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**UBS INSTITUTIONAL CONSULTING PROGRAM  
OUTSOURCED CHIEF INVESTMENT OFFICER PROGRAM**

This wrap fee program brochure provides information about the qualifications and business practices of UBS Financial Services Inc., the UBS Institutional Consulting and Outsourced Chief Investment Officer Programs that you should consider before becoming a client of either 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.

This Form ADV Disclosure Brochure applies to both wrap and non-wrap fee advisory accounts in the Institutional Consulting Program and wrap accounts in the Outsourced Chief Investment Officer Program at UBS Financial Services Inc. 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.

Please retain these documents for future reference as they contain important information if you decide to add services or open new advisory accounts with our Firm.

Our Client Relationship Agreement, Disclosure booklet and other related documents are available at [ubs.com/accountdisclosures](http://ubs.com/accountdisclosures) or by calling your Financial Advisor. 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 UBS Institutional Consulting Services since the last amendment of our Form ADV on April 14, 2016.

- **Disciplinary History** (Item 9)

Please see Item 9 for updated firm disciplinary information.

## ITEM 3.TABLE OF CONTENTS

ITEM 2. MATERIAL CHANGES .....	2
ITEM 3.TABLE OF CONTENTS .....	3
ABOUT UBS FINANCIAL SERVICES INC. ....	8
ITEM 4. SERVICES, FEES AND COMPENSATION .....	11
A. About Our Advisory Services .....	11
B. ADVISORY PROGRAMS; FEE SCHEDULES, MINIMUM INVESTMENTS AND MINIMUM ANNUAL FEES .....	12
(1) Investment Policy Assistance .....	18
(2) Asset Allocation Studies and Analysis .....	18
(3) Investment Searches .....	18
(4) Portfolio Evaluation, Review, Analysis and Reporting .....	19
(5) Retirement Plan Consulting for Participant Directed Retirement Plans .....	19
(6) Employee Education Consulting .....	22
(7) Additional Consulting .....	22
(8) Various Other Services .....	22
ITEM 5. ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS.....	29
A. Type of Clients.....	29
B. Requirements for Participation in the Institutional Consulting Program .....	29
1. ESTABLISHING YOUR ACCOUNT AT UBS .....	29
Minimum Asset Requirement.....	29
Agreements and Account Documentation .....	29
Custody .....	30
Information Provided .....	30
Your Responsibilities .....	31
2. FUNDING YOUR ACCOUNT AT UBS; ELIGIBLE AND INELIGIBLE ASSETS.....	31
3. INVESTMENT RESTRICTIONS .....	34
4. PERFORMANCE REPORTING FOR YOUR ACCOUNT .....	34
5. TRADE CONFIRMATIONS AND ACCOUNT STATEMENTS.....	35
6. PROXY VOTING, CORPORATE ACTIONS AND OTHER RELATED EVENTS .....	35
7. ELECTRONIC DELIVERY OF DOCUMENTS .....	36
8. CASH BALANCES IN YOUR ADVISORY ACCOUNTS .....	37
C. BILLING PRACTICES .....	38
D. TRADING, EXECUTION AND CUSTODY PRACTICES APPLICABLE TO IC ACCOUNTS .....	41

E. CLOSING YOUR ADVISORY ACCOUNTS; TERMINATING YOUR AGREEMENT .....	43
ITEM 6. PORTFOLIO MANAGEMENT SELECTION AND EVALUATION .....	44
A. QUALIFICATIONS OF FINANCIAL ADVISORS WHO PROVIDE CONSULTING SERVICES IN THE INSTITUTIONAL CONSULTING PROGRAM AND OCIO PROGRAM .....	44
B. SELECTING AN SMA MANAGER; OUR INVESTMENT MANAGER EVALUATION PROCESS .....	45
Limitations on Statistical Analysis .....	48
PERFORMANCE REVIEWS OF SMA MANAGERS, PORTFOLIO .....	48
C. ADVISORY BUSINESS .....	49
1. CORPORATE STRUCTURE .....	49
2. ADVISORY SERVICES .....	49
3. HOW WE TAILOR OUR ADVISORY SERVICES .....	50
4. PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT .....	51
5. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	51
A. Our Asset Allocation Analysis and Portfolio Evaluation Services .....	51
B. Risks Associated with Eligible Investments in the Institutional Consulting Program and the OCIO Program .....	54
ITEM 7. CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS .....	56
ITEM 8. CLIENT CONTACT WITH PORTFOLIO MANAGERS .....	57
ITEM 9. ADDITIONAL INFORMATION .....	57
A. Executive Officers and Board of Directors .....	57
B. Disciplinary History .....	58
ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	64
ITEM 11. INVESTMENT ADVISER CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	66
A. Investment Adviser Code of Ethics .....	66
B. Participation or Interests in Client Transactions .....	66
1. Sources of Compensation from Third Parties in Connection with Investments in Advisory Accounts .....	66
2. Sources of Compensation from Third Parties .....	73
3. Other Interests in Client Transactions .....	74
ITEM 12. PERSONAL TRADING .....	76
ITEM 13. REVIEW OF ACCOUNTS .....	76

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION.....	77
ITEM 15. FINANCIAL INFORMATION.....	78

**References in this brochure to:**

- **"Agreement"** means, as relevant, given the context the IC Program Services Agreement or the OCIO Agreement. **"IC Program Services Agreement"** means the UBS Institutional Consulting Services Agreement. **"OCIO Agreement"** means the Consulting and Investment Management Service Agreement for the OCIO Program.
- **"ERISA"** means the Employee Retirement Income Security Act (ERISA) of 1974, as amended.
- **"Account"** means an account held at UBS and opened under the IC Program or the OCIO Program.
- **"Eligible Investments"** means the securities and strategies your Consultant may identify as part of an investment search: investment managers, mutual funds, exchange traded funds, exchange traded notes, collective trusts, stable value funds, alternative investments and other investments as agreed and those that may be held in IC Accounts.
- **"Eligible Funding Securities"** means the securities that may be used to fund your initial OCIO Accounts. These consist of mutual funds, money market funds, exchange traded funds, common stocks listed on a U.S. exchange, U.S. fixed income securities and preferred stocks where a liquid market for trading exists.
- **"Consultant"** means, depending on your Program selection, your UBS Institutional Consulting Services Financial Advisor or your OCIO Program Financial Advisor.
- **"IC Consultant"** means your UBS Institutional Consulting Services Financial Advisor.
- **"IC Discretionary Program"** means the IC Program in which your IC Consultant will make investment decisions, invest, and trade securities on your behalf typically for assets held at UBS, based on your stated goals, without obtaining your consent before selecting or terminating an investment manager or effecting a transaction.
- **"IC Program"** means the UBS Institutional Consulting Services Program.
- **"IC Program Fee"** means the fee payable under the IC Program Services Agreement.
- **"IPS"** means your Investment Policy Statement.
- **"OCIO Client"** means a client participating in the OCIO Program.
- **"OCIO Program"** means the UBS Outsourced Chief Investment Officer Program where you engage UBS-FS and UBS Asset Management to provide certain consulting and discretionary investment management services to you.
- **"OCIO Program Fee"** means the fee payable under the OCIO Program Agreement.
- **"Plan"** means a retirement plan for self-employed individuals, or an employee benefit plan subject to ERISA, an employee benefit plan for a municipal entity or a nonqualified retirement plan.
- **"Programs"** means our investment advisory programs.

- **"SMA Manager"** means the investment managers you selected for the management of your IC Account.
- **"UBS"** and **"UBS-FS"** unless otherwise noted, means UBS Financial Services Inc.
- **"UBS Asset Management" and "UBS-AM"** means UBS Asset Management (Americas) Inc., an affiliate of UBS-FS.
- **"You"** and **"your"** refer to the IC Program or OCIO Program client.

## 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 Group 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 a 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).

The information in this brochure is current as of the date of this document and is subject to change at 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. Most of our Financial Advisors are qualified and licensed to provide both brokerage as well as advisory services depending on the services as you have 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 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.

<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, CAP Program, UBS Institutional Consulting, Retirement Plan Consulting Services Program, UBS Strategic Advisor, UBS Strategic Wealth Portfolio, UBS Managed Portfolio Program, Mutual Fund Discretionary 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



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
- 
- 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 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.
- Obtaining 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.
- Treating you and our other advisory clients fairly and equitably and not unfairly advantaging 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.
- Acting 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 will end our investment advisory fiduciary relationship with you as it pertains to the terminated account or 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

<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.

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:

- 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 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. SERVICES, FEES AND COMPENSATION**

This brochure describes the UBS Institutional Consulting Services Program and the Outsourced Chief Investment Officer Program. These Programs are fee-based investment advisory programs. We will acknowledge our status as a fiduciary for the services provided under each Program under the Investment Advisors Act of 1940. In addition, for retirement plans, we will acknowledge our status as a fiduciary under Section 3(21) of ERISA for the investment advice we provide to the Plan and where discretionary services are offered by UBS Financial Services, we will acknowledge fiduciary status under Section 3(38) of ERISA. For the OCIO Program where UBS Asset Management, our affiliate, provides discretionary services to the Plan, UBS Asset Management will also acknowledge that it is a fiduciary to the Plan under Section 3(21) of ERISA and an investment manager under Section 3(38) of ERISA.

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

##### **A. About Our Advisory Services**

These Programs offer wrap fee advisory services, which allow you to manage your account in a number of ways:

- You can access the services of SMA investment managers
- You can delegate investment discretion to your IC Consultant or to UBS Asset Management
- You can work with your Consultant in those programs over which you retain investment discretion

Generally these Programs are designed for:

- Clients who want to implement a medium to long-term investment plan
- Clients who seek and use the advice and guidance of an investment professional either in their self-directed accounts or by delegating management of their assets to a portfolio manager and/or SMA Manager
- Investors who prefer the consistency of fee-based pricing
- Clients who are looking for investment advice, custody, trading and execution services, and performance reporting in an all-inclusive account instead of accessing those services separately

However, these programs may not be appropriate for clients with the following preferences:

- A short-term investment horizon
- A desire to maintain consistently high levels of cash or money market funds in their accounts
- Clients who want to maintain highly concentrated positions that will not be sold regardless of market conditions
- Investors who anticipate regular periodic or continuous withdrawals from their accounts

While we offer an extensive list of investment options and SMA Managers, the offerings are limited to those approved for sale or recommendation at the firm. We do not offer or recommend every SMA Manager, investment or strategy available in the industry.

**There are important differences among these Programs in terms of services, structure and administration, and Program Fees . Please review this brochure carefully as you decide which program is appropriate for your investment needs.**

## **B. ADVISORY PROGRAMS; FEE SCHEDULES, MINIMUM INVESTMENTS AND MINIMUM ANNUAL FEES**

### **Program Fees**

The fee that you pay for the Programs described in this Brochure are negotiable and is generally expressed as a fee based on a percentage of assets under management. For the IC Program, the fee can also be expressed as a flat fee for services or may be for a specific project or for ongoing services, and it covers the specific services agreed to in your IC Program Services Agreement.

In our sole discretion, fees in our Programs may be waived and may differ from client to client based on a number of factors which include, but are not limited to:

- whether we will provide nondiscretionary or discretionary services to you,
- type and size of the institution,
- other eligible relationships,
- the number and type of services selected,
- the scope of the engagement,
- the complexity of the services provided and preferences of the institution,
- the expected frequency with which services may be needed, and
- the nature and amount of client assets involved.

Fees as well as other account requirements may vary as a result of the application of prior policies depending upon when you engaged us to provide advisory services.

Subject to the maximum fee schedules below, in the IC Program, we may customize the fee structure so that some services may be obtained under one payment option and other services under a different option.

In addition, we reserve the right, in our sole discretion, to institute special pricing features, to waive, or discount annual fees, or increase the minimum asset requirement. Individual projects may be provided for a negotiated fee.

With a flat fee option, the agreed upon annual fee is a fixed percentage of the billable assets; that percentage does not change as the value of billable assets changes.

### **IC Program Fees**

Our services under the IC Program do not include portfolio management services, except when providing IC Program services on a discretionary basis.

In addition, the Firm provides portfolio management services, and in some programs our Financial Advisors act 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. Our activities as portfolio manager and sponsor of these other wrap fee programs are separate from our IC Program services.

### **Fee Schedule for the IC Program: Non-Discretionary Services**

Assets	Maximum Program Fee
\$0-10 mil	2%

\$10-25 mil	1.50%
\$25-50 mil	1.30%
\$50-100 mil	1.10%
\$100-250 mil	0.90%
\$250-500 mil	0.70%
\$500-1 Billion	0.50%
> \$1 Billion	0.30%

#### **Fee Schedule for the IC Program: Discretionary Services**

Assets	Maximum Program Fee
\$10-25 mil	1.80%
\$25-50 mil	1.55%
\$50-100 mil	1.30%
\$100-250 mil	1.05%
\$250-500 mil	0.80%
\$500-1 Billion	0.58%
> \$1 Billion	0.33%

**The minimum fee for the IC program is \$20,000.**

#### **Fee Schedule for the OCIO Program: Foundations, Endowments, & Other Pooled Investments (excluding Pension Funds)**

On the first	\$10,000,000	0.60%
On the next	\$20,000,000	0.50%
On the next	\$50,000,000	0.30%
On assets over	\$80,000,000	0.20%

If total asset value is less than \$10,000,000, the minimum program fee is \$60,000

#### **Fee Schedule for the OCIO Program: Pension Funds**

On the first	\$10,000,000	0.70%
On the next	\$20,000,000	0.60%
On the next	\$50,000,000	0.35%
On assets over	\$80,000,000	0.25%

If total asset value is less than \$10,000,000, the minimum program fee is \$70,000.

OCIO Program Fees are for the OCIO Program services provided by both UBS-FS and UBS-AM. OCIO Program Fees are normally split equally between UBS-FS and UBS-AM, but UBS-FS and UBS-AM may, from time to time, agree to alter or vary their OCIO Program Fee split.

**Similar Services Available at No Charge.** Our investment advisory services are separate and distinct from our brokerage services and entail comprehensive, sophisticated or specialized asset allocation studies and analysis and portfolio evaluation and review services as an investment advisory service, for which we charge a separate fee. Depending on the services you select, you may find that components or variations of the individual services described in this Brochure are available to you outside of these

Programs for more or less than you would pay in the program. For example, as a brokerage service, Financial Advisors can provide certain asset allocation modeling, mutual fund selection services and basic portfolio analytics to clients either free of charge or for the 12b-1 payments we receive from your mutual funds.

**Please discuss our various product offerings, their features and costs with your Financial Advisor for more information on the other available services.**

You should consider these factors carefully before participating in these Programs.

**Important Considerations of an Asset-Based Fee Option.** You may pay more or less in a UBS Financial Services Inc. wrap-fee program than you might otherwise pay if you purchased the services separately. For example, depending on your asset allocation or strategy selection, you may find that the individual components of your strategy or allocation are available to you outside of the Program for more or less than you would pay in the Program. Several factors affect whether your costs are more or less in a wrap fee program, including:

- Size of the portfolio
- Whether we serve as custodian for your account assets
- The types of investments made by the SMA Manager, or Financial Advisor
- Whether such investments carry additional administrative or management fees
- The trading activity in the Account
- Whether your SMA Manager uses our trading and execution capabilities or those of other broker-dealers to execute transactions for your accounts
- The actual costs of the services if purchased separately

You should consider these factors carefully before establishing accounts in the Program. For example, while you may be receiving investment advice and other services from us in the Program, if your account has little or no trading activity (either through your direction or that of your SMA Manager – for example – for low turn-over fixed income strategies) you should consider whether a wrap fee program continues to be appropriate to your investment needs.

**Your Program Fee will not be adjusted for:**

- low or no trading activity,
- if your SMA manager chooses to trade away from us,
- if you choose to custody your assets at another financial institution, or
- If you decide not to implement or follow the investment advice we provide to you.

**B. FEES/OTHER CHARGES NOT COVERED BY YOUR PROGRAM FEE**

You may pay other charges in addition to the wrap fee, some of which may add to the compensation that we receive. Program Fees will not be reduced or offset by these fees. Instead, these additional fees will reduce the overall return of your account. The IC Program Fee does not cover:

- Any other services, accounts or products we provide to you.
- Our expenses in delivering UBS Institutional Consulting services to you, such as travel expenses (which will be separately billed), unless we specifically agree otherwise IC Program Services Agreement.
- Unless you utilize an IC Account, the transaction based charges or commissions, account maintenance fees or any other charges you may incur in implementing investment searches performed as part of the Institutional Consulting services.

### Trade Execution Costs through other Broker Dealer:

- Management fees imposed by an investment manager you select or we select on your behalf on a discretionary basis using an IC Program Account. In addition, the IC Program Fee does not cover commission charges for transactions that your investment manager may effect through other broker-dealers. These transactions, which are referred to as "step out" trades because your investment manager directs or "steps out" the trade to another broker-dealer, are generally traded from broker to broker and are usually cleared net, without any commissions. However, under certain circumstances, you may be assessed commissions or other trading related costs (for example, mark-ups) by the other broker-dealers executing the step out trades. These trading costs may be embedded into the price of the security allocated to your account. Your investment manager has the option to trade through us or with other financial institutions, in accordance with its best execution obligations to you and to ensure that any additional commissions or mark-ups assessed to you when they decide to step-out trades to other broker-dealers are consistent with their best execution obligations. **If you elect to utilize the IC Account and your investment manager does not execute transactions with UBS, the IC Account may not be an appropriate option if your SMA Manager does not take action to ensure that you do not incur redundant costs.**
- **IC Commission Accounts:** Certain legacy clients have established IC Accounts and pay all or a portion of their Program Fee through a commission pricing structure ("IC Commission Accounts"). In IC Commission Accounts, we are compensated through negotiated brokerage commissions rather than exclusively through asset-based consulting fees. The SMA Manager for IC Commission Accounts will also charge a separate fee as described below. **Use of IC Commission Accounts may result in us earning more than the asset-based fee option. This may result in a financial incentive for your Financial Advisor to recommend managers who will direct client trades to us.**
- Custody fees imposed by other financial institutions if you choose to custody your assets at other financial institutions.
- Fees for recordkeeping, trust and plan administration charges.
- Precious metals custody fees 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 of 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.
- Redemption fees for active trading imposed by mutual fund sponsors.
- 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 Credit Corp. will also charge interest on any outstanding loan balances (including margin loans) to clients who borrow money from us or UBS Credit Corp. 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
- Physical Security Safekeeping for RMAs or Business Services Accounts (BSAs)

**If you are opening a non-discretionary IC Program Account, for IC Eligible Investments, please review the applicable prospectus and offering documents for a detailed description of the additional fees associated with these securities.**

**You have the option to invest in or retain IC Eligible Investments through other broker-dealers or agents not affiliated with us. You may also be able to invest in or retain these investments directly in the open market without incurring the fee under an IC Account.**

#### **C. COMPENSATION TO FINANCIAL ADVISORS WHO RECOMMEND ADVISORY SERVICES DESCRIBED IN THIS BROCHURE**

As with other UBS advisory programs, if you obtain services through the Institutional Consulting Program or the OCIO Program, a portion of the fees you pay to us in connection with this program are allocated on an on-going basis to your Financial Advisor. In general, we pay our Financial Advisors a percentage (called a payout or grid rate) of the product-related revenue, that each Financial Advisor generates from the clients he or she serves, minus certain adjustments that are specified in our Financial Advisor Compensation Plan. The payout rate is generally determined according to an established schedule and ranges from 28% to 45%, but may be reduced or eliminated in certain circumstances such as those described below.

