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## **DC ADVISORY PROGRAM**

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

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

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

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

## **ITEM 2. MATERIAL CHANGES**

This section describes the material changes to our DC Advisory program since the last annual amendment of our Form ADV on March 31, 2011.

### **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.**

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**References in this brochure to:**

- **"Agreement"** or **"DCA Program Agreement"** means the DC Advisory Consulting Services Agreement.
  - **"ERISA"** is the Employee Retirement Income Security Act of 1974
- **"Plan"** or "plan" means: a defined contribution retirement plan for self-employed individuals, or a defined contribution employee benefit plan subject to ERISA, as amended or a nonqualified retirement plan.
- **"UBS"** unless otherwise noted, means UBS Financial Services Inc.
- **"You"** and **"your"** refer to the plan or the plan sponsor as appropriate.

## 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](http://www.adviserinfo.sec.gov).

The information in this brochure is current as of the date of this document and is subject to change at our discretion.

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

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

Our clients work with their Financial Advisors to determine the services that are most appropriate given their goals and circumstances. Based on the services you request, we can fulfill your wealth management needs in our capacity as an investment adviser, as a broker-dealer, or as both. For example, we offer fee-based financial planning as an advisory service. Once we deliver a financial plan to you, you can decide whether to implement the financial plan via brokerage accounts, advisory programs or a combination, depending on your needs and preferences. Most of our Financial Advisors are qualified and licensed to provide both brokerage as well as advisory services depending on the services that 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 a designation does not change UBS' or the Financial Advisor's obligation with respect to the advisory or brokerage products and services that may be offered to you.

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

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

## **Our services as an investment adviser and our relationship with you**

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

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

### ***How We Charge for Investment Advisory Services***

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

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

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 you.<sup>2</sup> The fiduciary standards are established under the Investment Advisers Act of 1940 and state laws, where applicable, and include:

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

Termination of your advisory account 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.

<sup>2</sup> Fiduciary status under the Investment Advisers Act is different from fiduciary status under ERISA or the Internal Revenue Code. While in our investment advisory programs we act as a fiduciary under the Investment Advisers Act, we do not act as a fiduciary under ERISA or the Internal Revenue Code unless we expressly agree to do so in writing.

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

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

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

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

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

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

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

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

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

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

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

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

- As your broker-dealer, we have a duty to deal fairly with you. Consistent with our duty of fairness, we must ensure that the prices you receive when we execute transactions for you are reasonable and fair in light of prevailing market conditions and that the commissions and other fees we charge you are not excessive.
- We must have a reasonable basis for believing that any securities recommendations we make to you are suitable and appropriate for you, given your individual financial circumstances, needs and goals.



- We are permitted to trade with you for our own account or for an affiliate or another client and may earn a profit on those trades. When we engage in these trades, we disclose the capacity in which we acted on your confirmation, though we are not required to communicate this or obtain your consent in advance, or to inform you of the profit earned on the trades.
- ***It is important to note that when we act as your broker-dealer, we do not enter into a fiduciary relationship with you. Absent special circumstances, we are not held to the same legal standards that apply when we have a fiduciary relationship with you, as we do when providing investment advisory services.*** Our legal obligations to disclose detailed information to you about the nature and scope of our business, personnel, fees, conflicts between our interests and your interests and other matters are more limited than when we have a fiduciary relationship with you.

#### ITEM 4. ADVISORY BUSINESS

This brochure describes our DC Advisory program ("DCA").

##### 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

DCA is a program designed to provide advisory services to defined contribution retirement plans. The ongoing advice of your DCA Financial Advisor is one of the key components and services provided.

The Program is designed for defined contribution plans that seek assistance with:

- the search and selection of retirement plan program providers,
- facilitation of plan conversions,
- fiduciary support,
- plan feature reviews,
- fee analysis and benchmarking,
- plan program liaison,
- drafting investment policy statements,
- investment selection and investment reviews, and
- employee education and enrollment meetings.

