

**UBS Financial Services Inc.**  
1000 Harbor Boulevard  
Weehawken, NJ 07086  
(201)352-3000  
<http://financialservicesinc.ubs.com>

SEC File Number 801-7163  
**March 31, 2015**

## **UBS INSTITUTIONAL CONSULTING PROGRAM**

This wrap fee program brochure provides information about the qualifications and business practices of UBS Financial Services Inc. and the UBS Institutional Consulting 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.

This Form ADV Disclosure Brochure applies to both wrap and non-wrap fee advisory accounts in the Institutional Consulting Program at UBS Financial Services Inc. Annually we will provide you with a copy of our updated Form ADV Disclosure Brochure or a summary of material changes from the brochure previously provided to you.

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

Our Client Relationship Agreement, Disclosure booklet and other related documents are available at [ubs.com/accountdisclosures](http://ubs.com/accountdisclosures) or by calling your Financial Advisor. You may obtain a copy of the current Form ADV Disclosure at any time by contacting your Financial Advisor.

## ITEM 2. MATERIAL CHANGES

This section describes the material changes to our UBS Institutional Consulting Services since the last amendment of our Form ADV on December 12, 2014.

- **Mutual Fund Share Class Conversion.** (Item 4)

Starting in July 1, 2015, we will make Institutional and Advisory share classes that are designed for fee-based advisory programs eligible for purchase in the UBS Institutional Consulting Program. As a result, Class A and certain Class C shares that are currently held in IC Accounts will be automatically converted to the newly eligible Institutional and/or Advisory shares (the "Share Class Conversion"). The Share Class Conversions will be treated as tax-free exchanges. You will not be assessed transaction fees or other charges in connection with the conversion. If you do not want your shares automatically converted, you must move them to a brokerage account. Please contact your Financial Advisor to discuss your options. These changes are described in the section "*Mutual Fund Share Class Conversion*" found under "Implementation" in Section 4(B) of the Form ADV. You will receive a separate notice regarding these changes in addition to the 2015 Form ADV Summary of Material Changes. The schedule date of the conversion, may be delayed in order to ensure the orderly processing of the Share Class Conversion.

- **Transferring Mutual Funds Shares into Your IC Accounts.** (Item 4)

Please see Item 4, Section 4(B) "*Transferring Mutual Funds Shares into Your IC Accounts*" for a clarification of billing practices applicable to mutual fund share classes purchased with a sales charge at UBS and subsequently transferred to an IC Account. Those "Transferred Shares" are excluded from the IC Program Fee for a period of 12 months from the date of purchase at UBS.

- **Additional Sources of Compensation from SMA Managers or Vendors Whose Products We May Recommend to Our Advisory Clients** (Item 11.B.3)

**Compensation for Data Analytics.** We expect that, during 2015, we will be entering into agreements with certain vendors pursuant to which, for a fee ranging from \$150,000 – \$300,000, we will provide analytics and data relating to Financial Advisors in order to help vendors streamline and tailor the way they do business with our Financial Advisors. The list of Financial Advisors will be a complete list of all of our Financial Advisors including those that sell their products and those who do not.

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

## ITEM 3.TABLE OF CONTENTS

ITEM 2. MATERIAL CHANGES .....	2
ITEM 3.TABLE OF CONTENTS .....	3
ABOUT UBS FINANCIAL SERVICES INC. ....	6
ITEM 4. ADVISORY BUSINESS .....	9
A. Our Firm and Corporate Structure .....	9
B. Our Advisory Services.....	9
(1) Investment Policy Assistance .....	10
(2) Asset Allocation Studies and Analysis.....	10
(3) Investment Searches.....	10
(5) Portfolio Evaluation, Review, Analysis and Reporting.....	11
(6) Retirement Plan Consulting for Participant Directed Retirement Plans.....	12
(7) Employee Education Consulting .....	13
(8) Additional Consulting.....	13
(9) Various Other Services .....	13
C. How We Tailor Our Advisory Services.....	20
D. Participation in Wrap Fee Programs .....	20
E. Assets Under Management.....	21
ITEM 5. FEES AND COMPENSATION .....	21
A. IC Program Fees .....	21
B. Billing Practices .....	23
C. Fees/Other Charges Not Covered by Your IC Program Fee.....	25
D. Refund of Fee Paid.....	27
E. Compensation to Financial Advisors for Providing IC Program Services .....	27
ITEM 6. PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT .....	28
ITEM 7. TYPES OF CLIENTS.....	28
A. Type of Clients.....	28
B. Requirements for Participation in the Institutional Consulting Program .....	28
1. Minimum Asset Requirement .....	28
2. Agreements and Account Documentation.....	28
3. Custody.....	28
4. Information Provided .....	28
5. Your Responsibilities .....	29
6. Electronic delivery of documents. ....	29
7. Trading, Execution and Custody Practices Applicable to IC Accounts.....	30

<b>ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....</b>	<b>34</b>
A. Our Asset Allocation Analysis and Portfolio Evaluation Services .....	34
B. Our Investment Search Services .....	34
C. Limitations on Statistical Analysis .....	36
D. Risks Associated with IC Eligible Investments .....	37
<b>ITEM 9. ADDITIONAL INFORMATION.....</b>	<b>39</b>
A. Executive Officers and Board of Directors .....	39
B. Disciplinary History .....	40
<b>ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....</b>	<b>46</b>
<b>ITEM 11. INVESTMENT ADVISER CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....</b>	<b>48</b>
A. Investment Adviser Code of Ethics .....	48
B. Participation or Interests in Client Transactions .....	48
1. Sources of Compensation from Third Parties in Connection with Investments in Advisory Accounts .....	48
2. Sources of Compensation from Third Parties .....	55
3. Other Interests in Client Transactions .....	57
<b>ITEM 12. BROKERAGE PRACTICES .....</b>	<b>58</b>
<b>ITEM 13. REVIEW OF ACCOUNTS .....</b>	<b>59</b>
<b>ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION.....</b>	<b>59</b>
<b>ITEM 15. CUSTODY .....</b>	<b>60</b>
<b>ITEM 16. INVESTMENT DISCRETION .....</b>	<b>60</b>
<b>ITEM 17. VOTING CLIENT SECURITIES.....</b>	<b>61</b>
<b>ITEM 18. FINANCIAL INFORMATION.....</b>	<b>61</b>
<b>EXHIBIT A – SUMMARY OF MATERIAL CHANGES.....</b>	<b>64</b>

**References in this brochure to:**

- **"Agreement"** or **"IC Program Services Agreement"** means the UBS Institutional Consulting Services Agreement.
- **"ERISA"** means the Employee Retirement Income Security Act (ERISA) of 1974, as amended.
- **"IC Account"** means an account held at UBS and opened under the IC Program which includes the agreed upon IC Program services as well as custody and trade execution for managers who trade through UBS.
- **"IC Consultant"** means your UBS Institutional Consulting Services Financial Advisor.
- **"IC Discretionary Program"** means the IC Program in which your IC Consultant will make investment decisions, invest, and trade securities on your behalf typically for assets held at UBS, based on your stated goals, without obtaining your consent before retaining an investment manager or effecting a transaction.
- **"IC Eligible Investments"** means the securities and strategies your IC Consultant may identify as part of an investment search: investment managers, mutual funds, exchange traded funds, exchange traded notes, collective trusts, stable value funds, alternative investments and other investments as agreed.
- **"IC Program"** means the UBS Institutional Consulting Services Program which is a non-discretionary service in which you will authorize the retention of investment manager(s) or execution of specific transactions.
- **"IC Program Fee"** means the fee payable under the IC Program Services Agreement for either non-discretionary or discretionary services.
- **"Plan"** means a retirement plan for self-employed individuals, or an employee benefit plan subject to ERISA, an employee benefit plan for a municipal entity or a nonqualified retirement plan.
- **"Programs"** means our investment advisory programs.
- **"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 Group AG is a global, integrated investment services firm and one of the world's leading banks. We are registered to act as a broker-dealer, investment adviser, and futures commission merchant.

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

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

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

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

Our clients work with their Financial Advisors to determine the services that are most appropriate given their goals and circumstances. Based on the services you request, we can fulfill your wealth management needs in our capacity as an investment adviser, as a broker-dealer, or as both. Most of our Financial Advisors are qualified and licensed to provide both brokerage as well as advisory services depending on the services as you have requested.

In addition, some of our Financial Advisors hold educational credentials, such as the Certified Financial Planner™ (CFP®)<sup>2</sup> designation. Holding a professional designation typically indicates that the Financial Advisor has completed certain courses or continuing education. However, use of a designation does not change UBS' or the Financial Advisor's obligation with respect to the advisory or brokerage products and services that may be offered to you.

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

## Our services as an Investment Adviser and our Relationship with You

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

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

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

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

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

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

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

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

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

When you participate in one of our investment advisory programs, we are considered to have a fiduciary relationship with you.<sup>3</sup> The fiduciary standards are established under the Investment Advisers Act of 1940 and state laws, where applicable, and include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- A duty to deal fairly with you. Consistent with our duty of fairness, we must ensure that the prices you receive when we execute transactions for you are reasonable and fair in light of prevailing market conditions and that the commissions and other fees we charge you are not excessive.
- We must have a reasonable basis for believing that any securities recommendations we make to you are suitable and appropriate for you, given your individual financial circumstances, needs and goals.
- We are permitted to trade with you for our own account or for an affiliate or another client and may earn a profit on those trades. When we engage in these trades, we disclose the capacity in which we acted on your confirmation, though we are not required to communicate this or obtain your consent in advance, or to inform you of the profit earned on the trades.
- **It is important to note that when we act as your broker-dealer, we do not enter into a fiduciary relationship with you. Absent special circumstances, we are not held to the same legal standards that apply when we have a fiduciary relationship with you, as we do when providing investment advisory services. Our legal obligations to disclose detailed information to you about the nature and scope of our business, personnel,**



**fees, conflicts between our interests and your interests and other matters are more limited than when we have a fiduciary relationship with you.**

#### **ITEM 4. ADVISORY BUSINESS**

This brochure describes our UBS Institutional Consulting Services Program which is a fee-based investment advisory service provided on either a non-discretionary or discretionary basis. We will acknowledge our status as a fiduciary when providing Institutional Consulting services in our IC Program Services Agreement under the Investment Advisors Act of 1940. In addition, for retirement plans, we will acknowledge our status as a fiduciary under Section 3(21) of ERISA for the investment advice we provide to the Plan.