Brokerage Accounts: Generally, for stocks and option transactions, the payout is adjusted downward to account for a ticket adjustment ranging from \$0 to \$24. Financial Advisors generally earn more for products sold in initial offerings than for those purchased and sold in secondary offerings.

Investment Advisory Programs: For asset-based programs, the payout rate is applied to the program fees credited to the Financial Advisor by the Firm but may be lower for accounts priced below certain thresholds. However, the payout rate for Financial Advisors that previously met new qualified contract or revenue thresholds for Institutional Consulting business is higher and ranges from 28% to 48% on overall Institutional Consulting and OCIO business production credited to the financial advisor by UBS-FS.

We 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, for transactions or fees below specified amounts, or overall production below specified thresholds.

Under certain circumstances (e.g., acquisitions and recruitment; or particular programs or designations, such as Wealth Advice Center, Wealth Planning Analyst, New Financial Advisor, Institutional Consulting, and Retirement Plan Consulting Services), some Financial Advisors or producing Branch Office Managers are compensated differently.



Financial Advisors are generally eligible to qualify for various awards. These awards and recognition programs are based on a variety of factors, including revenue, product mix, length of service at the firm and net new assets brought to the firm by the Financial Advisor, or for fulfilling other strategic goals determined by the firm. These awards are subject to various caps and deferrals. However, certain defined contribution plan recordkeeping providers utilized by IC Program clients may be unable to provide net new asset data to UBS and these assets will not be included for awards. Financial Advisors in the Institutional Consulting and OCIO Programs may also qualify an additional award, the New Consulting Award, which will vary based upon the number of new qualified contracts in the IC or OCIO Program. We may reduce or deny any such awards for any reason at our discretion.

The payment structure of the awards generally consists of deferred cash awards, restricted equity/notional shares and amounts deferred into one or more deferred compensation plans, or some combination thereof. In limited instances, awards may be paid in cash.

**The percentage of firm revenues credited to Financial Advisors in the Institutional Consulting and OCIO Programs may be higher than the percentage of firm revenues credited on most other products and services, including other advisory programs and the compensation they would receive if you paid separately for advice, brokerage and other services.** The compensation structure creates financial incentives for Financial Advisors to encourage clients to purchase multiple products and services or to choose a method of payment for products and services that generates compensation in excess of that for other products.

**We reserve the right, at our discretion and without prior notice, to change the methods by which we compensate our Financial Advisors and employees, including reducing and/or denying production payout and/or awards at our discretion for any reason.**

#### **D. UBS Institutional Consulting – Description of Services**

UBS Institutional Consulting (the “IC Program”) is a program designed to provide advisory services primarily to institutional clients, although we may also provide services to family offices and high net worth individuals that meet the requirements of the IC Program. The ongoing advice of your UBS Institutional Consultant is one of the key components and services provided by the Program. Generally, the IC Program is designed for clients that seek:

- advice on the establishment of strategic investment goals and assistance in the development and review of an investment policy statement,
- advice on the development and analysis of a strategic asset allocation for an overall investment portfolio,
- assistance in the search and implementation of a medium- to long-term investment plan,
- portfolio evaluation and review, including performance analysis of the overall investment portfolio and the professional money managers who have been retained,
- to delegate investment discretion to one or more professional money manager(s), and value the ongoing advice regarding money managers that is provided by an Institutional Consultant,
- to hire an Institutional Consultant to exercise discretion over the search, selection, review and replacement of money managers pursuant to the criteria established in the client's investment policy statement,

- assistance with providing investment menu discretion, non-discretionary or discretionary model portfolios for use by defined contribution retirement plan participants, investment plan consulting, plan feature review, the search and selection of retirement plan program providers, plan conversions, plan administration vendor and recordkeeper searches, fiduciary support, and plan participant education.

The IC Program offers the following services:

- (1) **Investment Policy Assistance.** We can assist you in the development and review of an investment policy statement that describes your overall investment objectives and guidelines. On a periodic basis we will assist you in reviewing the investment policy statement and incorporating any changes you identify. On an exception basis the IC Program Services Agreement may also provide for investment monitoring services, whereby your Institutional Consultant will assist you on a quarterly basis in monitoring your portfolio's adherence to asset allocation and agreed upon investment parameters identified in your investment policy statement.
- (2) **Asset Allocation Studies and Analysis.** We will provide an asset allocation recommendation based on the information you have provided to us. The asset allocation is intended to be the basis for the initial and ongoing investment of assets. We will review your asset allocation and make ongoing recommendations consistent with the investment policy statement you have provided. Asset Allocation reviews may include investment managers or investments which you retained or purchased without our recommendation. Inclusion of these investments and any other investments outside of the IC Program, including assets held in other UBS Programs is solely for the purpose of providing a holistic asset allocation analysis and does not constitute an endorsement that you continue to hold those investments or retain those managers, and we will ask you for a written acknowledgement that UBS does not provide recommendations regarding such investments.
- (3) **Investment Searches:** We can identify and present IC Eligible Investments which are offered by the Firm and/or for which the Firm has conducted due diligence or has otherwise reviewed. IC Eligible Investments can include:
  - investment managers,
  - mutual funds,
  - Exchange Traded Funds (ETFs)
  - Exchange Traded Notes (ETNs)
  - Collective trusts,
  - Unit Investment Trusts (UITs)
  - stable value funds
  - alternative investments, and
  - other investments as agreed

In determining which share classes of an investment fund to identify, for participant-directed defined contribution plans, we will consider the limitations of the plan's recordkeeper platform and/or custodian and the plan fiduciary's direction regarding plan expenses. Our role is to identify investments which, in our professional judgment, are appropriate to help you pursue your financial goals. We gather information regarding IC Eligible Investments from the Firm's proprietary databases, third-party databases, directly from investment managers and/or from various commercially available means.

**Affiliated/Proprietary Investments Managers and Investments:** For Non-ERISA clients and non-retirement accounts, we may, upon your request and after a review of your needs and available options, identify other UBS entities and proprietary investments for your

consideration. Identifying proprietary investments or the services of our affiliated companies raises a conflict of interest because, if such affiliated companies and investments are retained or purchased, we or our affiliates will earn additional compensation from management and other fees. Your IC Account's actual investment return will be reduced by those fees, plus any related expenses and the Program Fees. Please review the applicable prospectus, offering documents or disclosure brochure carefully for a detailed description of the fees associated with these investments.

We address the conflicts of interest presented by identifying affiliated investment managers and investments and by disclosing our practices to you to ensure you make fully informed decisions in your selection of investment strategies.

- (4) **Portfolio Evaluation, Review, Analysis and Reporting.** We can provide periodic portfolio evaluation, review and analysis of your IC Eligible Investments and your other assets as agreed upon for your convenience. We will assist you in evaluating your portfolio including the review of your investment performance on an absolute and relative basis. We can also assist you in determining whether and how an adjustment should be made and implemented. We can also provide reports which include performance information, comparisons, portfolio characteristic and style attribution analysis, and the historical asset evaluation for a variety of investment strategies. For accounts held at other institutions, those reports and evaluations will be based on information provided by your custodian. For assets held in a UBS account, those reports and evaluations will be based on the information that appears on your UBS account statement. The past performance of an investment does not guarantee or indicate future results.

For our nondiscretionary services, our portfolio evaluation and review may also include investment managers or investments which you retained or purchased without our recommendation. Our inclusion of these investments is solely for the purpose of providing the portfolio evaluation and review and does not constitute an endorsement that you continue to hold those investments or retain those managers and we will ask you for a written acknowledgment that UBS does not provide recommendations regarding such investments.

In addition, assets held in other UBS programs may also be included in our portfolio evaluation and review in order to provide a holistic evaluation of your portfolio, but those assets are included for informational purposes only and are not part of the assets for which Institutional Consulting services are provided.

For certain client types (for example, defined contribution plans), we can provide a review of mutual funds and other securities held within your plan and assistance to sponsors in evaluating the type and number of investment alternatives offered to plan participants. Our review may include graphic and tabular presentations of performance (including comparisons to appropriate market indices, inflation and stated goals), as well as market cycle comparisons, and risk/return analyses. When evaluating the performance of the funds available to the plan, we will review the funds' performance and not the specific investment performance of plan participant accounts.

If you also maintain an account(s) in one of our investment advisory programs, you will receive performance reporting for each advisory account through that program, unless otherwise agreed.

- (5) **Retirement Plan Consulting for Participant Directed Retirement Plans.**

**Program Provider Search.** Assist plan sponsors with service provider searches to retain third party recordkeepers. This service may include an analysis of your current program; evaluation of the relative merits of bundled or unbundled recordkeeping/investment service providers, development of criteria

used in selecting service provider and; evaluation of proposals received from prospective service providers.

Searches may include program providers who are available through the UBS Select for Corporate Plans program ("UBS Select program") as well as program providers who are not available through the UBS Select program and which are not subject to review by UBS.

**Conversion Assistance.** Services may include investment fund mappings and planning employee conversion education strategies.

**Fiduciary Support.** We can provide you with the UBS Defined Contribution Plan Fiduciary Kit as well as periodic newsletters and/or whitepapers which address retirement plan issues for plan fiduciaries.

**Plan Feature Review.** We can assist you in benchmarking and reviewing various Plan features including determining whether they are meeting the needs of the Plan and the plan participants.

**Plan Program Liaison.** We can assist you in communicating with recordkeepers and other third party service providers regarding Plan features, investments, services and fees.

**Fee Analysis and Benchmarking.** We can assist you in conducting a benchmarking analysis of your Plan's fees and at your direction will utilize data obtained from your program provider.

**Additional Investment Consulting Services.** The below services, which are offered by a limited number of senior Retirement Plan Consultants, are available only to clients who meet eligibility requirements.

- **Discretionary Investment Selection and Replacement (investment menu discretion).** If you select our RPCS with Investment Discretion services, we will exercise full discretion over plan investment menu decisions and direct the plan record-keeper to implement plan investment menu changes. Upon your delegation of authority to us by executing the RPCS with Discretionary Services Program Services Agreement, we will exercise investment discretion over the search, selection, review and replacement of investments on the plan investment menu. We will exercise discretion in a manner reasonably consistent with your IPS, including any reasonable restrictions you may impose. Our searches and selections of investments are limited only to those which are offered by the Firm or for which a review has been conducted. Your execution of the RPCS with Investment Discretion Services Agreement authorizes the Firm to take any actions necessary to implement changes to the plan investment menu. However, where the plan record-keeper will not take a direction from the Firm, we will require that you review, complete and execute agreements, documents, and forms necessary to implement plan investment menu changes. Failure to implement plan investment menu changes will result in termination of the RPCS with Investment Discretion Services Agreement. If your plan includes investments which are not offered by the Firm and which the Firm has not otherwise reviewed, we will require that such investments be sold, redeemed or replaced within a reasonable time frame. With respect to such investments, we will not assume any fiduciary duty during the time they are part of the plan investment menu or in the course of effecting their sale, redemption or replacement. Until such time as those investments can be sold, redeemed or replaced, such investments will be included in periodic investment reviews of the investment options offered under the plan and in the calculation of the RPCS Program fee, described below.
  - Your signature on the RPCS with Investment Discretion Services Agreement appoints UBS as Investment Manager as defined in Section 3(38) of ERISA and authorizes your RPCS Consultant to make, and direct the plan record-keeper to implement changes to the plan investment menu without obtaining your approval in advance. Once the plan is receiving

services under the RPCS with Investment Discretion, you can no longer make changes to the plan investment menu. In addition to discretionary investment consulting services, you may receive non-discretionary plan consulting, employee education and other administrative consulting services.

- **Non-discretionary Model Portfolio Service.** We can provide risk-based asset allocation advice using six strategic risk-based model portfolios ("Risk Based Models") established by UBS's Wealth Management Americas Asset Allocation Committee (the "WMA AAC") and can identify those investment funds offered on the plan investment menu that are consistent with the asset class components of each of the Risk-Based Model Portfolios. Changes made by WMA AAC to the Model Portfolios will be communicated to you within a reasonable time period however no more frequently than once per calendar quarter. You may request that UBS provide education to plan participants in regard to the Risk-Based Model Portfolios and risk tolerance through various approved educational pieces, however any such education will not constitute UBS either providing investment advice to participants, exercising discretion, or expanding its fiduciary responsibilities.
- **Discretionary Model Portfolio Services.** We offer discretionary services for the Risk Based Model Portfolio services described above and for target date model portfolios ("Target Date Models") (collectively "Model Portfolios"). There are three target date asset allocation models established by WMA AAC, which are available at the plan level: conservative, moderate, and aggressive. Each of those Target Date Models consist of glidepaths that define asset allocations in 5 year increments which become more conservative as the model approaches the target retirement year. Your financial advisor will work with you to help identify the most appropriate plan-level Target Date Model; however, that ultimately remains a Plan Fiduciary decision. You may also decide to incorporate certain investments in the Target Date Models that are not otherwise available to participants outside of the Target Date Models. If you do so, your recordkeeper must have the ability to keep those investments from being selected by participants outside of the Target Date Models.

If you delegate authority to us by executing the RPCS Agreement with Discretionary Models (risk-based or target date), we will exercise discretion with regard to the creation and implementation of asset allocation models, the selection of funds from the investment menu to be included, removed or replaced in the Model Portfolios, and the implementation of the Model Portfolios by the recordkeeper. We will also review and evaluate the investment results of the asset allocation models at least on a quarterly basis. Your execution of the RPCS with Discretionary Models Services Agreement (risk-based or target date) authorizes the Firm to take any actions necessary to implement the Model Portfolios. Where the Plan's recordkeeper will not take direction from the Firm, we will require you to take action necessary to implement the Model Portfolios. Failure to implement the Model Portfolios will result in termination of the Model Portfolio services. Only researched or otherwise reviewed investments can be part of the Discretionary Model Portfolios. Other than employer stock, mutual funds or investments, participant loans and self-directed brokerage accounts, all plan investments that are not researched or reviewed must be sold, redeemed or replaced within a reasonable time frame of the effective date of the RPCS Discretionary Models Agreement (risk-based or target date). We will not assume any fiduciary duty during the time such investments are part of the plan investment menu or in the course of effecting their sale, redemption or replacement although they will be included in periodic investment reviews of the plan investment menu and in the calculation of the RPCS Program fee, described below. We will communicate investment decisions to the fiduciary named in the RPCS Discretionary Models Agreement, who will be responsible for the provision of all required participant notices, disclosures and communications.

- Your signature on the RPCS with Discretionary Models Services Agreement appoints UBS as Investment Manager as defined in Section 3(38) of ERISA and authorizes your RPCS

Consultant to make, and direct the plan record-keeper to implement the Discretionary Model Portfolios without obtaining your approval in advance. In addition to discretionary models services, you may receive non-discretionary plan consulting, employee education and other administrative consulting services.

- (6) **Employee Education Consulting.** We can review the Plan's current education program and recommend strategies for improving participation and education. We can work with your program provider to implement these strategies and deliver materials. We can provide general investment education, which may include educational newsletters, seminars and other materials which have been reviewed and approved for use by our Firm. Any material provided is intended to help the recipients understand financial topics including investing, asset allocation strategies, saving for retirement, distribution planning and retirement planning and transition. They are generic in nature and do not contain recommendations to invest in a particular security.

Where requested, employee education seminars can be the only service provided under our contract. Under those circumstances, we may charge a flat fee by day or by seminar, as provided in the contract for services. The seminar subjects offered cover topics such as investing, saving for retirement, distribution planning and retirement planning and transition. Additional seminar subjects may be offered if available. Seminars offered are generic in nature and do not contain recommendations to invest in any particular security or strategy. The seminars we provide to you may include information obtained from third-party sources. Any information we provide to you that has been obtained, computed, formatted or displayed by outside sources is believed accurate, but the third-party information has not been independently verified and we cannot guarantee its accuracy or validity.

- (7) **Additional Consulting.** As agreed between us, we may also consult with you on matters related to news and developments in the capital markets and asset classes based on information generally available from us or our affiliates, or more specifically prepared for you based on publicly available information.
- (8) **Various Other Services.** The Program offers other consulting services, including assistance in identifying custodial services, third-party administrators, and/or record keepers. Additional services may be available as agreed to between us.

### **Implementation Options in the IC Program**

You can decide to implement the results of investment searches performed as part of Institutional Consulting at other financial institutions, through UBS Institutional Consulting Account(s) ("IC Account") or through other investment advisory programs at UBS. The annual fee for the IC Account includes Institutional Consulting services as well as custody of securities and all brokerage and execution services for the purchase and sale of securities at our Firm through an IC Account but not the fees for investment managers retained by or for you.

### **Non-Discretionary Services**

Institutional Consulting services of a non-discretionary nature do not include advice with respect to how to implement the results of the investment searches or whether to hold an account at UBS. In addition, the services, costs and contracting process for retaining an investment manager are separate from the services provided through Institutional Consulting. You are responsible for negotiating the terms, fees and conditions of your agreement with the managers you select and providing them with investment instructions via an IPS or as otherwise agreed.

### **Implementation Outside of an IC Account – Non-Discretionary**

You can decide to implement the results of investment searches performed as part of Institutional Consulting through a UBS Institutional Consulting Account ("IC Account"). Alternatively, you can decide to implement the results of investment searches performed as part of Institutional Consulting through an account held at any other financial institution or through other UBS advisory programs. ***It is important that you understand that such implementation is not part of the Institutional Consulting service.***

If you decide to implement at UBS the results of investment searches performed as part of Institutional Consulting through another UBS investment advisory program (e.g., ACCESS, Managed Account Consulting (MAC), Strategic Advisor, Portfolio Management Program (PMP), UBS Managed Portfolio Program PACE, SWP etc.) it is important that you understand that these programs are separate and distinct from Institutional Consulting. **While we may include certain of these assets in consolidated performance reports and/or asset allocation studies at your request, the inclusion of such assets is done solely as an accommodation and such assets are not subject to the IC program fees, terms and conditions of our Institutional Consulting Services Agreement.** You will be charged a separate investment advisory fee for these other programs, which may be greater or lesser than the fee you pay for Institutional Consulting services, and the terms and conditions of the respective contracts and disclosure statements for these other programs will be applicable.