**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, federal, state or local law, or other regulations. This responsibility rests solely with you, and you should consult with your legal and tax advisors regarding those matters.**

1. **Plan Program Consulting.** We can assist you with the search and selection of retirement plan program providers, facilitation of plan conversions, fiduciary support, plan feature reviews, fee analysis and benchmarking and communications with plan program providers.
  - **Program Provider Search.** We will assist you in the search and selection of a program provider. The services may include an analysis of your current program; 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"). We may also include program providers who are not available through the UBS Select program and which are not subject to due diligence review by UBS.

- **Fiduciary Support.** We can provide you with the UBS Defined Contribution Plan Fiduciary Kit.
  - **Plan Feature Review.** We can 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 the plan and the plan participants.
  - **Fee Analysis and Benchmarking.** We can assist you in conducting a benchmarking analysis of your plan's fees utilizing data obtained from your program provider.
  - **Plan Program Liaison.** We can assist you in communicating with record keepers and other third party service providers regarding plan features, investments, services and fees.
2. **Investment Consulting.** We will assist you with review of the plan's Investment Policy Statement and your selection of the plan's investments.
- **Investment Policy Statement ("IPS") Assistance.** We will assist you in the development and preparation of an Investment Policy Statement utilizing our standard template. The IPS is a written document that addresses various components of your overall investment plan and outlines the criteria utilized to monitor the investments offered in the plan. We will review the IPS with you periodically during our engagement.
  - **Investment Reviews.** This service includes periodic investment reviews of the investment funds offered as investment options under the plan. The reports may include: alerts for investment options not meeting IPS criteria; performance compared to peers and benchmarks; risk and return analysis; style drift; investment costs; plan asset allocation summary; correlation matrix; stock intersection; Morningstar measures; and UBS fund scoring.
  - **Investment Searches.** We will identify investment funds for your consideration from among those included in the Firm's databases and for which our Firm serves as distributor or those investment funds as to which the Firm has conducted due diligence reviews. Investment fund recommendations are made on the basis of information provided by you and publicly available information regarding various investment funds.
3. **Employee Education Consulting.** We will review the Plan's current program and recommend strategies for improving participation and education. We can work with your program provider to implement these strategies and to deliver materials. We can provide general investment education, which may include educational newsletters, seminars and other materials which have been reviewed and approved for use by our Firm. These materials are intended to help the recipients understand the important financial issues they face and may cover topics such as investing, saving for retirement, distribution planning and retirement

planning and transition. They are generic in nature and do not contain recommendations to invest in a particular security.

#### 4. **Limitations on Our Services**

- **Investment Recommendations:**

- While we can identify investment funds from an extensive list of options, our investment searches are limited to those approved for sale or recommendation at the firm. Our investment searches do not include every investment option available in the industry.
- **Affiliated/Proprietary Products:** Our investment searches in the Program will not include affiliated/proprietary mutual or sub advised funds. Inclusion of affiliated or proprietary mutual or sub advised funds in our investment searches raises a conflict of interest as purchasing those funds will result in increased compensation to UBS Financial Services Inc. and/or a member of the UBS organization. If the plan retained a UBS affiliated mutual or sub advised fund prior to entering into the DCA Consulting Services Agreement and wishes to continue holding it, we will require that the plan fiduciaries acknowledge in writing that you have opted to retain the funds as investment options in the plan without the assistance or recommendation of your DCA Financial Advisor, and that you understand the conflicts of interest associated with holding those funds while you are in a DCA Program relationship with us. We will exclude the value of the plan's investments in any UBS affiliated/proprietary fund when calculating the DCA Program Fee.
- **Employer Securities:** Our services do not include a review of the performance or recommendations regarding whether a 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 when we calculate the DCA Program Fee.
- **Investments Purchased Prior to Our Engagement:** Our review of the plan's investment options may cover investment funds which you retained or purchased without our recommendation. In such cases, we will ask you to acknowledge, in writing, that the investment has not been reviewed or recommended by our Firm.

- **We do not provide legal, tax or actuarial advice:** We will not be responsible for ensuring that your investment policy statement complies with all specific legal or other requirements that apply to you. That responsibility rests solely with you, and you should consult with your legal and tax advisors regarding those matters.
- **Third-Party Information:** In connection with the provision of our services we rely on third part information, including information received where assets are held at other institutions. We obtain this information from publicly available sources or from your plan program providers. While we believe the information and reports obtained from external sources are accurate, we do not independently verify or guarantee the information presented or its accuracy.