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

##### **B. Our Advisory Services**

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

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

- advice on the establishment of strategic investment goals and assistance in the development and review of an investment policy statement,
- advice on the development and analysis of a strategic asset allocation for an overall investment portfolio,
- assistance in the search and implementation of a medium- to long-term investment plan,
- portfolio evaluation and review, including performance analysis of the overall investment portfolio and the professional money managers who have been retained,
- to delegate investment discretion to one or more professional money manager(s), and value the ongoing advice regarding money managers that is provided by an Institutional Consultant,
- to hire an Institutional Consultant to exercise discretion over the search, selection, review and replacement of money managers pursuant to the criteria established in the client's investment policy statement,
- assistance with providing non-discretionary model portfolios for use by defined contribution retirement plan participants, the search and selection of retirement plan program providers, plan conversions, plan administration vendor and recordkeeper, fiduciary support, and plan feature reviews.

The IC Program offers the following services:

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

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

**Affiliated/Proprietary Investments Managers and Investments:** For Non-ERISA clients and non-retirement accounts, we may, upon your request and after a review of your needs and available options, identify other UBS entities and proprietary investments for your consideration. Identifying proprietary investments or the services of our affiliated companies raises a conflict of interest because, if such affiliated companies and investments are retained or purchased, we or our affiliates will earn additional compensation from management and other fees. Your IC Account's actual investment return will be reduced by those fees, plus any related expenses and the Program Fees. Please review the applicable prospectus, offering documents

or disclosure brochure carefully for a detailed description of the fees associated with these investments.

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

- (4) **Discretionary Investment Service:** Upon your delegation of authority to us by executing the IC Program Agreement, we will exercise investment discretion over the searches, selection, replacement and termination of IC Eligible Investments held in your IC Account. We will exercise discretion in a manner reasonably consistent with your asset allocation strategy identified in your Investment Policy Statement including any reasonable restrictions you may impose on IC Eligible Investments. Our searches and selections of IC Eligible investments are limited only to those which are offered by the Firm and/or for which the Firm has conducted due diligence or has otherwise reviewed. You will be required to execute a Power of Attorney to authorize the Firm to take any actions necessary to open and maintain IC Accounts subject to the exercise of discretion, including the negotiation of investment manager fees and the completion and payment of transactions for such accounts, including the payment of investment manager fees. However, we will require that you review, complete and execute agreements, subscription documents, forms and documents necessary to engage an investment manager and/or alternative investment fund. If you fund your IC Account with IC Eligible investments not offered by the Firm and/or for which the Firm has not conducted due diligence or has not otherwise reviewed, we will sell or redeem those investments within a reasonable time frame or, in the case of alternative investments, when full redemption can occur. With respect to such investments, we will not assume any fiduciary duty during the time you hold these investments or in the course of effecting their sale and/or redemption. Until such time as those investments can be sold or redeemed, the value of such investments will be included in your asset allocation analysis and performance report and in the calculation of the IC Program fee, described below.
- (5) **Portfolio Evaluation, Review, Analysis and Reporting.** We can provide periodic portfolio evaluation, review and analysis of your IC Eligible Investments and your other assets as agreed upon for your convenience. We will assist you in evaluating your portfolio including the review of your investment performance on an absolute and relative basis. We can also assist you in determining whether and how an adjustment should be made and implemented. We can also provide reports which include performance information, comparisons, portfolio characteristic and style attribution analysis, and the historical asset evaluation for a variety of investment strategies. For accounts held at other institutions, those reports and evaluations will be based on information provided by your custodian. For assets held in a UBS account, those reports and evaluations will be based on the information that appears on your UBS account statement. The past performance of an investment does not guarantee or indicate future results.

For our nondiscretionary services, our portfolio evaluation and review may also include investment managers or investments which you retained or purchased without our recommendation. Our inclusion of these investments is solely for the purpose of providing the portfolio evaluation and review and does not constitute an endorsement that you continue to hold those investments or retain those managers and we will ask you for a written acknowledgment that UBS does not provide recommendations regarding such investments. In addition, assets held in other UBS programs may also be included in our portfolio evaluation and review in order to provide a holistic evaluation of your portfolio, but those assets are included for informational purposes only and are not part of the assets for which Institutional Consulting services are provided.

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

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

(6) **Retirement Plan Consulting for Participant Directed Retirement Plans.**

**Model Portfolio Service (non-discretionary).** We can provide risk-based asset allocation advice using six strategic asset allocation models ("Model Portfolios") established by the UBS Wealth Management Americas Asset Allocation Committee (the "WMA AAC") and can identify those investment funds offered on the plan investment menu that are consistent with the asset class components of each of the Model Portfolios. Changes made by WMA AAC to the Model Portfolios will be communicated to you within a reasonable time period however no more frequently than once per calendar quarter. You may request that UBS provide education to plan participants in regard to the Model Portfolios and risk tolerance through various approved educational pieces, however any such education will not constitute UBS either providing investment advice to participants, exercising discretion, or expanding its fiduciary responsibilities.

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

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

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

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

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

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

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

- (7) **Employee Education Consulting.** We will review the Plan's current education program and recommend strategies for improving participation and education. We can work with your program provider to implement these strategies and deliver materials. We can provide general investment education, which may include educational newsletters, seminars and other materials which have been reviewed and approved for use by our Firm. Any material provided is intended to help the recipients understand financial topics including investing, asset allocation strategies, saving for retirement, distribution planning and retirement planning and transition. They are generic in nature and do not contain recommendations to invest in a particular security.
- (8) **Additional Consulting.** As agreed between us, we may also consult with you on matters related to news and developments in the capital markets and asset classes based on information generally available from us or our affiliates, or more specifically prepared for you based on publicly available information.
- (9) **Various Other Services.** The Program offers other consulting services, including assistance in identifying custodial services, third-party administrators, and/or record keepers. Additional services may be available as agreed to between us.

### Limitations on Our Services

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

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

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

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

- **Model Portfolio Service** You are responsible for the final choice of funds to populate each component of the Model Portfolios which you can then make available to plan participants. Our services do not include ensuring that Model Portfolios can be implemented on the plan recordkeeping platform. UBS may assist in determining the capabilities of your recordkeeper; however you are responsible for ensuring that Model Portfolios are implemented, updated and offered to participants in a manner that is consistent with your overall goals and objectives. We do not provide performance reporting for the Model Portfolios. Performance reporting for the UBS Model Portfolios, including model performance comprised of the fund performance within the model, must be provided by your record keeper. We do not rebalance Model Portfolios used by participants. It is the responsibility of plan participants using the Model Portfolios to elect to rebalance to the extent the recordkeeper is able to rebalance.
  
- **Investment Searches and Third-Party Information:**
  - **Search limitations:** While we can conduct our investment searches for an extensive list of investment options, investment managers, and investment strategies, our searches are limited to those available through, or reviewed by, the firm. We do not search for every investment strategy or investment manager available in the industry.
  - **Employer Securities:** If the Retirement Plan assets include employer securities, our services do not include a review of the performance nor will we make recommendations regarding whether the Plan should offer or continue to offer employer securities as an investment option under the Plan.
  - **Investment Managers Hired and Investments Purchased which are not Identified by UBS:** For our nondiscretionary services, the services you select may include asset allocation and performance reporting of investment managers and investments which you retained or purchased without our recommendation. In such cases, we will ask you to acknowledge, in writing, that the manager or investment has not been reviewed or recommended by our Firm.
  - **Third-Party Information.** In connection with the provision of our services, we rely on third party information. We can obtain this information from publicly available sources or from your third party custodian or your plan providers.

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

## Implementation

### Non-Discretionary IC Program

Unless specifically agreed to in the IC Program Service Agreement, Institutional Consulting services of a non-discretionary nature do not include advice with respect to how to implement the results of the investment searches or whether to hold an account at UBS. In addition, the services, costs and contracting process for retaining an investment manager are separate from the services provided through Institutional Consulting. Where you have retained the services of an investment manager and utilize UBS to effect transactions in securities upon that manager's instructions, we and our affiliates will be acting solely as a broker or dealer in connection with such transactions and not as an investment adviser. You are responsible for negotiating the terms, fees and conditions of your agreement with such manager and providing them with investment instructions via an IPS or as

otherwise agreed. In addition, these investment managers may request that we provide them with information regarding the transactions in your account (e.g., electronic data download of all transactions they effected on your behalf, copies of your account statements, etc.) and you will need to authorize us to provide this information. You may revoke this authorization at any time by notifying us in writing.

#### Discretionary IC Program

If you have enrolled in the IC Program on a discretionary basis, upon your delegation of authority to us by executing a Power of Attorney, we will exercise investment discretion over the searches, selection, retention and termination of investment managers and IC Eligible Investments typically for assets held at UBS. We will exercise discretion in a manner reasonably consistent with your asset allocation strategy identified in your Investment Policy Statement including any reasonable restrictions you may impose on IC Eligible Investments (other than pooled investments like mutual funds and alternative investments). Our searches and selections of investment managers and IC Eligible investments are limited only to those which are offered by the Firm and/or for which the Firm has conducted due diligence or has otherwise reviewed. The Power of Attorney also authorizes the Firm to take any actions necessary to open and maintain the UBS accounts that are subject to the exercise of discretion, negotiate investment manager fees and to complete and pay for transactions for such accounts, including the payment of investment manager fees. However, we will require that you review, complete and execute agreements, subscription documents, forms and documents necessary to engage an investment manager and/or alternative investment fund. If you fund your IC Account with investment managers, IC Eligible investments and/or alternative investment funds which are not offered by the Firm and/or for which the Firm has not conducted due diligence or has not otherwise reviewed, we will sell or redeem those investments within a reasonable time frame or, in the case of alternative investments, when full redemption can occur. With respect to such investments, we will not assume any fiduciary duty during the time you hold these investments or in the course of effecting their sale and/or redemption. Until such time as those investments can be sold or redeemed, the value of such investments will be included your asset allocation and performance report and in the calculation of the IC Program fee, described below.