For non-retirement clients, if you decide to implement the results of investment searches through the ACCESS program, these assets will receive UBS-IC services to the extent not provided through the ACCESS program. You will not pay a separate UBS-IC fee for such assets and instead the assets are subject to the terms, conditions and fees of the ACCESS program, which may differ from those of UBS-IC.

#### **Discretionary Investment Service in the IC Program – Available only for Assets Held at UBS**

If you have enrolled in the IC Program on a discretionary basis, upon your delegation of authority to us by executing a Power of Attorney, we will exercise investment discretion over the searches, selection, retention and termination of investment managers and Eligible Investments typically for assets held in an IC Account at UBS. We will exercise discretion in a manner reasonably consistent with your asset allocation strategy including any agreed upon reasonable restrictions you may impose on Eligible Investments (other than pooled investments like mutual funds and alternative investments) as identified in your Investment Policy Statement. The Power of Attorney also authorizes the Firm to take any actions necessary to open and maintain the UBS accounts that are subject to the exercise of discretion, negotiate investment manager fees and to complete and pay for transactions for such accounts, including the payment of investment manager fees. However, we will require that you review, complete and execute agreements, subscription documents, forms and documents necessary to engage an investment manager and/or alternative investment fund.

The annual fee for the IC Account with Discretion includes Institutional Consulting services, with UBS acting on your behalf to select and terminate investment managers, and buy, sell, and exchange IC Eligible Investments, as well as custody of securities and all brokerage and execution services for the purchase and sale of securities at our Firm.

For non-retirement clients that have a discretionary relationship, the Power of Attorney will also provide us with the ability to implement at UBS the results of investment searches performed as part of Institutional Consulting through the ACCESS program, and these assets will receive UBS-IC services to the extent not provided through the ACCESS program, as provided in our IC Program Services

Agreement. You will not pay a separate UBS-IC fee for such assets and instead the assets are subject to the terms, conditions and fees of the ACCESS program.

#### **E. OUTSOURCED CHIEF INVESTMENT OFFICER PROGRAM**

In addition to the implementation options described above, you may also engage the services of your Consultant as well as the discretionary asset management services of our affiliate, UBS Asset Management, through the OCIO Program. Clients who wish to participate in the OCIO Program must enter into an OCIO Agreement with UBS-FS and UBS-AM. Below is a description of the services provided by each of UBS-FS and UBS-AM in connection with the OCIO Program.

The OCIO Program is available only for accounts held at UBS-FS.

#### **1. Consulting Services Provided by UBS Financial Services.** UBS-FS will provide the following consulting services to you in connection with the OCIO Program:

- (a) **Investment Policy Statement Development and Asset Allocation Selection Services.** Your Consultant will assist you in the development and preparation of an IPS that describes your overall investment policies, objectives and guidelines, including asset allocation guidelines and investment restrictions and preferences. UBS-FS will review the IPS with you on a periodic basis for potential changes. Based on your final IPS, objectives and risk tolerance, your Consultant will recommend an asset allocation model for your Account. Your final IPS, and if you agree, the asset allocation model recommended by UBS-FS, will be the basis of the discretionary investment management services provided by UBS Asset Management.
- (b) **Portfolio Review, Evaluation and Reporting.** UBS-FS will provide quarterly portfolio evaluation and review. Based on your overall objectives set forth in the IPS and performance of your investments, UBS-FS will evaluate potential adjustments to your IPS and/or asset allocation. As part of the UBS-FS review, UBS-FS will review your portfolio for alignment with your IPS and selected asset allocation.
- (c) **UBS-FS Non-Discretionary Services.** All services provided by UBS-FS in the OCIO Program are non-discretionary. UBS-FS will not exercise any investment discretion over your Account or otherwise direct, solicit or recommend securities transactions in your Account.

#### **2. Investment Management Services Provided by UBS Asset Management.** UBS-AM will provide the following investment management services to you in connection with the OCIO Program:

- (a) **Asset Allocation Implementation.** UBS-AM will implement the asset allocation described in your IPS on a discretionary basis, including rebalancing the portfolio and making strategic changes to the Account's exposure to various asset classes. While the asset allocation ranges included in your IPS will provide a guide for UBS-AM's asset allocation services, the Account's actual asset allocation may, at any time, vary from the IPS for various reasons, including, but not limited to, fund flows into or out of the Account, market movements, holding certain investments with liquidity restrictions, and asset allocation decisions.
- (b) **Pension Risk Management.** If the Account holds assets of a defined benefit employee retirement plan subject to the provisions of ERISA, UBS-AM will provide pension risk management services utilizing a liability-driven investment (LDI) strategy that incorporates the risk profile of benefit liabilities in the determination of the risk profile of the portfolio assets. Through this process, pension risk management seeks to help manage the volatility of the plan's funding status. As a result, the investments held by and asset allocations implemented for ERISA plan assets may differ significantly from those for non-ERISA assets in the Program.
- (c) **UBS-AM Discretionary Authority.** In providing its services in the OCIO Program, UBS-AM has full discretion to invest the assets in the Account in any mutual funds, exchange-traded funds, exchange-



traded notes, commingled funds, collective trusts, liquid alternative investment funds, and, if permitted by the IPS, privately-offered alternative investment funds (collectively, "Eligible Investments") selected by UBS-AM, subject to any restrictions set forth in your OCIO Agreement or IPS. In connection with such investment discretion, each OCIO Client will be required to appoint UBS-AM as such OCIO Client's agent and attorney-in-fact with complete and unlimited discretionary trading authorization to buy and sell Eligible Investments for the Account in OCIO Client's name and at OCIO Client's risk. Pursuant to such authorization, UBS-AM may, in its sole discretion and at OCIO Client's risk, purchase, sell, exchange, convert and otherwise trade Eligible Investments in the Account, as well as arrange for delivery and payment in connection with the above, and act on behalf of OCIO Client in all other matters necessary for or incidental to the purchase or sale of Eligible Investments for the Account. **In connection with managing the Account, UBS-AM may make and execute any and all documents on behalf of OCIO Client as UBS-AM deems necessary, appropriate or desirable for it to exercise its discretionary authority under the OCIO Agreement, including, without limitation, subscription agreements, partnership agreements and other documents required to invest in an Eligible Investment. In connection with such documents, OCIO Client acknowledges that UBS-AM may, on behalf of OCIO Client, make certain representations and warranties and agree to certain contractual provisions (including indemnification and arbitration provisions) without consulting you. In addition, you agree to provide such additional information as UBS may reasonably request or require to make and execute such documents truthfully, accurately and completely. If you do not provide such information in a timely manner, your Account may be unable to invest or remain invested in certain investments.**

- (d) **Directing Securities Transactions in Your Account.** UBS-FS will provide you with a recommended IPS. Upon your acceptance of the recommended IPS, UBS-FS will open an Account for you. After your Account is accepted for discretionary management by UBS-AM, you can no longer place orders to trade the Account. However, we may accept your instructions for transactions associated with tax planning (i.e., tax gain and loss sales), if your instructions are consistent with UBS-AM's investment strategy for your Account.
- (e) **Implementation.** Initial implementation of an investment strategy that aligns with your IPS and asset allocation and subsequent changes and rebalancing will be completed as promptly as possible but market conditions, illiquid securities, securities with limited subscription and redemption schedules, restricted investments, the availability of funds and orderly purchase and redemption procedures will impact the timing of implementation and subsequent changes and rebalancing. Securities transactions in your Accounts, liquidations, redemptions, rebalancing and other portfolio changes may result in you incurring gains or losses for income tax purposes. Neither UBS-FS, nor UBS-AM, nor any of their employees, nor any of their affiliates provide legal, tax or accounting advice. Please consult with your legal, tax, accounting or other professional advisors regarding such matters.

## **5. Investment in Affiliated Funds**

In connection with the OCIO Program, you consent to UBS-AM causing the Account to invest in portfolios or pooled investment funds managed or sponsored by UBS-AM or its affiliates (each an "Affiliated Fund"). Such Affiliated Funds may include privately-offered alternative investment funds managed by UBS Hedge Fund Solutions LLC (if your IPS permits alternative investments) and collective investment funds managed by UBS Asset Management Trust Company (if your Account holds ERISA plan assets). You will not pay any additional fees or compensation to UBS-AM or its affiliates in connection with such investments, but you will normally bear fund investment and operating expenses associated with such Affiliated Funds. In connection with investments in portfolios or pooled investment funds managed or sponsored by third parties that are unaffiliated with UBS, you will normally bear investment management fees paid to such third parties as well as other fund investment and operating expenses.

## **6. Important Information About Certain Investments**

- (a) **Alternative Investment Funds.** If you adopt an IPS that permits privately-offered alternative investment funds, such as hedge funds, in your asset allocation, you acknowledge that interests of such funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of the funds. Offering documents for privately-offered alternative investment funds purchased for you will be provided to you. You further acknowledge your understanding and acceptance of the following risks regarding investments in alternative investments: alternative investment funds are speculative and involve significant risks, performance may be volatile, and investors may lose all or a substantial amount of their investment in an alternative investments fund, an alternative investment may engage in leveraging and other speculative investment practices that may increase the risk of investment loss. Interests in alternative investments funds typically will be illiquid and no secondary market for interests usually develops, are long-term investments (e.g., 10-15 years), are subject to restrictions on transfer, may suspend redemptions, may not be required to provide periodic pricing or valuation information to investors. In addition, an alternative investment fund may hold back a portion of redemption proceeds to cover accrued expenses, contingencies and liabilities.
- (b) **Funds Exclusive to Advisory Programs/Accounts.** In certain cases, your assets may be invested in certain Affiliated Funds that are alternative investment funds or commingled funds with share classes that have been created for use or are eligible **exclusively** within investment advisory programs or accounts sponsored or managed by UBS and its affiliates. Most of these investments contain restrictions that limit their use exclusively to investment advisory programs or accounts sponsored or managed by UBS, and may be unavailable for purchase or holding outside of such programs or accounts. When you end your participation in the Program for any reason, that termination will result in the **automatic redemption** of such Affiliated Funds held by or on your behalf and may have tax consequences to you. When you authorize UBS-AM to invest in these types of funds, you also agree to the automatic redemption of the investments upon termination of your account and direct us to effect such liquidation. We recommend that you consider the potential impact of such liquidations and restrictions carefully before participating in the Program.
- (c) **Pooled Investment Funds.** Pooled investment funds, such as mutual funds, exchange traded funds, commingled funds and alternative investment funds, are subject to the fees, expenses, terms and conditions contained in the respective prospectus or offering document. UBS-FS will provide you with the prospectus or offering document for these types of investments purchased for the Account. Where UBS-FS receives a 12b-1 fee in connection with the purchase of mutual funds in an Account, such amounts received will be credited directly to your Account. UBS-FS may receive other compensation in connection with the sale of mutual funds in Program Accounts (e.g. processing fees) and these amounts will not be credited to your Account.

## 7. ERISA Plan Assets.

If assets in an OCIO Account are assets of an employee benefit plan subject to the provisions ERISA, OCIO Client will be required to make certain ERISA representations, including, among others, that (i) the plan's governing instruments provide that an "investment manager", as defined in ERISA, may be designated for the plan; (ii) the person executing and delivering the OCIO Agreement is a "named fiduciary", as defined in ERISA, or designated as a named fiduciary pursuant to the procedure described in ERISA, who has the power to appoint an investment manager for the plan and to authorize UBS Asset Management and its affiliates to manage plan assets and to appoint investment managers on behalf of the plan; (iii) the plan's governing instruments authorize the plan to invest in common, collective or group trust funds for commingling assets of participating plans, including assets of retirement plans that are qualified under Section 401(a) of the Internal Revenue Code, as amended, and the instruments governing such common, collective or group trust funds are adopted by the plan; and (iv) the plan is a "Qualified Trust", as defined in the Declaration of Trust of the UBS (US) Group Trust, as amended and/or restated from time to time.

In addition, each of UBS-FS and UBS-AM will acknowledge that it is a fiduciary, as that term is defined under ERISA, with regard to the ERISA plan assets held in the Account and in connection with its services provided under this Agreement. UBS-AM will also represent that it will act as an investment

manager, within the meaning of Section 3(38) of ERISA, with respect to any investment management services that it provides with respect to plan assets. Unless otherwise agreed in writing, UBS-FS and UBS-AM will not be fiduciaries with respect to any other functions, programs or services rendered to you by UBS as well as the services provided by other entities or persons.

UBS-AM may, from time to time, cause the Account to invest in certain pooled investment vehicles whose underlying assets are ERISA plan assets for purposes of ERISA (each a "Plan Asset Fund"). Certain Plan Asset Funds selected by UBS-AM may be Affiliated Funds managed by UBS Asset Management Trust Company ("UBS-AM-TC") and/or, if your IPS permits privately-offered alternative investment funds, UBS Hedge Fund Solutions LLC ("UBS-HFS"). If a Plan Asset Fund is not an Affiliated Fund, OCIO Client authorizes UBS-AM to appoint the investment manager of such Plan Asset Fund as an investment manager for the plan as necessary to comply with ERISA and the rules and regulations thereunder, unless such appointment would result in an ERISA prohibited transaction. If a Plan Asset Fund selected by UBS-AM is managed by UBS-AM-TC, OCIO Client will appoint UBS-AM-TC as the plan's investment manager with respect to OCIO Client's plan assets invested in such Plan Asset Fund and authorize UBS-AM-TC to appoint investment managers (within the meaning of Section 3(38) of ERISA) for such Plan Asset Fund. If a Plan Asset Fund selected by UBS-AM is managed by UBS-HFS, OCIO Client will appoint UBS-HFS as the plan's investment manager with respect to OCIO Client's plan assets invested in such Plan Asset Fund and authorize UBS-HFS to appoint investment managers (within the meaning of Section 3(38) of ERISA) for such Plan Asset Fund.

### Limitations of our Advisory Services

Please note the following limitations on the advisory services described in this Brochure.

- **We do not provide legal, tax or actuarial advice.** We will not be responsible for ensuring that your investment policy statement or plan document complies with ERISA, state or local laws, or other regulations or other requirements that apply to you. That responsibility rests solely with you, and you should consult with your legal and tax advisors regarding those matters.
- **We are not responsible for ensuring:** (1) that your investment policy statement, asset allocation, investment choices and/or your Plan complies with specific legal requirements, including ERISA, federal, state or municipal law, or other regulations, actuarial or other requirements that apply to you, (2) that the your investment managers you select in the IC Program are provided with a copy of your investment policy statement unless you have enrolled in the IC Program on a discretionary basis in which case we will provide your investment managers with your investment policy statement, (3) that your investment manager complies with your investment policy statement or other investment restrictions
- **Ineligible Investments:** Neither UBS-FS, UBS Asset Management nor your Financial Advisor will act as your investment advisor or discretionary manager with respect to Ineligible Investments. Investment restrictions will apply only to those assets over which we or your investment managers have discretion. Since Ineligible Investments are not considered part of the IC or OCIO Services, the inclusion of such securities will impact the actual performance of the advisory assets in your Account

These above responsibilities rest solely with you, and you should consult with your other advisers as needed.

- **SMA Managers:** With regard to SMA Managers you select in the IC Program, we are not responsible for your choice of SMA Manager (in the non-discretionary IC Program), their day-to-day investment decisions, their performance, their compliance with applicable laws, rules or regulations and best execution obligations, or any other matters within the SMA Manager's control.

We reserve the right to refuse to execute any transaction in our program accounts if we reasonably believe that it would violate any applicable law or rule—including the rules of any regulatory agency or self-regulatory organization. We may also refuse to execute any transaction that would be inconsistent with any of our policies and procedures.

- **Model Portfolio Service in the IC Program.**

When discretionary Target Date Model Portfolio Services are provided, you are responsible for selecting the most appropriate target date asset allocation model for your plan. UBS is not responsible for moving plan participants along the glidepath of the Target Date Model you choose for your plan. Generally, the plan recordkeeper is in the best position to move the plan participants along the glidepath. When non-discretionary Risk-Based Model Portfolio Services are provided, you are responsible for the final choice of funds to populate each component of the Model Portfolios which you can then make available to plan participants. Our non-discretionary services do not include ensuring that Model Portfolios can be implemented on the plan recordkeeping platform. UBS may assist in determining the capabilities of your record-keeper; however you are responsible for ensuring that Model Portfolios are implemented, updated and offered to participants in a manner that is consistent with your overall goals and objectives. Performance reporting for the non-discretionary UBS Model Portfolios, including model performance comprised of the fund performance within the model, must be provided by your record keeper. We do not rebalance Model Portfolios used by participants. It is the responsibility of plan participants using the Model Portfolios to elect to rebalance to the extent the record-keeper is able to rebalance.

- **Investment Searches and Third-Party Information:**

- **Search limitations:** While we can conduct our investment searches for an extensive list of investment options, investment managers, and investment strategies, our searches are limited to those available through, or reviewed by, the firm. We do not search for every investment strategy or investment manager available in the industry.
- **Employer Securities:** If the Retirement Plan assets include employer securities, our services do not include a review of the performance nor will we make recommendations regarding whether the Plan should offer or continue to offer employer securities as an investment option under the Plan.
- **Investment Managers Hired and Investments Purchased which are not Identified by UBS:** For our nondiscretionary IC services, the services you select may include asset allocation and performance reporting of investment managers and investments which you retained or purchased without our recommendation. In such cases, we will ask you to acknowledge, in writing, that the manager or investment has not been reviewed or recommended by our Firm.
- **Third-Party Information.** In connection with the provision of our services, we rely on third party information. We can obtain this information from publicly available sources or from your third party custodian or your plan providers.

**Third-Party Providers.** In the provision of IC and OCIO Program Services to our clients, we may engage third-party providers to obtain and process information regarding these relationships. While we believe the information, reports and analyses obtained from external sources and parties is accurate, we do not independently verify or guarantee the information presented or its accuracy.

## Item 5. Account Requirements and Types of Clients

### A. Type of Clients

The Institutional Consulting and OCIO Programs are designed to provide advisory services principally, but not exclusively to, institutional clients such as:

- sponsors of qualified retirement plans,
- corporations,
- endowments and foundations,
- municipalities,
- Taft-Hartley plans,
- religious and charitable organizations

We may also agree to provide Consulting Services to individuals and other client types that meet IC Program requirements.

### B. Requirements for Participation in the IC and OCIO Programs

#### 1. Establishing Your Account at UBS

**Minimum Asset Requirement.** Typically the advisory services described in this Brochure are provided to institutional clients with investable assets in excess of \$10 million, although we may provide Consulting services to clients with less than \$10 million in investable assets under certain conditions. For the OCIO Program, your Account must have at least \$25 million in investable assets to be eligible for privately-offered alternative investments.

