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UBS Institutional Consulting

This brochure provides information about the qualifications and business practices of UBS Financial Services Inc. and the UBS Institutional Consulting Group that you should consider before becoming a client of this program.

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

Additional information about UBS Financial Services Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

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

Item 2. Material Changes

This section describes the material changes to our UBS Institutional Consulting Services since the last annual amendment of our Form ADV on March 31, 2010.

Disciplinary History

- Please see Section 9 of this Brochure for updates to the disciplinary events reported for UBS Financial Services and its management personnel.

Item	3. Table Of Contents				
Item	2. Material Changes	2			
Item	3. Table Of Contents	3			
About UBS Financial Services Inc.		5			
Item	4. Services, Fees And Compensation	7			
A.	Our Firm and Corporate Structure	7			
B.	Our Advisory Services	7			
	1. Investment Policy Assistance	7			
	2. Asset Allocation Studies and Analysis	8			
	3. Searches	8			
	4. Portfolio Evaluation and Review	9			
	5. Retirement Plan Consulting for Participant Directed Retirement Plans	9			
	6. Investment Education for 401(k) plan participants	9			
	7. Additional Consulting	9			
	8. Various Other Services	10			
	9. Limitations on Our Services	10			
	10. Selecting an SMA Manager; Our Investment Manager Evaluation Process	12			
	11. Performance Reviews of SMA Managers in our Advisory Programs	14			
	12. Performance Reporting	15			
C.	How We Tailor Our Advisory Services	15			
D.	Participation in Wrap Fee Programs	16			
E.	Assets Under Management	16			
Item	5. Fees and compensation	16			
A.	Institutional Consulting Services Program Fee Schedule	17			
B.	Billing Practices	18			
C.	Paying your IC Program Fees Through Directed Brokerage and 12b-1 Fee Offsets	18			
D.	Fees/Other Charges Not Covered by Your IC Program Fee	21			
E.	Compensation to Financial Advisors Who Recommend Advisory Programs	22			
Item	6. Performance based fees and side by side management	22			
Item	7. Types of clients	23			
A.	Type of Clients	23			
B.	Requirements for Participation in the Institutional Consulting Program	23			
	1. Minimum Asset Requirement	23			
	2. Agreements and Account Documentation	23			
	3. Custody	23			
	4. Investment Policy Statement or Profile Questionnaires	23			
	5. Including Outside Assets	23			
	6. Confirmation of Your Account Record	23			
	7. Ownership of Securities and Investment Discretion	24			
	8. Trade Confirmations and Account Statements	24			
	9. Electronic delivery of documents.	24			
	10. Cash Balances in your Advisory Accounts at UBS	25			
	11. Important information about your sweep options for brokerage accounts	26			
	12. Termination	26			
	13. Automatic Liquidation of Certain Assets at Account Termination	26			
	14. Reliance of Fiduciaries and Limits of UBS Institutional Consulting's Responsibility	27			
	15. Implementing Our Advice	27			
	16. Hiring the SMA Managers	27			
	17. Management of Your SMA Account	28			
	18. Trading and Execution Practices	28			
Item	8. Methods of Analysis, Investment Strategies and Risk of Loss	30			
Item	9. Disciplinary History	33			
Item	10. Other Financial Industry Activities and Affiliations	41			
Item	11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	42			
A.	Code of Ethics	42			
B.	Participation or Interests in Client Transactions	42			
	1. Sources of Compensation from Third Parties in Connection with Investments in Advisory Accounts	42			
	2. Sources of Compensation from Third Parties	49			
	3. Other Interests in Client Transactions	49			
Item	12. Brokerage Practices	50			
Item	13. Review of Accounts	51			
Item	14. Client Referrals and Other Compensation	51			
Item	15. Custody	52			
Item	16. Investment Discretion	53			
Item	17. Voting Client Securities	53			
Item	18. Financial Information	53			

Definitions

References in this brochure to:

- **“Programs”** means our investment advisory programs.
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- **“Agreement”** or **“IC Program Agreement”** mean the UBS Institutional Consulting Agreement.
-
- **“IC Consultant”** means your UBS Institutional Consulting Services Financial Advisor.
-
- **“IC Program”** means the UBS Institutional Consulting Services Program.
-
- **“IC Program Fee”** means the fee payable under the UBS Institutional Consulting Services Agreement.
-
- **“IC Eligible Investments”** means the securities and strategies your IC Consultant may recommend in the Program: investment managers, mutual funds, exchange traded funds, exchange traded notes, collective trusts and alternative investments.
-
- **“SMA Manager”** means your ACCESS, MAC or other investment manager you select to manage your assets.
- **“Plan”** or **“plan”** mean: a retirement plan for self-employed individuals, or an employee benefit plan subject to the Employee Retirement Income Security Act (ERISA) of 1974, as amended.
- **“UBS”** unless otherwise noted, means UBS Financial Services Inc.
- **“You”** and **“your”** refer to the IC 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 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.

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.¹

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

In addition, some of our Financial Advisors hold educational credentials, such as the Certified Financial Planner™ (CFP®) designation. Holding a professional

designation typically indicates that the Financial Advisor has completed certain courses or continuing education. However, use of such designations 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 comprehensive financial planning, discretionary account management, non-discretionary investment advisory programs, and advice on the selection of investment managers, mutual funds, exchange traded funds and other securities offered through our investment advisory programs.

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

How We Charge for Investment Advisory Services

We may charge for our investment advisory services in any of the following ways:

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

¹ Examples of our advisory programs and services include our financial planning services and our ACCESS, Portfolio Management Program, Managed Accounts Consulting, UBS Institutional Consulting, DC Advisory Program, UBS Strategic Advisor, UBS Strategic Wealth Portfolio, UBS Managed Portfolio Program, and PACE programs. Examples of our brokerage accounts include our Resource Management Account® and the International Resource Management Account.

Generally, 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 you². The fiduciary standards are established under the Investment Advisers Act of 1940 and state laws, where applicable, and include:

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

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

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

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

in light of the client's particular financial circumstances, goals and tolerance for risk.

Our Financial Advisors can assist clients in identifying overall investment needs and goals and creating investment strategies that are designed to pursue those investment goals. The advice and services we provide to our clients with respect to their brokerage accounts is an integral part of our services offered as a broker-dealer.

In our capacity as broker-dealer, we do not make investment decisions for clients or manage their accounts on a discretionary basis. Instead, we will only buy or sell securities for brokerage clients based on specific directions from you.

How We Charge for Brokerage Services

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

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

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

Our Responsibilities to You as a Broker-Dealer

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

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

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

² Our status as a fiduciary under the Investment Advisers Act will not, in itself, make us a fiduciary under ERISA or the Internal Revenue Code. We will not act in such capacity unless we have agreed to do so in writing.

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

A. Our Firm and 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., which in turn is a wholly owned subsidiary of UBS AG. UBS AG is a publicly held company. UBS Financial Services became a registered investment adviser on January 22, 1971.

B. Our Advisory Services

UBS Institutional Consulting—Description of Services

UBS Institutional Consulting (the “IC Program”) is a program designed to provide advisory services to institutional clients. 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 institutional clients that seek:

- advice on the establishment of strategic investment goals and assistance in the development and review of investment policy statements,
- advice on the development and analysis of a strategic asset allocation for the overall investment fund,
- to delegate investment discretion to a professional money manager(s), and value the ongoing advice of a financial advisor,
- assistance in the search and implementation of a medium- to long-term investment plan pursuant to an investment policy statement,
- portfolio evaluation and review services which includes a report of the performance of the overall investment portfolio and the professional money managers who manage components of the overall fund,
- assistance with the search and selection of retirement plan program providers, facilitation of plan conversions, fiduciary support, and benchmarking reviews.

We do not provide legal, tax or actuarial advice. We will not be responsible for ensuring that the plan complies with the requirements under ERISA. This responsibility rests solely with you, and you should consult with your legal and tax advisors regarding those matters.

The IC Program offers the following services:

- 1. Investment Policy Assistance.** We will assist you in the development and review of an investment policy statement that presents various components of your overall investment plan. If you select this service on an ongoing or retainer basis, we will review the investment policy statement periodically and will assist you in incorporating any changes you determine are appropriate.

Investment Monitoring. As part of our Investment Policy Assistance services, you may also select our assistance with the monitoring of your asset allocation and investment parameters provided in your investment policy statement. This service will assist you in monitoring your investment portfolio on at least a quarterly basis, based on the guidelines set forth in your investment policy statement. The service may include:

- monitoring your portfolio's current asset allocation versus your target asset allocation,
- monitoring the securities selected by your manager(s) based on a variety of objective criteria such as credit quality, duration, and/or liquidity.

We will not monitor the non-investment parameters of your investment policy statement or your portfolio's compliance with state or municipal law, unless we specifically agree to do so in our IC Program Agreement. If we determine that your portfolio or specific investments are not in compliance with the guidelines established in your investment policy statement and the agreed upon monitoring criteria, we will recommend corrective action. If corrective action is not taken in a reasonable time and your portfolio remains out of compliance, we may cease providing this service.

2. Asset Allocation Studies and Analysis. If you have already adopted an asset allocation, we can provide periodic asset allocation analysis, using asset allocation studies, of your investment holdings which may include IC Eligible Investments such as investment managers, mutual funds, alternative investments, and other managed investments, as well as ETFs and ETNs. Our asset allocation studies and analysis may cover investment managers or investments which you retained or purchased, as the case may be, at other institutions and without our recommendation. Our inclusion of these investments into our asset studies and analysis does not constitute an endorsement that you continue to hold those investments or retain those managers.

We can also assist you in the development and preparation of asset allocation models. Based on your asset allocation you select, we can provide the search services described in Section (3) below.

Unless your strategy is identified as a fully diversified strategy, an investment in a single equity, balanced or fixed income strategy should not be considered as a diversified asset allocation plan to investing (either overall or within a single asset class or style), but should be viewed only as the equity or fixed income portion, as applicable, of your overall portfolio.

3. Searches: At your request, we will identify and present the following IC Eligible Investments:

- investment managers,
- mutual funds,
- Exchange Traded Funds (ETFs)

- Exchange Traded Notes (ETNs)
- Collective trusts,
- stable value funds
- alternative investments, and
- other managed investments

Based upon the information you provide to us, we will gather investment information from the Firm's proprietary databases, third-party databases, directly from investment managers and/or from various commercially available means. Our role is to identify investments which have been examined and determined to be suitable for your needs and which, in our professional judgment, are appropriate to help you pursue your financial goals. Each search service is available for a separate fee. See *"Fees and Compensation"* for a description of IC Program Fees.

