal securities and commodities exchanges in the United States including the New York Stock Exchange ("NYSE"). Our parent company, UBS AG ("UBS"), is a global, integrated investment services firm and one of the world's leading banks. We are registered to act as a broker-dealer, investment adviser and a futures commission merchant. Please note that registration as an investment adviser does not imply a certain level of skill or training.

As a full service broker-dealer and investment adviser, we offer our customers and investment Advisory clients a broad range of financial services and products, and we are engaged in various aspects of the securities and investment business. Our financial services include:

- Underwriting securities offerings
- Acting as a market maker in securities
- Trading for our own account
- Acting as a clearing firm for other broker-dealers
- Buying or selling securities, commodity futures contracts and other financial instruments for customers as their broker or buying them from or selling them to clients, acting as principal for our own account
- Providing investment advice and managing investment accounts or portfolios
- Acting as a commodity pool operator, futures commission merchant or commodity trading advisor and providing custodial services
- Through our affiliates, we provide clients with trust and custodial services
- We manage, sponsor and distribute registered investment companies and other public and private pooled investment vehicles, including hedge funds, whose shares or other interests are sold to clients

Currently, our principal business, in terms of its revenues and personnel, is that of a broker-dealer in securities.

### **UBS Financial Services Inc. Subsidiaries & Other Affiliates**

There are a number of related persons that provide investment management and other financial services and products to our investment advisory clients, which may be material to our advisory business. UBS, our subsidiaries or affiliates act in one or more capacities, including investment adviser, sub-adviser, consultant, administrator and principal underwriter (as applicable) to a number of open-end and closed-end investment companies with varying investment objectives. As a futures commission merchant, and through affiliates registered as commodity pool operators and commodity trading advisors, we or an affiliate also provide advice on commodities and commodity-related products. Certain of our subsidiaries, affiliates and related entities include the following:

- Sydling Futures Management LLC.
- UBS Financial Services Insurance Agency Inc.
- UBS Financial Services (Puerto Rico) LLC, a separately registered broker-dealer
- UBS Insurance Agency of Puerto Rico Inc.
- Trust-related services are available through the UBS Trust Company N.A. and the UBS Trust Company of Puerto Rico.
- UBS Bank USA provides loans to clients that are either

unsecured or secured by securities or other financial instruments. These loans may be used to buy securities or for other purposes. These loans are not subject to the maintenance requirements and potential capital charges that are imposed on broker-dealers.

- UBS Bank USA is an FDIC-insured Utah industrial bank. UBS Bank USA provides deposit services and loans to clients that are secured by securities or real estate. These loans may be used for purposes other than buying, trading or carrying securities. These loans are not subject to the maintenance requirements and potential capital charges that are imposed on broker-dealers.
- UBS USA LLC, a business center that provides certain services to UBS Financial Services.

UBS AG (UBS Financial Services Inc.'s ultimate parent) offers investment advisory services through a variety of direct and indirect subsidiaries. These entities are separately registered investment advisors and, in some cases, registered broker-dealers and commodity- trading advisors. Their principal lines of business range from developing and distributing investment products including wrap fee products, mutual funds, closed-end funds, privately placed funds and other pooled investment products, providing investment advice to individuals, pension and other employee benefit plans, other tax-exempt organizations, insurance companies, investment companies, commingled trust funds, corporations, and other institutional investors, and serving as investment managers, administrators, distributors and/or placement agents for a number of funds, including (in the case of UBS Global Asset Management (US) Inc., the PACE Select Advisors Trust and a number of UBS and UBS Global Asset Management-advised mutual funds. Certain of the investment advisers listed below may serve as investment manager for clients participating in our MAC, ACCESS program or SWP programs.

The UBS AG has several subsidiaries registered as investment advisers in the United States, including the entities listed below. These companies manage the assets of, or serve as general partners or managers of registered investment companies and private investment funds that may be offered and sold to our advisory clients. Information on those investment vehicles can be found on the respective Form ADV of each affiliated advisor.