**Agreements and Account Documentation.** As a UBS Institutional Consulting or OCIO Program client, you will enter into a written agreement with us.

If you decide to open an IC Account at UBS and for accounts established in the OCIO Program, you will also be required to execute a brokerage agreement. It is important to note that once you open the IC or OCIO Account, that Account will be designated as "advisory" and our obligation to you will be that of an investment adviser instead of a broker-dealer. *See "Conducting Business with UBS: Investment Advisory and Broker Dealer Services."* In addition, if you enter into a discretionary relationship with us in the IC Program, you will also execute a Power of Attorney that will allow us to execute a brokerage agreement and open an IC Account for you, select and terminate selected investment managers, and place transactions in IC Eligible Investments for your IC Account.

#### Confirmation of Your Account Record

If we are custodian for your assets, after a new account is opened or whenever your investment objectives or risk tolerance is updated, we confirm your personal information and/or responses to the Questionnaire to verify that our records are correct. Please review those materials carefully and report any discrepancies to your Financial Advisor as soon as possible. Updates to existing accounts are reflected in your next account statement. Information for new accounts is confirmed and sent promptly after account acceptance. It is your responsibility to inform us of any material changes in your objectives, financial condition or other changes that could affect how your Program Assets are being invested.

You are responsible for providing us with your current address. If we are unable to contact you by mail, we will be required to terminate your account from the program. Upon termination, the assets will continue to be invested in the existing positions when permissible given the nature of the

securities, and will be held in a brokerage account. Your Advisory agreement with us no longer applies. Any securities that cannot be held in a brokerage account will be liquidated.

In certain cases, the Advisory and consulting services available in our programs may be provided by Financial Advisors that are registered with companies that are affiliated with us.

### **Ownership of Securities and Investment Discretion**

You are the beneficial owner of all securities in your accounts and, you retain all rights related to the ownership of those securities including trading authority and proxy voting. Please note that securities transactions in your account(s), liquidations, redemptions, rebalancing and other portfolio changes may result in you incurring gains or losses for income tax purposes. Neither UBS Financial Services Inc. nor its employees provide legal or tax advice. Please consult with your legal and tax advisors regarding this matter.

You may designate your investment manager(s) in the IC Program and UBS Asset Management in the OCIO Program to receive and vote proxy and related materials for securities they manage on your behalf and held in your Account. **You may change your preference at any time by notifying us in writing. See "Proxy Voting, Corporate Actions and Other Related Events"**

### **Custody:**

UBS Financial Services Inc. is a qualified custodian and has custody of client funds and securities.

Clients electing to utilize the IC Account and those participating in the OCIO Program are required to custody their account assets with UBS-FS. UBS Asset Management does not take custody of client assets in the OCIO Program,

**For assets custodied at another financial institution subject to an IC Program Services Agreement, you understand that you will be incurring additional costs in excess of any program fees (for example, custody and trading costs). Certain legacy clients have elected to enter into delivery versus payment ("DVP") arrangements where some or all of their IC Program assets are custodied at other financial institutions who meet the definition of a qualified custodian. For legacy DVP arrangements, we provide the client with periodic account statements reflecting DVP transactions which we suggest be compared to the statements they receive from their custodian. Also, billing for any of your accounts held at another financial institution for these costs, including the accurate processing of rebates if applicable, is the responsibility of your custodian.**

If you do not custody your advisory account assets with us, you agree to use only a qualified custodian that is a bank, a U.S. registered broker-dealer, a futures commission merchant or a foreign financial institution. This custodian must meet the definition of a "qualified custodian" that is established in Rule 206(4)-3(c)(3) under the Investment Advisers Act of 1940.

We will send you periodic account statements for Accounts custodied at UBS reflecting the transactions in your account.

**Information Provided.** In providing advisory services to you, we rely on the information you provide to us. This means that:

- It is your responsibility to provide us with all material and pertinent information regarding investment objectives, risk tolerance, asset allocation, and the historical performance of your investments, income and liquidity requirements as well as any other relevant matters that we may request from time to time.

- We will rely on the information you provide without further verification. You should notify us promptly of any material changes in your financial condition, risk tolerance, needs or objectives.
- You should notify us promptly of any material changes in the financial condition, risk tolerance, needs or investment objectives, or reasonable investment restrictions you wish to impose so we can work with you to update your investment policy statement to reflect these changes. These changes may also impact our advisory services and ongoing advice or the manner in which your assets are invested.

**Your Responsibilities:** For non-discretionary advisory services, it is your responsibility to determine if, and how, the advice and suggestions we provide to you 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 legal counsel
- consult with your accountant or tax professional regarding the legal or tax implications of a particular recommendation, strategy or investment, **before you invest or implement a particular strategy.**

You should also understand that the non-discretionary UBS Institutional Consulting service is not a portfolio management program. Neither we nor your UBS Institutional Consultant:

- manage your assets or exercise any investment discretion or control over your account.
- assume any responsibility nor are we liable for the conduct or investment performance, either historical or prospective, of any investment manager, mutual fund, alternative investment, other managed investments, ETF or ETN identified in an investment search.

You should also understand that UBS does not provide any legal, tax, accounting or actuarial advice to you or prepare any legal, accounting or actuarial document.

**You are not required to establish accounts, purchase products that we distribute or otherwise transact business with UBS Financial Services or any of our affiliates to implement any of the suggestions made in connection with the non-discretionary IC Program services we provide.**

## **2. Funding Your Account at UBS; Eligible and Ineligible Assets**

### **a. Funding Your OCIO Account**

You may fund your OCIO Account **only** by depositing cash and/or securities designated as "Eligible Funding Securities" by UBS. Eligible Funding Securities consist of mutual funds, money market funds, exchange traded funds, common stocks listed on a U.S. exchange, U.S. fixed income securities and preferred stocks where a liquid market for trading exists. If a security is not designated as an "Eligible Funding Security", then that security must be converted to cash before it can be deposited in your Account. Accounts may not be funded with UBS equity or debt securities.

Class A shares and Class C shares (that are not subject to a contingent deferred sales charge and are otherwise Eligible) of mutual funds used to fund the Account will be automatically converted, on a tax-free exchange basis (subject to availability of that service by the mutual fund sponsor), to the new share class available for the relevant fund. By executing the Application and Agreement you authorize UBS to make these exchanges on your behalf.

If you fund your OCIO Account through the transfer of securities, you authorize and direct UBS-AM to liquidate those securities on your behalf and to allocate the proceeds in accordance with your investment policy statement and asset allocation agreed upon for the Account. We will not advise you regarding the liquidation of these securities. UBS-FS will execute those transactions free of commission charges, but,

depending on the type of security involved, those liquidations may result in you incurring redemption charges, taxable gains or losses, and other possible tax consequences. UBS and its affiliates do not provide legal, tax or accounting advice, so you are responsible for reviewing the potential legal, tax and accounting consequences of these liquidations with your legal, tax, accounting and other professional advisors before funding the Account with securities.

When liquidating Eligible Funding Securities for purposes of establishing your Account, UBS-FS will be acting as your broker, not your investment adviser. Liquidations will occur promptly at prevailing market prices after you fund your Account. UBS is not responsible for the liquidations and any consequences if we are not informed by you of existing Account portfolios or other security holdings, the overall effect of liquidations on your portfolio, or the loss of potential gains due to movements in the market prices or changes in market conditions.

If you attempt to fund an Account with ineligible securities, we will request that you remove those securities from the Account, liquidate those securities **outside of UBS** and fund the Account with the proceeds of the liquidation. If you choose not to remove the ineligible securities from the Account UBS reserves the right to terminate this Agreement.

Securities that are ineligible for the Programs should be transferred to a brokerage account. If immediately prior to funding an Account, you choose to liquidate eligible and/or ineligible securities to fund an Account with the cash proceeds, those liquidations will not be subject to commission charges, or if charged, commissions will be reversed.

#### b. Funding Your IC Account

If you fund your IC Account with investment managers, IC Eligible investments and/or alternative investment funds which are not offered by the Firm and/or for which the Firm has not conducted due diligence or has not otherwise reviewed, we will sell or redeem those investments within a reasonable time frame or, in the case of alternative investments, when full redemption can occur. With respect to such investments, we will not assume any fiduciary duty during the time you hold these investments or in the course of effecting their sale and/or redemption. Until such time as those investments can be sold or redeemed, the value of such investments will be included in your asset allocation and performance report and in the calculation of the IC Program fee, described below.

#### **Impact of Ineligible Assets in Your Accounts:**

Neither UBS-FS, UBS Asset Management nor your Financial Advisor will act as your investment advisor or discretionary manager with respect to Ineligible Investments. Investment restrictions will apply only to those assets over which we or your investment managers have discretion. Since Ineligible Investments are not considered part of the IC or OCIO Services, the inclusion of such securities will impact the actual performance of the advisory assets in your Account.

#### **Classification and Availability of Investments and SMA Managers**

We categorize all eligible SMA Managers, mutual funds, ETFs, and other pooled investment vehicles into asset categories. These categories are defined by UBS. We may add or remove asset categories at any time. We also may change an investment's asset category, based on various factors, including for example, a mutual fund's portfolio holdings. In assigning each mutual fund to an asset category, we may rely solely on third-party vendors or on the fund's prospectus and other information that is publicly available or provided to us by the fund's agents.

In the event of these changes, you will be required to accept such changes to the Advisory program, investment, and/or the funds. If you choose not to accept such changes, you will no longer be eligible to participate in the Advisory program.



There can be no assurance that any of the investments that are available or eligible in our Advisory programs will always remain available for purchase through the program. We may add or remove securities or issuers at any time, or an issuer or sponsor may stop offering its securities through or participating in the program. Depending on the circumstances, those investments may be sold, transferred to a brokerage account or registered directly in your name with the issuer's transfer agent. This may result in additional costs or be a taxable event for you.

### **Mutual Fund Share Classes Available in the Programs; Share Class Conversion.**

Mutual funds available for purchase through IC and OCIO Accounts include, as appropriate affiliated and non-affiliated mutual funds. We will provide you with mutual fund prospectuses and other fund information as you may reasonably request to assist you in completing appropriate forms for purchases, redemptions, account designations, address changes and other transactions involving these investments.

Generally, Class A shares of mutual funds will be available and are sold on a no-load or load-waived basis (i.e., no upfront sales charge). In addition to offering no-load or load-waived Class A shares, we offer institutional, advisor or fee-based share classes (where available), either as "hold only" investments or for additional purchases for some or all of the funds available in our Advisory programs. Currently, certain fee-based share classes are only available as "hold only" investments. As with the no-load or load-waived Class A Shares, these share classes do not impose a sales charge at the time of purchase.

**Mutual Fund Share Class Conversion:** Institutional and/or Advisory share classes are the primary eligible share classes available for purchase (the "Share Class Conversion") in IC and OCIO Accounts, with the exception of offshore mutual funds and IC Commission Accounts.

**Class A Shares:** Class A shares held or transferred to IC and OCIO Accounts will be converted on a tax-free basis to the Institutional or Advisory share class. Institutional and Advisory share classes do not pay a 12b-1 distribution fee. Certain Class A shares may continue to be eligible for purchase for mutual funds that do not offer an eligible Institutional or Advisory share class. After the completion of the Share Class Conversion, Clients will continue to receive a credit of 12b-1 fees for Class A shares held in IC and OCIO Accounts.

**Class C Shares:** We will convert Class C shares that you hold in your IC and OCIO Accounts so long as those shares are not subject to a contingent deferred sales charge ("CDSC"). Class C shares subject to a CDSC at the time of the Share Class Conversion will be reviewed each calendar quarter to determine if they are subject to a CDSC. To the extent Class C shares are no longer subject to a CDSC, they will be converted to Institutional/Advisory share classes as applicable.

**Class A Shares used for Funding Accounts:** Class A shares and Class C shares (that are not subject to a contingent deferred sales charge) that are used to fund IC or OCIO Accounts will be converted monthly, on a tax-free exchange basis, if possible to the new share class available for the relevant fund. Conversion will be reflected on quarterly Account statements.

**Hold Only:** If you hold Institutional Shares in your Account and the Advisory share class becomes the share class eligible for purchase after the Share Class Conversion, your Institutional shares will become "hold only". That means you may sell but you cannot add to those positions in the IC Accounts.

**Transferring Mutual Funds Shares into Your Accounts.** We may accept the transfer of certain assets and shares of mutual funds purchased outside of an Account at UBS or at other financial institutions into an Account. Assets transferred into an Account are referred to as "Transferred Assets." Transferred Assets may have been assessed a sales load, sales charge or distribution fees previously

and, once transferred, will be included in the calculation of the Program Fee based on the value of those assets except in certain instances.

If your Transferred Assets were assessed a front-end sales load and were purchased in a UBS brokerage account, those assets will not be included in the Program Fee until 12 months have elapsed from the date of initial purchase.

Transferred Assets purchased at other financial institutions will be included in the calculation of the Program Fee. Because the exception is not available for assets and mutual fund shares purchased at another financial institution, the overall cost to you of transferring these assets into an Account may be higher for assets you purchased within 12 months at another financial institution. Please review the costs carefully before making a decision to transfer assets into an Account. You will now incur the Program Fee on mutual fund shares held in your Accounts, in addition to the operating fees and expenses applicable to mutual funds.

### **3. Investment Restrictions**

You may request reasonable investment restrictions on the management of your IC Discretionary Account or OCIO Program Account by indicating such restrictions in your IPS.

UBS Asset Management and UBS-FS will review proposed restrictions and may reject an Account if they determine that the proposed restrictions are not reasonable or appropriate for the Program.

You understand that restrictions may cause the Account's holdings to differ from those of clients with similar investment policies and may result in different performance from accounts without investment restrictions, and performance may be lower. Investment restrictions will apply only to those assets over which UBS-AM has discretion in the OCIO Program and for which UBS-FS has discretion in the IC Program.

Investment restrictions are not applicable to, and may not be imposed on, "ineligible" assets you may hold in the Account. Restrictions on Accounts will not flow through to the underlying securities owned by pooled investment vehicles such as mutual funds, exchange-traded funds, exchange-traded notes, commingled funds, and alternative investment funds.

To comply with your investment restrictions, we obtain and rely on information about company and industry classifications, credit ratings and industry groupings from third parties. The category restrictions we offer may be overly or less inclusive, depending on the methodology used by the third parties to define the categories. Although we believe this information to be reliable, we do not independently verify or guarantee its accuracy. The change of the classification of a company, the grouping of an industry or the credit rating of a security may force UBS-FS or UBS-AM, as applicable given your Program selection, to sell securities in a client's account at an inopportune time, possibly causing a taxable event to the client. In addition, due to corporate actions at an issuer, including but not limited to mergers, spin-offs and other types of reorganizations, new securities may be issued and/or certain securities will no longer exist following the corporate action and we may or may not restrict the security owned following a corporate action depending on the classification of those securities by the vendor.

### **4. Performance Reporting for Your Account**

We will provide you with a quarterly performance review once your Account is enrolled in our Program for one full calendar quarter, and for each quarter thereafter. The performance review summarizes the performance of your Account during the preceding quarter as well as historical periods, if applicable. We use our best efforts to ensure timely delivery of these reports, but reserve the right to delay delivery to ensure accuracy and completeness. You are responsible for reviewing these materials and reporting any discrepancies to your Financial Advisor as soon as possible.

Please see “Portfolio Management Selection and Evaluation—Performance Reviews of SMA Managers, Portfolio Managers and Financial Advisors in our Advisory Programs” for a description of our performance evaluation process and our selection of indices in the various Programs.

Your account may be part of a consulting program in which you pay a separate fee for portfolio-wide performance analysis (e.g., UBS Institutional Consulting Program). If the UBS Performance and Reporting Group prepares a consolidated performance report for the accounts in your UBS Institutional Consulting relationship, you may not receive the performance review for your individual ACCESS or other Advisory program accounts. Instead, you will receive a portfolio review according to the guidelines you established under your UBS Institutional Consulting Program agreement. This option to suppress the performance reports for your individual Advisory Accounts and to have a tailored performance review is only available when your UBS Institutional Consulting Program consolidated reviews are prepared by our UBS Performance and Reporting Group.

**Impact of non-researched and ineligible assets on performance reporting:** Since ineligible assets are not considered Advisory assets, the inclusion of such securities will impact the actual performance of the Advisory assets in your account and, therefore, while we may include non-researched investments in performance reporting at your request, ineligible asset types will be excluded from performance reporting.

## **5. Trade Confirmations and Account Statements**

We will send trade confirmations and monthly account statements in any month in which there is activity in your UBS account.

To the extent permitted by applicable law and regulation, you may elect to have all trade confirmation information for trades placed by your investment manager(s) provided to you on your UBS account statement. Doing so will waive your right to receive immediate trade confirmations for transactions directed by your investment manager(s). You are not required to select this option in order to receive or continue to receive consulting services. In addition, you will not pay any additional fee for your election. You may change this instruction at any time by giving UBS Financial Services Inc. written notice.

## **6. Proxy Voting, Corporate Actions and Other Related Events**

**Proxy Voting for IC Accounts:** You expressly retain the right and obligations to vote any proxies or corporate actions, like tender offers, relating to mutual funds, exchange traded funds or alternative investment funds held in your IC Account. Neither your Financial Advisor nor UBS will exercise voting discretion or have input regarding voting decisions made by you with respect to these securities.

By executing the IC Program Services Agreement, you designate any investment manager(s) retained to receive and vote all proxy and related materials for securities held in the IC Account they manage on your behalf. Your investment manager will also vote on corporate actions, like tender offers. You may change or cancel these instructions at any time by giving us prior written notice. UBS and its Financial Advisors do not have any responsibility for taking action or rendering advice with respect to the voting of proxies or corporate actions related to securities held in an IC Account managed on your behalf by an investment manager. Our obligations with respect to any such proxy or corporate action solicitation are limited exclusively to forwarding, within a reasonable period of time, to your investment manager any materials or other information received by us with respect to such solicitation.

Neither UBS, your investment manager nor your Financial Advisor will vote proxies concerning, provide advice with respect to, or respond to correspondence relating to, legal proceedings, including bankruptcies and class actions, involving an issuer whose equity or debt securities are held in your IC Account, even if you delegated proxy voting authority to your investment manager.

Your proxy related preferences for IC Accounts do **not** apply to legal proceedings, including bankruptcies and class actions, relating to securities in an IC Accounts, or their issuers, except to the extent required by law.

**Proxy Voting for OCIO Accounts:** By executing the OCIO Agreement, you will designate UBS-AM to receive and vote, except to the extent otherwise prohibited by law, all proxies and related materials for any Investment held in the Account. When you delegate proxy voting authority to UBS-AM, UBS-AM will vote on matters requiring a proxy vote for the Investments held in the Account. UBS-AM will also vote on other corporate actions, like tender offers, which do not require a proxy or are not solicited via proxy. Class action lawsuits, legal proceedings and bankruptcy proceedings involving an issuer whose equity or debt securities are held in the Account will be OCIO Client's responsibility even in instances in which OCIO Client has delegated proxy voting authority to UBS-AM. Correspondence with respect to such lawsuits will be mailed directly to OCIO Client. UBS will **not be** authorized to respond to such correspondence.