For a summary of additional compensation we receive from various sources from investment managers, mutual funds, alternative investments, ETFs and ETNs and other managed investments, please see Participation or Interests and Compensation in Client Transactions

Recommendation of Affiliated/Proprietary SMA Managers, Securities 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, recommend affiliated/proprietary money managers or securities. Recommending proprietary or affiliated products and managers raises a conflict of interest, because retaining those entities or purchasing those securities will result in increased compensation to UBS and/or a UBS affiliate. If you select SMA Managers, funds, products or other investment vehicles that are managed or sponsored by us or our affiliates, the management fees will be payable to either UBS or the affiliated entities. Your Account's actual investment return will be reduced by those fees, plus any related expenses and the Program Fees. Please review the applicable prospectus and offering documents carefully for a detailed description of the additional fees associated with these securities.

We address the conflicts of interest presented by the recommendation of affiliated managers and application of different research standards by disclosing our practices to you to ensure you make fully informed decision in your selection of investment strategies.

See "Participation or Interests in Client Transactions – Sources of Compensation from Third Parties in Connection with Investments in Advisory Accounts."

4. Portfolio Evaluation and Review. We provide periodic portfolio evaluation, review and analysis of your investment holdings covered under your UBS Institutional Consulting Services Agreement. We will assist you in evaluating your portfolio including the review of your investment performance on an absolute and relative basis. Based on your overall objectives and performance of your investments, we can assist you in determining whether an adjustment should be made and if an adjustment is recommended, we can assist you in conducting a search for new investments. 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 your custody statements, or for UBS accounts, your UBS account statements. For retirement plans, if the plan assets include employer securities, our services will not include a review or recommendation regarding such securities.

Although we believe that information provided to us by custodians is reliable, we do not independently verify or guarantee its accuracy or validity. For certain client types (for example, defined contribution plans) when reporting performance to you for your mutual fund, ETFs and alternative investments information, we may provide you solely with the fund's performance and not necessarily the specific investment performance of the plan participant accounts. The past performance of an investment does not guarantee or indicate future results.

If you maintain an account(s) in one of our investment advisory programs, you will receive performance reporting for each advisory account through that program and you may also receive an institutional consulting report.

5. Retirement Plan Consulting for Participant Directed Retirement Plans. UBS Institutional Consulting provides services specifically designed for participant directed 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.

Program Provider Search. At your request, we can also assist you in the search and selection of a program provider. The services 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 providers; evaluation of proposals received from prospective service providers; preparation of potential investment fund mapping and assistance with the transition and conversion to your new provider.

Searches may include program providers who are available through the UBS Select for Corporate Plans program ("UBS Select program"). At your request, we may also include program providers who are not available through the UBS Select program and for whom UBS does not conduct due diligence on.

You may also request the following plan consulting services:

- **Fiduciary Support.** We may provide you with the UBS Defined Contribution Plan Fiduciary Kit.
- **Plan Feature Review.** We may assist you in benchmarking and reviewing various plan features. The services may include a review of plan features to determine whether they are meeting the needs of you and your plan participants.
- **Fee Analysis and Benchmarking.** We may assist you in conducting a plan fee benchmarking and analysis utilizing data obtained from your program provider.

6. Investment Education for 401(k) plan participants. This service includes a review of the plan's current education program and, where appropriate, recommendations for improvements. At your request, we may provide general investment education to the participants of the Plan. These seminars are generic in nature and do not contain recommendations to invest in a particular security. Seminars are designed to educate employees on such topics as asset allocation; the definition of various asset classes; potential risks and rewards; the advantages of tax deferred or tax free investing options available when receiving a retirement plan distribution.

7. Additional Consulting. On an ongoing basis, 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 UBS Wealth Management Research or other UBS

affiliates, or more specifically prepared for you based on publicly available information. Additional services may be available as agreed to between us.

- 8. Various Other Services.** The Program offers other consulting services, including assistance in identifying custodial services, third-party administrators, and/or record keepers. Generally, there are no set fees for these services. Your actual fees will vary significantly depending upon the nature and complexity of the service rendered. You generally may not obtain these services separately if you select the Retainer Service Option described under “Fees and Compensation” below.

9. Limitations on Our Services

- **We do not provide legal, tax or actuarial advice**

We are not responsible for ensuring that your investment policy statement, asset allocation or investment choices comply with all specific legal, ERISA (Employee Retirement Income Security Act of 1974, as amended), actuarial or other requirements that apply to you or your investment manager’s compliance with your investment policy statement asset allocation or other investment restrictions. That responsibility rests solely with you, and you should consult with your legal and tax advisors regarding those matters.

- UBS Financial Services Inc. does not give tax advice. Securities transactions may have tax consequences. Please consult with your tax advisor for advice on these issues.

- **Investment Recommendations:**

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

Our investment searches and recommendations cover only those managers and IC Eligible Investments included in our Firm-sponsored programs or otherwise reviewed by us. We do not represent that the investments presented will

be the best available either in the industry or the best available investments included in our Firm-sponsored programs or otherwise reviewed by us. See “Selecting and Investment Manager —Our Investment Manager Evaluation Process.”

- **Employer Securities:** If the plan assets include employer securities, our services do not include a review of the performance or recommendations regarding whether the plan should offer or continue to offer employer securities as an investment option under the plan. If our fees are based on the value of the assets in your plan, we will not include the value of the employer securities in that value.
- **Investment Managers Hired and Investments Purchased which are not Recommended by UBS:** The services you select may include asset allocation and performance reporting of investment managers and investments which you retained or purchased without our recommendation. For such managers or investments for which our firm does not serve as distributor or does not conduct a due diligence review, you will be asked to acknowledge, in writing, that the manager or investment has not been reviewed or recommended by our Firm.

- **Fund/Investment Profiles and Fee Benchmarking Reports:** We obtain the profiles of investment funds and securities we provide to you from publicly available sources commonly used in the industry and which we believe to be reliable. Those profiles include a variety of information on the funds including historical performance and performance comparisons against certain indices.

We also rely on third parties we believe to be reliable to prepare fee benchmarking analysis. Those parties are usually responsible for computing, formatting and displaying the analysis for your review.

While we believe the information and reports obtained from external sources is accurate, we do not independently verify or guarantee the information presented or its accuracy. Therefore, we cannot assure the plan that the performance information or fee analysis is calculated on a uniform or consistent basis or that the index selected for performance comparisons is appropriate. The prior performance of an investment fund does not guarantee the investment fund’s future performance. Benchmarks in our reports are shown for informational purposes only and reflect historical performance of market indices

and not the performance of actual investments. The selection and use of benchmarks for comparison purposes is not a promise or guarantee that the performance of your assets will meet or exceed the performance of the stated benchmark. The past performance of a benchmark does not guarantee or indicate future results of the benchmark or your portfolio.

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

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

- Wrap Fee Programs:

Program type	Programs included
Discretionary Programs	UBS Managed Portfolio Programs and Portfolio Management Program
Separately Managed Accounts (SMA) Programs	ACCESS and Managed Accounts Consulting
Unified Managed Accounts Program	UBS Strategic Wealth Portfolio
Non-Discretionary Advisory Programs	PACE and UBS Strategic Advisor Program

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

There are important differences among these Programs in terms of services, structure and administration, the depth of research conducted on the managers available in the programs, 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.

Qualifications of Financial Advisors Who Provide Investment Consulting Services

Most of our Financial Advisors are registered as broker-dealer and investment adviser representatives. Financial Advisors who participate in the UBS Institutional Consulting Program are required to meet certain minimum standards demonstrating a minimum level of institutional knowledge and experience.

Participation in the Institutional Consulting Program is granted to Financial Advisors who have met certain education, compliance, industry experience and investment management standards.

Applicants are usually required to have at least five years of industry experience, \$150 million in institutional assets, \$500,000 in production, acceptable compliance record, and either the CIMA designation from the Investment Management Consultants Association or the CFA designation from the CFA Institute. Waivers of the education requirements may be granted for Financial Advisors who have sufficient industry experience.

These timeframe to meet the requirements may be extended under certain circumstances including recruitment situations.

Financial Advisors are nominated for participation in the Program by their Branch Office Managers. Institutional Consulting Services Program Management reviews nominees and admits qualified Financial Advisors to the Program based on their experience and expertise.

Starting July 2011, we will provide to you a Brochure Supplement for your Financial Advisor and, if applicable, any specialist involved in providing the financial planning service to you. The Brochure Supplement includes information regarding your Financial Advisor’s education, business experience, disciplinary history, outside business activities, their compensation and supervision. You may also obtain information about your Financial Advisor, their licenses, educational background, employment history, and if they have had any problems with regulators or received serious complaints from investors through the FINRA BrokerCheck service available from FINRA at <http://www.finra.org>., or from the Securities and Exchange Commission at www.adviserinfo.sec.gov. 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.

10. Selecting an SMA Manager; 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)

Our Manager Research Group conducts a thorough review process of each SMA Manager that participates in our UBS researched programs. This process is described in further detail in our brochure, "Selecting an Investment Manager: the Manager Research Process."

The Manager Research Group first identifies a pool of potential candidates by using publicly available databases and industry contacts of the Manager Research Group or others at UBS (including Financial Advisors). We also consider those investment managers who approach the Manager Research Group directly on an unsolicited basis. General screens such as assets under management and portfolio manager longevity and investment style are used to narrow the initial pool of candidates.

As of the date of this brochure, our selection procedures include an examination of investment philosophy and process, and may also include interviews with 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 SMA Managers, 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.

We provide different levels of SMA Manager due diligence in our MAC program. The level of due diligence we undertake varies depending on whether the manager is in our researched list and approved for use in the UBS programs or available as MAC Eligible.

Selecting an SMA Manager

Our SMA Programs offer you the portfolio management services of a select, pre-screened group of SMA Managers. Our role is to identify managers that have been examined and deemed suitable for your needs. Your Financial Advisor will review the results of the Profile Questionnaire with you (in the MAC program, your Financial Advisor will review the information provided in your account application with you)—after which you will select your SMA Managers for your accounts from a group of SMA Managers and model portfolios recommended by us. During your selection process, you have the option of choosing managers who may or may not be affiliated with us.

While we offer a number of different investment strategies for your wealth management needs, we do not offer every investment manager or strategy available in the marketplace. Instead, we provide you with access to those managers who have been approved by our firm and, in our professional judgment, are appropriate to help you pursue your financial goals. We cannot guarantee, however, that the managers presented will be the best available managers either in the industry or the best available managers among the managers included in our firm-sponsored programs.

Diversification. Unless the investment strategy you selected is identified as a fully diversified strategy, your investment in a particular strategy should only be viewed as a portion of your overall portfolio. It should not, however, be considered as a diversified asset allocation plan to investing—either overall or within a single asset class/style).

SMA Manager Searches. To help you select an SMA Manager, at your request, we may 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. Our inclusion of an SMA Manager in the database or in the manager search report is not an endorsement or recommendation of that SMA Manager by us.