- UBS Agrivest LLC
- UBS Alternative and Quantitative Investments LLC
- UBS Fund Advisor, LLC
- UBS Global Asset Management (Americas) Inc.
- UBS O'Connor LLC
- UBS Realty Investors LLC
- UBS Swiss Financial Advisers AG
- UBS Willow-Management LLC

## **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Code of Ethics**

The Firm maintains and enforces a written code of ethics in accordance with Rule 204A-1 under the Investment Advisers Act of 1940. The code and any subsequent amendments, is provided to all employees of the Firm and each employee is responsible for acknowledging receipt.

The code, which supplements the Firm's code of conduct, has a dual purpose:

- To set forth standards of conduct that apply to all employees of the firm, including the firm's fiduciary obligation to its clients
- To address conflicts of interest associated with the personal trading activities of a subset of employees defined as "access persons."<sup>4</sup>

Employees are required to promptly report any suspected violation of the code. Violations of the code may result in discipline, up to and including termination. Clients or prospective clients may obtain a copy of the Investment Adviser Code of Ethics upon request.

## B. Participation or Interest in Client Transactions

### 1. Additional Sources of Compensation

This section describes the compensation we receive when you execute transactions with us and conflicts of interest raised by revenues we receive from third parties. You should consider these factors carefully before you decide to implement your financial plan through our firm. You are not required to have accounts at UBS or implement your financial plan at our Firm in order to receive our Financial Planning Services.

Most of our Financial Advisors are licensed as investment adviser representatives and broker-dealer representatives and may suggest or recommend that advisory and brokerage clients use the Firm's securities accounts, execution, banking and custody services, or those of an affiliate.

In general, our Financial Advisors receive revenue in the following ways:

- A portion of fees collected by the firm for Financial Planning Services
- Commissions charged to clients in connection with the purchase, or sale, of equities, fixed income products and other investments such as structured products
- Markups (i.e., an increase) and markdowns (i.e., a reduction) on the price of purchases and sales of equities and fixed-income products, where the firm acts as principal, i.e. purchases for or sales of securities from UBS's inventory
- Underwriting concessions in connection with products sold in initial offerings
- Asset-based fees charged in connection with our investment advisory programs
- Interest on margin and loan accounts
- Sales loads, commissions and 12b-1 fees for various financial products, such as mutual funds, offshore funds, alternative investment funds, unit investment trusts, insurance and annuities.
- Referral fees for referrals to affiliates and third parties.
- A portion of the management and performance fees the Firm receives in connection with the distribution of alternative investments.

### 2. Sources of Compensation from Third Parties

UBS, our Financial Advisors and affiliates receive additional

compensation in connection with certain types of assets in which accounts at UBS may be invested. This compensation is in addition to any program fee you pay us for our investment advisory services or commissions you pay in brokerage accounts. Instead, this compensation is a result of distribution, shareholder servicing, administration, marketing, investment management, revenue sharing or referral agreements we and/or affiliates have with vendors or sponsors of those securities and other services. We also receive additional compensation as a result of inter-company profit sharing and servicing agreements. For certain alternative investments, the compensation may also include performance fees. The nature of the services provided by, and the compensation paid to, us and our affiliates are described in the offering documents for the respective products, which are available for no charge through your Financial Advisor. Certain securities, for example, mutual funds are sold by prospectus only. Please read the prospectus carefully before investing.

The amount of fees paid to us, and therefore your Financial Advisors, may vary depending on the arrangement between us and the vendors/sponsors and, if applicable for mutual funds, and the terms and conditions of the relevant fund's 12b-1 or trailing commission plan. If you hold these assets in an advisory account, we receive these payments for the duration of your advisory account. In some circumstances, our receipt of such compensation may extend beyond your participation in our advisory programs if you continue to hold those assets at our firm.

For UBS proprietary products, our affiliates receive fees for providing investment management and other services ancillary to the execution of purchases of shares in affiliated funds, including, administration and shareholder services to the affiliated funds in the Programs. As a result of the various payments to us or our affiliated companies, the amount of compensation that UBS entities receive with respect to the sale of affiliated or proprietary mutual funds, including the money market funds used as sweep vehicles in advisory accounts, is greater than the amount payable to the organization as a whole from the sale of unaffiliated mutual funds.