The following describes the various account structures that may be used to implement the result of Institutional Consulting investment searches.

- **Implementation through an IC Account – Non-Discretionary Account.**

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

The IC Account fee does not include (i) commission charges and mark-ups/mark-downs for transactions for your account that your investment manager may effect through other broker-dealers; (ii) custody fees imposed by other financial institutions if you chose to custody your assets at other financial institutions; (iii) internal trust fees; (iv) charges imposed by law; (v) costs relating to trading and holding in foreign securities (other than commissions otherwise payable to us); (vi) internal administrative and management fees that may be imposed by collective investment vehicles such as open-end and closed-end mutual funds, UITs, exchange-traded funds or real estate investment trusts (vii) mutual fund redemption fees for active trading and (viii) other specialized charges, such as transfer taxes, exchange and certain account fees. Either UBS Financial Services or UBS Bank USA will also charge interest on any outstanding loan balances (including margin loans) to clients who borrow money from UBS or UBS Bank USA.

Mutual funds available for purchase through an IC Account include, as appropriate affiliated and non-affiliated mutual funds. We will provide you with mutual fund prospectuses and other fund information as you may reasonably request to assist you in completing appropriate forms for purchases, redemptions, account designations, address changes and other transactions involving these investments. Generally, Class A shares of mutual funds will be available and are sold on a no-load or load-waived basis (i.e., no upfront sales charge). In addition to offering no-load or load-waived Class A shares, we 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. Currently, certain fee-based share classes are only available as "hold only" investments. As with the no-load or load-waived Class A Shares, these share classes do not impose a sales charge at the time of purchase.

**Mutual Fund Share Class Conversion:** Starting on or about July 1, 2015, Institutional and/or Advisory share classes will become the primary eligible share classes available for purchase (the "Share Class Conversion") in IC Accounts, with the exception of offshore mutual funds and IC Commission Accounts. The scheduled date of the Share Class Conversion may be delayed in order to ensure the orderly processing of the conversion process. You authorize these changes by executing the IC Program Services Agreement, or, if you already have an IC Account, by continuing to accept the services in the IC Program.

**Class A Shares:** Starting July 1, 2015, Class A shares in IC Accounts will be converted on a tax-free basis to the Institutional or Advisory share class. Institutional and Advisory share classes do not pay a 12b-1 distribution fee. 12b-1 fees earned in connection with Class A shares will continue to be deposited into your IC Account until the Share Class Conversion is complete. Certain Class A shares may continue to be eligible for purchase for mutual funds that do not offer an eligible Institutional or Advisory share class. After the completion of the Share Class Conversion, Clients will continue to receive a credit of 12b-1 fees for Class A shares held in IC Accounts.

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

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

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

**Transferring Mutual Funds Shares into Your IC Accounts.** We may accept the transfer of certain assets and shares of mutual funds purchased outside of an IC Account at UBS or at other financial institutions into an IC Account. Assets transferred into an IC Account are referred to as "Transferred Assets." Transferred Assets may have been assessed a sales load, sales charge or distribution fees previously and, once transferred, will be included in the calculation of the IC Program Fee based on the value of those assets except in certain instances.

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



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

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

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

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

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

- **Implementation through an IC Account – Discretionary.**

When you enter into a discretionary relationship with us by executing an IC Program Services Agreement with Discretionary Authority, as part of the Agreement, you will provide UBS with a Power of Attorney to allow your IC Consultant to open an IC Account and complete necessary documentation to invest in IC Eligible Investments

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

The IC Account fee does not include (i) the asset management fees charged by your investment managers (however, as part of the IC Discretionary Account opening process, you will authorize us to deduct from your IC Account the fees charged by the selected investment managers); (ii) commission charges and mark-ups/mark-downs for transactions for your account that your investment manager may effect through other broker-dealers; (iii) custody fees imposed by other financial institutions if you chose to custody your assets at other financial institutions; (iv) internal trust fees; (v) charges imposed by law; (vi) costs relating to trading and holding in foreign securities (other than commissions otherwise payable to us); (vii) internal administrative and management fees (which may include performance fees) that may be imposed by alternative investment funds, collective investment vehicles such as open-end

and closed-end mutual funds, UITs, exchange-traded funds or real estate investment trusts; (viii) mutual fund redemption fees for active trading and (ix) other specialized charges, such as transfer taxes, exchange and certain account fees.

For non-retirement clients that have a discretionary relationship, the Power of Attorney will also provide us with the ability to implement at UBS the results of investment searches performed as part of Institutional Consulting through the ACCESS program, and these assets will receive UBS-IC services to the extent not provided through the ACCESS program, as provided in our IC Program Services Agreement. You will not pay a separate UBS-IC fee for such assets and instead the assets are subject to the terms, conditions and fees of the ACCESS program.

## **Termination**

You may terminate UBS Institutional Consulting services within five (5) business days of executing the IC Program Services Agreement and receive a full refund of all fees paid to us. Unless provided otherwise in your IC Program Services Agreement, either party may terminate this relationship by notifying the other in writing. The termination will become effective upon receipt of the notice. Upon termination, we will have no further obligation to you to act or advise you with respect to your assets. Termination of your IC Program Services Agreement will end our investment advisory fiduciary relationship and as applicable our ERISA fiduciary relationship with you as it pertains to the IC Program Services Agreement. With respect to the IC Account, your IC Program Services Agreement will no longer apply to that account and the account will be governed solely by the terms of your UBS brokerage account. Terminating your IC Account may result in a change to your money market sweep fund in instances in which your IC Account was swept into a money market fund that is exclusively for advisory accounts.

In certain cases, your assets may be invested in securities, special mutual funds or shares of mutual funds that have been created for use or are eligible exclusively within certain investment advisory programs. Most of these investments contain restrictions that limit their use exclusively in wrap fee Advisory programs, and may be unavailable for purchase or holding outside of wrap fee programs. If you end your participation in the IC Account and do not move such assets to another UBS wrap-fee Advisory program, that termination results in the **automatic redemption** of shares or investments held by or on your behalf—which will have tax consequences for you. When you select one of these types of strategies or investments for your portfolio, you agree to the automatic sale of the investments upon termination of your account, and you direct us to execute these sales. We recommend that you consider the potential impact of such sales and restrictions carefully before participating in these types of strategies.

## **Qualifications of Financial Advisors Who Provide Institutional Consulting Services**

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

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

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

The timeframe to meet the requirements may be extended under certain circumstances including recruitment situations. Certain Financial Advisors holding other firm designations may also provide institutional consulting services.

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

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

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

We offer other Advisory services separate from the UBS Institutional Consulting Program that are 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. . If you would like more information please ask your Financial Advisor for the Form ADV Disclosure Brochure for those programs and services.

- Wrap Fee Programs:

#### **Program type**

#### **Programs included**

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

- Financial Planning Services.
- Financial education program: We offer a financial education program under which a Client enters into an agreement with UBS to have a Financial Advisor provide one or more of a series of financial education seminars to their employees or members. Our fees for this service can be charged by the day, by the seminar or by the number of seminar attendees. Seminars may include information obtained from third-party sources. The seminar subjects offered cover topics such as investing, saving for retirement, distribution planning and transition. Additional seminar subjects may be offered if available. Seminars offered are generic in nature and do not contain recommendations to invest in any particular security.

- Consulting Services: available to retirement plans, institutions and corporate clients and certain family offices and high net worth individuals that meet program requirements, for an asset-based fee or a fixed fee, may include asset allocation services, investment search, selection and review, performance reporting and investment policy statement assistance. Certain legacy consulting client relationships use mutual fund distribution and finder's fees or brokerage commissions, as well as a combination of a consulting fee with a brokerage offset or transaction fee.

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

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

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

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

- Investment Policy Statement Assistance. We will work with you to identify and review the criteria which will be used to select and monitor investments based on the needs and preferences of your organization.
- Asset Allocations and Strategies. Our asset allocations are based on a proprietary process which offers (depending on the software program) various customized asset allocations
- Model Portfolios for Defined Contribution Plans. UBS will identify which of the Plan's existing investment options are consistent with the components of the asset allocation models provided. You may then make these customized asset allocation models available to participants.
- Investment Searches. Searches are based on your needs and are aligned with your Investment Policy Statement.
- Reports. The reports and analysis we provide can be tailored to meet your particular needs and goals. You and your Financial Advisor can determine which types of analysis to include in your reports. See "Our Advisory Services" for details about the services offered in the Institutional Consulting Services Program.

### **D. Participation in Wrap Fee Programs**

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

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

other wrap fee programs are separate from our IC Program services.

## **E. Assets Under Management**

Our assets under management as of December 31, 2014 are listed below. These figures include asset values for DVP accounts as of 12/31/13 (where data is available), but excludes assets in separately managed accounts for which we do not have the authority to hire and fire managers.

- Non-discretionary Programs: **\$231,746,377,698**
- Discretionary Programs: **\$140,318,631,470**
  
- Total: **\$372,065,009,168**

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

### **A. IC Program Fees**

The fee that you pay for Institutional Consulting Program services is negotiable, may be expressed as a flat fee for services or as a percentage of assets (expressed as a percentage of assets under advisement), may be for a specific project or for ongoing services, covers the specific services agreed to in your IC Program Services Agreement, and at our sole discretion, may be waived and may differ from client to client based on a number of factors which include, but are not limited to:

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

Fees as well as other account requirements may vary as a result of the application of prior policies depending upon when you engaged us to provide advisory services. Subject to the maximum fee schedules below, we may customize the fee structure so that some services may be obtained under one payment option and other services under a different option. In addition, we reserve the right, in our sole discretion, to institute special pricing features, to waive, or discount annual fees, or increase the minimum asset requirement. Individual projects may be provided for a negotiated fee.