SMA Manager/Terminations from our Researched List and Program Offerings. We retain the authority to remove any SMA Manager from our programs and from the researched list at any time. Circumstances under which we may terminate or discontinue a manager include (but are not limited to) persistent underperformance, significant departure from the SMA Manager's stated investment discipline, or material changes in the SMA Manager's organization.

If you participate in our ACCESS and the MAC programs, we will notify you if your SMA Manager is terminated from the program and/or from our researched list.

SMA Managers in our Advisory programs are asked to contribute to our overall training and education costs for Financial Advisors in our managed accounts programs. Neither contribution towards these educational expenses, nor lack thereof, is considered as a factor in analyzing or determining whether an SMA Manager should be included or should remain in our Advisory programs.

See "Participation or Interest in Client Transactions—Sources of Compensation from Third Parties—Contributions to Training and Education Expenses."

Standards Used to Calculate Portfolio Manager Performance

Performance Composites. We may make available descriptive profiles of selected investment strategies that include past performance information. Profiles are not available for every SMA Manager or strategy available in our programs. We may also include manager performance, including their performance history prior to joining our programs, in various program proposals and profiles.

We believe that composite performance information is meaningful. Composites that we provide may be prepared by us, or, in the case of some SMA Managers, by the managers, or obtained from third party sources. We calculate a strategy's composite performance based

on standards drawn from industry sources—taking the following into account:

- A return calculated using a Modified Dietz formula
- Cash flows into and out of the accounts
- Monthly valuations
- Income accrued on fixed-income securities

The performance reflected in the composite information includes all accounts managed in the relevant style for at least one full calendar quarter for SMA Managers. We do not eliminate accounts that impose restrictions, and it is possible that the composite shown reflects the performance of only one account, even if that account is restricted. For this reason, and because past performance is not indicative of future results, you should not consider the performance shown in the composite as representative of the historical performance of the manager or the performance you should expect in the future for either a restricted or unrestricted account. Accounts will be excluded from the composite if there appears to be a discrepancy in the report or if they contain material client directed constraints.

For our SMA Managers, we calculate performance composites only for those managers offered in our ACCESS program. Some of our ACCESS SMA Managers and their strategies are also available in other programs, for example, MAC. As a result, we use these managers' ACCESS data in program profile(s) and strategy(ies) composite performance in investment proposals for those programs. For SMA Manager strategies not available in ACCESS, we use performance provided by the investment manager or by external sources.

While we believe that information provided by managers or obtained from external sources is accurate, we do not independently verify or guarantee it. Please note that we cannot assure you that any performance information provided has been calculated on a uniform or consistent basis.

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

Classification and Availability of Investments

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, for mutual funds the 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.

11. Performance Reviews of SMA Managers 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 the 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 which 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 in ACCESS and SWP.

All MAC Accounts, including those managed by researched SMA Managers, are assigned broad equity

and fixed-income market indexes (e.g., S&P 500, Dow Jones, etc.) that are readily recognized, but cannot be used for direct performance comparisons against your Accounts and the SMA Manager's investment strategy. As a result, you will find that the performance comparisons for researched SMA Managers will differ, sometimes significantly, depending on the Program you select, and may also differ from those presented by your SMA Managers in their materials.

SMA Managers in our SMA Account Programs. The performance of SMA Managers is part of the ongoing due diligence performed by the Manager Research Group. Performance for the SMA Managers is calculated as described above. We do not review or evaluate performance for MAC Eligible SMA Managers.

UBS Affiliated Managers and UBS Financial Services Inc. investment portfolios and research exceptions for proprietary strategies

We offer the services of UBS affiliated managers, and the services of our own internal Portfolio Strategy Group, in the SMA Programs.

While we seek to apply the same review criteria to all researched managers available in our SMA Programs, certain UBS affiliated strategies and UBS discretionary investment portfolios, such as the Managed Portfolio of ETFs, may not have been screened or approved as researched strategies at the time they were initially included in the SMA Programs.

For example, while the Firm itself would satisfy the general research screens, an investment portfolio on its own, may fail to meet several research screens, including: total assets under management, length of a performance track record with client assets, and a requirement of having a minimum number of accounts that are normally imposed on third-party managers. In these cases, however, we may either research these managers subsequent to being included in our SMA Program or we may monitor them periodically to ensure that they meet specific criteria.

Our Manager Research Group, which is responsible for evaluating strategies for these programs, reports into the same function as the portfolio investment team that manages the investment portfolios.

Client Information Provided to SMA Managers. We share certain information you provide to us during the account opening process with your SMA Managers and

UBS Institutional Consultants in order to assist them in the management and servicing of your Account. The information we provide to them includes:

For accounts in the ACCESS Program we provide information to the SMA Managers through a proprietary system. The information we provide includes your 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 ACCESS account statements available through our system. We also provide trade confirmations to select Investment Managers for accounts in the MAC Program. Certain account activity is also communicated through our system, including withdrawal, termination and tax harvest requests.

The UBS Institutional Consultants who service your Account have access to the same information as listed above. Portfolio Managers also receive copies of trade confirmations for transactions they execute in your Accounts as well as copies of the quarterly Performance Reviews for your Accounts.

Data Downloads. To service and reconcile your SMA Account efficiently, 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 SMA 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 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.

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

12. Performance Reporting

If we are your custodian and you participate in our wrap-fee advisory programs, we will provide you with a quarterly performance review once your Account is

enrolled in our Program(s) 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. With limited exceptions, performance reporting is not available for accounts whose assets are not custodied with us.

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.

Accounts Part of an Institutional Consulting Program Agreement. 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 MAC, 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 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.

At your discretion, you may direct us to suspend the delivery of performance reviews to you. That request must be submitted in writing to your Financial Advisor.

- **Aggregating accounts for quarterly performance reviews.** Related accounts may also be aggregated for performance reporting. Please contact your Financial Advisor to have your related accounts aggregated for performance reporting.

C. How We Tailor Our Advisory Services

All of our Investment Consulting Services are based on information you provide regarding your particular goals and circumstances.

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

- **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.
- **Asset Allocations and Strategies.** Our asset allocations are based on a proprietary process which offers (depending on the software program) various customized asset allocation models. Your responses to certain risk tolerance questions are scored to determine an appropriate asset allocation.

Investment strategies and investment managers are assigned a risk category rating. Responses to the risk profile questions are scored in order to determine an appropriate strategy that is within your stated risk profile. The risk category ratings were developed to approximate investor expectations of risk and reward, and to reflect the preferences of a range of investors from conservative to aggressive. Investment strategies within a particular risk category may employ a variety of investment approaches, but are expected to share similar return and volatility characteristics over the long term. There can be no assurance that the stated investment objectives of the investment strategies will be realized.

With the advice of your Financial Advisor, you can select an investment strategy or asset allocation within your risk profile. You may tailor your allocations to your needs from the recommended asset allocation by certain levels not to exceed risk bands indicated in your investment policy statement.

In certain situations, you may select an investment strategy one category higher or any category lower as compared to your profile.

Investment Restrictions: You may impose reasonable investment restrictions on the management of your accounts if you establish accounts in our separately managed accounts programs. Likewise, you may impose restrictions on the management of your account by communicating those instructions directly to your investment manager.

Accounts with investment restrictions may perform differently from accounts without restrictions and performance may be higher or lower than accounts without such restrictions.

D. Participation in Wrap Fee Programs

Our services under the IC Program do not include the participation or offering of those services as portfolio managers in wrap fee programs.

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

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

Our activities as portfolio manager and sponsor of wrap fee programs are separate from our financial planning services.

E. Assets Under Management

The Institutional Consulting Services Program does not include our management of client assets on a discretionary or non-discretionary basis.

Our assets under management in wrap fee programs as of February 28, 2011 are listed below. Although this information does not apply to the IC Program, it provides you additional background regarding our activities as investment adviser.

– Non-discretionary Programs	: 126,032,660,374
– Discretionary Programs	: 48,666,034,586
– Total	: 174,698,694,960

Item 5. Fees and compensation

The fee that you pay in the Institutional Consulting Program covers our advice and the specific services and reports you select in your IC Program Agreement.

The following is a description of the available services and their basic fees. The fees listed are the maximum charged for each service when selected individually and can vary. Where multiple services are selected, the charge may be

less or more than the sum of the fee for the individual components.

Our fees are negotiable and, at our sole discretion, may be waived, and may differ from client to client based on a number of factors. These factors include, but are not limited to:

- type and size of the institution,
- the number and type of service 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.

Our ability to charge a fee less than the maximum or waive the fee may result in one client paying for the same set of services provided to another client at a lower fee or free of charge. We may also discount fees for clients purchasing multiple services or in connection with sales promotions or marketing campaigns.

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.

A. Institutional Consulting Services Program Fee Schedule

Service	Basic Fee
Investment Policy Assistance	\$25,000 per investment policy statement
Investment Monitoring	The basic fee for the combined services of Investment Policy Assistance and Investment Monitoring is 20 basis points on the value of the investments being monitored.
Asset Allocation Studies and Analysis	\$25,000 which includes a final asset allocation study.
Searches:	\$15,000 for each manager search.
– Investment Managers	
– Mutual Fund Searches	\$10,000 for each individual mutual fund search.
– Exchange Traded Funds Searches	\$10,000 for each individual ETF search.
– Exchange Traded Notes Searches	\$10,000 for each individual ETN search.
– Collective Trusts Searches	\$15,000 for each individual collective trust search.
– Stable Value Searches	\$15,000 for each stable value search
– Alternative Investments Searches	\$25,000 for each individual alternative investment search.
– Other Managed Investments	\$15,000 for each individual investment search
Portfolio Evaluation and Review	\$50,000 for the first five managed investments and an additional \$10,000 for each managed investment thereafter.
Retirement Plan Consulting for Participant Directed Retirement Plans	\$50,000.
Investment Education for 401(k) Plan Participants	This service is generally billed out at an hourly or per diem rate plus travel expenses. These rates vary by consultant and by the level of education provided.
Additional Consulting Services	The fees for our ongoing consulting services are generally billed at an hourly or per diem rate or on a fixed fee basis for projects that are specifically undertaken at your request.
Various Other Services	There are no set fees for these services. Your actual fees will vary significantly depending upon the nature and complexity of the service rendered.
You generally may not obtain these services separately if you select the Retainer Service Option described below.	

Our fees may be:

- a specific dollar amount fee;
- an asset-based fee (expressed as a percentage of the market value of the assets under advisement); or
- an all inclusive wrap asset-based fee for assets custodied at UBS.

If you choose to bundle UBS Institutional Consulting services, our fees are subject to negotiation, and total fees for bundled services may be more or less than the sum of the fee for the individual services.

If you choose an all-inclusive asset-based wrap fee arrangement, that fee option combines various UBS Institutional Consulting services with custody of securities and all brokerage and execution services for the purchase and sale of securities at our Firm. The amount you pay to us under this option may be greater or smaller than the fees for similar services under an “a la carte” payment option, where you pay us for each specific individual service provided.