Some of the payments described below are included in the fees you pay the fund sponsor or investment adviser. They then pay a portion of those fees to us or our affiliates as follows:

- Domestic Mutual Funds: Trailers and 12b-1 fees usually at the rate of 0.25% of the fund's assets per year for affiliated funds and 0% to 0.50% (average current annual rate is approximately 0.25%) for non-affiliated funds.
- UBS Global Asset Management Y shares: Prior to June 16, 2010 (and for certain funds May 25, 2010), UBS Global AM (US), the principal underwriter of the funds, made the following payments out of its own resources: a one-time finder's fee consistent with the fund's Class A share; beginning in the 13<sup>th</sup> month after purchase, an annual fee in an amount up to (1) 20 basis points for an equity fund, an asset allocation fund or a balanced fund, (2) 15 basis points for a fixed income fund, and (3) 5 basis points for an index fund. These payments are not available for purchases of Y shares after June 16, 2010 (or May 25, 2010, as applicable), but continue to be made for investments prior to that date.
- Offshore Funds: Trailers for equity offshore funds range from 75 to 90 basis points, and for fixed income offshore funds, 50 to 60 basis points.
- Puerto Rico Funds managed by our affiliate, UBS Trust Company of Puerto Rico: Trailers and 12b-1 fees usually at

<sup>4</sup> Access Person: all branch office employees, regardless of their job function, and any other Firm employee who works from a branch location or home office employees who place trades on behalf of money managers who participate in the Firm's advisory programs and home office employees that develop, manage or place trades for the UBS Managed Portfolio Program. Additional home office employees may be deemed Access Persons depending upon their work location.



the rate of 0.25% of the fund's assets per year.

- **Affiliated Alternative Investments:** We receive referral fees, distribution, management, administrative and performance incentive-based fees. Management/administrative fees paid to our affiliate range between 1.25 and 1.75 bps. Our affiliate pays us approximately 90 bps for distribution of these funds. These payments are shared with your Financial Advisor.
- The management/administration fee paid to our affiliate may be waived in their entirety for certain classes of investors (for example, ERISA plans investing through an advisory program).
- **Master/Feeder funds:** UBSFS may receive a one-time service fee of 50 bps from the sponsor of a fund into which a proprietary feeder fund invests.
- **Placement Fees:** of up to 2% from its clients.
- **Non-Proprietary Alternative Investments Funds:** We receive a trail or service fee ranging between 15 to 125 bps of the assets of UBS investors in the non-proprietary funds. Financial advisors receive compensation of up to 90 bps.
- **Incentive Fees:** We may receive a portion of the incentive allocation of up to 2.5%.
- **Placement Fees:** We receive a fee of up to 2% from our clients.
- **Referrals:** We may refer a client to a third party manager for investment into one of the manager's funds for a negotiable referral fee.

#### **Sweep Vehicles for Cash in Advisory and Brokerage Accounts:**

We, our affiliates, and our Financial Advisors receive compensation in connection with the money market funds and the UBS Bank USA deposit and business accounts used as sweep vehicles for advisory and brokerage accounts. The type and levels of compensation for advisory accounts are described in our Wrap Fee Program Disclosure Brochure. Details regarding the sweep options available in brokerage accounts are described in the UBS Deposit Account Sweep Program Disclosure Statement which is available from your Financial Advisor.

**Compensation Paid to the Firm.** In addition to sales loads, 12b-1 fees and processing fees, UBS receives other compensation from certain distributors or advisors of mutual funds, offshore funds and unit investment trusts that we sell. These fees are paid in consideration for services provided by us ancillary to effecting transactions. Financial Advisors do not receive a portion of these fees.

- **Mutual Fund Networking Fees:** Typically \$12-\$15 for each mutual fund position that is held at UBS. Some fund companies may choose to calculate this rate expressed in basis points on assets. Exclusions may apply to positions below \$500 and certain discretionary retirement accounts. These fees are paid by mutual fund sponsors from investor assets, but in some cases may be subsidized, in part, by affiliates of the mutual fund.
- **Mutual Fund Omnibus Processing Fees:** These payments, which usually range from \$14 to \$25 per position are assessed per client and can vary by share class. Some fund companies may choose to calculate this rate expressed in basis points on assets, which may result in payments in excess of \$25 per position. Exclusions may apply to positions below an asset level mutually agreed upon by UBS and the fund company. A portion of the payments we receive for omnibus processing is paid to the

sub-account transfer agent. These fees are paid by mutual fund sponsors from investor assets.