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.

#### 5. **Termination.**

The plan fiduciaries may terminate DCA within five business days of executing the DCA Consulting Services Agreement and receive a full refund of all fees paid to us. Thereafter, either party may terminate this relationship by notifying the other party in writing, and termination will become effective upon the receipt of this notice. Upon termination, we will have no further obligation to act or advise the plan or the plan fiduciaries with respect to the plan assets. Note that termination of the DCA Consulting Services Agreement will end our investment advisory fiduciary relationship with the plan as it pertains to the plan assets covered by the DCA Consulting Services Agreement.

**6. Qualifications of Financial Advisors and Specialists Who Provide DC Advisory Services.**

Most of our Financial Advisors are registered as broker-dealer and investment adviser representatives. Financial Advisors participating in DCA are usually required to have at least three years of industry experience, \$20 million in corporate retirement plan assets, \$300,000 in production, acceptable compliance record, and complete a two-part education requirement. That training includes (1) the Chartered Retirement Plans Specialist designation from the College for Financial Planning; and (2) Essentials of Investment Consulting from the Investment Management Consultants Association. Waivers of the education requirements are granted for Financial Advisors who hold similar designation and training experience. The timeframe to meet the requirements may be extended under certain circumstances including recruitment situations.

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

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

**C. How We Tailor Our Advisory Services**

Our DC Advisory services are customized to the needs to the plan based on the information you provide.

We tailor our DC Advisory services as follows:

- Search of a plan provider is customized based on the complexity of the services requested and the needs of the plan participants and fiduciaries.
- Investment Policy Statement Assistance. We will work with you to determine the criteria which will be used to monitor and select the investments based on the needs and preferences of the plan fiduciaries.
- Investment reviews we provide can be customized to meet your particular needs and goals. You and your financial advisor can determine which types of analysis to include in your reports.

D. Provision of Portfolio Management Services in Wrap Fee Programs

DC Advisory does not provide portfolio management services.

E. Assets Under Management

UBS' total assets under management in wrap fee programs as of January 31, 2012 are listed below. Values for DVP accounts are as of 12/31/11. Although we do not manage assets on a discretionary or a non-discretionary basis in the DCA Program, it provides you additional background regarding our activities as investment adviser.

- Non-discretionary Programs: **126,824,638,942**
- Discretionary Programs: **58,475,033,261**
- Total: **185,299,672,203**

**ITEM 5. FEES AND COMPENSATION**

The fee that you pay for DC Advisory services covers our advice, investment reviews, plan program consulting and employee education.

We may customize the fee structure so that some services may be obtained under one payment option and other services under a different option.

A. DCA Program Fees

- Plan Program Consulting: \$10,000 to \$60,000.
- Investment Consulting Services: 15% to .75% on eligible plan assets.
- Employee Education Consulting: 15% to .75% on eligible plan assets.

**Minimum Program Fee:** Our fees in the DCA Program are negotiable, but generally we charge a minimum fee of either the greater of \$5,000 or .15% of the eligible plan assets.

B. Billing Practices

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

**Valuation and Billing:** We rely on the value of the plan's assets provided by the plan's custodian or program provider for purposes of determining or calculating the DCA Program fees. We do not review or verify the valuation information provided to us.

Generally, DCA Program fees are billed in arrears on a calendar quarter basis. If the fee is based on the percentage of assets, the fees are calculated based on the asset value of the account at the end of the preceding quarter and prorated for the number of days in the quarter. If the fee is an annual flat dollar amount we will bill you in four equal amounts. The first fee will be prorated from the date that your DCA Agreement is effective or as otherwise agreed.

Fees for plan program consulting services will be billed for half of our total fee once we have executed the DCA Consulting Services Agreement and the remainder of our fee will be billed once we complete the agreed upon services.