**You may change or cancel these instructions at any time by giving UBS prior written notice and such instruction shall become effective when accepted by UBS-AM.** Copies of UBS-AM's proxy voting policies and procedures are available to you upon your request. You may also request specific information as to how proxies for your securities were voted. Some of the information, format, and period covered by the proxy reports will vary depending on the individual investment manager's policies and procedures.

Neither UBS-FS nor any of its employees are involved in, or vote proxies for the Investments in your Account.

**Proxy Voting in our Capacity as a Broker-Dealer:** Except for ERISA Plans and Individual Retirement Accounts, if we forward proxy materials to you or your investment manager, as applicable, but we do not receive voting instructions from you (or from your investment manager) within the designated time frame, we will, in our capacity as a broker-dealer vote these uninstructed shares in proportion to the voting instructions we have received from our brokerage retail clients on "routine" ballot items under the rules of the New York Stock Exchange, or as otherwise permitted under such rules. We may in some circumstances decide not to vote the uninstructed shares, however, upon request from an issuer or other party in order to permit the issuer to reach a quorum, or where casting a vote as described above would have the unintended consequence of impacting the voting results on "non-routine" ballot items.

## **7. Electronic Delivery of Documents**

To the extent permissible by applicable law, we may, with your prior consent, deliver trade confirmations, Form ADV Disclosure brochures, performance monitors, prospectuses, offering documents and other documents and notices related to your accounts, trades and relationship with us via electronic format. UBS offers certain communications through electronic delivery. Examples include: statements, trade confirmations and notices; shareholder communications, including fund reports, prospectuses and proxies; all account documents related to Investment Advisory Accounts and fee-based financial planning services; quarterly performance reports; tax reporting documents; Client and account information documents; other firm documents that may be available now or in the future.

Documents related to Advisory Accounts will be delivered electronically when you enroll in electronic delivery of Shareholder Communications. The documents related to Investment Advisory Accounts include Form ADV disclosure brochures, manager profiles, asset allocations, performance reports, and other disclosures, reports and notices related to advisory accounts. These reports and notices contain information relating to your accounts and investments, such as account attributes, account profile, investment elections and preferences, investment strategy and fees. We may deliver documents relating to Investment Advisory Accounts as a link to a UBS website or as an attachment to an email. When sending attachments to emails, for your protection, we will exclude and/or mask certain personal information such as name, address, and account number. We may also include important notices, disclosures and updates relating to your investment Advisory Accounts in or with your monthly account statements or quarterly performance reports.

By signing the Advisory Relationship Agreement you confirm that 1) your Electronic Delivery elections apply to your Investment Advisory Accounts, and 2) your enrollment in electronic delivery of Shareholder Communications authorizes UBS Financial Services Inc. to electronically deliver all reports, disclosures and notices related to your Investment Advisory accounts. Based on that authority, we will automatically enroll you in electronic delivery for your Investment Advisory accounts if you select the electronic delivery of Shareholder Communication option in your brokerage account agreement. **If you are enrolled in UBS Online Services, you may change your delivery preferences at any time by logging into UBS Online Services at: <http://www.ubs.com/edelivery>. You may also change your delivery preferences by contacting your Financial Advisor.**

Mutual Fund Prospectus(es): When a new prospectus is available, we will send you an e-mail notification to the e-mail address you have provided to us. The e-mail will include a link that will take you directly to where the prospectus can be viewed and downloaded. Prospectuses contain important information regarding your investments. We recommend that you read them carefully and consider investment objectives, risks, charges and expenses before investing, and maintain them in your files for future reference. If you have any questions, please contact your Financial Advisor. If your e-mail address becomes outdated or we receive messages that a prospectus sent to you is not deliverable to the e-mail address you provided, we will send the document to you via regular mail.

## **8. Cash Balances in your Advisory Accounts**

Generally, some portion of your advisory account will be held in cash, cash equivalents or money market mutual funds as part of an overall investment strategy. You should consider the following in connection with the investment vehicles into which such cash is "swept":

- UBS Proprietary Investments: When permitted by law, available cash in your advisory account is swept into UBS money market funds for which we or our affiliates receive compensation for services in addition to the Program Fees you pay us. Please see *"Participation or Interest in Client Transactions -- Additional sources of compensation - Affiliated Money Market Funds available as sweep vehicles in Advisory Accounts"* for a description of the Advisory fees that we and our affiliate receive from the money market funds.
- If you close your advisory account, we will sell the assets held in certain money market funds. Please see section *"Closing Your Advisory Accounts; Terminating Your Agreement – Automatic Liquidation of Certain Assets at Account Termination"* for details.
- When your advisory account is closed, it becomes a brokerage account and is subject to the terms and conditions of your brokerage account agreement. The sweep options in Advisory and brokerage accounts are different and depending on the circumstances, may yield significantly different rates of return on the free cash in your brokerage account. The resulting change in sweep vehicles may result in additional compensation to UBS, its Financial Advisors and UBS affiliates. The sweep options for the cash held in brokerage accounts are defined in the brokerage account agreement.
- Your Program Fee applies to the cash and cash equivalents in your account, including cash that is swept into the various sweep funds or International Deposit Accounts (IDAs). Certain programs may limit the amount of cash that is subject to the Program Fee. Please see section *"Billing Practices – Billing on Cash and Cash Equivalents in Your Strategic Advisor, UBS Managed Portfolio and PACE Accounts"* for details.
- If you hold high levels of cash, please note that you may hold cash in a brokerage account without incurring the Program fee.

- **Domestic accounts.** We will automatically invest cash balances in your Advisory accounts in UBS money market mutual funds including, as permitted by law, those affiliated with UBS for which we or our affiliates receive compensation for services in addition to the Program fees you pay us.
- **Retirement accounts.** For certain programs, cash balances in accounts subject to ERISA or IRAs may also be invested (as defined below in "Applicable Limits Per Account"), in funds serviced by UBS or our affiliates. Our compensation from these funds will be limited to reimbursement of our direct costs and expenses for providing services to the funds, excluding overhead costs or profits. All fees and reimbursements for direct costs and expenses paid to us by a fund are in addition to the fees you pay us.
- **Sweep vehicle for NRA clients – International Deposit Account (IDA).** Cash held in Program accounts of clients who are non-resident aliens (NRA) of the U.S is automatically swept into a demand deposit account at the New York Branch of UBS AG (UBS NY), from which the cash is then swept and re-deposited each business day into an interest-bearing overnight deposit account (or IDA) at the Cayman Islands Branch of UBS AG (UBS Cayman). The cash swept from the UBS NY account becomes payable only at the UBS Cayman account, and not at the UBS NY account, and is thus temporarily exposed to the sovereign risk of the Cayman Islands. **Funds on deposit in the accounts at UBS NY and UBS Cayman are not eligible for federal deposit insurance from the Federal Deposit Insurance Corporation (FDIC).** For more detailed information on the IDA for NRA clients, please see the International Deposit Account Sweep Program Disclosure Statement.

For more information about these funds and sweep options please contact your Financial Advisor for a copy of the prospectuses. If your sweep option changes as a result of your Advisory selection, the prospectus will be sent to you as part of your welcome package when we confirm that your account has been accepted.

Other sweep options may be available, and you should discuss your options with your Financial Advisor. We offer a sweep feature for your Account as a service to you. We may change or discontinue the sweep feature, programs or specific sweep options at any time in our sole discretion. We will notify you of material changes to this account feature.

### C. Billing Practices

The billing process described below is subject to change upon prior written notice to you.

**Valuation.** If UBS is your custodian, we rely on third party quotation services to determine the value of Eligible IC Investments in your UBS accounts. If a price is unavailable or believed to be unreliable, we may determine the price in good faith and may use other sources such as the last recorded transaction. When securities are held at another custodian or program provider, we will rely on the last reported value provided by that custodian or program provider. We do not review or verify the valuation information provided to us.

If your investment strategy includes mutual funds, shares of UBS mutual funds will be valued at their respective net asset values on the valuation date calculated in accordance with the fund's current prospectus. Shares of non-affiliated funds will be valued at their net asset values on the valuation date as provided by pricing sources we believe to be reliable. This pricing information may not be accurate, complete or provided in a timely manner. If the net asset value for particular shares is not available for the valuation date, the most recent available net asset value will be used. The valuation for certain alternative investments may not be provided to us in a timely manner, resulting in valuations that are not current in your statements and Performance Reviews.

We will generally rely on the value provided by you (through your custodial statement), the custodian or issuer of that security, when (i) securities are held at another custodian and security-specific detail is not provided to UBS to value them; (ii) investments you hold in your accounts are not available through UBS or that our systems do not recognize.

### **Calculation of Fees**

- For assets custodied at another financial institution, fees will generally be billed in arrears at the beginning of the current quarter. . Your initial fee will be pro-rated to cover the period your agreement is in effect through the end of the current calendar quarter. For asset based fees, the fee will be calculated based on the value of the eligible assets (including cash and assets for which UBS has not performed a review or due diligence) at the end of the preceding quarter or if not available the last reported value provided by your custodian.
- For assets custodied at UBS in an IC Account, fees will be billed in advance and your initial fee will be due in full as soon as your IC Program Services Agreement is effective or as otherwise agreed to by us. The fee will be calculated on the value of the eligible assets (including assets for which UBS has not performed a review or due diligence) on that date, pro-rated to cover the period your agreement is in effect through the end of the current calendar quarter. Thereafter the fee will be based on the value of your investments, including if applicable the value of accrued interest, dividends, cash and margin loans, on the last business day of each calendar quarter and billed in advance for the next calendar quarter.
- For OCIO Accounts, notwithstanding execution and acceptance of the Program Agreement by all parties, UBS-AM reserves the right to approve or reject individual accounts if, in its opinion, the selected asset allocation, IPS, investment restrictions or other preferences are inconsistent with the services offered in the Program or would otherwise interfere with its ability to manage the Account on a discretionary basis. We will notify you in writing if your Account is not accepted in the Program and no fees will be charged to your Account for the non-discretionary consulting services provided by UBS-FS. Fees for OCIO Accounts will be imposed commencing acceptance of the Account by UBS-AM. Fees will be assessed and calculated as described above.
- Asset based fees are calculated based on the number of days in the calendar quarter [i.e.  $\text{Annual Fee}/365 \times (\text{number of days in the quarter})$ ].
- Generally flat fees are calculated by dividing the annual flat fee into four quarterly payments and in some situations, the flat fee may be calculated based on the number of days in the calendar quarter.

The following assets are not subject to either our IC Program Services Agreement or our OCIO Program Services Agreement and therefore will be excluded from the asset value for purposes of calculating our fees:

- the value of the employer securities
- individual stocks, bonds and other securities held in a brokerage account
- for ERISA clients only: (i) the value of UBS affiliate/proprietary investments purchased prior to our engagement; (ii) the value of outstanding participant loans; and (iii) the value of self-directed brokerage accounts

Clients not subject to ERISA may decide to implement the results of investment searches performed by UBS-IC through the UBS ACCESS program, and these assets will receive UBS-IC services to the extent not provided through ACCESS. You will not pay a separate UBS-IC fee for such assets and instead the assets are subject to the terms, conditions and fees of the ACCESS program which may differ from those of UBS- IC.

If you invest all or a portion of your assets through another investment advisory program offered by UBS (i.e., Managed Account Consulting (MAC), Strategic Advisor, Portfolio Management Program (PMP), PACE, SWP, etc.), these Firm programs are separate and distinct from UBS-IC and assets included in these programs will not be included in the assets upon which Institutional Consulting services will be performed or fees billed. You will be charged a separate fee for these other programs, which may be greater or lesser than the fee you pay for UBS-IC services, and the terms and conditions of the respective contracts and disclosure statements for these other programs will be applicable.

### **Payment of Fees**

The fee is payable as described in the Program Agreement even if you decide not to implement or follow the investment advice we provide to you. Generally, unless specified to the contrary, for asset-based fees, the initial fee is due in full on the day you open your account at UBS and is based on the market value of the account on that date. The initial fee payment covers the period from the opening date through the last business day of the current quarter or the next full calendar quarter and is prorated as described in the preceding section *"Calculation of Fees"*. Thereafter, the fee is paid quarterly in advance based on the account's market value on the last business day of the previous calendar quarter and is due the following business day. Unless the client elects to hold assets in custody at a third-party custodian, the Client Agreement authorizes UBS to deduct fees when due from the assets in the account. If client elects a third party custodian, the client has the option of paying us directly or we can bill the custodian. Unless stated otherwise, generally for hard dollar fees, fees will be payable in advance.

**Debiting Program Fees.** For assets custodied at UBS, Program Fees are debited from your Program Account unless you have designated another one of your eligible UBS accounts to pay the Program fee. For an IC Account subject to an IC Program Discretionary Services Agreement, the investment manager(s)'s fee will also be paid from your IC Account. The Program Fee for OCIO Accounts includes the fee payable to UBS Asset Management. Payment of your Program Fee (and investment manager fees if a discretionary IC Account or OCIO Account) will be reflected on your monthly account statement. If you direct us to automatically debit your Program fees from another UBS account, at the time billing is processed, we will confirm that your other UBS account has sufficient funds to cover your Program Fee. If that account does not have sufficient funds, we will directly debit the Program Account.

**Invoicing Program Fees.** Qualified employee benefit plans may choose to be invoiced for the Program fee by directing us to do so in the Program Services Agreement. Payment will be due within thirty (30) days of the mailing of the invoice. If the fee is not received within thirty (30) days, the account may be debited.

Plan fiduciaries for defined contribution plans may be able to direct the plan provider to automatically calculate and pay our fees from the assets of, or generated by, the plan. We will not bill the custodian or program provider directly for our fees. In those situations in which your program provider automatically calculates and remits the program fees to us, we will provide you with an annual statement, rather than an invoice, with details on the amount of fees we have received. We will not independently verify the calculations made by the plan provider.



**For clients with an IC and OCIO Account and Accounts in other UBS Wrap Fee Programs: Relating Accounts for Billing Purposes.** You may choose to have your IC and OCIO Account related to other eligible advisory accounts for the purposes of taking these assets into consideration in order to calculate the fees that are directly debited from both your IC Accounts and such other eligible advisory accounts. Relating the IC/OCIO Account and other eligible advisory accounts held at UBS for billing purposes can provide the opportunity for price reductions at certain breakpoints for those other advisory accounts. Please contact your Financial Advisor for more information on the definition of eligible accounts and the forms needed to choose this billing option. Retirement accounts may not be linked where a prohibited transaction under ERISA or the Internal Revenue Code may result. Accounts may only be related for billing purposes if specifically agreed to in writing between you and UBS.

**Paying your IC Program Fees through Mutual Fund Compensation Offsets.** With respect to an IC Account, where the Firm receives 12b-1 fees, (including on an exception basis finders fees), such amounts will be deposited into your IC Account which in effect will reduce your Program Fee. If a credit remains in your account at the time of billing, it will be subject to the Program Fee.

If you elect to implement the results of investment searches performed as part of non-discretionary Institutional Consulting and hold mutual funds at another financial institution, you may also elect to pay some or all of your IC Program fee through 12b-1 fees received by UBS. Where UBS receives a 12b-1 fee in connection with your mutual funds held away, such amounts will be used as a fee off-set on a dollar for dollar basis. Effective April 1, 2014, this option is no longer available for new defined contribution plan clients and such clients will not name UBS as broker of record.

If the annual IC Program fee has been fully satisfied through such mutual fund compensation, additional amounts received by the Firm will be paid to you as a credit against fees paid in prior years. If the amount of your fee is greater than the credit for mutual fund compensation, you will be billed for the difference. The bill must be paid within thirty (30) days of receipt.

We no longer accept new IC Program clients where brokerage commissions are used to offset our institutional consulting fee.

#### **Refund of Fee Paid**

Clients may terminate the Program Services Agreement and receive a full refund of fees paid by contacting their Financial Advisor within five (5) business days from the date the Agreement is accepted by us. After that period, if you terminate your Program Services Agreement, any fees billed in advance will be refunded to you on a pro-rata basis.

#### **D. Trading, Execution and Custody Practices Applicable to IC Accounts**

The following provides a general summary of our trading, execution and custody practices of accounts in the OCIO Program and IC Program Accounts custodied at UBS.

##### **Execution of transactions for your account**

You should note that in order to comply with principal trade restrictions, orders for most of our Advisory clients are routed for agency execution. Where permissible by applicable law, and after complying with applicable regulatory requirements, we may route orders for our Advisory clients for execution as principal.

If your account is managed by a third-party investment manager, your manager is solely responsible for meeting its best execution obligations to you, and you should review carefully the manager's trading for your account, UBS does not analyze or evaluate whether your manager is meeting its best execution obligations on trades executed for your account.

All trading in your Accounts is at your risk. Accounts are subject to a variety of market and other risks, including illiquidity and volatility. Investment performance of any kind can never be and is not guaranteed—nor is past performance an indicator of future results. In executing transactions for your Accounts, we will not be liable for losses caused directly or indirectly by government restrictions, exchange controls, exchange or market rulings, suspension of trading, acts of war, strikes or other conditions beyond our control, including but not limited to, extreme market volatility or trading volumes.

UBS uses automated systems to route and execute orders for the purchase and sale of securities for all Advisory accounts, unless you direct us otherwise. Generally, an order is routed to an execution center that we believe will provide the best execution. Certain large orders that may require special handling may be routed to a market center for execution via the telephone or in the case of large ETF orders, an Authorized Participant for that ETF. UBS regularly monitors existing and potential execution venues and may route orders in exchange listed or OTC securities to other venues if we believe that such routing is consistent with best execution principles. . Additionally, third party investment managers in meeting their requirements around best executions may determine that this can only be achieved by executing order flow for UBS managed accounts away from UBS trading platform, and then having the executing broker "Step Out" the transactions to UBS for clearance & settlement purposes.

In determining the best way to execute an order for a client, (for non-step out flow) we evaluate the following:

- The speed and certainty of execution
- The price and size improvement
- The overall execution quality

#### **Exchange-listed securities, NASDAQ and OTC securities**

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. These orders will be executed by UBS Securities LLC as principal when there is an opportunity for execution at a price equal to or superior to the price quoted on the primary exchange. If that is not the case, the order will be routed immediately to a different execution center or an unaffiliated execution center for execution. UBS Securities LLC may have a profit or loss when executing orders as principal. For orders requiring agency execution, UBS Securities LLC routes the orders to a primary exchange or an unaffiliated market maker for execution. In some instances, however, for certain securities, we place OTC orders directly with unaffiliated market makers for execution. All routing decisions are in accordance with the principles of best execution.