- **Account Services Fees For Affiliated Funds:** The amount of these fees may vary depending on the fund, but generally average \$12 per account per year, billed quarterly. Fees are paid by the fund sponsor out of investor assets.

**Mutual Fund Revenue Sharing Compensation.** Revenue-sharing payments may present a conflict between our interests and those of our customers, because the payments give us a financial incentive to recommend that our customers buy and hold shares of those funds that we maintain on our distribution platform and for which we receive revenue-sharing payments. We require that revenue-sharing compensation be made directly from the distributor or advisor, and not from the mutual funds or indirectly through mutual fund portfolio trading commissions. Revenue-sharing payments are intended to compensate us for assisting with the sales of mutual fund shares. Certain "no load" and "institutional" mutual fund shares may be purchased by our customers at a charge of \$75 per transaction, plus other customary sales charges. No portion of the transaction fees are paid to Financial Advisors.

- **Mutual Fund Revenue Sharing:** These separate compensation amounts paid by the fund sponsor may be a negotiated flat fee or based on two components: (1) the amount of sales by UBS of a particular mutual fund family to our clients (excluding sales through wrap-fee programs), and (2) the asset value of a particular mutual fund family's shares held by our clients at UBS in eligible programs. In general, we charge each mutual fund family up to the following amounts:
  - Up to 0.15% per year (paid quarterly) on all sales of mutual fund shares (excluding sales through wrap-fee programs)
  - Up to 0.20% per year (paid quarterly) of the asset value of all equity mutual fund shares held at UBS
  - Up to 0.20% per year (paid quarterly) of the asset value of all fixed-income mutual fund shares held at UBS (other than money market, institutional or offshore funds)
  - Some mutual fund families may be subject to a minimum annual payment which, in some instances, may result in a fee that exceeds the percentages described above.
  - Certain mutual fund companies may pay a flat-fee annually which may or may not exceed the rates listed above.
- **Affiliated Offshore Funds:** When revenue sharing compensation is paid, we receive an amount that ranges from 0.05% to 0.60% per annum of the average daily net asset value of the fund attributable to the shares owned by our clients during each month.
- **Unaffiliated Offshore Funds:** Where revenue-sharing compensation is paid, we receive an amount that ranges from 0.10% to 0.50% per annum of the average daily net asset value of the fund attributable to the shares owned by our clients, during each month. Alternately, this could be paid as a percentage of the fund's stated management fees and could be up to 65% of these fees.
- **Unit Investment Trusts.** Most UIT sponsors make additional payments to the firms that sell their UITs, including UBS. These payments are typically calculated as a percentage of the total volume of sales of the sponsor's UITs made by the firm during

the UIT's initial offering period. That percentage typically increases as higher sales volume levels are achieved. Detailed descriptions of the terms of these additional payment programs are provided in a UIT's prospectus. UIT sponsors may also pay UBS fixed amounts for marketing, promotional or related expenses intended to result in additional sales of a sponsor's products, or to defray a portion of the costs incurred to facilitate UIT sales, such as the costs of developing or purchasing UIT trading systems. Payment rates and total payment amounts vary from sponsor to sponsor. Payments are made by the UIT sponsor and not out of UIT assets. None of these amounts are paid to the Financial Advisor or the branch offices.

- For "private label UITs" (UITs only offered to UBS clients), the sponsor may pay UBS an additional concession within a reasonable time following the initial offering period. This additional payment generally ranges from to 0.10% to 0.40% of the public offering price per unit sold by UBS during the initial offering period, excluding units sold to Fee Accounts subject to a Wrap Fee.

**The revenue-sharing information is current as of the date of this brochure and is subject to change in our discretion. Updated and current information on these arrangements is available at our website, [www.ubs.com/mutualfundrevenuesharing](http://www.ubs.com/mutualfundrevenuesharing).**

**Contributions to Training and Education Expenses.** Investment managers, mutual fund vendors, unit investment trust sponsors, annuity, life insurance companies or their affiliates and sponsors of ETFs whose products are available on our platform may contribute funds to support our Financial Advisor education programs.