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

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

Assets	Maximum Program Fee
\$10-25 mil	1.50%
\$25-50 mil	1.30%
\$50-100 mil	1.10%
\$100-250 mil	0.90%
\$250-500 mil	0.70%
\$500-1 Billion	0.50%

> \$1 Billion      0.30%

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

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

**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.

### **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 Program.

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

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

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

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

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

**B. Billing Practices**

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

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

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

**Calculation of Fees**

- For assets custodied at another financial institution, asset based fees will have the initial fee prorated from the date that your IC Program Services Agreement is effective or as otherwise agreed. The fees will thereafter be calculated based on the asset value of the account at the end of the preceding quarter or if not available the last reported value provided by your custodian and generally billed in arrears at the beginning of the current quarter.
- For assets custodied at UBS in an IC Account, fees will be billed in advance and your initial fee will be due in full as soon as your IC Program Services Agreement is effective or as otherwise agreed to by us. The fee will be calculated on the value of the eligible assets (including assets for which UBS has not performed a review or due diligence) on that date, pro-rated to cover the period your agreement is in effect through the end of the current calendar quarter. Thereafter the fee will be based on the value of your investments, including if applicable the value of accrued interest, dividends, cash and margin loans, on the last business day of each calendar quarter and billed in advance for the next calendar quarter.
- Asset based fees are calculated based on the number of days in the calendar quarter [i.e. Annual Fee/365\* (number of days in the quarter)].
- Generally flat fees are calculated by dividing the annual flat fee into four quarterly payments and in some situations, the flat fee may be calculated based on the number of days in the calendar quarter.

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

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

If you decide to invest all or portion of your assets in one or more of our UBS separately managed account programs (i.e. Managed Account Consulting, UBS Managed Portfolio Program, ACCESS, PMP, PACE, Strategic Advisor, SWP), that portion of your assets will be excluded from the fee calculation under your IC Program 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.

### **Payment of Fees**

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

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

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

Plan fiduciaries for defined contribution plans may be able to direct the plan provider to automatically calculate and pay our fees from the assets of, or generated by, the plan. 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 independently verify the calculations made by the plan provider.

**For clients with an IC Account and Accounts in other UBS Wrap Fee Programs: Relating Accounts for Billing Purposes.** You may choose to have your IC Account related to other eligible advisory accounts for the purposes of taking these assets into consideration in order to calculate the fees that are directly debited from both your IC Accounts and such other eligible advisory accounts.



Relating the IC Account and other eligible advisory accounts held at UBS for billing purposes can provide the opportunity for price reductions at certain breakpoints for those other advisory accounts. Please contact your Financial Advisor for more information on the definition of eligible accounts and the forms needed to choose this billing option. Retirement accounts may not be linked where a prohibited transaction under ERISA or the Internal Revenue Code may result. Accounts may only be related for billing purposes if specifically agreed to in writing between you and UBS.

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

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

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

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

### **C. Fees/Other Charges Not Covered by Your IC Program Fee**

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

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

### **Trade Execution Cost through other Broker Dealer:**

- Management fees imposed by an investment manager you select or we select on your behalf on a discretionary basis using an IC Program Account. In addition, the IC Program Fee does not cover commission charges for transactions that your investment manager may effect through other broker-dealers. These transactions, which are referred to as "step out" trades because your investment manager directs or "steps out" the trade to another broker-dealer, are generally traded from broker to broker and are usually cleared net, without any commissions. However, under certain circumstances, you may be assessed commissions or other trading related costs (for example, mark-ups) by the other broker-dealers executing the step out trades. These trading costs may be embedded into the price of the security allocated to your account. Your investment manager has the option to trade through us or with other

financial institutions, in accordance with its best execution obligations to you and to ensure that any additional commissions or mark-ups assessed to you when they decide to step-out trades to other broker-dealers are consistent with their best execution obligations. **If you elect to utilize the IC Account and your investment manager does not execute transactions with UBS, the IC Account may not be an appropriate option if your SMA Manager does not take action to ensure that you do not incur redundant costs.**

- **IC Commission Accounts:** Certain legacy clients have established IC Accounts and pay all or a portion of their Program Fee through a commission pricing structure ("IC Commission Accounts"). In IC Commission Accounts, we are compensated through negotiated brokerage commissions rather than exclusively through asset-based consulting fees. The SMA Manager for IC Commission Accounts will also charge a separate fee as described below. **Use of IC Commission Accounts may result in us earning more than the asset-based fee option. This may result in a financial incentive for your Financial Advisor to recommend managers who will direct client trades to us.**
- Custody fees imposed by other financial institutions if you choose to custody your assets at other financial institutions.
- Fees for recordkeeping, trust and plan administration charges.
- Precious metals custody fees imposed by affiliates, or other financial institutions
- Mark-ups/mark-downs on principal transactions with us, our affiliates or other broker-dealers.
- Internal trust fees.
- Costs relating to trading in and holding of foreign securities (other than commissions otherwise payable to us).
- Internal administrative, management, redemption and performance fees that may be imposed by collective investment vehicles such as open-end and closed-end mutual funds, UITs, hedge funds and other alternative investments, exchange-traded funds or real estate investment trusts.
- Redemption fees for active trading imposed by mutual fund sponsors.
- Other specialized charges, such as transfer taxes, and fees we charge to customers to off-set fees we pay to exchanges and/or regulatory agencies on certain transactions.

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

- Account Transfer Fee
- Wire Transfer Charges
- Annual Account Service Fees for Retirement Accounts
- Physical Security Safekeeping for RMAs or Business Services Accounts (BSAs)

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

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

#### **D. Refund of Fee Paid**

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

#### **E. Compensation to Financial Advisors for Providing IC Program Services**

As with other UBS advisory programs, if you obtain services through the Institutional Consulting program, a portion of the fees you pay to us in connection with this program are allocated on an on-going basis to your Financial Advisor. In general, we pay our Financial Advisors a percentage (called a payout or grid rate) of the product-related revenue, that each Financial Advisor generates from the clients he or she serves, minus certain adjustments that are specified in our Financial Advisor Compensation Plan. The payout rate for the Institutional Consulting Program ranges from 20% to 49% of the fees credited to the Financial Advisor by the firm.

**The percentage of firm revenues credited to Financial Advisors in the Institutional Consulting Program may be higher than the percentage of firm revenues credited on most other products and services, including other advisory programs and the compensation they would receive if you paid separately for advice, brokerage and other services. The difference in compensation creates an incentive for Financial Advisors to recommend products for which they receive higher compensation.**

For example, for assets custodied at UBS, brokerage transaction-based accounts which hold products such as stocks, bonds, options and mutual funds, and other advisory programs, the payout rate ranges from 20% to 45% of the asset-based fees, commissions or sales charges. Generally, for stocks and option transactions, the payout is adjusted downward to account for a transaction fee ranging from \$0 to \$24. For asset-based programs, the payout rate is applied to the portion of the program fees credited to the Financial Advisor by the Firm but may be lower based on pricing below certain levels. In general, Financial Advisors earn more for products sold in initial offerings than for those purchased and sold in secondary offerings.

Under certain circumstances (e.g., acquisitions and recruitment; or particular programs or designations, such as Wealth Advice Center, Wealth Planning Analyst, Institutional Consulting and DC Advisory), some Financial Advisors or producing Branch Office Managers may be compensated differently.

Financial Advisors also may receive certain awards based on their production amount, length of service with UBS business mix and net new assets. However, certain defined contribution plan recordkeeping providers utilized by IC Program clients may be unable to provide net new asset data to UBS and these assets will not be included for awards. We reserve the right, at our discretion and without prior notice, to reduce and/or deny such awards for any reason and 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. Neither we nor our Financial Advisors receive performance-based fees for Institutional Consulting Services. Where we are a distributor of alternative investments, including hedge funds and fund of funds, UBS receives a portion of the performance fees charged by the investment adviser to those funds. Financial Advisors who sell those alternative investments receive a portion of those fees. However, where these investments are purchased through an IC Account, no performance fee is received.

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

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

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

### **B. Requirements for Participation in the Institutional Consulting Program**

1. **Minimum Asset Requirement.** Typically Consulting services are provided to institutional clients with investable assets in excess of \$10 million, although we may provide Consulting services to clients with less than \$10 million in investable assets under certain conditions.
2. **Agreements and Account Documentation.** As a UBS Institutional Consulting client, you will enter into a written agreement with us.

If you decide to open an IC Account, you will also be required to execute a brokerage agreement. It is important to note that once you open the IC Account, that account is included as part an IC Program 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."*** In addition, if you enter into a discretionary relationship with us, you will also execute a Power of Attorney that will allow us to execute a brokerage agreement and open an IC Account for you, select and terminate selected investment managers, and place transactions in IC Eligible Investments for your IC Account.

3. **Custody:** Please see Item 15 "Custody" for a description of custody requirements.
4. **Information Provided.** 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, or reasonable investment restrictions you wish to impose so we can work with you to update your investment policy statement to reflect these changes. These changes may also impact our IC services and ongoing advice or the manner in which your assets are invested as outlined in Item 4B.

5. **Your Responsibilities:** For non-discretionary IC Program clients, it is your responsibility to determine if, and how, the advice and suggestions we provide to you should be implemented or otherwise followed. You should carefully consider all relevant factors in making these decisions, and we encourage you to:

- consult with your legal counsel
- consult with your accountant or tax professional regarding the legal or tax implications of a particular recommendation, strategy or investment, **before you invest or implement a particular strategy.**

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

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

You should also understand that for both non-discretionary and discretionary services, UBS does not provide any legal, tax, accounting or actuarial advice to you or prepare any legal, accounting or actuarial document.

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

6. **Electronic delivery of documents.** To the extent permissible by applicable law, we may deliver trade confirmations, Form ADV Disclosure brochures, investment and performance reports, prospectuses, offering documents and other documents and notices related to your IC Accounts, trades and relationship with us in 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.

Documents related to IC Accounts will be delivered electronically when you enroll in electronic delivery of Shareholder Communications. The documents related to IC Accounts include Form ADV disclosure brochures, manager profiles, asset allocations, performance reports, and other disclosures, reports and notices related to advisory accounts. These reports and notices contain information relating to your

accounts and investments, such as account attributes, account profile, investment elections and preferences, investment strategy and fees. We may deliver documents relating to Investment Advisory Accounts as a link to a UBS website or as an attachment to an email. When sending attachments to emails, for your protection, we will exclude and/or mask certain personal information such as name, address, and account number.