We will exclude, and advise your plan program provider to exclude, the following from the value of the plan assets for purposes of calculating our fees:

- the value of the plan's investments in any UBS affiliated/proprietary fund,
- the value of the employer securities
- the value of any self-directed brokerage accounts
- the value of participation loans

We can invoice you for our services. We will not bill the custodian or program provider directly for our fees. Depending on the plan's program provider, the plan fiduciaries may be able to direct the plan provider to automatically calculate and pay our fees from the assets of, or generated by, the plan. In those situations in which your program provider automatically calculates and 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. We will not accept 12b-1 fees, transaction based compensation or other revenue directly from the investments offered in the plan.

Fees for our DCA Program are negotiable, and are 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 plan,
- the number and type of services selected,
- the scope of the engagement,
- the complexity of the services provided and preferences of the plan fiduciaries,
- 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.

**Potential Conflicts of Interest.** Depending on the services you select, you may find that variations of the individual DCA services are available to you outside of DCA and may be available for more or less than you would pay in the program. For example, outside of DCA, all Financial Advisors in our Firm can provide certain mutual fund selection services and basic portfolio analytics to clients either free of charge or for the 12b-1 payments we receive from the mutual funds we sell to you. We make these services available to all our customers as part of our brokerage services for no additional or separate charge. Our brokerage services do not include our fiduciary advice in the recommendation of investment options.

As is the case with all our Financial Advisors who are duly licensed to conduct advisory business, DCA Financial Advisors (in their capacity as brokers/Financial Advisors) can provide clients with brokerage services outside of DCA. Since services similar to those available in DCA may also be available to you

through our brokerage services, your DCA Financial Advisor may have an incentive to recommend to you the DCA services, which may result in increased compensation to them. **Please discuss our various product offerings, their features and costs with your Financial Advisor.**

You should consider these factors carefully before participating in engaging in the DCA program for a fee.

C. Fees/Other Charges Not Covered by Your DCA Program Fee

The fee you pay covers only our advice and services provided in the DCA program. The DCA Program Fee does not cover:

- any other services, accounts or products we provide to you;
- transaction based charges or commissions, account maintenance fees or other charges you may incur in implementing our advice;
- custody fees imposed by other financial institutions;
- fees for recordkeeping, trust and plan administration charges;
- precious metals custody fees imposed by affiliates, or other financial institutions,
- mark-ups/mark-downs on principal transactions with us 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.

**Please review the applicable prospectus and offering documents for the investment vehicles we offer carefully for a detailed description of the additional fees associated with such investments.**

D. Refund of Fee Paid

Clients may cancel the DCA 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.

E. Compensation to Financial Advisors for Providing DCA Services

If you obtain services through the DCA program, a portion of the fees you pay to us in connection with this program are allocated on an on-going basis to your Financial Advisor. Neither UBS nor its Financial Advisors receive 12b-1 fees, transaction based compensation or other revenue directly from the investments offered in the plan.

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

**The percentage of firm revenues credited to Financial Advisors in asset-based programs 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 difference in compensation creates an incentive for Financial Advisors to recommend products for which they receive higher compensation.**

For transaction-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. Generally, for stock and option transactions, the payout is adjusted downward to account for a \$12 per transaction fee. For asset-based fee programs, the payout ranges from 20% to 48% of the fees, commissions or sales charges credited to the Financial Advisor by the Firm.

In general, Financial Advisors earn more for products sold in initial offerings than for those purchased and sold in secondary offerings.

The compensation structure may create financial incentives for Financial Advisors to encourage clients to purchase multiple products and services, or to choose a method of payment for products and services that generate compensation in excess of that for other products.

Under certain circumstances (e.g., acquisitions and recruitment), some Financial Advisors or producing Branch Office Managers may be compensated differently. Financial Advisors also receive certain awards based on their production amount, business mix and net new assets. 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 DCA Program do not impose performance fees.

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

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

The DCA Program is designed to provide advisory services to sponsors of retirement plans.

### **B. Requirements for Participation in the DCA Program**

1. **Minimum Asset Requirement.** We do not impose a minimum asset requirement.



2. **Custody and Other Account Services.** Plans in the DCA Program may not implement our advice or investment recommendations through UBS. All trading and custody activity must be conducted through other firms.