The contributions are used to subsidize the cost of training seminars we offer to Financial Advisors through specialized firm-wide programs and regional training forums. These seminars are designed to provide training and education to Financial Advisors, Branch Office Managers, Field Leadership, and other personnel who regularly solicit clients to participate in the various types of businesses listed above. These contributions also subsidize a significant portion of the costs incurred to support the Financial Advisor training, Financial Advisor and Client education, and product marketing efforts conducted regionally and nationally by product specialists employed by UBS. The training events and seminars can (and often) include a non-training element to the event.

Not all vendors contribute to our education efforts. Neither contribution towards these training and educational expenses, nor lack thereof, is considered as a factor in analyzing or determining whether a vendor should be included or should remain in our programs or our platform. Contributions can vary by vendor and event. Some vendors may decide to contribute at levels different than those we request. Additional contributions may be made by certain vendors in connection with specialized events, education or training forums.

Your Financial Advisor does not receive a portion of these payments. However, their attendance and participation in these events, as well as the increased exposure to vendors who sponsor the events, may lead Financial Advisors to recommend the products and services of those vendors as compared those who do not.

Please see the section "Non-Cash Compensation" for a description of additional types of support and/or contributions we receive from vendors.

## Non-Cash Compensation

In addition to the revenue-sharing payments described above, we and our Financial Advisors, may, from time to time, receive non-cash compensation from mutual fund companies, investment managers, insurance vendors, and sponsors of products that we distribute.

This compensation may include the following:

- Occasional gifts
- Occasional meals, tickets or other entertainment
- Sponsorship support of training events and seminars
- Various forms of marketing support and, in certain limited circumstances the development of tools used by the Firm for training or record-keeping purposes

## Other Compensation

In addition, our affiliates receive trading commissions and other compensation from mutual funds and insurance companies whose products we distribute.

UBS or our affiliates may engage in a variety of transactions with (or provide other services to) the investment managers, mutual funds, their affiliates or service providers with which you are doing business. We may, in turn, receive compensation from these entities. Those transactions and services that we or our affiliates provide may include:

- Executing transactions in securities or other instruments
- Broker-dealer services for our own account
- Research services
- Consulting services
- Performance evaluation services
- Investment banking services
- Banking or insurance services

## 3. Other Interests in Client Transactions Margin Loans and Credit Lines:

You may choose to engage in leverage strategies involving the assets in your eligible non-retirement, non-custodial accounts. You must meet certain eligibility requirements and complete loan documentation prior to using margin or applying for a UBS Credit Line Loan. Specifically, you will be required to execute a separate margin agreement with us or loan documents with UBS Bank USA.

When you trade on margin or obtain a credit line, either we or our affiliate will act as your creditor. As a creditor we will charge interest on the loans we extend to you and can take certain actions in the case you default. Failure to promptly meet a request for additional collateral or repayment or other circumstances (e.g., a rapidly declining market) could cause us, in the case of margin loans, or our affiliate, in the case of credit lines, and in our discretion, to liquidate or instruct us to liquidate some or all of the collateral account or accounts to meet the margin loan or credit line requirements. Depending on market circumstances, the prices obtained for the securities may be less than favorable. Any required liquidations may disrupt your long-term investment strategies and may result in adverse tax consequences. UBS and our affiliates do not provide legal or tax advice. You should consult your legal and tax advisors regarding the legal and tax implications of margin borrowing and using securities as collateral for a loan. You are responsible for repaying the margin loan or credit line in full, even if the value of the collateral is insufficient.

Margin is not recommended or permitted in certain advisory programs. There are substantial risks associated with the use of borrowed funds for investment purpose and securities as collateral for a loan. For further information, please see the UBS Financial Services Inc. Loan Disclosure Statement, which is available from

your Financial Advisor.