By signing the IC Program Agreement you confirm that 1) your Electronic Delivery elections apply to your IC Accounts, and 2) your enrollment in electronic delivery of Shareholder Communications authorizes UBS Financial Services Inc. to electronically deliver all reports, disclosures and notices related to your Investment Advisory accounts, and/or 3) unless specified in the IC Program Agreement to the contrary, you consent to electronic delivery of documents and notices related to the IC Program where you have chosen to implement IC through another financial institution. Based on that authority, we will automatically enroll you in electronic delivery for your Investment Advisory accounts if you select the electronic delivery of Shareholder Communication option in your brokerage account agreement.

- Your electronic delivery elections for your brokerage account will be automatically effective in your advisory accounts.
- **If you are enrolled in UBS Online Services, you may change your delivery preferences at any time by logging into UBS Online Services at: <http://www.ubs.com/edelivery>. You may also change your delivery preferences by contacting your Financial Advisor.**
- Mutual fund prospectus (es): As applicable, when a new prospectus is available, we will send an email notification to the email address you have provided to us for receipt of notices of availability of shareholder communications. 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. 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.

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

Where you have elected to participate in an IC Account, the following provides a general summary of our trading, execution and custody practices.

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

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

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

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

UBS uses automated systems to route and execute orders for the purchase and sale of securities for all Advisory accounts, unless you direct us otherwise. Generally, an order is routed to an execution center that we believe will provide the best execution. Certain large orders that may require special handling may be routed to a market center for execution via the telephone or in the case of large ETF orders, an Authorized Participant for that ETF. UBS regularly monitors existing and potential execution venues and may route orders in exchange listed or OTC securities to other venues if we believe that such routing is consistent with best execution principles.

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 a primary exchange or an unaffiliated market maker for execution. UBS Securities LLC may have a profit or loss when executing orders as principal. For orders requiring agency execution, UBS Securities LLC routes the orders to a primary exchange or an unaffiliated market maker for execution. In some instances, however, for certain securities, we place OTC orders directly with unaffiliated market makers for execution. All routing decisions are in accordance with the principles of best execution.

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

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

We may aggregate transactions for Advisory clients for execution under appropriate circumstances. This practice will not ordinarily affect or otherwise reduce fees, commissions or other costs charged to clients for these transactions but may provide price improvement. A partial fill of a block security transaction may be allocated among Advisory clients' accounts randomly, pro rata, or by some other equitable procedure adopted by the investment manager. In certain cases, investment managers may use a computer system that allocates purchases and sales transactions either on a random or pro rata basis. In any case, clients may pay higher or lower prices for securities than may otherwise have been obtained.

### **Trade Errors**

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

outside investment adviser's trade error procedure will govern, unless it conflicts with our internal procedure.

### **Payment for order flow**

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

### **Confirmation of Your Account Record**

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

You are responsible for providing us with your current address. If we are unable to contact you by mail, we will be required to terminate your account from the program. Upon termination, the assets will continue to be invested in the existing positions when permissible given the nature of the securities, and will be held in a brokerage account. Your Advisory agreement with us no longer applies. Any securities that cannot be held in a brokerage account will be liquidated.

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

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

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

Under your IC Program Services Agreement you may designate your investment manager(s) to receive and vote all proxy and related materials for securities they manage on your behalf and held in an IC Account. **You may change your preference at any time by notifying us in writing.** Your proxy related preferences do **not** apply to legal proceedings, including bankruptcies and class actions, relating to securities in an IC Accounts, or their issuers, except to the extent required by law.

### **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.

### **Cash Balances in your IC Account**

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

- **UBS Proprietary Investments:** When permitted by law, available cash in your advisory account is swept into UBS money market funds for which we or our affiliates receive compensation for services in addition to the Program Fees you pay us. Please see *"Participation or Interest in Client Transactions -- Additional sources of compensation - Affiliated Money Market Funds available as sweep vehicles in Advisory Accounts"* for a description of the Advisory fees that we and our affiliate receive from the money market funds.
- If you close your advisory account, we will sell the assets held in certain money market funds. Please see section *"Closing Your Advisory Accounts; Terminating Your Agreement – Automatic Liquidation of Certain Assets at Account Termination"* for details.
- When your advisory account is closed, it becomes a brokerage account and is subject to the terms and conditions of your brokerage account agreement. The sweep options in Advisory and brokerage accounts are different and depending on the circumstances, may yield significantly different rates of return on the free cash in your brokerage account. 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.
- If you hold high levels of cash, please note that you may hold cash in a brokerage account without incurring the IC Program fee.
- **Domestic accounts.** We will automatically invest cash balances in your Advisory accounts in UBS money market mutual funds including, as permitted by law, those affiliated with UBS for which we or our affiliates receive compensation for services in addition to the Program fees you pay us.
- **Retirement accounts.** For certain programs, cash balances in accounts subject to ERISA or IRAs may also be invested in funds serviced by UBS or our affiliates. Our compensation from these funds will be limited to reimbursement of our direct costs and expenses for providing services to the funds, excluding overhead costs or profits. All fees and reimbursements for direct costs and expenses paid to us by a fund are in addition to the fees you pay us.

- **Sweep vehicle for NRA clients – International Deposit Account (IDA).** Cash held in Program accounts of clients who are non-resident aliens (NRA) of the U.S is automatically swept into a demand deposit account at the New York Branch of UBS AG (UBS NY), from which the cash is then swept and re-deposited each business day into an interest-bearing overnight deposit account (or IDA) at the Cayman Islands Branch of UBS AG (UBS Cayman). The cash swept from the UBS NY account becomes payable only at the UBS Cayman account, and not at the UBS NY account, and is thus temporarily exposed to the sovereign risk of the Cayman Islands. **Funds on deposit in the accounts at UBS NY and UBS Cayman are not eligible for federal deposit insurance from the Federal Deposit Insurance Corporation (FDIC).** For more detailed information on the IDA for NRA clients, please see the International Deposit Account Sweep Program Disclosure Statement.

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

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

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

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

Our asset allocations may be based upon a proprietary methodology or customized based on your investment policy statement. UBS employs a variety of asset allocation models and tools. As a result, our modeling outside of the UBS IC Program may vary depending upon the asset allocation model, amount invested and software program used for analysis.

### **B. Our Investment Search Services**

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

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

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

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

- Value
- Growth
- Growth and income
- Income
- Contrarian
- Tactical asset allocation
- Strategic asset allocation (through multi-style accounts)

- Municipals
- Global
- International
- Convertible bonds
- Long/short investing
- Real estate investment trusts (REITs)
- Preferred Securities
- MLPs

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

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

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

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

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

provide recommendations regarding such manager. For discretionary relationships, if an investment manager is no longer reviewed, we will terminate such manager within a reasonable time frame.

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

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

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

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

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

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

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

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

Historical statistical data, based on the performance of various market indices, may be provided, to show relative historic risk and return information regarding the asset allocation strategies presented. In addition, forward looking analyses are presented based upon various risk and return assumptions, including those developed by UBS Financial Services Inc. Forward looking analyses, including probabilistic modeling (which presents the likelihood that the client may be able to achieve certain goals) are hypothetical in nature, do not reflect actual investments results and are not a guarantee of future results. These analyses do not analyze specific securities. Rather, the asset allocation presented is analyzed. Actual market conditions may result in outcomes significantly different than those illustrated. With respect to probabilistic modeling, the results may vary over time and with each use if any of the underlying assumptions or profile data is adjusted. In addition, the analysis does not present

the results that could occur from an extreme market event, either positive or negative, due to the low probability of such an occurrence.

#### **D. Risks Associated with IC Eligible Investments**

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

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

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

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

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

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

- **Exchange Traded Funds**

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

- **Exchange Traded Notes**

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

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

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

- **Collective Investment Trusts or Funds**

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

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

- **Stable Value Funds**

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

- **Alternative Investments**

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

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

- are not mutual funds and are not subject to the same regulatory requirements as mutual funds,
- performance may be volatile, and investors may lose all or a substantial amount of their investment in a Fund,

- may engage in leveraging and other speculative investment practices that may increase the risk of investment loss. Interests of the Funds typically will be illiquid and no secondary market for interests usually develops, are long-term (e.g., 10-15 years), and are subject to restrictions on transfer, and
- may not be required to provide periodic pricing or valuation information to investors.

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

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

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

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

- **Robert J. McCann** is President of UBS Group Americas and UBS Wealth Management Americas, (WMA), Chairman of the Board of UBS Financial Services Inc. (UBS FS) and a member of the Group Executive Board of UBS AG. As regional President, 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 President of WMA, which comprises the registered broker-dealer, UBS FS, as well as the Private Banking operation.
- **Rosemary T. Berkery** is Chairman of UBS Bank USA and Vice Chairman of WMA. She is also the head of the Banking & Trust Group for WMA and a member of the Board of UBS FS.
- **William T. Carroll** is a Managing Director and Head of Wealth Management Advisor Group West of WMA.
- **Jason Chandler** is the Group Managing Director and Head of Wealth Management Advisor Group East of WMA and a member of the Board of UBS FS.
- **Daniel C. Cochran** is Chief of Staff UBS Group Americas and WMA and is a member of the Board of UBS FS.
- **Amy Fainsbert** is a Managing Director and the Chief Financial Officer of UBS FS.
- **Paul M. Hatch** is a Group Managing Director and the Head of Wealth Management Advice and Solutions.
- **Kathleen Lynch** is the Chief Operating Officer for UBS Group Americas and WMA and is a member of the Board of UBS FS.
- **Michael McGovern** is the Chief Financial Officer UBS Group Americas and WMA and a member of the Board of UBS FS.
- **John McDermott** is Head of Compliance and Operations Risk Control for UBS Group Americas

and WMA and a member of the Board of UBS FS.

- **Robert E. Mulholland** is a Group Managing Director and the Head of the Client Advisory Group of WMA. He is the President and Chief Executive Officer of UBS FS and a member of its Board.
- **Robert Anselmo** is a Managing Director and Head of Technology for WMA.
- **Joseph Pigott** is a Managing Director and Chief Risk Officer of WMA.

#### **CIO Wealth Management Research Americas**

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

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

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

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

- **Michael L. Crowl**, is Group Managing Director and General Counsel of UBS Wealth Management Americas, which includes the registered broker-dealers, UBS Financial Services Inc. and UBS Financial Services Incorporated of Puerto Rico, as well as UBS Bank USA, UBS National Trust Company N.A., UBS Trust Company of Puerto Rico Inc., 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 Inc. Mr. Siegel is also the Chief Compliance Officer of UBS Financial Services Incorporated of Puerto Rico, 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).