Minimum Annual Fee: The Program does not impose a minimum annual fee.

B. Billing Practices

Clients may cancel the IC Program Agreement and receive a full refund of fees paid by contacting their Financial Advisor within 5 business days from the date the Agreement is accepted by us. After that period, the fee is non-refundable.

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

Valuation. If we are your custodian, we rely on third party quotation services to determine the value of securities 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 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.

Payment of Fees. Fees for UBS Institutional Consulting services are billed in arrears on a calendar quarter basis.

- One Time Services: If you have retained UBS Institutional Consulting for a one time service, you may elect to be billed upon completion of the service.
- Asset-based fees: when we bill in arrears the fees will be calculated based on the asset value of the account at the end of the preceding quarter and billed at the beginning of the current quarter.
 - Initial Fee: If you elect to be billed in advance, your initial fee will be due in full as soon as your IC Program Agreement is effective. The fee will be calculated on the value of the eligible assets on that date, pro-rated to cover the period your agreement is in effect through the end of the current calendar quarter.
 - Quarterly Fee: Thereafter, the fee will be based on the value of your investments on the last business day of each calendar quarter and will cover the next calendar quarter.

The following will be excluded from the asset value for purposes of calculating our fees:

- the value of the employer securities
- for ERISA clients only: the value of affiliate/proprietary investments purchased prior to our engagement
- If you decide to invest all or portion of your assets in one or more of our UBS separately managed account programs (i.e. MAC or ACCESS), that portion of your assets will be excluded from the fee calculation under your UBS Institutional Consulting Services Agreement and instead you will be subject to a fee under the respective managed account program. You will be billed separately according to the billing practices in those programs.

C. Paying your IC Program Fees Through Directed Brokerage and 12b-1 Fee Offsets

You may elect to pay some or all of your fee through directed brokerage and/or mutual fund offsets.

For directed brokerage:

- gross brokerage commissions will be credited against fees at a negotiated rate, but at a maximum conversion rate of 2-to-1.

For mutual fund compensation:

- 12b-1s and finder's fees received by UBS will be credited against fees at a 1-to-1 rate.

You may use directed brokerage to pay our fees for a period of not longer than one year from the date the IC Program Fee was earned. If the amount of your fee is greater than the credit for brokerage commissions or mutual funds 12b-1s and finder's fees received, you will be billed for the difference. The bill must be paid within thirty (30) days of receipt, or we, as the custodian, will debit the outstanding balance from your account.

- Levels of Directed Brokerage: We will notify you in writing, on a quarterly basis, of the levels of brokerage and mutual fund compensation credited against your IC Program Fee and will inform you if the commissions and/or fees have satisfied your UBS Institutional Consulting fee.
- Treatment of Excess Commissions: Any commissions paid in excess of our fee will result in additional compensation for us and our firm. However, for mutual fund compensation, any 12b-1 fees and finders fees collected above your annual fee will be rebated back to you, for as long as your UBS Institutional Consulting Services Agreement is in effect.

If you choose to pay some or all of your IC Program Fee through directed brokerage, you must instruct your investment managers to effect securities transactions through us, subject to best execution, your needs, and, if applicable, the requirements of ERISA.

You and your investment manager should discuss your commission rates and should monitor the level of directed commission transactions in relation to your payment obligations. If your investment manager directs more commissions to us than necessary to satisfy your fee obligation, we will assume that the investment manager has determined that it is advisable for execution purposes to direct these transactions to us. Your brokerage direction may result in us earning substantially more than the fee quoted to you and results in a financial incentive for your Financial Advisor to (i) advocate the use of directed brokerage to pay for services due to the

potential for increased compensation in the form of brokerage commissions, and (ii) to recommend managers who will direct client trades to us.

Debiting/Invoicing Program Fees. If we are your custodian, and you have selected the all-inclusive wrap fee option, IC Program Fees are debited from your UBS account unless you have designated another one of your eligible UBS accounts to pay the Program fee, or you have chosen to have your fee invoiced. Payment of your Program Fee 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 debit your investment advisory account for those fees. IRAs and ERISA Qualified Plans can not pay the managed account fees for another account. This option is not available for the other types of fee options in the IC Program.

Qualified employee benefit plans may choose to be invoiced for the Program fee by directing us to do so in writing. 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. An individual retirement account ("IRA") may not elect the invoice feature. From time to time and in our sole discretion, however, we may make the invoicing feature available to select IRA accounts for the invoicing of the Program Fee.

Plan fiduciaries for defined contribution plans, may be able to direct the plan provider to automatically pay our fees from the assets of, or generated by, the plan. In those situations in which your program provider automatically remits the program fees to us, we will provide you with a quarterly statement, rather than an invoice, with details on the amount of fees we have received.

For the All-Inclusive Wrap IC Program Fee Option and Accounts in Wrap Fee Programs: Relating Accounts for Billing Purposes. You may choose to have two or more eligible advisory accounts treated as related accounts for purposes of taking their assets into consideration in order to calculate the Program Fee. This means that all eligible assets in those accounts will be considered together when determining breakpoints if applicable, in the fee schedule or for those accounts that are subject to minimum fee requirements, whether the minimum fee applies. If the minimum fee applies,

each account will be billed its proportional share based on that account's eligible assets. The ACCESS, Managed Accounts Consulting, Portfolio Management Program and Managed Portfolio Programs offer the flexibility to negotiate either a flat-fee or a tiered (break-point) fee schedule. Relating Advisory accounts can provide the opportunity for price reductions at certain breakpoints. If you choose a break-point fee schedule for your Account, you should review and consider the potential benefits of relating 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.

Your Financial Advisor receives a percentage of the Program Fees you pay to us.

Financial Advisors receive less than their standard payout when wrap-fee accounts are priced below certain levels. This creates an incentive for Financial Advisors to price accounts at or above those levels. If a Financial Advisor wishes to discount the program fee below certain levels, he/she may have the opportunity to do so but may earn reduced compensation associated with the discount.

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

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 UBS Institutional Consulting services are available to you outside of UBS Institutional Consulting 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.

As is the case with all our Financial Advisors who are duly licensed to conduct advisory business, UBS Institutional Consultants (in their capacity as brokers/ Financial Advisors) can provide clients with brokerage services outside of the IC Program. UBS Institutional Consultants may provide some asset allocation reports and/or performance reports as a brokerage service free of charge. Since these services may be similar to UBS Institutional Consulting services, UBS Institutional Consultants may have an incentive to recommend to you those services under a UBS Institutional Consulting Services Agreement which may result in increased compensation to them. We make similar services available to all our customers as part of our brokerage services for no additional or separate charge.

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

You should consider these factors carefully before participating in the UBS Institutional Consulting Services Programs.

We receive additional compensation in connection with the mutual funds and other investments we recommend to you. See *"Participation or Interest in Client Transactions – Additional Compensation"*. The receipt of additional compensation creates an incentive to recommend products on the compensation received rather than on a client's needs. Mutual funds recommended through our IC services, and purchased through UBS, are available generally on a load-waived basis.

Mutual Fund Share Classes Available in Advisory Programs

For advisory Programs that offer mutual funds, the offering includes 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.

- **Class A Shares.** Generally, our advisory programs offer Class A shares of mutual funds, which are sold on a no-load or load-waived basis (i.e., no upfront sales charge). These Class A shares normally impose a shareholder servicing fee, commonly referred to as a 12b-1 fee, which you pay directly to the fund company. As a distributor of mutual funds, we and

our Financial Advisors receive a portion of the 12b-1 fees for the services we provide.

- **Institutional and No Load Shares (Hold Only).** In addition to offering no-load or load-waived Class A shares, we may also offer institutional, advisor or fee-based share classes (where available) in the future, either as “hold only” investments or for additional purchases for some or all of the funds available in our Advisory programs. 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. However, because most institutional, advisor or fee-based share classes do not impose a 12b-1 shareholder servicing fee, these share classes are usually more cost effective than the Class A shares. You may be able to purchase and hold these shares in your brokerage account for a transaction fee of \$75 and exclude these assets from your Program Fee.
- We may, in the future, convert some or all of our Programs to offer exclusively (where available) the Institutional, Advisor or Fee-Based share classes. We will notify you of these changes. If you hold Class A shares at the time we convert each Program Fund to a new share class, then we will attempt to convert your Class A shares on a tax-free basis if possible into the institutional, advisor or fee-based share class. At our discretion, we may allow existing clients to hold Class A shares.

Class A shares that are used to fund accounts subsequent to the share class conversions in each program will be automatically converted, on a tax-free exchange basis, (subject to availability of that service) to the new share class available for the relevant fund. After you sign the Advisory Relationship Agreement, we have the authority to conduct such tax-free exchanges on your behalf.

D. Fees/Other Charges Not Covered by Your IC Program Fee

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, unless we specifically agree otherwise IC Program Agreement.
- transaction based charges or commissions, account maintenance fees or any other charges you may incur in implementing our advice. You will incur such fees whether you implement our advice at UBS or at another financial institution.

- commission charges for transactions for your account that your investment manager or we, at your direction, may effect through other broker-dealers. Your investment manager has the option to trade through us or with other financial institutions, in accordance with best execution obligations. **If you select the all-inclusive wrap fee option and your investment manager will not be executing transactions with UBS, our SMA programs may not be an appropriate option as you will be incurring redundant costs.** You should direct your inquiries regarding these costs to your Financial Advisor;
- 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;
- mark-ups/mark-downs on principal transactions with us or other broker-dealers;
- internal trust fees;
- costs relating to trading in 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; and
- other specialized charges, such as transfer taxes, and fees we charge to customers to off-set fees we pay to exchanges and/or regulatory agencies on certain transactions.

Either UBS Financial Services or UBS 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:

- ACAT transfers
- Wire transfer charges
- Annual and termination fees for retirement accounts
- Annual and termination fees for RMAs or Business Services Accounts (BSAs)

Please review the applicable prospectus and offering documents for the investment vehicles offered in the program carefully for a detailed description of the additional fees associated with these securities.

- **You have the option to purchase these investment products through other broker-dealers or agents not affiliated with us. You may also be able to purchase those securities directly in the open market without incurring the all-inclusive fee.**

E. Compensation to Financial Advisors Who Recommend Advisory Programs

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

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

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

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

In general, we pay our Financial Advisors a percentage of clients' commissions and fees (called a payout or grid rate), less certain adjustments requested by our Financial Advisors, according to an established schedule based on the revenues the Financial Advisor generates with the clients he or she services. For transactions-based accounts—which hold products such as stocks, bonds, options and mutual funds—the payout rate ranges from 20% to 45% of the commissions or sales charges paid to the firm. Generally, for stock and option transactions, the payout is adjusted downward to account for a \$12 per transactions fee. For asset-based fee programs and financial planning fees, the payout ranges from 20% to 48% of the fees paid to the firm.