### Principal Transactions and Agency Cross Trades

If we act as your broker, we and/or our affiliates may execute transactions on your behalf as your agent or as principal for our own account on the other side of the transaction from you. Similarly, we or our affiliates may, in transactions involving clients' securities, act as agent while also representing another client on the other side of the transaction. We may also have a position in, or enter purchase or sale orders for, securities recommended to clients in the normal course of its business as a broker-dealer. We and/or our affiliates may profit from such positions or transactions in securities.

In certain advisory program accounts, we may enter into principal transactions for some investment advisory clients after making appropriate disclosure and obtaining client consent when necessary. In accordance with the provisions of Section 11(a) of the Securities Exchange Act of 1934, we may execute transactions on the floors of national or regional securities exchanges for managed client accounts where appropriate. Additionally, if appropriate client consent is obtained and required disclosure is made, agency cross transactions may be effected for customer accounts to the extent permitted by law. Agency cross transactions are transactions in which we or our affiliates act as broker for the party or parties on both sides of the transactions. In these circumstances, we will receive compensation from parties on both sides of these transactions (the amount of which may vary) and, consequently, we will have a potentially conflicting division of loyalties and responsibilities. Client consent to "agency cross" transactions may be revoked at any time by written notice to us.

### Advice/Services to Other Clients and Activities in our Proprietary Accounts

We and our affiliates provide investment banking, research, brokerage, investment advisory and other services for different types of clients. In providing those services, we and our affiliates may:

- give advice to, or take actions for, those clients or for our or our affiliates own accounts that differs from advice given to, or the timing and nature of actions taken for you.
- buy and sell securities for our own or other accounts,
- act as a market maker or an underwriter for securities recommended, purchased or sold.

UBS and our affiliates occasionally may not be free to divulge or act upon certain information in their possession on behalf of investment advisory or other clients. We are not obligated to execute any transaction for your account that we believe to be improper under applicable law or rules or contrary to our own policies. In particular, you should note that some of our programs may recommend asset allocations or analyze markets and the economy in a different way than would be recommended by some of our research, trading or other departments.

We have adopted policies and procedures that limit transactions for our proprietary accounts and the accounts of our employees. These policies and procedures are designed to prevent, among other things, improper or abusive conduct when there may be a potential conflict with the interests of a client.

### Trading Activity

The vast majority of our exchange-listed securities and over-the-counter (OTC) orders are executed through our affiliate, UBS

Securities LLC, which executes orders as either principal or as agent, depending on the circumstances and type of program involved and receives compensation for those services.

## ITEM 12. BROKERAGE PRACTICES

Our Financial Planning Services do not include the review or recommendation of broker-dealers for client transactions.

## ITEM 13. REVIEW OF ACCOUNTS

The financial planning reports that are prepared as part of the Financial Planning Service are subject to different levels of review, depending upon the report being used. The reviews are described below.

*Financial Goal Analysis:* Branch Office Managers or their delegates are responsible for the supervision and review of Financial Goal Analysis reports generated by the Financial Advisors in accordance with firm's FGA Supervisory Guidelines. The current procedures require managers to review a certain percentage of the plans prepared for clients on a monthly basis. The guidelines provide steps for the managers to follow to review the content of the plans and document any variations from the standards. The FGA reports consist of various pre-determined sections and can include additional sections selected based on discussions between the financial advisor and the client. Each section includes static text that cannot be changed or modified by the individual users.

In addition, the Financial Planning Group reviews the completed table of contents for FGA reports where fees greater than \$10,000 are charged to confirm that appropriate plan sections or modules are included, or that any exclusions are documented or explained.

*Preferred Plans:* In order to use this service, Financial Advisors must have certain education or training experience and must be approved by the Financial Planning Group. Except for certain pre-approved Financial Advisors, preferred plan reports are reviewed and approved by the Financial Planning Group or a Wealth Management Consultant prior to delivery to clients. Financial Advisors with a certain amount of experience using Preferred Planning are not required to submit their plans to the Financial Planning Group for review. However, the Financial Planning Group will review a sample of those plans on a periodic (generally, monthly) basis, which may result in further reviews or a requirement to update or correct a plan for a client.