3. **Plan Information.** Our DCA Program Services are based upon the information and selection criteria you provide to us including plan goals, risk tolerance, and objectives. 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 investment recommendations.

You are responsible for providing us with a current address for both the plan and fiduciaries of the plan. If we are unable to invoice the plan fiduciaries by mail, we will be required to terminate the relationship from the DCA Program.

4. **DCA Program Agreement.** As a DCA client, the plan fiduciaries will enter into a written agreement with us. The agreement will identify the service you selected, the fees charged, and our respective rights and obligations under the agreement. The agreement to participate in DCA will not be effective until accepted by an authorized member of DCA Program Management.

5. **Investment Recommendations.** Except for providing assistance in the selection of funds for inclusion in a plan's investment menu, our DCA services do not include the recommendation or solicitation of any other types of securities. Also, we do not advise plan participants regarding their investment options in the plan.

6. **Broker of Record.** Neither UBS nor any of our Financial Advisors may be listed as broker of record for any of the mutual funds you select for your plan platform. The plan's record-keeper must confirm in writing that neither UBS nor any of its Financial Advisors are listed as broker of record for the plan's investments.

7. **Reliance of Plan Fiduciaries and Limits of DC Advisory's Responsibility.** In making the services described in this brochure available to the Plan and the plan fiduciaries, we rely on the information provided to us by the plan fiduciaries. This means that:

- it is the responsibility of the plan fiduciaries to provide us with all material and pertinent information as well as any other relevant matters that we may request from time to time.
- we will rely on the information provided to us by the plan fiduciaries without further verification.
- the plan fiduciaries should notify us promptly of any material changes in the financial condition, risk tolerance, needs or objectives of the plan.

**As it pertains to our services:**

- DCA services are suggestions, and are not binding on the plan. The plan fiduciaries retain absolute discretion over, and responsibility for, the implementation of any of

DCA's suggestions. All investment decisions are the responsibility of the plan fiduciaries.

- DCA is not a portfolio management program. Neither we nor our Financial Advisors:
  - manage the plan's assets or exercise any investment discretion or control over the plan's assets,
  - assume any responsibility nor are we liable for the conduct or investment performance, either historical or prospective, of any investment fund suggested by a DCA Financial Advisor and selected by the plan fiduciaries,
  - provide any legal, accounting or actuarial advice or prepare any legal, accounting or actuarial document.

8. **Implementing Our Advice:** It is your responsibility to determine if, and how, the advice we provide to you in the Program should be implemented or otherwise followed. You should carefully consider all relevant factors in making these decisions, and we encourage you to consult with your legal counsel and/or accountant or tax professional regarding the legal or tax implications of a particular recommendation.

9. **Electronic delivery of documents.** To the extent permissible by applicable law, we may deliver Form ADV Disclosure brochures, reports, analysis, prospectuses, offering documents and other documents and notices related to your DCA Program relationship via electronic format.

#### **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 for a description of the specific risks associated with the funds you selected. Please see the end of this section for risks associated with investments offered in the DCA Program.

##### **A. Our Performance Monitoring and Evaluation Reports and Investment Search Services**

We may provide you with performance monitoring and evaluations generated by UBS, UBS affiliates, or third parties. Our investment search services help you evaluate mutual, exchange traded, stable value and collective funds. These funds have been reviewed by us and/or included in our Firm's databases.

##### **B. Information Provided to You**

To help you evaluate the performance reports and investment searches provided through the DCA Program, we will provide information from third party or proprietary databases regarding different mutual, exchange traded, stable value and collective funds. We do not verify or guarantee this information, including past performance information, which may not be calculated on a uniform or consistent basis.

We may make available descriptive profiles of selected funds that include past performance information. Profiles are not available for every fund identified in our search services.

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

##### **C. Risks Associated with Certain Investments in the DCA Program**

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

- **Mutual Funds and Exchange Traded Funds (ETF)**

Mutual funds and exchange traded funds 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 and ETF 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 and ETF. 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.

- **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.