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

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

Under certain circumstances (e.g., acquisitions and recruitment), some Financial Advisors or producing Branch Office Managers may be compensated differently. Financial Advisors also receive certain revenue awards based on their production amount, business mix and net new assets. We reserve the right, at our discretion and without prior notice, to change the methods by which we compensate our Financial Advisors.

Item 6. Performance based fees and side by side management

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

Item 7. Types of clients

A. Type of Clients

Generally, as a firm, we provide investment advisory services to individuals, banks, thrift institutions, mutual funds and other investment companies, pension and employee benefit plans, trusts, estates, charities, corporations and other business and government entities. The majority of our clients in the advisory programs and those receiving financial planning services are individuals.

The Institutional Consulting Program is 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 provide services to other types of clients under certain conditions.

B. Requirements for Participation in the Institutional Consulting Program

- 1. Minimum Asset Requirement.** Our UBS Institutional Consulting services are available for client relationships where the amount of client investment assets is generally \$10 million or greater, although we may allow clients with less than \$10 million in investment assets under certain conditions.

IC Program services available may differ depending on the client's net worth and the complexity of their financial situation. We reserve the right, in our sole discretion, to change the net worth standards for each of the Program services we offer.

- 2. Agreements and Account Documentation.** As a UBS Institutional Consulting client, you will enter into a written agreement with us. Your agreement to participate in UBS Institutional Consulting will not be effective until accepted by an authorized member of UBS Institutional Consulting Program Management. The Agreement may cover a variety of assets and accounts which, depending on the circumstances, may be invested or held at UBS or at other financial institutions.

If you decide to open an account with us as part of your UBS Institutional Consulting relationship, you will be required to execute (as applicable) brokerage and additional advisory agreements. It is important to note that including a UBS brokerage account within the UBS Institutional Consulting relationship will change the nature of the account and our obligations as it pertains to that account so long as that account is part of the UBS Institutional Consulting agreement. For example, when you establish a brokerage account with us, our obligations to you as it pertains to that account, are solely those of a broker-dealer. However, when that account is included as part of a UBS Institutional Consulting Services Agreement, 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.”**

- 3. Custody.** Please see Item 15 “Custody” for a description of custody requirements.
- 4. Investment Policy Statement or Profile Questionnaires.** Our IC Program Services are based upon the information and selection criteria you provide to us including goals, risk tolerance, financial needs and objectives. Either your investment policy statement or a questionnaire forms the basis of your selection of an investment strategy or asset allocations for your Program account. We rely on this information in providing our advisory services, so we require you to review the information and notify us promptly if there are any discrepancies or if your objectives or financial condition have changed. You agree to review this information and provide us with updates as necessary or any material change in your circumstances which may affect our services and how your assets should be invested.
- 5. Including Outside Assets.** You may choose to include assets held at other institutions in the services, analysis and reports we provide to you in the IC Program. Because these assets are not held at UBS, we will not be able to verify or ensure the accuracy of information regarding these assets.
- 6. Confirmation of Your Account Record.** If we are custodian for your assets, after a new account is opened or whenever your investment objectives or financial information is updated, we confirm your personal information 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.

7. 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. All transactions in those accounts will be executed by UBS based on your instructions to us. Subject to certain limited exceptions, neither UBS nor your IC Consultant will have any discretion with respect to the investment of your assets.

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.

8. 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.

- 9. 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; quarterly performance reports; tax reporting documents; Client and account information documents; other firm documents that may be available now or in the future.

We will automatically enroll you in electronic delivery for your Advisory accounts if you select this option in your brokerage account agreement.

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.

When a new prospectus is available, we will send you an email notification to the email address you have provided to us. The email 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 email address becomes outdated or we receive messages that a prospectus sent to you is not deliverable to the email address you provided, we will send the document to you via regular mail.

10. Cash Balances in your Advisory Accounts at UBS.

Generally, some portion of your advisory account will be held in cash, cash equivalents or money market mutual funds as part of the overall investment strategy for the account. There is some important information you should consider in connection with these sweep vehicles:

- 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. This 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.
- **Domestic accounts.** We will automatically invest cash balances in your Advisory accounts in UBS money market mutual funds.
- **Retirement accounts.** For certain programs, cash balances in accounts subject to ERISA or IRAs may

also be invested 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.—whether temporarily as part of an asset allocation strategy or otherwise—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.)
- **Sweep vehicle for Puerto Rico residents.** The Puerto Rico Short-Term Investment Fund Inc. is available as a sweep option only for customers who hold accounts with UBS Financial Services Incorporated of Puerto Rico and who are Puerto Rico residents, as defined in the fund’s prospectus. UBS Financial Services Incorporated of Puerto Rico is a subsidiary of UBS Financial Services Inc.

The Puerto Rico Short-Term Investment Fund Inc. is not a money market fund registered under the U.S. Investment Company Act of 1940. Because it does not comply with rules applicable to U.S. registered funds, it may present a higher degree of risk than U.S.-registered money market funds. The fund is sold by prospectus only; it is not FDIC-insured; it is not bank guaranteed; and it may lose value. UBS Asset Managers of Puerto Rico, a Division of UBS Trust Company of Puerto Rico, serves as investment advisor to the Fund. See the Fund’s prospectus for additional information.

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. You may also choose to maintain any cash component of an asset allocation strategy outside of your UBS Advisory Accounts.

11. Important information about your sweep options for brokerage accounts.

For eligible clients, available cash balances in basic investment accounts and RMAs (including available cash balances in your account) are automatically swept into interest-bearing, FDIC-insured deposit accounts at our affiliate—UBS Bank USA (Member FDIC). However, in the case of clients with RMAs, you may select one of the other sweep options available. You also have the option to cap the amount of available funds that will be swept into the deposit accounts. **You should review the UBS Deposit Account Sweep Program Disclosure Statement carefully before selecting sweep options for your account.**

You should also note the following:

- The deposit accounts are insured by the FDIC to the FDIC insurance coverage limits, which are currently a maximum of \$250,000 (for individual accounts) or \$500,000 (for joint accounts) in each case including principal and accrued interest. If you have multiple brokerage accounts with us, once the uninvested cash in those accounts exceeds either \$250,000 or \$500,000 in total, then your total funds on deposit with UBS Bank USA will exceed FDIC insurance coverage limits. We are not responsible for any insured or uninsured portion of the deposit accounts.
- We are a member of the Securities Investor Protection Corp. (SIPC). SIPC provides protection for securities in your accounts with us up to \$500,000, including \$250,000 for free cash balances in the unlikely event that we fail financially. For details please see www.sipc.org. The SIPC asset protection limits apply, in total, to all accounts that you hold in a particular capacity. Interest in the sweep money market funds are not bank accounts and are not protected by the FDIC. However, balances in those funds, are covered by both the SIPC as well as the excess SIPC insurance that we have obtained for the benefit of our clients. **See the Account Information Booklet and the Disclosure Statement for more information regarding SIPC protection.**

- UBS Bank USA, UBS AG and UBS may receive substantial financial benefits for activities related to the deposit accounts.

Please see the UBS Financial Services Inc. Deposit Account Sweep Program Disclosure Statement for details.

12. Termination. You may terminate UBS Institutional Consulting within five (5) business days of executing the UBS Institutional Consulting agreement and receive a full refund of all fees paid to us. Thereafter, either party may terminate this relationship by notifying the other in writing. The termination will become effective upon the receipt of this notice. Upon termination, we will have no further obligation to you to act or advise you with respect to your assets.

If you executed additional brokerage and advisory applications and agreements to receive additional services, termination of the UBS Institutional Consulting agreement will not automatically terminate other advisory relationships. Each agreement must be terminated separately.

You should note that termination of your UBS Institutional Consulting agreement will end our investment advisory fiduciary relationship and as applicable our ERISA fiduciary relationship with you as it pertains to the UBS Institutional Consulting Agreement. Depending on the terms of your underlying account agreements, (i.e., brokerage or advisory), your UBS Institutional Consulting agreement will no longer apply to that account and the account will be governed solely by the terms of such account.

13. Automatic Liquidation of Certain Assets at Account Termination

Closing your Advisory account will result in the sale of your 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 Advisory account is swept into a money market fund that is available exclusively in 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 wrap fee 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. When you end your participation in those strategies, for any reason, 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.

14. Reliance of Fiduciaries and Limits of UBS Institutional Consulting's Responsibility

In providing UBS Institutional Consulting 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 that impact our IC services or the manner in which your assets are invested.

As it pertains to our services:

- IC services are suggestions and are not binding on you. All investment decisions are your responsibility and you retain absolute discretion over, and responsibility for, the implementation of any of UBS Institutional Consulting's suggestions.
- UBS Institutional Consulting 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 suggested by your UBS Institutional Consultant and selected or ratified by you.

- provide any legal, accounting or actuarial advice to you or prepare any legal, accounting or actuarial document.
- You must explicitly include the allocation of responsibilities in your agreements with your investment managers with respect to fulfilling their obligations in regards to suitability.

15. Implementing Our Advice. 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 outside professional advisers
- consult with your legal counsel and/or 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 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.

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 IC Program services we provide.

16. Hiring the SMA Managers: You may hire your SMA Investment Manager in a variety of ways;

- You may select ACCESS, our sub-advised program. That means you enter into an investment Advisory agreement with us and we, in turn, hire the SMA Manager(s) on your behalf.
- You may select the MAC program which allows you to enter into two separate agreements, one with UBS for consulting services and one directly with your SMA Manager for investment management services. You are responsible for negotiating the terms, fees and conditions of your agreement with your MAC SMA Manager.

- You may select an investment manager on your own separate from the ACCESS or MAC programs by entering into two separate agreements, one with UBS for consulting services and one directly with your SMA Manager for investment management services. You are responsible for negotiating the terms, fees and conditions of your agreement with such Manager.

17. Management of Your SMA Account. Your SMA Manager has the sole authority to manage your account and will make all investment decisions for your account without discussing these transactions with you or us. We will execute transactions in your program accounts based on the instructions we receive from your SMA Manager. We will not solicit your SMA Managers to buy or sell securities for your accounts.

We are not responsible for:

- Your choice of SMA Manager;
- Their day-to-day investment decisions (including their selection of tax lots for sale or redemption)
- Their performance
- The SMA Manager's compliance with applicable laws, rules or regulations
- The SMA Manager's compliance with best execution obligations
- Other matters within the SMA Manager's control, including implementation of your rebalancing election where the manager has assumed the responsibility to manage your account

18. Trading and Execution Practices

This section is a general summary of our execution practices as they relate to brokerage and Advisory accounts. You should note that in order to comply with principal trade restrictions, orders for most of our advisor programs 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.

Execution of transactions for your account

We use 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. We regularly monitor 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.