*Private Plans and Strategic Wealth Assessments:* Private Plans and Strategic Wealth Assessments are complex and customized reports generated by members of the Advanced Planning Group and/or Wealth Management Consultant team. All Private Plans and Strategic Wealth Assessments are subject to peer review by another member of the Advanced Planning Group or Wealth Management Consultant team prior to delivery to a client.

## ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

- Arrangements with Affiliates: We have referral agreements with our affiliates that outline:
  - how we refer clients to them
  - how they refer clients to us
  - how we act as solicitor for their advisory services and/or wrap fee programs
  - how we refer clients to them for services other than advisory services
  - In certain cases, the advisory and consulting services

available in our Programs may be provided by Financial Advisors registered with companies affiliated with us through a solicitation agreement with us or we may serve as a clearing broker for those affiliated entities

Under those agreements, we share fees with, or receive fees from, our affiliates for the referral or solicitation of clients or for services provided to clients. These payments may vary, depending on the type of agreement, product or the nature and extent of the services provided, and may continue as long as the client account is maintained with UBS or our affiliate or for an agreed upon period. Arrangements may also be based on a percentage of revenue received.

- Third Party Arrangements: We also have a referral program that allows UBS to enter into solicitation arrangements with third parties that we compensate for referring or soliciting clients to participate in our Advisory or trust services programs. Solicitors receive a portion of the advisory fees we receive.
- We also have solicitation arrangements under which either we and/or our Financial Advisor may receive compensation for referring clients to a third party who will provide investment advisory or other services to the client. The compensation we receive is usually a portion of the advisory fee the third party receives from its clients. In certain circumstances we may also receive commission revenue for transactions those third parties execute through our firm.

It is our practice to disclose to the client being referred the terms of the arrangement, including the maximum compensation payable to us and/ or our Financial Advisors or a third party, as the case may be.

We and our affiliates also have arrangements with some third party investment managers under which we and/or certain of our Financial Advisors provide research (within the meaning of Section 28(e) of the Securities Exchange Act of 1934), and in return, the investment manager places brokerage transactions with us for execution, subject to best execution practices and requirements. The research services provided generally may be in the form of written reports or telephone contacts or personal meetings with security analysts, economists, or meetings hosted by our Financial Advisors with corporate or industry spokespersons. UBS or our Financial Advisors also may recommend or refer clients to third-party investment managers that place brokerage transactions with us. The differences in the form or amount of compensation paid to us by different investment managers for client referrals or research products create a conflict between our interests and the interests of the clients referred because of the incentive to make referrals to those investment managers that offer us greater compensation than others.

#### **Referral arrangements for financing business**

We have certain agreements whereby we refer our customers to certain lenders, on a non-exclusive basis, for specific financing opportunities not available at UBS or its affiliates. These lenders may be able to assist clients in securing financing for specialized borrowing needs. It is our practice to disclose to the client being referred the roles of UBS and the lender in connection with such referral and that we receive a referral fee from the lender. Upon the successful completion of a transaction, the lender will pay us a referral fee, which will vary depending upon the lender and/or the amount of the financing. A portion of the fee we receive is paid to

the Financial Advisor.

#### **ITEM 15. CUSTODY**

UBS Financial Services Inc. is a qualified custodian and has custody of client funds and securities. Generally, except for our Financial Planning Services, for our advisory programs, we require clients to custody account assets with UBS. However, we may, on an exception basis, accept certain accounts whose assets are custodied with other financial institutions who meet the definition of a qualified custodian.

#### **ITEM 16. INVESTMENT DISCRETION**

Our Financial Planning Services do not involve the delegation or exercise of discretion on our part over your assets. We offer discretionary portfolio management services which are described in a separate brochure. Please contact your Financial Advisor with questions.

#### **ITEM 17. VOTING CLIENT SECURITIES**

Our Financial Planning Services do not include proxy voting services.

#### **ITEM 18. FINANCIAL INFORMATION**

UBS Financial Services Inc. is a qualified custodian (as defined in SEC Rule 206(4)-2). As a result, we have not included the balance sheet required under "Financial Information" of this Form ADV.

- As of the date of this Brochure, there is no financial condition that is reasonably likely to impair our ability to meet our contractual commitment to our clients.
- Our Firm has not been the subject of a bankruptcy petition at any time during the last ten years.



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