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

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

Disciplinary History	
1	<p>Date of Action: December 2014</p> <p>Brought By: State of Vermont Department of Financial Regulation</p> <p>Entity: UBS Financial Services Inc.</p> <p>The firm was fined \$325,000 for inaccurate books and records, breaches of policies and procedures which prohibited the solicitation of MAC Eligible managers and failure to provide a reasonable supervisory system to prevent such breaches. The Consent Order highlights the Firm's substantial cooperation with the investigation and its enhancements to procedures which were made to prevent recurrence of these facts.</p>
2	<p>Date of Action: December 2013</p> <p>Brought By: FINRA</p> <p>Entity: UBS Financial Services Inc.</p> <p>The firm was fined a total of \$260,000 for rule breaches involving fair pricing of 5 municipal bond transactions, best execution obligations relating to 51 transactions and late reporting to TRACE of 303 trades. The breaches occurred over sporadic periods between 2008 and 2012.</p> <p>Censure &amp; Fine: \$260,000</p>
3	<p>Date of Action: August 2013</p> <p>Brought By: North American Securities Administrators Association</p> <p>Entity: UBS Financial Services Inc.</p> <p>UBS employed client service associates who accepted client orders without being registered with relevant state authorities and failed to supervise those associates adequately. UBS settled the matter without admitting or denying the findings of fact. UBS agreed to enter into separate settlements with each state and the civil penalty will be divided amongst the states in individual settlement amounts.</p> <p>Fine: \$4.58 million</p>
4	<p>Date of Action: December 12, 2012</p> <p>Brought By: FSA, FINMA, CFTC</p> <p>Entity: UBS AG</p> <p>On 19 December 2012, UBS AG entered into settlements with the US Department of Justice (DOJ), UK Financial Services Authority, and the Commodity Futures Trading Commission (CFTC) in connection with their investigations of manipulation of LIBOR and other benchmark interest rates. The Swiss Financial Market Supervisory Authority (FINMA) also issued an order concluding its formal proceedings with respect to UBS. UBS agreed to pay a total of approximately CHF 1.4 billion in fines and disgorgement. UBS will pay GBP 160million in fines to the FSA and CHF</p>

## Disciplinary History

59million as disgorgement of estimated profits to FINMA.

FINMA: Reprimand and disgorgement of estimated profits CHF 59 million

FSA: Fine GBP 160 million

CFTC: Fine, USD 700 million

5 Date of Action: November 12, 2012

Brought By: FSA, FINMA

Entity: UBS AG London

The UBS AG London branch was fined by the FSA for (1) failure to establish and maintain systems and control appropriate to its business, and (2) failure to act with due skill, care and diligence in conducting its business. The penalties were levied in connection with an unauthorized trading incident.

Disposition: FSA Fine GBP £29.7 million

FINMA: Disposition: Reprimand; Additional measure re: business conduct and capital until effective remediation is demonstrated.

6 Date of Action: May 1, 2012

Brought By: SEC

Entity: UBS Financial Services of Puerto Rico

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

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

7 Date of Action: May 1, 2012

Brought By: FINRA

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

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

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

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

8 Date of Action: Feb. 22, 2012

Brought By: Pennsylvania Securities Commission

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

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

Legal and investigation costs of \$75,000

9 Date of Action: Sept. 30, 2011

Brought By: FINRA

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

## Disciplinary History

representatives may have been exercising discretion in customer accounts to engage in unsuitable cross-trading of municipal bonds.

Acceptance, Waiver and Consent

Censure and Monetary Fine: \$300,000

10 Date of Action: August 22, 2011

Brought By: New Hampshire Bureau of Securities Regulation

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

Disposition: Consent Order

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

11 Date of Action: May 4, 2011

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

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

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

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

12 Date of Action: April 11, 2011

Brought By: FINRA

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

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

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

13 Date of Action: Jan. 5, 2011

Brought By: FINRA

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

Disposition: AWC Censure, Fine

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

14 Date of Action: January 2011

Disposition: SIX Swiss Exchange Regulation

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

Disposition: Fine

CHF100,000

## Disciplinary History

- 
- 15      Date of Action: Nov. 3, 2010  
             Brought By: FINRA  
             Allegations: Violation of NASD Rules 1021, 1031, 2110 and 3010, FINRA Rule 2010 by permitting 70 individuals to act as principals without registration, and inadequate supervisory procedures.  
             Disposition: Letter of Acceptance, Waiver & Consent.; Censure, Fine.; Establish supervisory procedures  
             Fine: \$200,000 - Test of Supervisory procedures with written report within 120 days and certification of supervisory changes and written report within 90 days
- 
- 16      Date of Action: Sept. 29, 2010  
             Brought By: FINRA  
             Allegations: Violation of NASD Rules 2110, 3010(a) and 3010(b), FINRA Rule 2010 by lending customer securities to facilitate short selling without disclosing certain facts to customers and failing to adequately supervise.  
             Disposition: Letter of Acceptance, Waiver & Consent, Censure, Fine, Establish supervisory procedures  
             Fine: \$175,000
- 
- 17      Date of Action: June 26, 2009  
             Brought By: FINRA  
             Allegations: Inadequate systems/procedures, to detect patterns of unsuitable short-term trading of Closed-End Funds.  
             Disposition: Letter of Acceptance, Waiver & Consent, Censure & Fine  
             Fine: \$100,000
- 
- 18      Date of Action: February 2009  
             Brought By: SEC and US Department of Justice  
             Allegations: UBS entered into a Deferred Prosecution Agreement with the D.O.J. and a Consent Order with the SEC in connection with an investigation into the firms Cross-Border business. UBS AG agreed to disgorge profits and pay back taxes. UBS AG will terminate cross-border business serving private clients out on non SEC registered entities.  
             Disposition: Disgorgement (\$200,000,000 is to the SEC); Back Taxes Payment, Monetary Sanctions: \$380,000,000; \$400,000,000
- 
- 19      Date of Action: Feb. 26, 2009  
             Brought By: FINRA  
             Allegations: Violated NASD Rules 2110, 3010, 2320, 3110, 3360, 3370, 6130, 6955(A) by failing to find the best inter-dealer market, did not obtain a favorable price, did not mark short-sales as such, did not note delivery instructions. The supervisory procedures were not adequate to achieve compliance.  
             Disposition: Letter of Acceptance, Waiver & Consent, Censure and Fine Restitution to customer and revision of firm procedures  
             Fine: \$110,000; Restitution: \$2,719.65
- 
- 20      Date of Action: Jan. 9, 2009  
             Brought By: CFTC  
             Allegations: UBS FA violated Sections 6(c) and 6(d) of Commodities Exchange Act and did not file with the National Futures Association the commodity pools' annual reports in a timely manner or deliver to pool participants.  
             Disposition: Cease & Desist from violating Regulation 4.7(b)(3)(i) and CFR 4.7(b)(3)(i)(2008) and pay a civil penalty  
             Civil Penalty: \$50,000
-

## Disciplinary History

- 
- 21      Date of Action: December 2008  
Brought By: Swiss Federal Banking Commission  
Allegations: The cross-border business of UBS AG private clients was investigated and the firm was required to cease operating its non-W9 relationships, and to establish an adequate risk management and control system for this business.  
Disposition: Injunction
- 
- 22      Date of Action: Dec. 22, 2008  
Brought By: SEC and the 50 states  
Auction Rate Securities (ARS): UBS is permanently enjoined from violations of the broker/dealer anti-fraud provisions.  
Allegations: Violations of 34 Act Section 15(c) regarding the marketing and sale of Auction Rate Securities.  
Disposition: Cease & Desist Injunction; Civil Penalty; Consent Judgment  
Cease & Desist, and Fines in varying amounts currently being paid to all 50 states out of a total fine of \$75 million
- 
- 23      Date of Action: Feb. 28, 2008  
Brought By: FINRA  
Allegations: UBS effected transactions in Mutual Fund shares where other share classes were advantageous, or within the NAV transfer program, Failure to maintain supervisory procedures designed to identify NAV Programs.  
Disposition: Letter of Acceptance, Waiver & Consent, Censure and Fine. Firm to undertake initiative to provide remediation to certain customers who purchased Class B or C shares or who did not receive benefit of the NAV transfer program.  
Fine: \$1,000,000
- 
- 24      Date of Action: Dec. 3, 2007  
Brought By: State of Missouri  
Allegations: Firm failed to supervise former FA's for public seminars and recommendations to customers re: mutual fund share sales.  
Disposition: Consent Order, Censure, Fine & Disgorgement  
Civil : \$ 75,000; Investor Restitution: \$247,680; Disgorge: \$135,946; Investor Education: \$230,000; Cost to Investigate: \$8,584
- 
- 25      Date of Action: Oct. 24, 2007  
Brought By: FINRA  
Allegations: Firm did not file certain amendments to U-4's and U-5's during the period 1.1.02 to 12.31.04 and did not have adequate supervisory procedures re: late filings.  
Disposition: Letter of Acceptance Waiver & Consent & Fine  
Fine: \$370,000
- 
- 26      Date of Action: Oct. 2, 2007  
Brought By: FINRA  
Allegations: Violations of NYSE Rule 401(a) and 342 by failing to deliver prospectuses and failing to maintain supervisory and control procedures.  
Disposition: Letter of Acceptance, Waiver & Consent, Censure & Fine Certification to NYSE re: policy & procedure revisions within 90 days.  
Fine: \$500,000
-