If we (or another investment manager managing the portfolio) execute securities transactions through other broker-dealers, we may choose brokers who provide us with research services if the commissions charged by these broker-dealers are reasonable in relation to the value of the brokerage and/or research services. We do not try to place a specific dollar value on the research or brokerage services of any broker-dealer or to allocate the relative costs or benefits of research, because we believe that the research we receive is beneficial in fulfilling our overall responsibilities to clients. Accordingly, research received for a particular client's brokerage commissions may not be used for that client's account or may be useful not only for that client but for other clients' accounts as well. Similarly, clients may benefit from the research received for the commission of other clients.

#### **Aggregation of trades for Advisory clients**

We may aggregate transactions for Advisory clients for execution under appropriate circumstances. This practice will not ordinarily affect or otherwise reduce fees, commissions or other costs charged to

clients for these transactions but may provide price improvement. A partial fill of a block security transaction may be allocated among Advisory clients' accounts randomly, pro rata, or by some other equitable procedure adopted by the investment manager. In certain cases, investment managers may use a computer system that allocates purchases and sales transactions either on a random or pro rata basis. In any case, clients may pay higher or lower prices for securities than may otherwise have been obtained.

### **Trade Errors**

We have a trade error procedure, pursuant to which we resolve trading errors that may occur from time to time. We require the appropriate supervisory personnel to review and approve the correction. The correction must be processed on a timely basis and may not adversely affect a client, with very minor exceptions. The firm maintains an error account to facilitate handling trading errors. Gains may be offset by losses in the error account. If an outside investment adviser causes a trade error, the outside investment adviser's trade error procedure will govern, unless it conflicts with our internal procedure.

### **Payment for order flow**

At this time, we have determined not to direct the order flow from our Advisory programs to specific destinations in exchange for payment for that order flow. Payment for order flow is defined to include any monetary payment, service, property or benefit that result from remuneration, compensation or consideration to a broker-dealer from another broker-dealer in return for routing customer orders to that broker-dealer. We may route orders to electronic communication networks (ECNs) or similar enterprises in which we may have a minority ownership interest. If we direct orders for our Advisory programs accounts to such a trading network, we may receive indirect compensation from the ECN with respect to these trades due to our ownership interest. These arrangements will not cause you to pay additional fees directly to us. We believe that, in the course of executing trades for our clients, we may be able to obtain best execution through other exchanges or trading networks. We may direct order flow for these programs to trading networks in which we have an interest in the future if we determine that it is in the interest of our clients and consistent with our obligations under applicable laws.

## **E. Closing Your Advisory Accounts; Terminating your Agreement**

You may instruct the withdrawal or liquidation of all or a portion of your assets from your Account. Closing your account will not affect your obligation to pay balances due on the Account.

You may terminate UBS Institutional Consulting Agreement or OCIO Program Agreement within five (5) business days of executing the Agreement and receive a full refund of all fees paid to us. Unless provided otherwise in your Agreement, either party may terminate this relationship by notifying the other in writing. The termination will become effective upon receipt of the notice. Upon termination, we will have no further obligation to you to act or advise you with respect to your assets. Termination of your Agreement will end our investment advisory fiduciary relationship and, as applicable, our ERISA fiduciary relationship with you as it pertains to the Program.

With respect to your Program Account(s), your Advisory Agreements will no longer apply to those terminated accounts and the accounts will be governed solely by the terms of your UBS brokerage account. Terminating your IC or OCIO Account may result in a change to your money market sweep fund in instances in which your IC or OCIO Account was swept into a money market fund that is exclusively for advisory accounts.

In certain cases, your assets may be invested in securities, special mutual funds or shares of mutual funds that have been created for use or are eligible exclusively within certain investment advisory programs. Most of these investments contain restrictions that limit their use exclusively in wrap fee Advisory programs, and may be unavailable for purchase or holding outside of wrap fee programs. If

you end your participation in either the IC Account or the OCIO account and do not move such assets to another UBS wrap-fee Advisory program, that termination results in the **automatic redemption** of shares or investments held by or on your behalf—which will have tax consequences for you. When you select one of these types of strategies or investments for your portfolio, you agree to the automatic sale of the investments upon termination of your account, and you direct us to execute these sales. We recommend that you consider the potential impact of such sales and restrictions carefully before participating in these types of strategies.

As part of your instructions to withdraw from the Program, you may request that we liquidate your securities. Certain pooled investment funds used in the OCIO Program require participation in the Program to invest in them and, therefore, UBS-AM must sell them in the case of termination. In addition, certain pooled investment funds have redemption restrictions (e.g., redemptions permitted only on a monthly or quarterly basis, redemption gates, etc.) and may be illiquid. If your OCIO Account includes securities with limited liquidity or redemption schedules, such as privately-offered alternative investments, we may be unable to liquidate those securities upon your request. When processing your liquidation request in such cases, we will liquidate readily marketable and otherwise unrestricted securities in your account, leaving any securities that we are not able to liquidate in your account. Your OCIO Account will be closed once we submit the redemption request on your behalf. Once the account is closed, you may have to wait for specific liquidity windows for the fund to process your redemption request and deposit the proceeds in your Account.

Liquidations will be executed free of commission charges. Trade confirmations for liquidating transactions effected on an agency basis will be sent to you monthly on your account statement if you selected that option for your account.

**Automatic Liquidation or Exchange of Certain Assets: Closing your Account will result in the liquidation of assets held in the UBS Money Market Funds in instances in which your underlying brokerage account is eligible to use the UBS Bank USA as a sweep option or if the cash in your Account is swept into a money market fund that is available exclusively in Accounts.**

## **ITEM 6. PORTFOLIO MANAGEMENT SELECTION AND EVALUATION**

### **A. Qualifications of Financial Advisors Who Provide Consulting Services in the Institutional Consulting Program and OCIO Program**

Most of our Financial Advisors are registered as broker-dealer and investment adviser representatives. Financial Advisors who provide institutional consulting services are given the UBS firm designation of Institutional Consultant and are usually required to have at least five years of industry experience, meet certain client asset thresholds at UBS and have either the CIMA<sup>4</sup> designation from the Investment Management Consultants Association or the CFA<sup>5</sup> designation from the CFA Institute. Waivers of the education requirements may be granted for Financial Advisors who have sufficient industry experience. The timeframe to meet the requirements may be extended under certain circumstances including recruitment situations. Certain Financial Advisors holding other firm designations may also provide institutional consulting services.

**Liquidation Requests:** As part of your instructions to withdraw from the program, you may request us to liquidate your securities. If you select or discontinue use of an SMA Manager without consulting us, you

<sup>4</sup> CIMA® is a registered certification mark of the Investment Management Consultants Association, Inc. in the United States of America and worldwide.

<sup>5</sup> CFA® and Chartered Financial Analyst® are trademarks owned by the CFA Institute.

are solely responsible for that decision. We do not restrict your access to the SMA Managers during the selection process or thereafter.

We will liquidate the securities held in your Program account if you specifically instruct us to do so when you tell us to close your account. Liquidation of your account will depend upon market conditions at the time and, absent unusual circumstances, generally will be processed by the end of the next business day after instructions have been received by us. However, certain managers may take longer to liquidate securities for terminated accounts, including high yield securities, convertible securities and other less liquid securities. If we are unable to obtain an agency bid on small bond or illiquid fixed-income positions, after a number of attempts, we will seek to sell the position on a principal basis if a bid is available. This will allow us to comply with your liquidation request in an expeditious manner.

Security sales will be executed free of commission charges. Trade confirmations for liquidating transactions executed on an agency basis (i.e., by a third-party on behalf of UBS) will be sent to you monthly or “bulked” if you selected that option for your account.

If your Account includes securities with limited liquidity or redemption schedules, such as alternative investments, we may be unable to sell those securities upon your request. When processing your liquidation request in such cases, we will sell readily marketable and otherwise unrestricted securities in your account, leaving any securities that we are not able to sell in your account. Once the account is closed, you may have to wait for specific liquidity windows and process your liquidation request through procedures that are specific to the illiquid investment you own. **In addition, an alternative investment fund may hold back a portion of redemption proceeds, usually in the range of 10%, to cover accrued expenses, contingencies and liabilities.**

In addition, UBS Financial Advisors with the firm designation of Private Wealth Advisors (PWAs) may deliver certain services under the OCIO program. PWAs are focused exclusively on the ultra-high net worth (UHNW) segment, serving the needs of individuals and families with +\$10 million of liquid assets and/or a net worth of +\$25 million. PWAs are highly trained in the most sophisticated wealth management techniques and have completed a rigorous training and accreditation program that complements their experience serving clients of significant wealth. To ensure the highest level of personal attention and responsiveness, PWAs work with a limited number of clients to deliver highly customized solutions that address a full spectrum of wealth management needs. These needs extend beyond investment management to include liability management, private planning, trust and estate planning, concentrated stock management, tax minimization strategies and philanthropic services.

When you enter into an IC or OCIO Program Services Agreement, we will provide to you a Form ADV Brochure Supplement for your Financial Advisor(s) involved in providing investment advisory services to you. The Brochure Supplement includes information regarding their education, business experience, disciplinary history, outside business activities, their compensation and supervision. You may also obtain information about your Financial Advisor(s), 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.

## **B. Selecting an SMA Manager; Our Investment Manager Evaluation Process**

Our investment searches will recommend and present for your consideration investment manager(s), mutual funds, exchange traded investments, collective trusts, and/or alternative investments that align with your investment policy statement and asset allocation strategy and which are offered by the Firm and/or for which the Firm has conducted due diligence or has otherwise reviewed. We cannot assure you that we will continue to offer or review any of the investments identified through our searches.

**Investment Manager Searches.** We will identify investment managers that have been reviewed by us for recommendation to Institutional Consulting or other Advisory program clients. In addition, at your request we may also include publicly available information on managers that you currently hold or that you have requested that we have not reviewed or we no longer review.

**Our Investment Manager Evaluation Process Manager Research Process**

We select investment managers and strategies to participate in UBS programs in order to offer our clients the choice among a range of investment styles and products, such as:

- Value
- Growth
- Growth and income
- Income
- Contrarian
- Tactical asset allocation
- Strategic asset allocation (through multi-style accounts)
- Municipals
- Global
- International
- Convertible bonds
- Long/short investing
- Real estate investment trusts (REITs)
- Preferred Securities
- MLPs

Our Investment Management Research Group conducts a thorough review of each SMA Manager that participates in our UBS researched programs. The Investment Management Research Group first identifies a pool of potential candidates by using public and proprietary databases and industry contacts of the Investment Management Research Group or others at UBS (including Financial Advisors). We also consider those investment managers who approach the Investment Management Research Group directly on an unsolicited basis. General screens such as assets under management, portfolio manager longevity, investment style, and risk adjusted performance are often used to narrow the initial pool of candidates.

As of the date of this brochure, our selection procedures include an examination of performance, performance drivers, investment philosophy and process, and may include interviews with portfolio managers, principals and key staff members, a review of trading practices and portfolio performance, and other criteria. We may also use third parties to help gather and analyze information used in the review process. We review SMA Managers on a periodic basis to confirm and validate our earlier conclusions. That process may include contact with the portfolio managers and key staff members as well as ongoing performance monitoring. Some SMA Managers in turn, delegate their management responsibilities to affiliated and non-affiliated sub-advisors. All SMA Managers and associated strategies in our programs and their sub-advisors, with the exception of those managers categorized as Managed Accounts Consulting (MAC) Eligible, are subject to the initial and ongoing due diligence process.

In 2015 we anticipate enhancing our review process to leverage the resources of a third party research firm to gather and analyze information regarding the SMA managers and strategies. The final review and decision to include the Manager/Strategy in the UBS researched programs will continue to be conducted by the UBS Investment Management Research Group.

Investments and strategies available in our advisory programs are subject to varying degrees of due diligence (quantitative and/or qualitative) and depth of research. For example, the Investment Management Research Group conducts enhanced research on a select group of SMA Managers and mutual funds and makes that research available to Financial Advisors. These "Select Lists" represent a

diversified selection of mutual funds and SMAs within various investment categories with different investment philosophies. The Select Lists are published for internal use only and can be, but are not required to be used as a resource by Financial Advisors when recommending SMAs and mutual funds to clients. These lists are updated periodically. Financial Advisors have access to various resources to review and select the investments and managers they recommend to clients. As such, the SMA managers and mutual funds in which you invest may or may not be part of these Select Lists. We will not notify you if the SMA or investment you select is on one of these Lists initially or if it is removed after you invest.

**Investment Managers No Longer Reviewed.** We may discontinue reviewing an investment manager at any time. Circumstances under which we may discontinue review include (but are not limited to) persistent underperformance, significant departure from the manager's stated investment discipline, or material changes in the manager's organization. Your Institutional Consultant will notify you if we discontinue our review of an investment manager you have retained and if you decide to continue to hold such manager, we will ask you for a written acknowledgment that UBS will no longer provide recommendations regarding such manager. For discretionary relationships, if an investment manager is no longer reviewed, we will terminate such manager within a reasonable time frame.

**Mutual Fund, Exchange Traded Fund, Stable Value Funds and Collective Trusts Searches.** We will identify mutual funds, exchange traded funds, stable value funds and collective trusts that have been reviewed by us, and/or included in our Firm's databases and made available for use in UBS-IC.

**Alternative Investment Searches.** We will identify such investments reviewed by us, and offered by us or third parties. With respect to alternative investments not offered by us, you must request offering documents, performance or other materials directly from the alternative investment manager. In addition, at your request we may also include publicly available information on alternative managers that you currently hold or that you have requested. Similarly, you may request publicly available information regarding alternative investment managers that meet certain investment criteria.

**Information Provided to you Regarding Investment Searches.** To evaluate investment searches provided through the Institutional Consulting services, we will use and provide information from third party or proprietary databases regarding different managers. We do not verify or guarantee this information, including past performance information, which may not be calculated on a uniform or consistent basis.

We may make available descriptive profiles of selected investment strategies that include past performance information. Profiles are not available for every investment manager or investment strategy identified in our search services. We may also include composite investment performance. We believe that composite performance information is meaningful. Composites that we provide may be prepared by us, or, in the case of some investment managers or alternative investment funds, by the managers or funds, or obtained from third party sources.

**As with other investments, past performance does not guarantee or indicate future results.**

In addition, our Financial Advisors and clients have access to research from UBS Wealth Management Research Americas (WMR), which is part of UBS Wealth Management Americas. 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 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 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.

### **Limitations on Statistical Analysis.**

Historical statistical data, based on the performance of various market indices, may be provided, 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, including those developed by UBS Financial Services Inc. Forward looking analyses, including probabilistic modeling (which presents the likelihood that the client may be able to achieve certain goals) are hypothetical in nature, do not reflect actual investments results and are 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.

### **Performance Reviews of SMA Managers, Portfolio Managers and Financial Advisors in our Advisory Programs**

We provide quarterly performance reviews for Accounts in our Programs whose assets are held at our firm. The performance reviews display the performance of your Account, and/or SMA Manager compared to certain indices. These benchmarks are shown for informational purposes only. The comparisons relate to the historical performance of market indexes (e.g., S&P 500, Dow Jones, etc.) and not the performance of actual investments. Our selection and use of benchmarks for comparison purposes is not a promise or guarantee that your Account will meet or exceed the stated benchmark.

Please note that the investment strategy in your Account(s) is not restricted to the securities in the benchmark. Also, Indexes are not available for direct investment and represent an unmanaged universe of securities that does not take into account advisory or transaction fees, all of which will reduce overall return.

**Benchmark Selection for Performance Evaluation: SMA Programs:** We assign index benchmarks to those SMA Managers that we have researched, based on our understanding of their strategy, their investment style and our research. Those benchmarks are used for researched SMA Managers.

**Discretionary Programs:** We also assign comparative benchmarks to the strategies managed by IC Consultants in the IC Discretionary Programs.

**UBS IC Program – Investment Management Portfolio Managers.** For the IC Program, the UBS-FS Investment Management team continuously oversees the Managed Portfolio Program investment portfolios for many metrics, including performance. The UBS Investment Management team reviews investment portfolio performance against comparative benchmarks assigned to each of its investment strategies.

On a quarterly basis, the UBS Investment Management team presents its investment portfolio performance to the Quantitative Service Group so that the Quantitative Service Group may conduct a performance test. If the strategy has performed within established criteria, no other action is needed. If the strategy's performance is outside the established criteria, the Quantitative Service Group will investigate the drivers of performance. Strategies that have extended performance outside of established criteria will be brought to the attention of the Head of Wealth Management Solutions Advice and Platforms for further review and discussion to determine whether that particular strategy



should continue in the Program. Our Quantitative Service Group, which is responsible for conducting a performance test for these programs, reports into the same function as the portfolio investment team that manages the investment portfolios.

**OCIO Program – Investment Manager Selection and Evaluation.** UBS Asset Management is responsible for selecting and evaluating investment managers for the OCIO Program. The OCIO Program obtains exposure to third party and affiliated portfolio managers primarily through investing in pooled investment vehicles selected by UBS-AM, including mutual funds, exchange-traded funds, exchange-traded notes, commingled funds, collective trusts, liquid alternative investment funds, funds-of-funds, and, if permitted by the client's IPS, privately-offered alternative investment funds (collectively, "Funds").

UBS-AM may select investment managers that employ either an actively-managed or passively-managed investment strategy. UBS-AM selects investment managers for the OCIO Program based on a number of factors. Such investment managers generally have:

- An established performance track record demonstrative of skills in the strategy or related strategies;
- High quality investment management services, including appropriate depth and breadth of human capital resources, and a reputation for integrity and investment competence;
- An investment process that can be understood, monitored, and has shown consistency of style and purpose over the life of the strategy in question;
- Reasonable investment management fees and other operating costs and expenses; and
- Strong administrative capabilities—including transparent, rigorous attention to legal, operational, compliance and trading related risks as well as strong risk management procedures and policies.

If UBS-AM selects an investment manager which manages a "fund-of-funds" (i.e., a fund or strategy that invests in other funds or strategies), UBS-AM will also consider such investment manager's process for selecting and monitoring the underlying investment managers and strategies that comprise the fund-of-funds.

On an ongoing basis, UBS-AM will regularly review information provided by investment managers as well as information from relevant performance databases. UBS-AM will compare the investment manager's performance to similar investment managers and market indices. UBS-AM maintains profiles for each investment manager in the OCIO Program.

## **C. Advisory Business**

### **1. 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. UBS Americas Inc. is a wholly owned subsidiary of UBS Americas Holding LLC, which in turn is a wholly owned subsidiary of UBS AG, a 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.