- **Stable Value Funds**

The objective of most stable value funds is to provide safety of principal and an investment return that is generally higher than a money market return, while providing participants the ability to withdraw their assets for ordinary transactions at book rather than market value. You understand, however, that the ability to withdraw stable value assets at book value has limitations based on the insurance contracts

that wrap the underlying assets. In addition, most stable value funds require a hold period before assets can be withdrawn from the fund by the plan sponsor at book value and may refuse to honor book value withdrawals after communications from a plan sponsor or plan fiduciaries that it determines caused participants withdrawals. Additionally, the plan is often restricted from offering investment alternatives or plans that are viewed as competitive with the stable value offering. Finally, you understand that stable value funds are subject to counterparty risk of the insurers that provide the fund's book value liquidity.

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

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

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

As regional CEO, he works closely with the business division heads in the Americas to leverage UBS's integrated platform for the benefit of individuals, corporations, institutions and governments. He is also CEO of WMA, which comprises the registered broker-dealer, UBS 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 Middle Markets business and the WMA & Equities/FICC Partnership.
- **John Dalby** is Chief Financial Officer and Chief Risk Officer of UBS Wealth Management Americas.
- **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 Vice Chairman of UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation. He is also the head of Strategic Clients & Partnerships for UBS Financial Services Inc.
- **Robert E. Mulholland** is a Group Managing Director and the head of Wealth Management & Investment Solutions for UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation.
- **Paula D. Polito** is a Group Managing Director and Client Strategy Officer for 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 the head of Change Leadership for UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation.

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

#### **B. Disciplinary History**

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

The disciplinary reporting requirements for broker-dealers and investment advisers differ in some ways, with FINRA requiring broker-dealers to report on matters (for example, pending complaints and arbitrations) which are not required to be reported by investment advisers. Since our firm operates as both broker-dealer and investment adviser we file the information as required by each entity. The information in this report is not the only resource you can consult. You can access additional information about our firm and our management personnel on the Securities and Exchange Commission's website, located at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), as well as the Financial Industry Regulatory Authority's website, [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

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

	DATE OF ACTION	BROUGHT BY	ALLEGATION	DISPOSITION	MONETARY SANCTIONS
1	Feb. 22, 2012	Pennsylvania Securities Commission	The Pennsylvania Securities Commission alleged that the Firm failed to reasonably supervise three agents in one branch office relating to the sale of certain structured products issued by Lehman Brothers to two investors and that such conduct formed a basis to sanction the Firm under Section 305 (A)(VII) of the Pennsylvania Securities Act of 1972, 70 P.S. Section 1-305(A)(VII)	Consent to the Commission's Findings of Fact, Conclusion of Law, and Order.	Administrative Assessment of \$200,000  Legal and investigation costs of \$75,000
2	Sept. 30, 2011	FINRA	FINRA alleged that during the period of November 2004 to September 2006, the Firm violated Municipal Securities Rulemaking Board Rule G-27 by failing to reasonably supervise certain cross-trading of municipal bonds by retail customers, in that the Firm lacked adequate policies and procedures to monitor this type of trading and did not conduct adequate follow-up on red flags which put it on notice that one of its registered representatives may have been exercising discretion in customer accounts to engage in unsuitable cross-trading of municipal bonds.	Acceptance, Waiver and Consent	Censure and Monetary Fine: \$300,000
3	August 22, 2011	New Hampshire Bureau of Securities Regulation	UBS sold Lehman Structured Products to clients (specifically referencing three particular investors), who were not made aware of the risks of these products and failed to inform clients of Lehman's financial condition prior to Lehman's bankruptcy. It was also alleged that the firm's recommendations to a small number of New Hampshire residents to purchase Lehman Structured Products were unsuitable.	Consent Order	Administrative fine of \$100,000  Investigation costs of \$200,000  Administrative payment of \$700,000
4	May 4, 2011	SEC, Internal Revenue Service (IRS), Dept. of Justice (DOJ), State Attorney General of 24 States	UBS AG and UBS Financial Services Inc. reached settlements with the SEC, the IRS, the DOJ and a group of State Attorneys General regarding investigations into the conduct of certain former employees in UBS Financial Services' former municipal reinvestment and derivatives group from 2001 to 2006. Allegations included violations of: Section 15(c)(1)(A) of the Securities Exchange Act of 1934, Section 1 of the Sherman Act, and IRS regulations in bidding practices and representations made involving the investment of proceeds of municipal securities	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	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