In determining the best way to execute an order for a client, 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 the primary exchange 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 unaffiliated market makers 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. If your account is a commission-based account, you may pay higher commissions if we obtain research in this manner. We do not try to place 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. 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.

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.

Best execution

In ACCESS, SWP and our discretionary programs, we provide all managers in the programs with proprietary trading systems to administer, maintain, reconcile and place trades with UBS for accounts managed in those Programs.

In MAC, we provide only certain SMA Managers with a proprietary trading system or establish electronic connectivity to their own trading system in order to administer, maintain, reconcile and place trades with UBS for accounts managed in the program. Many MAC eligible managers trade through our branch offices and place trades directly with the Financial Advisor for your MAC account.

Regardless of the program or trading system used for investing, your SMA Manager has the option to trade through us or with other financial institutions, in accordance with the manager's obligation to achieve best execution on all trades for your account. Although use of our proprietary trading system is not required for a manager to participate in our programs, the system makes it easier, and therefore encourages, a manager to place trades for program accounts with UBS instead of with other financial institutions. SMA Managers typically will place transactions through UBS on an unsolicited basis, as your SMA Manager deems appropriate.

Your Program Fee covers the costs of trades executed with UBS but not the costs of trades executed elsewhere. We refer to trades on which we are not the executing broker as "step out trades." These transactions are generally traded from broker to broker and are usually cleared net, without any commissions. However, under certain circumstances, you may be assessed other trading related costs in addition to your Program Fee, if your manager trades with another firm. For this reason, your SMA Manager may find that placing trades with UBS is often the most favorable trading option for you. However, your manager may direct transactions to other broker-dealers (for additional fees or sometimes, commissions) if your manager decides that its best execution obligations so require. Some managers have historically directed 100% of their trades to outside broker-dealers.

Your SMA Manager is solely responsible for meeting its best execution obligations to you, and you should carefully review the manager's trading for your account. UBS does not analyze or evaluate whether your SMA Manager is meeting its best execution obligations on trades executed for your account. See the description of our execution and order routing practices above.

Item 8. Methods of analysis, investment strategies and risk of loss

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. See also the risks associated with IC Eligible Investment at the end of this section.

Our Asset Allocations

Our asset allocations may be based upon on a proprietary methodology or customized based on your investment policy statement. 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. Neither UBS nor your Financial Advisor is required to provide you with an updated proposal based upon changes to these or other underlying assumptions. Changes in the assumptions may affect your Target Allocation on the broad, subclass or style level. We may also add or remove asset classes, subclasses and styles from the allocation methodology

at any time. Once we have delivered an asset allocation to you, we are not required to provide you with an updated analysis based upon changes to these capital market assumptions or resulting changes to your Target Allocation. It is important to note that implementing changes to your Target Allocation may result in tax consequences to you. Please consult your tax advisor if this occurs.

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

Limitations on Statistical Analysis. Historical statistical data, based on the performance of various market indices, may be provided in the financial planning reports to show relative historic risk and return information regarding the asset allocation strategies presented. In addition, forward looking analyses are presented based upon various risk and return assumptions developed by UBS Financial Services Inc. 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.

We obtain information from various sources, including:

- Financial publications
- Inspections of corporate activities
- Company press releases
- Research material prepared by our affiliates and third parties
- Rating or timing services
- Regulatory and self-regulatory reports
- 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 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.

SMA Managers

Managers in our Advisory programs are not required to use UBS research as the source of their investment decisions. SMA Managers participating in our ACCESS and MAC programs may utilize various fundamental, technical, quantitative or statistical research, tools and valuation methodologies in order to determine which securities to purchase for your program accounts. They may rely on their proprietary research, and/or they may receive research from a variety of sources, including UBS or one of our affiliates, as part of their investment process. 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

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

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

Risks Associated with IC Eligible Investments and Directed Brokerage

This section is not intended to enumerate all the risks associated with these 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.

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.

– **Commingled Investment Trusts or Funds**

A commingled 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 commingled fund is through a retirement plan such as a 401(k) plan. Additionally, regulation of these two types of 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 U.S. commingled 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 commingled 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.

– **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 subject to restrictions on transfer, and
- may not be required to provide periodic pricing or valuation information to investors.

Fund investment programs 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. An investment in the Funds is long-term, there is generally no secondary market for the interests of the Fund, and none is expected to develop. 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.

Directed Brokerage Practices

If you choose to pay your IC Program Fee through directed brokerage offsets you should carefully consider the following:

- You and your investment manager should discuss your commission rates and should monitor the level of directed commission transactions in relation to your payment obligations.
- If your investment manager directs more commissions to us than necessary to satisfy your fee obligation, we will assume that the investment manager has determined that it is advisable for execution purposes to direct these transactions to us.
- Your brokerage direction may result in us earning substantially more than the fee quoted to you and results in a financial incentive for your Financial Advisor to (i) advocate the use of directed brokerage to pay for services due to the potential for increased compensation in the form of brokerage commissions, and (ii) to recommend managers who will direct client trades to us.

Item 9. 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-dealers and investment advisers 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 Security and Exchange Commission's website, located at www.adviserinfo.sec.gov, as well as the Financial Industry Regulatory Authority's website, www.finra.org/brokercheck.

Executive Officers and Board of Directors

- **Robert J. McCann** is Chief Executive Officer of UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation.
- **Rosemary T. Berkery** is Chairman of UBS Bank USA and Vice Chairman of UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation.
- **John J. Brown** is a Group Managing Director for UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation. He currently heads the Wealth Management Solutions business.
- **John Dalby** is Chief Financial Officer and Chief Risk Officer of UBS Wealth Management Americas. He is a member of the Executive Committee of UBS Financial Services Inc.
- **William Frey**, is a Managing Director and Chief Financial Officer of UBS Financial Services Inc. He is also the Head of Business Accounting and Controlling for UBS Wealth Management Americas, which principally comprises the registered broker-dealer, UBS Financial Services Inc., UBS Bank USA as well as the Private Banking operation.
- **Brian P. Hull** is a Group Managing Director and Head of Wealth Management Partnerships for UBS Financial

Services Inc., which comprises three units: Strategic Client Relationships, Investment Services and Client Development.

- **Robert E. Mulholland** is a Group Managing Director and the Head of the Wealth Management Advisor Group for UBS Financial Services Inc.
- **Paula D. Polito** is a Group Managing Director and Chief Marketing Officer of UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation.
- **Anita Sands** is a Group Managing Director and Chief Operating Officer of UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation.
- **David J. Satler** is a Managing Director, member of the Executive Committee and the Head of Human Resources of UBS Financial Services Inc.

Wealth Management Research

- **Mike Ryan** is a Managing Director, Chief Investment Strategist and Head of 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, Institutional and Middle Markets Business for UBS Wealth Management Americas.
- **Paul Chong**, is an Executive Director and Head of 401(k) and Institutional Consulting Group.

General Counsel, Director of Compliance and Chief Compliance Officer

- **Jonathan Eisenberg** is a Group Managing Director and General Counsel of UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., and the Private Banking Operation.
- **Douglas T. Siegel** is a Managing Director and Head of Compliance for UBS Wealth Management Americas, which includes 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.

	Date of Action	Brought by	Allegation	Disposition	Monetary Sanctions
1	May 4, 2011	SEC, Internal Revenue Service (IRS), Dept. of Justice (DOJ), State Attorneys General of: AL, CA, CO, CT, DC, FL, ID, IL, KS, MD, MA, MI, MO, MT, NV, NJ, NY, NC, OH, OR, PA, SC, TN, TX, and WI	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.	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

Date of Action	Brought by	Allegation	Disposition	Monetary Sanctions
2 April 11, 2011	FINRA	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") by making statements and omitting certain facts that may have misled certain customers, failure to disseminate adequately to financial advisors certain market information relating to Lehman's financial condition, failure to maintain and establish adequate supervisory systems in connection with marketing and sale of the Notes, 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.	Letter of Acceptance Waiver & Consent Censure, Fine, and Restitution to specific classes of customers	Fine: \$2.5 million Restitution: \$8.5 million
3 November 3, 2010	FINRA	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.	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
4 September 29, 2010	FINRA	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.	Letter of Acceptance, Waiver & Consent, Censure, Fine, Establish supervisory procedures	Fine: \$175,000
5 June 26, 2009	FINRA	Inadequate systems/procedures, to detect patterns of unsuitable short-term trading of Closed-End Funds.	Letter of Acceptance, Waiver & Consent, Censure & Fine	Fine: \$100,000
6 February 2009	SEC and US Department of Justice	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.	Disgorgement (\$200,000,000 is to the SEC) Back Taxes Payment	\$380,000,000 \$400,000,000
7 February 26, 2009	FINRA	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.	Letter of Acceptance, Waiver & Consent, Censure and Fine Restitution to customer and revision of firm procedures	Fine: \$110,000 Restitution: \$2,719.65

Date of Action	Brought by	Allegation	Disposition	Monetary Sanctions
8 January 9, 2009	CFTC	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.	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
9 December 2008	Swiss Federal Banking Commission	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.	Injunction	None
10 December 22, 2008	US District Court, New York	Auction Rate Securities (ARS) UBS is permanently enjoined from violations of the broker/dealer fraud provisions:	Cease & Desist Injunction Civil Penalty	Civil Penalty TBD
		Date	State	Civil Penalty
		6.26.08	Massachusetts	\$2,180,875 Education \$250,000
		3.30.10	Texas	\$6,640,432
		4.23.10	California	\$15,209,146
		4.27.10	Kentucky	\$485,558
		5.6.10	Louisiana	\$867,350
			Idaho	\$389,031
		5.17.10	Arizona	\$1,662,029
		6.21.10	Alabama	\$328,180
		July 2010	Indiana	\$705,000
			No. Dakota	\$235,194
			Vermont	\$243,263
			South Dakota	\$317,375
			Montana	\$324,542
			Michigan	\$2,227,163
			Virginia	\$1,363,942
			W. Virginia	\$155,754
			Georgia	\$1,279,856
			Connecticut	\$2,098,792
			Mississippi	\$498,250
			Washington	\$1,805,294
			Wyoming	\$288,945
			Rhode Island	\$247,677
			Delaware	\$269,248
			Maine	\$249,018
			Puerto Rico	\$207,429
			Tennessee	\$1,046,609
			Virgin Islands	\$258,154
			Iowa	\$455,918
			Nebraska	\$406,414
			New Mexico	\$275,205