### **2. Advisory Services**

**Advisory Services and Programs Other than the UBS Institutional Consulting Program and the OCIO Program**

We offer other Advisory services separate from the UBS Institutional Consulting Program that are not described in this brochure. 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. If you would like more information please ask your Financial Advisor for the Form ADV Disclosure Brochure for those programs and services.

- Wrap Fee Programs:

<b><u>Program type</u></b>	<b><u>Programs included</u></b>
Discretionary Programs	UBS Managed Portfolio Programs, Portfolio Management Program
Separately Managed Accounts (SMA) Programs	ACCESS and Managed Accounts Consulting (MAC)
Unified Managed Accounts Program	UBS Strategic Wealth Portfolio
Non-Discretionary Advisory Programs	PACE and UBS Strategic Advisor Program
Portfolio Based Advisory Program	Consolidated Advisory Program ("CAP Program")

- Financial Planning Services.
- Financial Education: We offer a financial education program under which a Client enters into an agreement with UBS to have a Financial Advisor provide one or more of a series of financial education seminars to their employees or members. Seminars may include information obtained from third-party sources. The seminar subjects offered cover topics such as investing, saving for retirement, distribution planning and transition. Additional seminar subjects may be offered if available. Seminars offered are generic in nature and do not contain recommendations to invest in any particular security.
- Consulting Services: available to retirement plans, institutions and corporate clients and certain family offices and high net worth individuals that meet program requirements, for an asset-based fee or a fixed fee, may include asset allocation services, investment search, selection and review, performance reporting and investment policy statement assistance. Certain legacy consulting client relationships use 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, Program 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.

### **3. HOW WE TAILOR OUR ADVISORY SERVICES**

All of our Institutional Consulting and OCIO Services are customized based on information you provide regarding your particular needs, goals and circumstances.

We tailor our IC Program and OCIO Program services, reports, asset allocations and investment policy statement services to your specific investment objectives, risk tolerance, goals and circumstances in various ways, including the following:

- Investment Policy Statement Assistance. We will work with you to identify and review the criteria which will be used to select and monitor investments based on the needs and preferences of your organization.
- IC Program Asset Allocations and Strategies. For the IC Program, asset allocations made or recommended by UBS-FS are based on a proprietary process which offers (depending on the software program) various customized asset allocations.
- OCIO Program Asset Allocations and Strategies. For the OCIO Program, UBS Asset Management's makes asset allocations using its proprietary asset allocation investment process. UBS-AM will implement the asset allocation described in a client's IPS on a discretionary basis, including rebalancing the portfolio and making strategic changes to the account's exposure to various asset classes. While the asset allocation ranges included in a client's IPS will provide a guide for UBS-AM's asset allocation services, the Account's actual asset allocation may, at any time, vary from the IPS for various reasons, including, but not limited to, fund flows into or out of the Account, market movements, holding certain investments with liquidity restrictions, and asset allocation decisions.
- OCIO Pension Risk Management. For defined benefit pension plans in the OCIO Program, UBS-AM utilizes a liability-driven investment (LDI) strategy that incorporates the risk profile of the benefit liabilities in the determination of the risk profile of the portfolio assets. In this manner, the strategy seeks to help manage the volatility of the plan's funding status.
- Model Portfolios for Defined Contribution Plans. UBS-FS will identify which of the Plan's existing investment options are consistent with the components of the asset allocation models provided. You may then make these customized asset allocation models available to participants.
- Investment Searches. Searches are based on your needs and are aligned with your Investment Policy Statement.
- Reports. The reports and analysis 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. See "Our Advisory Services" for details about the services offered in the Institutional Consulting Services Program.

#### **4. PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT**

Our advisory services in the IC Program and OCIO Program do not impose performance fees. Neither we nor our Financial Advisors receive performance-based fees for Institutional Consulting or OCIO Services. Where we are 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 receive a portion of those fees. However, where these investments are purchased through an IC or OCIO Account, no performance fee is received.

#### **5. Methods of Analysis, Investment Strategies and Risk of Loss**

##### **A. Our Asset Allocation Analysis and Portfolio Evaluation Services**

All investments carry the risk of loss. Please review the documents, profiles and investment proposals we provide to you when you establish accounts in the Programs for a description of the specific risks associated with the investment strategy you selected. We obtain information from various sources, including:

- Financial publications
- Inspections of corporate activities
- Company press releases and securities filings
- Research and due diligence 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 and research consultants
- Outside consultants, 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. Investments and strategies available in our Advisory Programs are subject to varying degrees of due diligence (quantitative and/or qualitative) and depth of research. For example, the Investment Management Research Group conducts enhanced research on a select group of SMA Managers and mutual funds and makes that research available to Financial Advisors. These "Select Lists" represent a diversified selection of mutual funds and SMAs within various investment categories with different investment philosophies. The Select Lists are published for internal use only and can be, but are not required to be used as a resource by Financial Advisors when recommending SMAs and mutual funds to clients. These lists are updated periodically. Financial Advisors have access to various resources to review and select the investments and managers they recommend to clients. As such, the SMA managers and mutual funds in which you invest may or may not be part of these Select Lists. We will not notify you if the SMA or investment you select is on one of these Lists initially or if it is removed after you invest.

### **SMA Managers**

Managers in our Advisory programs are not required to use UBS research as the source of their investment decisions. Any research that we or one of our affiliates may provide to an SMA Manager is separate and apart from our Advisory programs and does not affect or otherwise limit the manager's discretionary investment responsibility for your program account. **You should be aware that we or our affiliates (or employees thereof) may have conflicts of interest in connection with the research reports we publish.** UBS and its affiliates (or any of our employees) may happen to fall into any one of these categories, which could potentially create a conflict of interest:

- Holding long or short positions in a specific security being researched
- Deal as principal or agent in a specific security being researched
- May provide Advisory or other services to an issuer or their affiliate that is covered in research reports issued by WMR and/or INV Research

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

### **Our Proprietary Asset Allocations**

Our asset allocations are based 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 investment proposal

automatically based upon changes to these or other underlying assumptions, but you may request an updated proposal 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 our allocation methodology at any time. We will send you a written notice in the event that changes in our capital market assumptions result in a change to your Target Allocation. It is important to note that 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 outside of the programs may vary depending upon the asset allocation model, amount invested and software program used for analysis.

For the OCIO Program, UBS Asset Management's makes asset allocations using its proprietary asset allocation investment process. UBS-AM will implement the asset allocation described in a client's IPS on a discretionary basis, including rebalancing the portfolio and making strategic changes to the account's exposure to various asset classes. While the asset allocation ranges included in a client's IPS will provide a guide for UBS-AM's asset allocation services, the Account's actual asset allocation may, at any time, vary from the IPS for various reasons, including, but not limited to, fund flows into or out of the Account, market movements, holding certain investments with liquidity restrictions, and asset allocation decisions. In addition, if an OCIO account holds pension plan assets, UBS-AM will provide pension risk management services utilizing a liability-driven investment (LDI) strategy that incorporates the risk profile of the benefit liabilities in the determination of the risk profile of the portfolio assets. In this manner, the strategy seeks to help manage the volatility of the plan's funding status. As a result, the investments held by and asset allocations implemented for ERISA plan assets may differ significantly from those for non-ERISA assets in the Program. Certain investment guidelines and/or market conditions may present greater investment risks than others.

## **B. Risks Associated with Eligible Investments in the Institutional Consulting Program and the OCIO Program.**

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.

This section is not intended to enumerate all the risks associated with the following investments:

Mutual funds, ETFs and ETNs are sold by prospectus. To determine whether a particular investment is an appropriate investment for you, carefully consider the important information on the investment objectives, risks, charges and expenses. Please read the prospectus and offering documents carefully before you invest. Your Financial Advisor can provide a copy of the prospectus. You should be aware that the return and principal value of the Fund, ETF and ETN will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. We recommend that you read these documents carefully and consider investment objectives, risks, charges and expenses before investing, and maintain them in your files for future reference. If you have any questions, please contact your Financial Advisor.

Shareholders of these investments pay fees to the service providers of the funds, for example, management and administrative fees. The actual returns of your investment will be reduced by those fees and expenses.

There are risks involved with investing, including possible loss of principal. There is no guarantee that the investments will appreciate during the time that you hold them and some or all may depreciate in price. The risks for each investment will vary depending on the investment objective and underlying investments of each mutual fund, ETF and ETN. The prospectus lists the applicable risks. Please review those risks carefully before investing.

- **Exchange Traded Funds**

When you purchase an ETF share, you purchase an interest in an underlying basket of securities, designed to obtain investment results that correspond generally to price and yield performance of a particular index of securities, such as the S&P 500 index. There is no assurance that the ETF investments will match the index it aims to replicate. Investors in ETFs are subject to different risks than investors in mutual funds, as some of these instruments do not issue and redeem shares on a continuous basis. As a result, these securities may not be as liquid as open-end mutual funds. The price of these securities trading on an exchange can move independently of, and at a discount to, the net asset value (NAV) of securities comprising the fund's portfolio.

- **Exchange Traded Notes**

Exchange Traded Notes, or "ETNs", are unsecured debt obligations of a particular issuer with returns that generally track the total return of an underlying index. Unlike standard debt securities, ETNs may not return the principal amount at maturity and, therefore, depending on the specific terms of the product, investors could lose all or a substantial portion of their investment based on the performance of the underlying index. Investors could also lose their entire investment if the issuer becomes insolvent.

UBS Financial Services Inc. does not guarantee in any way the obligations or the financial condition of any issuer or the accuracy of any financial information provided by any issuer of ETNs.

ETNs are not traditional investments and investing in ETN is not equivalent to investing directly in the underlying asset. ETNs may contain a call feature which allows the issuer to repurchase the ETN at its option prior to maturity. If this call feature is exercised, investors may not be able to reinvest the proceeds received at a comparable rate of return. While ETNs are generally listed on an exchange, the issuer is not obligated to maintain such listing or to ensure that there is a secondary market for the ETNs. As a result, there may be limited or no liquidity in the ETNs and investors should be prepared to hold their investment to maturity.

- **Collective Investment Trusts or Funds**

A collective fund is not open to individual investors. The strategies may be speculative and involve significant risk. Unlike a mutual fund, the only way that an investor can gain access to a collective fund is through a retirement plan such as a 401(k) plan. Additionally, regulation of mutual and collective funds varies. For instance, the mutual fund industry is governed by the Securities and Exchange Commission (SEC). Mutual funds lay out an investment strategy in legal documents that are filed with financial regulators in a region so investors are aware of the risks and rewards that are likely with a fund.

Managers of collective funds are not regulated by the SEC. Instead, these investment advisers adhere to less stringent guidelines and are overseen by the U.S. Office of the Comptroller of the Currency or by a state banking authority. As a result of less stringent governance, managers of collective funds have to disclose fund performance and the components of a portfolio only once a year, although most fund managers communicate performance to investors on a more frequent basis.

- **Stable Value Funds**

The objective of most stable value funds is to provide safety of principal and an investment return that is generally higher than a money market return, while providing participants the ability to withdraw their assets for ordinary transactions at book rather than market value. The ability to withdraw stable value assets at book value has limitations based on the insurance contracts that wrap the underlying assets. In addition, most stable value funds require a hold period before assets can be withdrawn from the fund by the plan sponsor at book value and may refuse to honor book value withdrawals after communications from a plan sponsor or plan fiduciaries that it determines caused participants withdrawals. Additionally, the Plan is often restricted from offering investment alternatives or plans that are viewed as competitive with the stable value offering. Stable value funds are subject to counterparty risk of the insurers that provide the fund's book value liquidity.

- **Alternative Investments**

Interests of Alternative Investment Funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of the Funds, and which clients are urged to read carefully before subscribing and retain.

An investment in a Fund is speculative and involves significant risks as the Funds:

- are not mutual funds and are not subject to the same regulatory requirements as mutual funds,
- performance may be volatile, and investors may lose all or a substantial amount of their investment in a Fund,
- may engage in leveraging and other speculative investment practices that may increase the risk of investment loss. Interests of the Funds typically will be illiquid and no secondary market for interests usually develops, are long-term (e.g., 10-15 years), and are subject to restrictions on transfer, and
- may not be required to provide periodic pricing or valuation information to investors.

Alternative Investment Funds generally involve complex tax strategies and there may be delays in distributing tax information to investors. The Funds are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits. The Funds may fluctuate in value. Interests in the Funds are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other governmental agency.

**Prospective investors should understand these risks and have the financial ability and willingness to accept them for an extended period of time before making an investment in a Fund. Investors should consider a Fund as a supplement to an overall investment program.**

## **Item 7. Client Information Provided to Portfolio Managers**

We share certain information you provide to us during the account opening process with your SMA Managers, Financial Advisors and for OCIO Accounts, UBS Asset Management, in order to assist them in the management and servicing of your Account. The information we provide to them includes: personal information, such as your name, address, social security number (TIN) and account type. We also provide your responses to the Profile Questionnaire and general account information, such as risk profile and account objectives, and any investment restrictions on the account. We report account activity and make trade confirmations and monthly account statements available to them as well. We also provide trade confirmations at your direction. Our Financial Advisors who service your Account have access to the same information as listed above. You understand and consent to the release of such information for these purposes.



**Data Downloads.** To service and reconcile your Accounts, we automatically provide your SMA Managers or sub- advisors with copies of the confirmations for trades they place in the Accounts they manage for you, unless you instruct us otherwise in writing. Upon request by your SMA Managers, we provide copies of your monthly account statements. From time to time, your SMA Managers or sub- advisors may request that we provide them with a data download of all transactions they effected on your behalf in order to reconcile your Account. We consider your selection of the sub- advisors and SMA Managers for your Accounts and your continued participation in the program as your consent to our providing that data and copies of your account statements. You may revoke that consent at any time by contacting us in writing.

#### **Item 8. Client Contact with Portfolio Managers**

We do not restrict your ability to contact or consult with your SMA Managers, Portfolio Managers or Financial Advisors.

#### **ITEM 9. ADDITIONAL INFORMATION.**

##### **A. Executive Officers and Board of Directors**

- **Thomas C. Naratil** is President of UBS Group Americas and UBS Wealth Management Americas, (WMA), Chairman of the Board of UBS Americas Inc., UBS Financial Services Inc. and UBS Americas Holding LLC, and a member of the Group Executive Board of UBS Group AG. UBS WMA comprises the registered broker-dealer, UBS Financial Services Inc., as well as UBS Bank USA and the Private Banking operation. As regional President, he brings together the firm's resources, talent and capabilities to benefit UBS's clients in the Americas.
- **William T. Carroll** is a Managing Director and Head of Wealth Management Advisor Group West of WMA.
- **Jason R. Chandler** is the Group Managing Director and Head of Wealth Management Advisor Group East of WMA and a member of the Board of UBS FS.
- **Amy E. Fainsbert** is a Managing Director and the Chief Financial Officer of UBS FS and is a member of the Board of UBS FS.
- **Paul M. Hatch** is a Group Managing Director and the Head of Wealth Management Advice and Solutions.
- **Brian P. Hull** is a Group Managing Director and the Head of the Client Advisory Group of WMA. He is the President of UBS Financial Services Inc. and a member of its Board of Directors. He is Vice Chairman of Wealth Management Americas.
- **Kathleen Lynch** is the Chief Operating Officer for UBS Group Americas and WMA and is a member of the Board of UBS FS.
- **Michael McGovern** is the Chief Financial Officer UBS Group Americas and WMA and a member of the Board of UBS FS.
- **John J. McDermott** is Head of Compliance and Operations Risk Control for UBS Group Americas and WMA.
- **Samuel L. Molinaro** is Group Managing Director; President of UBS Americas Holding LLC, Head of Legacy and a member of the boards of UBS Securities LLC and UBS Americas Holding LLC.

## **CIO Wealth Management Research Americas**

- **Mike Ryan** is a Managing Director, Regional Chief Investment Officer for the US and Head of CIO Wealth Management Research 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**

- **Jim Hausmann** is a Managing Director and Head of the Corporate Solutions & Retirement Services Business for UBS Wealth Management Americas.
- **Andrew Duren** is an Executive Director and Head of the Institutional Consulting and Retirement Plan Consulting Program Administration

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

- **Michael L. Crowl**, is 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 Incorporated of Puerto Rico, as well as UBS Bank USA, UBS Trust Company of Puerto Rico Inc., and the Private Banking Operation which is comprised of UBS AG branches in the United States.
- **Sharyn Handelsman** is a Managing Director and Head of Compliance and Operational Risk Control for UBS Wealth Management Americas, which includes UBS Financial Services Inc., and the Private Banking Operation as well as UBS Bank USA, and UBS Trust Company of Puerto Rico Inc. Ms. Handelsman is also the Chief Compliance Officer and member of the board of UBS Financial Services Inc.
- **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, [brokercheck.finra.org](http://brokercheck.finra.org).

**The UBS Institutional Consulting Program was not involved in any of the instances described below.**

**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: September 28, 2016  
 Brought by: Securities and Exchange Commission  
 Rule: Section 15(b)(4)(E) of the Exchange Act  
 Allegations: The SEC alleged that during the period of 2011-2014, UBS failed reasonably to fulfill supervisory responsibilities within the meaning of Section 15(b)(4)(E) of the Exchange Act because UBS failed to establish reasonable policies and procedures, and a system for applying such procedures, that would reasonably be expected to prevent and detect the violations of Section 17(a)(3) of the Securities Act. The product under review was the Reverse Convertible Note ("RCN") with a single stock as the underlying asset, also called single-stock-linked RCNs. The Order finds that the Firm failed to reasonably supervise its RCN sales by failing to develop and implement adequate education and training for its Financial Advisors regarding certain aspects of single stock-linked RCNs, including for example, the role of implied volatility of the underlying stock in the selection of the stock as the asset underlying the RCN. The Order highlighted the Firm's significant cooperation and prompt enhancement of procedures addressing the SEC's concerns.  
 Disposition: SEC censure order and fine  
 Fine: \$8,227,566 in disgorgement (to the SEC), \$798,316 in interest, and \$6 million in penalty, for a total of \$15,025,882.

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- 2      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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- 3      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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- 4      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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- 5      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

## Disciplinary History

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

6 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.

7 Date of Action: May 1, 2012

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

8 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

9 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

10 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

## Disciplinary History

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

11 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

12 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.