## Disciplinary History

27	<p>Date of Action: July 16, 2007</p> <p>Brought By: Attorney General State of NY</p> <p>Allegations: Non-discretionary fee-based brokerage accounts were unsuitable for certain clients and fees/commissions were higher than non-fee based accounts</p> <p>Disposition: Remediation to Customers &amp; Penalty to State of NY</p> <p>Remediation: \$21,300,000; Penalty: \$2,000,000</p>
28	<p>Date of Action: April 16, 2007</p> <p>Brought By: State of Connecticut Department of Banking</p> <p>Allegations: Failure to keep certain books &amp; records pertaining to sub-account transfers with insurance products &amp; failure to supervise agents re: market timing.</p> <p>Fine, Financial Literacy Initiatives, Education Initiatives</p> <p>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</p>
29	<p>Date of Action: May 26, 2006</p> <p>Brought By: NYSE</p> <p>Allegations: Sales Practice exams in 2003 and 2004 revealed overcharges and the Firm violated Section 17(a)(2) of the '33 Act, and Rule 10b-10 of the '34 Act.</p> <p>Disposition: Stipulation of Facts &amp; Consent to Penalty</p> <p>Fine: \$175,000</p>
30	<p>Date of Action: Jan. 11, 2006</p> <p>Brought By: NYSE</p> <p>Allegations: Failure to supervise brokers who engaged in deceptive market timing of mutual funds and varied insurance products.</p> <p>Disposition: Fine, Consent Order, Censure, Civil Penalty</p> <p>Fine: \$23,700,000; Fine State of NJ: \$24,700,000</p>

## ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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

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

- Underwriting securities offerings
- Acting as a market maker in securities
- Trading for our own account
- Acting as a clearing firm for other broker-dealers

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

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

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

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

- Sydling Futures Management LLC.
- UBS Financial Services Insurance Agency Inc.
- UBS Financial Services Incorporated Puerto Rico, a separately registered broker-dealer
- UBS Insurance Agency of Puerto Rico Inc.
- UBS International Hong Kong Limited
- Trust-related services are available through the UBS Trust Company N.A. and the UBS Trust Company of Puerto Rico Inc.
- UBS Credit Corp. provides loans to clients that are either unsecured or secured by securities or other financial instruments. These loans may be used to buy securities or for other purposes. These loans are not subject to the maintenance requirements and potential capital charges that are imposed on broker-dealers.
- UBS Bank USA is an FDIC-insured Utah industrial bank. UBS Bank USA provides deposit services and loans to clients that are secured by securities or real estate. These loans may be used for purposes other than buying, trading or carrying securities. These loans are not subject to the maintenance requirements and potential capital charges that are imposed on broker-dealers.

UBS Group AG (UBS Financial Services Inc.'s ultimate parent) offers investment advisory services through a variety of direct and indirect subsidiaries. These entities are separately registered investment advisors and, in some cases, registered broker-dealers and commodity- trading advisors. Their principal lines of business range from developing and distributing investment products including wrap fee products, mutual funds, closed-end funds, privately placed funds and other pooled investment products, providing investment advice to individuals, pension and other employee benefit plans, other tax-exempt organizations, insurance companies, investment companies, commingled trust funds, corporations, and other institutional investors, and serving as investment managers, administrators, distributors and/or placement agents for a number of funds, including (in the case of UBS 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 Group AG subsidiaries registered as investment advisers in the United States include the entities below. These companies manage the assets of, or serve as general partners or managers of registered investment companies and private investment funds that may be offered and sold to our advisory clients. Information on those investment vehicles can be found on the respective Form ADV of each affiliated advisor.

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

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

### **A. Investment Adviser Code of Ethics**

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

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

- To set forth standards of conduct that apply to all employees of the firm, including the firm's fiduciary obligation to its clients
- To address conflicts of interest associated with the personal trading activities of a subset of employees defined as "access persons."<sup>6</sup>

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

### **B. Participation or Interests in Client Transactions**

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

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

<sup>6</sup> Access Person: all branch office employees, regardless of their job function, and any other Firm employee who works from a branch location or home office employees who place trades on behalf of money managers who participate in the Firm's advisory programs and home office employees that develop, manage or place trades for the UBS Managed Portfolio Program.



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

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

The amount of fees paid to us, and therefore your Financial Advisors, may vary depending on the arrangement between us and the vendors/sponsors and, if applicable for mutual funds, and the terms and conditions of the relevant fund's 12b-1 or trailing commission plan. If you hold these assets in your advisory accounts, we receive these payments for the duration of your advisory program agreement. In some circumstances, our receipt of such compensation may extend beyond your participation 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			
Payment Type	Current Rate	Source of Payment	Do Financial Advisors Receive a Portion of These Fees?
Trailers & 12b-1 Fees	<ul style="list-style-type: none"> <li>Affiliated funds: 0.25% of the fund's assets per year.</li> <li>Non-affiliated funds: Fees generally range from 0% to 0.50% per year—although the average current annual rate is approximately 0.25%.</li> </ul>	<p>Investors/Shareholders pay these fees to the sponsors of the Funds.</p> <p>We receive these payments from the sponsors for distribution and shareholder services we provide in connection with the purchase</p>	<p>No. 12b-1 fees for Class A shares in PACE, Strategic Advisor and SWP are retained by the Firm and are not paid to Financial Advisors. The 12b-1 fees are treated as non-compensable revenue. See "Revenue</p>

Domestic Mutual Funds			
Payment Type	Current Rate	Source of Payment	Do Financial Advisors Receive a Portion of These Fees?
		and sale of mutual fund shares.	Sharing" below for a description of that process.
Networking Fees <sup>7</sup>	<ul style="list-style-type: none"> <li>Typically \$12-\$15 for each mutual fund position that is held at UBS. Some fund companies may choose to calculate this rate expressed in basis points on assets. Exclusions may apply to positions below \$500 and certain discretionary retirement accounts.</li> </ul>	<p>These fees are paid by mutual fund sponsors from investor assets, but in some cases may be subsidized, in part, by affiliates of the mutual fund.</p> <p>Networking fees are paid in consideration for services provided by us ancillary to effecting mutual fund transactions including transmission of shareholder data between UBS and the fund companies.</p>	No
Omnibus Processing Fees <sup>8</sup>	<ul style="list-style-type: none"> <li>These payments, which usually range from \$14 to \$26 per position are assessed per client and can vary by share class. Some fund companies may choose to calculate this rate expressed in basis points on assets, which may result in payments in excess of \$26 per position. The asset managers making these payments may consider the excess of what the mutual fund would otherwise have paid for these services on a per position fee schedule as a form of revenue sharing. Exclusions may apply to positions below an asset level mutually agreed upon by UBS and the fund company, certain discretionary advisory and retirement accounts and certain funds and/or shares classes. A portion of the payments we receive for Omnibus processing is paid to a sub-account vendor</li> </ul>	<p>These fees are paid by mutual fund sponsors from investor assets but in some cases may be subsidized, in part, by affiliates of the mutual funds.</p> <p>Omnibus fees are paid in consideration for sub-accounting services we provide.</p> <p>A portion of this fee is paid to the transfer agent.</p>	No

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

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

Domestic Mutual Funds			
-----------------------	--	--	--

Payment Type	Current Rate	Source of Payment	Do Financial Advisors Receive a Portion of These Fees?
--------------	--------------	-------------------	--

contracted by UBS.

Account Services Fees For Affiliated Funds	The amount of such fees may vary depending on the fund, but generally average \$12 per account per year, billed quarterly.	Fees are paid by the fund sponsor out of investor assets.	No
Revenue Sharing Payments	(see below for details)	Fees are paid by the fund sponsor or investment adviser out of their legitimate profits and resources.	No

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

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

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

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

We require that these payments be made directly from the distributor or advisor, and not from the mutual funds or indirectly through mutual fund portfolio trading commissions. Revenue-sharing payments are intended to compensate us for assisting with the sales of mutual fund shares. **Except as noted below, none of these amounts are rebated to you or paid to the Financial Advisor or his or her branch office.** However, these amounts are allocated to the individual branch offices as "non-compensable revenue" (revenue that is not paid out to Financial Advisors or Branch Office managers) but are considered as part of the overall profitability of the branch, and as one of several components used in determining Branch Office Manager compensation.

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

- Up to 0.15% per year (paid quarterly) on all sales of mutual fund shares (excluding sales through wrap-fee programs)
- Up to 0.20% per year (paid quarterly) of the asset value of all equity mutual fund shares held at UBS
- Up to 0.20% per year (paid quarterly) of the asset value of all fixed-income mutual fund shares held at UBS (other than money market, institutional or offshore funds)
- Some mutual fund families may be subject to a minimum annual payment which, in some instances, may result in a fee that exceeds the percentages described above.
- Certain mutual fund companies may pay a flat fee annually, which may or may not exceed the rates listed above.

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

Revenue-sharing payments 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 300 different mutual fund families are available through our distribution platform, this is only part of the universe of mutual funds that are available to our customers in the marketplace. Certain "no load" and "institutional" mutual fund shares may be purchased by our customers at a charge of \$75 per transaction, plus other customary sales charges in brokerage accounts. No portion of the transaction fees are paid to Financial Advisors.

Offshore Funds			
Payment Type	Current Rate	Source of Payment	Do Financial Advisors Receive a Portion of These Fees?
Trail Commissions	<ul style="list-style-type: none"> <li>• Equity offshore funds: generally range from 75 to 90 basis points.</li> <li>• Fixed income offshore funds: 50 to 60 basis points.</li> </ul> <p>Please ask your Financial Advisor for our fee schedule that shows the specific trail commissions that are paid to your Financial Advisor as these amounts are typically not clearly disclosed in the offering materials of offshore funds.</p>	Asset-based fees typically paid by the distributor or advisor of the offshore fund.	Yes

Revenue Sharing	<p>Most offshore funds pay revenue sharing to UBS.</p> <p>Affiliated Offshore Funds: Where revenue-sharing compensation is paid, we receive an amount that ranges from 0.05% to 0.60% per annum of the average daily net asset value of the fund attributable to the shares owned by our clients, during each month.</p> <p>Unaffiliated Offshore Funds: Where revenue-sharing compensation is paid, we receive an amount that ranges from 0.10% to 0.50% per annum of the average daily net asset value of the fund attributable to the shares owned by our clients, during each month. Alternately, this could be paid as a percentage of the fund's stated management fees and could be up to 65% of these fees.</p>	<p>Revenue-sharing compensation is paid directly from the distributor or advisor, and not from the offshore funds or indirectly through fund portfolio trading commission. Revenue-sharing compensation is intended to compensate us for ancillary services related to the sales of offshore fund shares.</p>	No
-----------------	---	---	----