Date of Action	Brought by	Allegation		Disposition	Monetary Sanctions
		Date	State		
		7.14.10	New Mexico	Civil Penalty	
				\$275,205	
		9.10.10	Nevada		\$1,099,850
		9.20.10	South Carolina		\$390,657
		10.6.10	Oregon		\$1,175,492
				Education	\$61,868
		11.5.10	Florida		\$6,581,232
		11.16.10	Arkansas		\$265,036
		12.8.10	Oklahoma		\$274,539
		12.8.10	Wisconsin		\$462,788
		2.15.10.	Pennsylvania		\$2,588,077
		2.3.11	New Jersey		\$3,790,487
11 October 31, 2008	SEC	Violations of '34 Act Section 15(c) regarding the marketing and sale of Auction Rate Securities.		Consent Judgment	Cease & Desist, and Fines in varying amounts currently being paid to all 50 states out of the \$75 million noted above in Dec 12, 2008 decision
12 February 28, 2008	FINRA	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.		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
13 December 3, 2007	State of Missouri	Firm failed to supervise former FA's for public seminars and recommendations to customers re: mutual fund share sales.		Consent Order, Censure, Fine & Disgorgement	Civil : \$ 75,000 Investor Restitution: \$247,680 Disgorge: \$135,946 Investor Education: \$230,000 Costs of Investigate: \$8,584
14 October 24, 2007	FINRA	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.		Letter of Acceptance Waiver & Consent & Fine	Fine: \$370,000

Date of Action	Brought by	Allegation	Disposition	Monetary Sanctions
15 October 2, 2007	FINRA	Violated NYSE Rule 401(a) and 342 by failing to deliver prospectuses and failing to maintain supervisory and control procedures.	Letter of Acceptance, Waiver & Consent, Censure & Fine Certification to NYSE re: policy & procedure revisions within 90 days.	Fine: \$500,000
16 July 16, 2007	Attorney General State of NY	Non-discretionary fee-based brokerage accounts were unsuitable for certain clients and fees/commissions were higher than non-fee based accounts	Remediation to Customers & Penalty to State of NY	Remediation: \$21,300,000 Penalty:\$2,000,000
17 April 16, 2007	State of Connecticut Department of Banking	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:
18 May 26, 2006	NYSE	Sales Practice exams in 2003 and 2004 revealed overcharges and the Firm violated Section 17(a)(2) of the '33 Act, and Rule 10b-10 of the '34 Act.	Stipulation of Facts & Consent to Penalty	Fine: \$175,000
19 January 11, 2006	NYSE	Failure to supervise brokers who engaged in deceptive market timing of mutual funds and varied insurance products.	Fine, Consent Order, Censure, Civil Penalty	Fine:\$23,700,000 Fine State of NJ: \$24,700,000
20 March 7, 2005	State of Illinois	Failure to provide investors with accurate information re: callable CD's and failure to supervise.	Fine	Fine: \$95,000
21 June 28, 2004	NASD	Violation of MSRB Rules G-17 and G-30 , unfair pricing of bond sales.	Censure & Fine	Fine: \$100,000
22 December 10, 2003	State of Missouri Secretary of State	Violation of Section 409.204(a)(2)(G) and (J) of the Missouri Securities Act re: research practices and conflicts of interest arising from those practices. Global Research Settlement Actions.	Cease & Desist, Fine, Penalty, Disgorgement, Investor Education	Fine: \$431,117 Penalty: \$25,000,000 Disgorgement: \$25,000,000 Procurement: \$25,000,000 Education: \$5,000,000

Date of Action	Brought by	Allegation		Disposition	Monetary Sanctions
		Date	State		
		02.21.04	North Carolina	\$620,209	
		02.23.04	New Mexico	\$250,000	
		02.20.04	New Hampshire	\$250,000	
		12.29.03	West Virginia	\$250,000	
		12.15.03	California	\$2,609,851	
		12.17.03	Nebraska	\$250,000	
		12.26.03	Ohio	\$874,773	
		12.30.03	Pennsylvania	\$946,269	
		11.21.03	Montana	\$250,000	
		11.21.03	Maryland	\$408,100	
		11.19.03	Washington DC	\$250,000	
		11.14.03	Virginia	\$545,408	
		11.05.03	South Dakota	\$250,000	
		11.05.03	Nevada	\$250,000	
		11.12.03	Utah	\$250,000	
		11.09.03	Wisconsin	\$413,277	
		10.10.03	North Dakota	\$250,000	
		10.13.03	Minnesota	\$379,051	
		10.09.03	Kansas	\$250,000	
		10.08.03	Massachusetts	\$489,205	
		10.08.03	Indiana	\$468,508	
		09.29.03	Alaska	\$250,000	
		09.29.03	Tennessee	\$438,366	
		09.29.03	Puerto Rico	\$293,457	
		09.25.03	Georgia	\$630,775	
		09.22.03	Washington	\$454,149	
		09.23.03	Vermont	\$250,000	
		09.22.09	Rhode Island	\$250,000	
		09.20.03	Oregon	\$263,622	
		09.19.03	Florida	\$1,231,461	
		09.18.03	Colorado	\$333,417	
		09.18.09	Mississippi	\$250,000	
		09.17.03	Texas	\$1,606,657	
		09.11.03	Michigan	\$765,768	
		09.11.03	Delaware	\$250,000	
		09.10.03	Hawaii	\$250,000	
		09.09.03	Wyoming	\$250,000	
		09.08.03	New Jersey	\$648,335	
		08.25.03	Maine	\$250,000	
		08.22.03	Idaho	\$250,000	
		08.21.03	Kentucky	\$311,423	
		08.21.03	New York	\$1,462,158	
		08.21.03	Alabama	\$342,654	
		08.14.03	Arkansas	\$250,000	
		04.28.03	Arizona	\$395,321	
		04.28.03	Oklahoma	\$265,877	
		04.28.03	Illinois	\$956,921	
		04.28.03	Connecticut	\$262,402	

Date of Action	Brought by	Allegation	Disposition	Monetary Sanctions
23 August 2003	SEC	Failure to supervise former RR who committed fraud and caused extensive client losses.	Consented to an Order Instituting Proceedings, Censure under '34 Act Section 15(b), Civil Penalties	Civil: \$500,000
24 June 29, 2003	NYSE	Failure to provide investors with accurate information re: callable CD's and failure to supervise.	Censure & Fine	Fine: \$174,000
25 September 26, 2001	State of Florida	Excessive markups on treasury securities, jeopardizing their tax exempt status.	Civil Damages (UBS share)	\$765,000
26 April 6, 2000	SEC	Violations of Sections 17(A)(2) and 17(A)(3) of the Securities Act of '33 by "yield burning" which jeopardizes the tax exempt status of treasury securities.	Censure Cease & Desist Disgorgement	Disgorgement : \$26,200,000

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:

- PaineWebber Properties Inc. creates, markets, distributes or acts as general partner for a number of limited partnerships that invest in commercial and residential properties, oil and gas interests, and research and development activities.
- UBS Financial Services Insurance Agency Inc.
- UBS Financial Services Inc. of 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 UBS Trust Company N.A. and the UBS Trust Company of Puerto Rico.
- 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 AG (UBS Financial Services Inc.'s ultimate parent) offers investment advisory services through a variety of direct and indirect subsidiaries. These entities are separately registered investment advisors and, in some cases, registered broker-dealers and commodity-trading advisors. Their principal lines of business range from developing and distributing investment products including wrap fee products, mutual funds, closed-end funds, privately placed funds and other pooled investment products, providing investment advice to individuals, pension and other employee benefit plans, other tax-exempt organizations, insurance companies, investment companies, commingled trust funds, corporations, and other institutional investors, and serving as investment managers, administrators, distributors and/or placement agents for a number

of funds, including (in the case of UBS Global Asset Management (US) Inc., the PACE Select Advisors Trust and a number of UBS and UBS Global Asset Management-advised mutual funds. Certain of the investment advisers listed below may serve as investment manager for clients participating in our MAC, ACCESS program or SWP programs.

The UBS AG 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.

- Alternative Investment Solutions
- UBS Agrivest LLC
- UBS Global Asset Management (Americas) Inc.
- UBS Global Asset Management (US) Inc.
- UBS O'Connor LLC
- UBS Realty Investors LLC
- UBS Securities LLC
- UBS Swiss Financial Advisers
- UBS Fund Advisor, LLC
- UBS Juniper Management LLC
- UBS Tamarack Management LLC
- UBS Eucalyptus Management LLC, and
- UBS Willow-Management LLC.

Item 11. Code of ethics, participation or interest in client transactions and personal trading

A. Code of Ethics

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

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

- To set forth standards of conduct that apply to all employees of the firm, including the firm's fiduciary obligation to its clients
- To address conflicts of interest associated with the personal trading activities of a subset of employees defined as "access persons³."

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

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.

Unless otherwise noted below, UBS Institutional Consultants do not receive any of these fees listed in the tables below as payable to Financial Advisors; however they may be applicable if, upon termination of your UBS Institutional Consulting relationship, you decide to select a different investment advisory program or if you continue to hold mutual funds.

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 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 investments in your

³ 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.

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 trail 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 of 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

			Do Financial Advisors Receive a Portion of These Fees?
Payment Type	Current Rate	Source of Payment	
Trailers & 12b-1 Fees	<ul style="list-style-type: none">Affiliated funds: 0.25% of the fund’s assets per year.Non-affiliated funds: Fees generally range from 0% to 0.50% per year—although the average current annual rate is approximately 0.25%.	<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>	Yes
Networking Fees	<ul style="list-style-type: none">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.	<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 data between UBS and the fund companies.</p>	No
Omnibus Processing Fees	<ul style="list-style-type: none">These payments, which usually range from \$16 to \$22 per position are assessed per client and can vary by share class. A portion of the payments we receive for Omnibus processing is paid to the sub-account transfer agent.	<p>These fees are paid by mutual fund sponsors from investor assets.</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

Domestic Mutual Funds

Payment Type	Current Rate	Source of Payment	Do Financial Advisors Receive a Portion of These Fees?
UBS Global Asset Management Y Shares	<p>Prior to June 16, 2010 (and, for certain funds May 25, 2010), UBS Global AM (US), the principal underwriter of the funds, made the following payments out of its own resources:</p> <ul style="list-style-type: none"> – a one-time finder’s fee consistent with the fund’s Class A share. – Beginning in the 13th month after purchase, an annual fee in an amount up to (1) 20 basis points for an equity fund, an asset allocation fund or a balanced fund; (2) 15 basis points for a fixed-income fund; and (3) 5 basis points for an index fund. <p>These payments are not available for purchases of Y shares after June 16, 2010 (or, May 25, 2010, as applicable), but continue to be made for investments prior to that date.</p>	UBS Global Asset Management (US) pays these fees out of its resources.	Yes
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.

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.

However, revenue sharing retained by UBS Financial Services is not paid to UBS Institutional Consulting nor is it shared with our Institutional Consultants. To the extent we receive revenue sharing compensation for Qualified Plans participating in UBS Institutional Consulting with accounts held at UBS Financial Services Inc. that compensation will be rebated to the Plan or returned to the fund company.