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

13 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

14 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

15 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

## Disciplinary History

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- 16      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
- 
- 17      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
- 
- 18      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
- 
- 19      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
- 
- 20      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
- 
- 21      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
-

## Disciplinary History

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- 22      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
- 
- 23      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
- 
- 24      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 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
- 
- 25      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
- 
- 26      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
- 
- 27      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
-

#### Disciplinary History

- 28      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
- 
- 29      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
- 

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

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 Incorporated Puerto Rico, a separately registered broker-dealer
- UBS Insurance Agency of Puerto Rico Inc.
- UBS International Hong Kong Limited
- Trust-related services are available through the the UBS Trust Company of Puerto Rico Inc.
- UBS Credit Corp. 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 Group 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 Asset Management (US) Inc., the PACE Select Advisors Trust and a number of UBS and UBS 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 Group AG subsidiaries registered as investment advisers in the United States include the entities 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 Asset Management (Americas) Inc.
- UBS Asset Management (UK) Ltd.
- UBS O'Connor LLC
- UBS Realty Investors LLC
- UBS Swiss Financial Advisers AG

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

### **A. Investment Adviser 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, are 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>6</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 Interests in Client Transactions**

**Unless otherwise noted, UBS Institutional Consultants do not receive the compensation identified in the tables below with respect to assets subject to an IC Program Services Agreement, however, these fees may be received in connection with other client assets not subject to IC Program services.**

1. Sources of Compensation from Third Parties in Connection with Investments in Advisory Accounts

**The following information summarizes the various sources of compensation that may be received by the Firm, or its affiliates and Financial Advisors in addition to the fees charged under an investment advisory program.**

UBS, our Financial Advisors and affiliates receive additional compensation in connection with certain types of assets in which your advisory accounts may be invested. This compensation is in addition to the Program Fee you pay us for our investment advisory services. Instead, this compensation is a result of distribution, shareholder servicing, administration, marketing, investment management, revenue sharing or referral agreements we and/or our 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.

**Not all advisory programs permit the purchase and sale of domestic mutual funds, offshore funds, unit investment trusts, or alternative investments. Please review the eligibility of**

<sup>6</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.

## investments in your advisory program with your Financial Advisor for more details.

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 your advisory accounts, we receive these payments for the duration of your advisory program agreement. 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.

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.

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.

Unless otherwise noted, we receive the payments described below for affiliated and non-affiliated products.

Domestic Mutual Funds			
Payment Type	Current Rate	Source of Payment	Do Financial Advisors Receive a Portion of These Fees?
Trailers & 12b-1 Fees	<ul style="list-style-type: none"> <li>Affiliated funds in Advisory Programs: No trailers or 12b-1 fees.</li> <li>Non-affiliated funds: Fees on A shares generally range from 0% to 0.50% per year—although the average current annual rate is approximately 0.25%, however, the majority of assets in the Programs are Advisory and Institutional shares and carry no trailers or 12b-1 fees.</li> </ul>	<p>Investors/Shareholders pay these fees to the sponsors of the Funds.</p> <p>We receive these payments from the sponsors for distribution and shareholder services we provide in connection with the purchase and sale of mutual fund shares.</p>	No. 12b-1 fees for Class A shares in PACE, Strategic Advisor and SWP are retained by the Firm and are not paid to Financial Advisors. The 12b-1 fees are treated as non-compensable revenue. See "Revenue Sharing" below for a description of that process.
Networking Fees <sup>7</sup>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<p>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.</p> <p>Networking fees are paid in consideration for services provided by us ancillary to effecting mutual fund transactions including transmission of shareholder</p>	No

<sup>7</sup> For an individual fund company, UBS may receive either Networking Fees or Omnibus Processing Fees.

Domestic Mutual Funds			
Payment Type	Current Rate	Source of Payment	Do Financial Advisors Receive a Portion of These Fees?
		data between UBS and the fund companies.	
Omnibus Processing Fees <sup>8</sup>	<ul style="list-style-type: none"> <li>These payments, which usually range from \$14 to \$26 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 \$26 per position. The asset managers making these payments may consider the excess of what the mutual fund would otherwise have paid for these services on a per position fee schedule as a form of revenue sharing. Exclusions may apply to positions below an asset level mutually agreed upon by UBS and the fund company, certain discretionary advisory and retirement accounts and certain funds and/or shares classes. A portion of the payments we receive for Omnibus processing is paid to a sub-account vendor contracted by UBS.</li> </ul>	<p>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 funds.</p> <p>Omnibus fees are paid in consideration for sub-accounting services we provide.</p> <p>A portion of this fee is paid to the transfer agent.</p>	No
Account Services Fees For Affiliated Funds	The amount of such 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.	No
Revenue Sharing Payments	(see below for details)	Fees are paid by the fund sponsor or investment adviser out of their legitimate profits and resources.	No

**Mutual Fund Revenue-sharing compensation.** The revenue-sharing information below 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).

*UBS Financial Services generally receives revenue sharing compensation in connection with all mutual fund assets custodied at UBS Financial Services Inc. subject to certain exceptions. Revenue sharing is not received for mutual funds custodied in an IC Account.*

<sup>8</sup> For an individual fund company, UBS may receive either Networking Fees or Omnibus Processing Fees.

In addition to sales loads, 12b-1 fees and processing fees, UBS receives other compensation from certain distributors or advisors of mutual funds that we sell. These separate compensation amounts (commonly referred to as revenue sharing) may be a negotiated flat fee or may be based on two components:

- The amount of sales by UBS of a particular mutual fund family to our clients (excluding sales through wrap-fee programs and the IC Program) and
- The asset value of a particular mutual fund family's shares held by our clients at UBS.

We require that these payments 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. **Except as noted below, none of these amounts are rebated to you or paid to the Financial Advisor or his or her branch office.** However, these amounts are allocated to the individual branch offices as "non-compensable revenue" (revenue that is not paid out to Financial Advisors or Branch Office managers) but are considered as part of the overall profitability of the branch, and as one of several components used in determining Branch Office Manager compensation.

Many mutual funds companies pay revenue-sharing to us, including our affiliate, UBS Asset Management. UBS determines the level of access to our branches based on our own review and evaluation of mutual funds and fund families. There are multiple factors involved in determining a particular mutual fund's level of access to our branches. Although revenue sharing may be one factor, others include understanding of business goals, quality of sales personnel and marketing material, range of products, level of service to Financial Advisors and Branch Managers, participation of funds in researched investment models, and branch discretion.

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.

Except as noted below, and for the Multi-Select Securities Puerto Rico Fund, which does not pay revenue-sharing to us, this calculation includes shares of affiliated and non-affiliated funds in our wrap-fee programs, but does not include UBS PACE Money Market investments or mutual fund assets held at other financial institutions. We may exclude certain mutual fund shares from the above calculations. And although we seek to apply a level, standard payment schedule for all of the mutual fund companies whose funds we sell, we recognize that mutual fund companies approach revenue sharing in a variety of ways, and that some mutual fund companies may decline to pay revenue sharing exactly at the levels listed above or at all, which may present a financial disincentive for us to promote the sale of those funds that do not pay us at the levels listed above.

Revenue-sharing payments 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. Although mutual funds from over 300 different mutual fund families are available through our distribution platform, this is only part of the universe of mutual funds that are available to

our customers in the marketplace. 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 in brokerage accounts. No portion of the transaction fees are paid to Financial Advisors.

Offshore Funds			
Payment Type	Current Rate	Source of Payment	Do Financial Advisors Receive a Portion of These Fees?
Trail Commissions	<ul style="list-style-type: none"> <li>Equity offshore funds: generally range from 0.65% to 0.75%.</li> <li>Fixed income offshore funds: 0.50% to 0.60%.</li> </ul> <p>Please ask your Financial Advisor for our fee schedule that shows the specific trail commissions that are paid to your Financial Advisor as these amounts are typically not clearly disclosed in the offering materials of offshore funds.</p>	Asset-based fees typically paid by the distributor or advisor of the offshore fund.	Yes
Revenue Sharing	<p>Most offshore funds pay revenue sharing to UBS.</p> <p><b>Affiliated Offshore Funds:</b> Where 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.</p> <p><b>Unaffiliated Offshore Funds:</b> 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, which would include both revenue sharing payments and trails/commissions.</p>	Revenue-sharing compensation is paid directly from the distributor or advisor, and not from the offshore funds or indirectly through fund portfolio trading commission. Revenue-sharing compensation is intended to compensate us for ancillary services related to the sales of offshore fund shares.	No

Alternative Investment Funds			
Payment Type	Current Rate	Source of Payment	Do Financial Advisors Receive a Portion of These Fees?
<ul style="list-style-type: none"> <li>• Referral Fees</li> <li>• Distribution Fees</li> <li>• Management Fees</li> <li>• Administrative Fees</li> <li>• Performance (incentive-based fees)</li> </ul>	<p><b>Proprietary Funds:</b></p> <p>SWP Program: The funds that were previously offered in the SWP program are managed or administered by an affiliate. The management/administrative fees 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.</p> <p>The management/administration fees paid to our affiliate may be waived in their entirety for certain classes of investors (for example, ERISA Plans investing through an advisory program).</p> <p>Master/Feeder funds: UBS may receive a one-time service fee between 50 and 200 bps depending on the size of the investments. This payment is made by the sponsor of a fund into which a proprietary feeder fund invests.</p> <p>Placement Fees: of up to 2% from its clients.</p> <p><b>Non-Proprietary Funds:</b></p> <p>UBS receives a distribution, administrative and shareholder service fee ranging between 15 to 125 bps of the assets of UBS investors in the non-proprietary funds. For advisory share classes the administrative and shareholder servicing fee are usually in the range of 10 to 20 bps. Financial Advisors do not receive a portion of the administrative and shareholder servicing fees.</p> <p>Financial advisors receive compensation of up to 90 bps. Financial Advisors do not receive this compensation in connection with the placement of share classes that are designed to be sold exclusively in investment advisory programs.</p> <p>Incentive Fees: UBS may receive a portion of the incentive allocation of up to 2.5%.</p> <p>Placement Fees: UBS receives a fee of up to 2% from its clients.</p> <p><b>Referrals:</b> UBS may refer a client to a third party manager for investment into one of the manager's funds for a negotiable referral fee.</p>	<p>These fees are usually paid by the fund sponsor out of investor assets. The management, administrative, distribution and performance based fees are paid by investors/shareholders of the funds to the sponsor/adviser.</p>	<p>Yes</p>

**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. These payments are made by the UIT sponsor and not out of UIT assets. None of these amounts are paid to the Financial Advisor or his or her branch office.

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 0.05% 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.

### **Affiliated Money Market Funds Available as Sweep Vehicles in Advisory Accounts**

**Domestic Money Market Funds.** Effective March 1, 2011, UBS Financial Services Inc. transferred its investment advisory and administration contracts for the money market funds offered as sweep vehicles in our Advisory Programs to UBS Asset Management.

Our affiliate, UBS Asset Management (Americas) Inc. ("UBS AM-Americas"), is the advisor, and/or administrator for the money market funds used as sweep vehicles in Program accounts. Another affiliate, UBS Asset Management (US) Inc. ("UBS AM-US"), serves as the principal underwriter for those funds. Under the terms of our agreements with UBS AM-US, we receive service (12b-1 or non-12b-1) fees paid by these funds (except UBS Liquid Assets Fund), as well as revenue sharing payments paid by UBS AM-Americas (or UBS AM-US) related to these funds. Service 12b-1 or non-12b-1 fees for these funds are paid at an annual rate of up to 0.15% of the fund's average daily net assets. Revenue sharing payments related to these funds are paid to us out of the legitimate profits or other resources of UBS AM-Americas and/or UBS AM and may be up to the annual rate of 0.42% of the fund's average daily net assets. We also provide certain services pursuant to a delegation of authority from BNY Mellon Investment Servicing (US) Inc. ("BNY Mellon"), the transfer agent of the funds, for which we are compensated by BNY Mellon.

Effective June 24, 2016, UBS AM – Americas and/or UBS AM – US may receive up to 0.25% annually for service fees in connection with money market sweep funds. Revenue sharing payments related to these funds paid to us out of the legitimate profits or other resources of UBS AM – Americas and/or UBS AM – US may be up to the annual rate of 0.12% of the fund's average daily net assets.

**Your Financial Advisor receives a portion of the service fees paid to us in connection with these money market funds. Your Financial Advisor does not receive a portion of either the revenue sharing payments paid to us in connection with these money market funds or the fees paid to us by BNY Mellon.**

The currently available sweep vehicles for advisory accounts are UBS RMA Money Market Portfolio, UBS RMA U.S. Government Portfolio, UBS Retirement Money Fund, UBS RMA California Municipal Money Fund, UBS RMA New York Municipal Money Fund, UBS RMA New Jersey Municipal Money Fund, UBS RMA Tax-Free Fund and UBS Cashfund. Commencing on or about June 24, 2016, the available sweep options for advisory accounts will be UBS RMA Government Money Market Fund (for non-retirement accounts) and UBS Liquid Assets Government Fund (for Individual Retirement Accounts and qualified retirement plans).

### **International accounts: international deposit account (IDA)**

UBS receives a fee in an amount equal, on an annualized basis, of up to 0.5% of funds deposited with UBS Cayman. UBS reserves the right to share this revenue with UBS NY, UBS Cayman earns revenue from cash swept into the IDA, which may be greater than the interest you receive on your cash. Please see the **International Deposit Account Sweep Program Disclosure Statement** given to you with the documentation for your program account. Please see the **International Deposit Account Sweep Program Disclosure Statement** given to you with the documentation for your program account.



## 2. Sources of Compensation from Third Parties

### **Contributions to Training and Education Expenses**

**Contributions are not received towards training and education provided exclusively to Institutional Consultants. Institutional Consultants may attend general training and education that is subject to the contributions identified below.**

Investment managers, mutual fund vendors, unit investment trust sponsors, retirement platform providers, 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. In some instances, the contributions per vendor (as well as the aggregate received from all vendors) are significant. 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.*

### **Directed brokerage compensation from managers**

UBS Institutional Consulting does not receive brokerage commissions, fees or soft dollars from investment managers in connection with UBS Institutional Consulting services.

### **Non-Cash Compensation**

In addition to the revenue-sharing payments described above, we and our Financial Advisors, , receive non-cash compensation mutual fund companies, investment managers, unit investment trust sponsors, annuity providers, life insurance companies and sponsors of products (including ETFs) and other investment products that we distribute and/or the affiliates of any of them (collectively "vendors"). This compensation may include the following:

- Occasional gifts up to \$100 per vendor per year
- Occasional meals, tickets or other entertainment of reasonable and customary value
- Sponsorship support of educational or training events and seminars and/or payment of expenses related to training and education of Financial Advisors
- Various forms of marketing and servicing support and in certain limited circumstances, the development of tools used by the Firm for training or record-keeping purposes.

Non-cash compensation can vary by vendor and event.

These payments do not relate to any particular transactions or investments made by Institutional Consulting clients.

**Compensation for Data Analytics (Strategic Insights).** Our Strategic Insights program offers vendors whose products are offered on the UBS Financial Services platform the opportunity to enter into agreements with us pursuant to which, for a fee ranging from \$150,000 – \$300,000, we will provide analytics and data relating to Financial Advisors in order to help vendors streamline and tailor the way they do business with our Financial Advisors. The list of Financial Advisors will be a complete list of all of our Financial Advisors including those that sell their products and those who do not.

Vendors that have this data have an advantage over others as they have a greater level of information and can tailor their wholesaling efforts in our branches, which may result in increased sales of those products by our Financial Advisors. Financial Advisors do not receive a portion of these fees. Although opportunities for these strategic relationships are available to all vendors whose products are available on our platform, not all vendors participate in these relationships. Participation in this program is optional and is not a consideration when determining whether or not a vendor's products will be made available on the platform.

### **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 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 interrupt 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.

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 affiliates may profit from such positions or transactions in securities.

In certain advisory programs, 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. Personal Trading**

The Investment Advisers Act of 1940 imposes a fiduciary duty on portfolio managers to always act in the best interests of clients and to put their clients' interests ahead of their own. With respect to trading in a Financial Advisor's own account or one over which he/she has control or a beneficial interest (a Control Account\*), there is a potential conflict of interest in situations where Financial Advisors buy or sell securities for their own accounts as well as the accounts of their clients.

To ensure that Financial Advisors exercising discretion and UBS Financial Services Inc. avoid any potential conflicts with respect to personal trading, we have a Personal Trading Policy for Control Accounts. Generally, when a security is bought or sold in an account over which a Financial Advisor exercises discretion, that security may not be bought or sold in the Financial Advisor's Control Account(s) during a defined timeframe.

The Personal Trading Policy applies to trades in an advisor's Control Account unless the Control Account participates in the same program and is traded in a block transaction receiving an average price along with other program client accounts.

All members of UBS Investment Management are Covered Employees and adhere to the Firm's Confidential Information Policy Procedures. With regards to personal trades, members of the UBS Investment Management team must pre-clear certain trades and are not permitted to buy or sell the same securities in the Managed Portfolio Program (equities or ETFs) during a defined timeframe.

Directors, officers and employees of UBS-AM and our affiliates may from time to time have acquired or sold, or may subsequently acquire or sell, for their personal accounts, securities that may also be held, or have been purchased or sold, for the accounts of OCIO Clients. UBS-AM has adopted a Code of Ethics intended, among other things, to ensure that personal investing activities by employees and certain of their family members are consistent with UBS-AM's fiduciary duty to clients. Unless specifically exempted, UBS-AM's Code of Ethics generally requires employees to pre-clear all securities transactions, and imposes certain "lockout" periods whereby certain employees may not be able to trade in a particular security if UBS-AM is recommending a transaction in that security for clients. These lockout periods are subject to certain exceptions upon approval by a compliance officer. UBS-AM employees also are required to hold securities, including mutual funds that UBS-AM advises or sub-advises, for a period of at least 30 days. The restrictions generally do not apply to accounts in which an employee has an interest but which is subject to a discretionary investment management agreement, whether with UBS-AM, an affiliate or an unaffiliated manager. UBS-AM employees may be investors in certain pooled vehicles for which UBS-AM or an affiliate acts as investment adviser. For purposes of UBS-AM's Code of Ethics, such investment vehicles are treated as clients and are not subject to the personal trading restrictions described above. UBS-AM will provide a copy of its Code of Ethics to any client or prospective client upon request.

### **ITEM 13. REVIEW OF ACCOUNTS**

We have various policies and procedures applicable to the review and supervision of consulting services provided through the IC Program. Those policies are designed to comply with the requirements of the Investment Advisers Act of 1940, and where applicable, ERISA and other applicable rules and regulations.

IC Program clients meet with the Institutional Consultants periodically (usually, quarterly). Items generally reviewed include, but are not limited to the following:

- Consistency of the client's investments with the Investment Policy Statement
- Portfolio evaluation, review and analysis of your investment holdings
- Review of performance compared to peers and benchmarks and style drift of investments
- Determination whether a portfolio adjustment should be made

Branch Office Managers are responsible for the supervision of Institutional Consultants who provide IC Program services, while home office Program Managers are responsible for enforcing the various program guidelines.

#### **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. The compensation solicitors receive includes a portion of the advisory fees we receive from referral clients.
  - 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. 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 the "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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ACCESS and PACE are service marks of UBS Financial Services Inc.  
Resource Management Account and Business Service Account BSA are registered service marks of UBS  
Financial Services Inc.