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	DATE OF ACTION	BROUGHT BY	ALLEGATION	DISPOSITION	MONETARY SANCTIONS
			transactions.	Agreement	States: \$70.8 million plus \$20 million credited from the SEC settlement
5	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"): violated NASD Rule 2110 by making statements and omitting certain facts through communications through some financial advisors that may have misled certain customers, failed to disseminate adequately to financial advisors certain market information relating to Lehman's financial condition, violated NASD Rules 3010 and 2110 by failing to maintain and establish adequate supervisory systems in connection with marketing and sale of the Notes, violated NASD Rules 2310 and 2110 and IM-2310-2 by not adequately analyzing the suitability of sales to certain customers, and use of advertising and marketing materials and training and education materials that were not fair and balanced in violation of Rules 2210(d)(1) (A) and (B), 2211 and 2110.	Letter of Acceptance Waiver & Consent.  Censure, Fine, and Restitution to specific classes of customers	Fine: \$2.5 million Restitution: \$8.5 Million
6	Jan. 5, 2011	FINRA	From October 1, 2007 through December 31, 2007, the Firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to five of its customers was as favorable as possible under prevailing market conditions.	AWC Censure, Fine	Monetary/Fine: \$30,000 Disgorgement/Restitution
7	January 2011	SIX Swiss Exchange Regulation	UBS AG was fined for (i) publishing too late internally available information related to expected losses in the summer of 2007 and (2) breaching rules on the provision of information about corporate governance in the 2008 UBS annual report.	Fine	CHF100,000
8	Nov. 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

	DATE OF ACTION	BROUGHT BY	ALLEGATION	DISPOSITION	MONETARY SANCTIONS
9	Sept. 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
10	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
11	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
12	Feb. 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
13	Jan. 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
14	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
15	Dec. 22, 2008	SEC and the 50 states	Auction Rate Securities (ARS) UBS is permanently enjoined from violations of the broker/dealer anti-fraud provisions. Violations of '34 Act Section 15(c) regarding the marketing and sale of Auction Rate Securities.	Cease & Desist Injunction Civil Penalty Consent Judgment	Cease & Desist, and Fines in varying amounts currently being paid to all 50 states out of a total fine of \$75 million
16	Feb. 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	Fine: \$1,000,000



	DATE OF ACTION	BROUGHT BY	ALLEGATION	DISPOSITION	MONETARY SANCTIONS
				who purchased Class B or C shares or who did not receive benefit of the NAV transfer program.	
17	Dec. 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 Cost to Investigate: \$8,584
18	Oct. 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
19	Oct. 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
20	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
21	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: \$250,000
22	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
23	Jan. 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
24	March 7,	State of	Failure to provide investors with accurate	Fine	Fine: \$95,000

	DATE OF ACTION	BROUGHT BY	ALLEGATION	DISPOSITION	MONETARY SANCTIONS
	2005	Illinois	information re: callable CD's and failure to supervise.		
25	June 28, 2004	NASD	Violation of MSRB Rules G-17 and G-30, unfair pricing of bond sales.	Censure & Fine	Fine: \$100,000
26	Dec. 10, 2003	Secretary of State of 47 States and Washington D.C.	Violation of Securities Act regulations regarding research practices and conflicts of interest arising from those practices.	Cease & Desist, Fine, Penalty, Disgorgement, Investor Education	Disgorgement: \$25,000,000 Procurement: \$25,000,000 Education: \$5,000,000  Fines varied by State
27	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
28	June 29, 2003	NYSE	Failure to provide investors with accurate information re: callable CD's and failure to supervise.	Censure & Fine	Fine: \$174,000

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

### **A. Our Business**

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.

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.

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

There are a number of related persons that provide investment management and other financial services and products to our investment advisory clients, which may be material to our advisory business.