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) are 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)
- 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, because 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.**

Many mutual funds companies pay revenue-sharing to us, including our affiliate, UBS Global 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:

- 0.08% per year (paid quarterly) on all sales of mutual fund shares (excluding sales through wrap-fee programs)
- Up to 0.15% per year (paid quarterly) of the asset value of all equity mutual fund shares held at UBS
- Up to 0.10% 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)

Except as noted below, 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. Further, we may institute caps at certain asset and sales levels, as well as comprehensive caps, and 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 may present a conflict between our interests and those of our customers, because the payments give us a financial incentive to recommend that our customers buy and hold shares of those funds that we maintain on our distribution platform and for which we receive revenue-sharing payments. Although mutual funds from over 250 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.

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"> – Equity offshore funds: ranges from 50 to 90 basis points. – Fixed income offshore funds: 25 to 60 basis points. <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>Not all offshore funds pay revenue sharing.</p> <p>Affiliated Offshore Funds: We do not receive revenue sharing compensation.</p> <p>Unaffiliated Offshore Funds: When 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.</p>	Revenue-sharing compensation is made directly from the distributor or advisor, and not from the offshore funds or indirectly through fund portfolio trading commissions because 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"> – Referral Fees – Distribution Fees – Management Fees – Administrative Fees – Performance (incentive-based fees) 	<p>Proprietary Funds:</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 pbs for distribution of these funds. These payments are shared with your Financial Advisor.</p> <p>The management/administration fee paid to our affiliate may be waived in their entirety for certain classes of investors (for example, ERISA plans investing through an advisory program).</p> <p>Master/Feeder funds: UBSFS may receive a one-time service fee of 50 bps from the sponsor of a fund into which a proprietary feeder fund invests.</p> <p>Placement Fees: of up to 2% from its clients.</p> <p>Non-Proprietary Funds:</p> <p>UBSFS receives a trail or service fee ranging between 15 to 125 bps of the assets of UBSFS investors in the non-proprietary funds. Financial advisors receive compensation of up to 90 bps.</p> <p>Incentive Fees: UBSFS may receive a portion of the incentive allocation of up to 2.5%.</p> <p>Placement Fees: UBSFS receives a fee of up to 2% from its clients.</p> <p>Referrals: UBSFS 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>	Yes

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 to 0.10% to 0.40% of the public offering price per unit sold by UBS during the initial offering period, excluding units sold to Fee Accounts subject to a Wrap Fee.

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 Global Asset Management.

Our affiliate, UBS Global Asset Management, now serves as advisor, administrator and principal underwriter for the money market funds used as sweep vehicles in Program accounts.⁴ Under the terms of our agreement with UBS Global Asset Management, we will receive service or 12b-1 fees related to these funds (except UBS Cashfund) as well as revenue sharing payments from UBS Global Asset Management related to these funds. Service or 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 (0.12% in the case of UBS RMA New Jersey Municipal Money Fund). Revenue sharing payments related to these funds are paid to us out of the legitimate profits of UBS Global Asset Management and may be up to annual rate of up to 0.37% 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 the revenue sharing payments paid to us in connection with these money market funds.

International accounts: international deposit account (IDA)

Cash held in your Program Account 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 (i.e., the IDA) at 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, as a result, is 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).** UBS Cayman earns revenue from cash swept into the IDA, which is greater than the interest you receive on your cash. The difference between the rate that UBS Cayman earns on your cash and what you receive is shared between UBS AG and UBS. Your Financial Advisor receives a share of UBS' portion of such excess revenue. For more detailed information on the IDA for NRA clients, please see the **International Deposit Account Sweep Program Disclosure Statement** given to you with the documentation for your program account.

Sweep vehicle for Puerto Rico residents

The Puerto Rico Short Term Investment Fund is available as a sweep option only for customers who hold accounts with UBS Financial Services Inc. of Puerto Rico and who are Puerto Rico residents. UBS Asset Managers of Puerto Rico, a Division of UBS Trust Company of Puerto Rico, serves as investment advisor to the fund and receives management fees of 0.500%. UBS Trust Company of Puerto Rico also acts as administrator, transfer agent and custodian to the fund and receives fees for those services, which are included in the fund's other expenses and estimated at 0.219%. UBS Trust Company of Puerto Rico is an affiliate of UBS Financial Services Inc.

In addition, distribution and/or service (12b-1) fees of 0.125% are deducted from the fund's assets and a portion may be paid to Financial Advisors in connection with their sale of fund shares.

⁴ 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. .

2. Sources of Compensation from Third Parties Contributions to Training and Education Expenses

In connection with UBS Institutional Consulting services, managers, sponsors and underwriters of investments do not contribute toward educational programs for UBS Institutional Consulting.

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

The contributions are used to subsidize the cost of training seminars we offer to Financial Advisors through specialized firm-wide programs and regional training forums. These seminars are designed to provide training and education to Financial Advisors, Branch Office Managers, Field Leadership, and other personnel who regularly solicit clients to participate in the various types of businesses listed above. These contributions also subsidize a 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.

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

Your Financial Advisor does not receive a portion of these payments.

Directed brokerage compensation from managers available in our advisory programs

In connection with UBS Institutional Consulting services, UBS Institutional Consulting does not receive brokerage commissions, fees or soft dollars from managers, unless a client elects to use brokerage commissions to offset the Institutional Consulting fee. In such case, commissions received after the consulting fee has been fully offset will result in additional compensation for UBS and our Financial Advisors.

Non-Cash Compensation

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

- Occasional gifts
- Occasional meals, tickets or other entertainment
- Sponsorship support of training events for our employees
- Various forms of marketing support

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 our 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. Brokerage practices

Our UBS Institutional Consulting Program services do not include the review or recommendation of broker-dealers for client transactions. Clients may choose to implement our advice through UBS or through other financial institutions. However, we will not review or otherwise make recommendations on broker-dealers.

Directed Brokerage

We do not require or request that your investment managers execute transactions through our Firm. We provide investment managers in certain of our wrap programs with access to proprietary trading systems to administer, maintain, reconcile and place trades with UBS for accounts managed in those programs.

Regardless of the program or trading system used for investing, your investment manager has the option to trade through us or with other financial institutions, in accordance with the manager's obligation to achieve best execution on all trades for your account. Although use of our proprietary trading system is not required for a manager to participate in our programs, the system makes it easier, and therefore encourages, a manager to place trades for program accounts with UBS instead of with other financial institutions.

Fees paid in wrap fee programs cover the costs of trades executed with UBS but not the costs of trades executed elsewhere. For this reason, your investment manager may find that placing trades with UBS is often the most favorable trading option for you if you participate in one of those programs. However, your manager may direct transactions to other broker-dealers (for additional fees or sometimes, commissions) if your manager decides that its best execution obligations so require.

IC Program clients who select the all-inclusive wrap fee option should consider that if they or their manager will not trade through UBS, then they will incur redundant costs and should select a different fee option.

Clients in the UBS Institutional Consulting Program may elect to use commissions and 12b-1 fees as offsets to their IC Program Fee. In those situations, clients will direct their investment managers to trade with UBS, so long as it complies with the manager's best execution obligations.

The manner in which directed commissions are used to offset the IC Program fee is described under *"Billing Practices"*.

Aggregating Orders for Advisory Accounts.

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. 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.

Trades for IC Program accounts custodied at UBS are not aggregated as transactions are executed specifically for that client by the investment managers or, for IC Eligible Investments, the IC Consultant at the direction of the client.

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:

- portfolio evaluation, review and analysis of your investment holdings
- review of performance and style drift of investments
- consistency of the client's investments with the Investment Policy Statement
- 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. Solicitors receive a portion of the advisory fees we receive.
- We also have solicitation arrangements under which either we and/or our Financial Advisor may receive compensation for referring clients to a third party who will provide investment Advisory or other services to the client. The compensation we receive is usually a portion of the advisory fee the third party receives from its clients. In certain circumstances we may also receive commission revenue for transactions those third parties execute through our firm.

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

We and our affiliates also have arrangements with some third party investment managers under which we and/or certain of our Financial Advisors provide research (within the meaning of Section 28(e) of the Securities Exchange Act of 1934), and in return, the investment manager places brokerage transactions with us for execution, subject to best execution practices and requirements. The research services provided generally may be in the form of written reports or telephone contacts or personal meetings with security analysts, economists, or meetings hosted by our Financial Advisors with corporate or industry spokespersons. UBS or our Financial Advisors also may recommend or refer clients to third-party investment managers that place brokerage transactions

with us. The differences in the form or amount of compensation paid to us by different investment managers for client referrals or research products create a conflict between our interests and the interests of the clients referred because of the incentive to make referrals to those investment managers that offer us greater compensation than others.

Referral arrangements for financing business

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

Item 15. Custody

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

Generally, for our advisory programs, we require you to custody your account assets with UBS. Exceptions to this requirement are: Financial Planning, the DCA Program and the Institutional Consulting Program.

However, we may, on an exception basis, accept certain accounts whose assets are custodied with other financial institutions who meet the definition of a qualified custodian. Those accounts are referred to as delivery versus payment ("DVP") accounts.

For assets custodied away, you understand that you will be incurring additional costs in excess of any program fees (for example, custody costs), and, unless your accounts are part of Institutional Consulting Relationship, you will not receive a performance review from us. Also, billing for any of your accounts, 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 and DVP accounts you set up at our Firm reflecting the transactions in your account. We urge you to compare those statements with the ones you receive from your custodian.

Item 16. Investment discretion

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

On an exception basis, however, and subject to our prior approval, a limited number of non-ERISA clients may have elected to delegate to their Institutional Consultant limited discretion to select managed investments, excluding alternative investments. Such clients, however, retain the right to reject any selected investment. Clients who have delegated such limited authority to us also delegated to their Institutional Consultant the authority to hire investment managers and to execute paperwork relating to the handling of these clients’ accounts, including the ability to grant each investment manager complete and unlimited discretionary trading authorization as provided under the terms of the selected UBS managed account program.

Item 17. Voting client securities

Proxy Voting, Corporate Actions and Other Related Events. Our IC Program services do not include proxy services. Neither the Firm nor your UBS Institutional Consultant will vote or provide any advice about the voting of proxies solicited by, or with respect to, the issuers of any securities you hold. We will not advise or take any action on your behalf with respect to corporate actions, tender offers, class actions and legal proceedings, including bankruptcies, relating to securities in your account, or their issuers, except to the extent required by law.

If you retain the services of an investment manager, your agreement with your investment manager will govern whether you or your investment manager will vote proxies or on corporate actions relating to the securities covered by your UBS Institutional Consulting Agreement.

Item 18. Financial information

UBS Financial Services, Inc. is a qualified custodian (as defined in SEC Rule 206(4)-2). As a result, we have not included the balance sheet required under 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 10 years.

UBS Financial Services Inc.
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UBS Financial Services Inc. is a subsidiary of UBS AG.