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

- Sydling Futures Management LLC.
- UBS Financial Services Insurance Agency Inc.
- UBS Financial Services 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 persons."<sup>3</sup>

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

**B. Sources of Compensation from Third Parties**

Because the DCA Program neither permits you to purchase or custody funds at UBS nor to list UBS or any of its Financial Advisors as broker of record for any of the investment options you select under the DCA Program, we will only receive the DCA fee as compensation for the services provided in this program.

In relationships that are separate and distinct from DCA, UBS, our Financial Advisors and affiliates receive additional compensation when clients use UBS's account, execution, custody or other services, including other investment advisory services. We may also act as agent or principal for our own account when executing transactions and may profit or receive compensation in connection with such transactions.

**Sources of Compensation from the Sale and Distribution of Mutual Funds.** With respect to the sale of mutual funds, compensation to UBS, its Advisors and affiliates can result from receipt of distribution (e.g., 12b-1 fees), shareholder servicing, administration (e.g., omnibus or networking fees), marketing, investment management, revenue sharing or referral agreements we and/or affiliates have with vendors or sponsors of those securities and other services. The source of some of this compensation is from the fees you pay the fund sponsor or investment adviser who then pays a portion of those fees to us. The mutual fund's prospectus will include information about the various forms of compensation paid by the fund or its advisors. In addition, information regarding revenue-sharing arrangements is available at our website, [www.ubs.com/mutualfundrevenuesharing](http://www.ubs.com/mutualfundrevenuesharing)

We also receive additional compensation as a result of inter-company profit sharing and servicing agreements. As a result of the various payments to us or our affiliated companies, the amount of compensation that UBS

<sup>3</sup> Access Person: all branch office employees, regardless of their job function, and any other Firm employee who works from a branch location or home office employees who place trades on behalf of money managers who participate in the Firm's advisory programs and home office employees that develop, manage or place trades for the UBS Managed Portfolio Program.

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.

**Contributions to Training and Education Expenses.** Investment managers, mutual fund vendors, unit investment trust sponsors, retirement plan platforms, 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.

**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

C. Other Interests in Client Transactions

**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.

**ITEM 12. BROKERAGE PRACTICES**

Our DCA Program services do not include the review or recommendation of broker-dealers for client transactions.

**ITEM 13. REVIEW OF ACCOUNTS**

We have various policies and procedures applicable to the review and supervision of consulting services provided through DCA. 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.

DCA program clients meet with the Financial Advisors periodically (usually, quarterly). Items generally reviewed include, but are not limited to the following:

- Consistency of the plan's investments with the Investment Policy Statement
- Review of performance and style drift of plan's mutual funds.

Branch Office Managers are responsible for the supervision of Financial Advisors who provide DC Advisory services, while home office Program Managers are responsible for enforcing the various program guidelines.

Clients receive quarterly reviews that may include the following, alerts for investment options not meeting IPS criteria; performance compared to peers and benchmarks; risk and return analysis; style

drift; investment costs; plan asset allocation summary; correlation matrix; stock intersection; Morningstar measures; and UBS fund scoring.

#### **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

We neither receive nor pay compensation for referrals of DCA Program clients.

Separate and distinct from the DCA Program, we and our Financial Advisors may be compensated for referring clients to affiliates or third parties, as well as receive compensation from third parties or affiliates for their referral of clients to us.

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

Clients in the DCA Program may not establish an account at UBS and, accordingly, UBS Financial Services Inc. does not act as a custodian for DCA clients.

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

Our DCA Program does not involve the delegation or exercise of discretion on our part over your assets.

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

**Proxy Voting, Corporate Actions and Other Related Events.** Our DCA Program does not include proxy voting services. Neither the Firm nor any DCA Financial Advisor will vote or provide any advice about the voting of proxies solicited by, or with respect to, the issuers of any securities held by the plan. We will not advise or take any action on behalf of the plan with respect to corporate actions, tender offers, class actions and legal proceedings, including bankruptcies, or their issuers, except to the extent required by law. Different policies may apply in other programs offered through UBS Financial Services Inc.

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

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

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

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