Alternative Investment Funds			
Payment Type	Current Rate	Source of Payment	Do Financial Advisors Receive a Portion of These Fees?
<ul style="list-style-type: none"> <li>• Referral Fees</li> <li>• Distribution Fees</li> <li>• Management Fees</li> <li>• Administrative Fees</li> <li>• Performance (incentive-based fees)</li> </ul>	<p><b>Proprietary Funds:</b></p> <p>SWP Program: The funds that were previously offered in the SWP program are managed or administered by an affiliate. The management/administrative fees range between 1.25 and 1.75 bps. Our affiliate pays us approximately 90 bps for distribution of these funds. These payments are shared with your Financial Advisor.</p> <p>The management/administration fees paid to our affiliate may be waived in their entirety for certain classes of investors (for example, ERISA Plans investing through an advisory program).</p> <p>Master/Feeder funds: UBS may receive a one-time service fee between 50 and 200 bps depending on the size of the investments. This payment is made by the sponsor of a fund into which a proprietary feeder fund invests.</p> <p>Placement Fees: of up to 2% from its clients.</p> <p><b>Non-Proprietary Funds:</b></p> <p>UBS receives a distribution, administrative and shareholder service fee ranging between 15 to 125 bps of the assets of UBS investors in the non-proprietary funds. For advisory share classes the administrative and shareholder servicing fee are usually in the range of 10 to 20 bps. Financial Advisors do not receive a portion of the administrative and shareholder servicing fees.</p> <p>Financial advisors receive compensation of up to 90 bps. Financial Advisors do not receive this compensation in connection with the placement of share classes that are designed to be sold exclusively in investment advisory programs.</p> <p>Incentive Fees: UBS may receive a portion of the incentive allocation of up to 2.5%.</p> <p>Placement Fees: UBS receives a fee of up to 2% from its clients.</p> <p><b>Referrals:</b> UBS may refer a client to a third party manager for investment into one of the manager's funds for a negotiable referral fee.</p>	<p>These fees are usually paid by the fund sponsor out of investor assets. The management, administrative, distribution and performance based fees are paid by investors/shareholders of the funds to the sponsor/adviser.</p>	<p>Yes</p>

**Unit Investment Trusts.** Most UIT sponsors make additional payments to the firms that sell their UITs, including UBS. These payments are typically calculated as a percentage of the total volume of sales of the sponsor's UITs made by the firm during the UIT's initial offering period. That percentage

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

For "private label UITs" (UITs only offered to UBS clients), the sponsor may pay UBS an additional concession within a reasonable time following the initial offering period. This additional payment generally ranges from 0.05% to 0.40% of the public offering price per unit sold by UBS during the initial offering period, excluding units sold to Fee Accounts subject to a Wrap Fee.

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

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

Our affiliate, UBS Global Asset Management (Americas) Inc. ("UBS Global AM-Americas"), is the advisor, and/or administrator for the money market funds used as sweep vehicles in Program accounts.<sup>9</sup> Another affiliate, UBS Global Asset Management (US) Inc. ("UBS Global AM-US"), serves as the principal underwriter for those funds. Under the terms of our agreements with UBS Global AM-US, we receive service (12b-1 or non-12b-1) fees paid by these funds (except UBS Liquid Assets Fund), as well as revenue sharing payments paid by UBS Global AM-Americas (or UBS Global AM-US) related to these funds. Service 12b-1 or non-12b-1 fees for these funds are paid at an annual rate of up to 0.15% of the fund's average daily net assets. Revenue sharing payments related to these funds are paid to us out of the legitimate profits or other resources of UBS Global AM-Americas and/or UBS Global AM and may be up to the annual rate of 0.42% of the fund's average daily net assets. We also provide certain services pursuant to a delegation of authority from BNY Mellon Investment Servicing (US) Inc. ("BNY Mellon"), the transfer agent of the funds, for which we are compensated by BNY Mellon. **Your Financial Advisor receives a portion of the service fees paid to us in connection with these money market funds. Your Financial Advisor does not receive a portion of either the revenue sharing payments paid to us in connection with these money market funds or the fees paid to us by BNY Mellon.**

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

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

## **2. Sources of Compensation from Third Parties**

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

<sup>9</sup> 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.

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

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

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

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

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

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

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

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

### **Non-Cash Compensation**

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

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

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



**Compensation for Data Analytics.** We expect that, during 2015, we will be entering into agreements with certain vendors pursuant to which, for a fee ranging from \$150,000 – \$300,000, we will provide analytics and data relating to Financial Advisors in order to help vendors streamline and tailor the way they do business with our Financial Advisors. The list of Financial Advisors will be a complete list of all of our Financial Advisors including those that sell their products and those who do not.

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

### **Other Compensation**

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

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

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

### 3. Other Interests in Client Transactions

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

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

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

### **Principal Transactions and Agency Cross Trades**

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

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

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

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

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

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

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

### **Trading Activity**

The vast majority of our exchange-listed securities and over-the-counter (OTC) orders are executed through our affiliate, UBS Securities LLC—which executes orders as either principal or as agent, depending on the circumstances and type of program involved and receives compensation for those services.

## **ITEM 12. BROKERAGE PRACTICES**

Our UBS Institutional Consulting Program services do not include the review or recommendation of broker-dealers for client transactions. Non-discretionary 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. For discretionary clients, see the description of our trading process in Item 7, above.

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

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

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

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

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

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

- Arrangements with Affiliates: We have referral agreements with our affiliates that outline:
  - how we refer clients to them
  - how they refer clients to us
  - how we act as solicitor for their advisory services and/or wrap fee programs
  - how we refer clients to them for services other than advisory services.
  - In certain cases, the advisory and consulting services available in our Programs may be provided by Financial Advisors registered with companies affiliated with us through a solicitation agreement with us or we may serve as a clearing broker for those affiliated entities.

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

- Third Party Arrangements: We also have a referral program that allows UBS to enter into solicitation arrangements with third parties that we compensate for referring or soliciting clients to participate in our advisory or trust services programs. 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.

Clients electing to utilize the IC Account are required to custody their account assets with UBS.

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

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

We will send you periodic account statements for IC Accounts custodied at UBS you set up at our Firm reflecting the transactions in your account.

## **ITEM 16. INVESTMENT DISCRETION**

Our Institutional Consulting Program may be offered on a discretionary basis. For discretionary services, you will execute an IC Program Services Agreement that includes a Power of Attorney pursuant to which your Institutional Consultant will implement an investment strategy comprised of IC Eligible investments utilizing IC Accounts and/or ACCESS accounts for non-retirement clients, based on

the asset allocation ranges identified in your then current Investment Policy Statement and subject to any reasonable restrictions set forth in the IC Services Agreement and/or your Investment Policy Statement. The Firm will exercise investment discretion over the search, selection, and termination of investment managers ("Investment Managers") and/or IC Eligible Investments which are offered by the Firm and/or for which the Firm has conducted due diligence or otherwise reviewed.

For details regarding discretionary services and how this service is implemented, please see Item 4B Discretionary Services and Implementation: Discretionary IC Program,

The information contained in this Disclosure Brochure, including fee description, is also applicable when discretionary services are provided.

Apart from the Institutional Consulting Program, we also offer other discretionary portfolio management services which are described in a separate brochure. Please contact your Financial Advisor with questions.

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

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

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

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

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

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

## **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 ten years.

©2015 UBS Financial Services Inc. All Rights Reserved. Member SIPC.  
ACCESS and PACE are service marks of UBS Financial Services Inc.  
Resource Management Account and Business Service Account BSA are registered service marks of UBS Financial Services Inc.

## **EXHIBIT A – SUMMARY OF MATERIAL CHANGES**

**UBS Financial Services Inc.**  
1000 Harbor Boulevard  
Weehawken, NJ 07086  
(201)352-3000  
<http://financialservicesinc.ubs.com>

SEC File Number 801-7163  
**March 31, 2015**

### **Summary of Material Changes to Form ADV Disclosure Brochure**

## **UBS Institutional Consulting Program**

**This Summary of Material Changes applies to the Form ADV Disclosure Wrap Fee Disclosure Brochure for the UBS Institutional Consulting 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.**

**You may obtain a copy of our updated Form ADV Disclosure Brochure by contacting us at the number listed above to make your request. The Brochure is available to you free of charge. You may also access the document at our website:**

**<http://www.ubs.com/us/en/wealth/misc/AccountDisclosures.html>**

**Please retain this document for future reference as it contains important information regarding our UBS Institutional Consulting Program.**



## **ITEM 2. MATERIAL CHANGES**

This section describes the material changes to our UBS Institutional Consulting Program Form ADV Disclosure Brochure since the amendment of our Form ADV on December 12, 2014.

- **Mutual Fund Share Class Conversion.** (Item 4)

Starting in July 1, 2015, we will make Institutional and Advisory share classes that are designed for fee-based advisory programs eligible for purchase in the UBS Institutional Consulting Program. As a result, Class A and certain Class C shares that are currently held in IC Accounts will be automatically converted to the newly eligible Institutional and/or Advisory shares (the "Share Class Conversion"). The Share Class Conversions will be treated as tax-free exchanges. You will not be assessed transaction fees or other charges in connection with the conversion. If you do not want your shares automatically converted, you must move them to a brokerage account. Please contact your Financial Advisor to discuss your options. These changes are described in the section "*Mutual Fund Share Class Conversion*" found under "Implementation" in Section 4(B) of the Form ADV. You will receive a separate notice regarding these changes in addition to the 2015 Form ADV Summary of Material Changes. The schedule date of the conversion, may be delayed in order to ensure the orderly processing of the Share Class Conversion.

- **Transferring Mutual Funds Shares into Your IC Accounts.** (Item 4)

Please see Item 4, Section 4(B) "*Transferring Mutual Funds Shares into Your IC Accounts*" for a clarification of billing practices applicable to mutual fund share classes purchased with a sales charge at UBS and subsequently transferred to an IC Account. Those "Transferred Shares" are excluded from the IC Program Fee for a period of 12 months from the date of purchase at UBS.

- **Additional Sources of Compensation from SMA Managers or Vendors Whose Products We May Recommend to Our Advisory Clients** (Item 11.B.3)

**Compensation for Data Analytics.** We expect that, during 2015, we will be entering into agreements with certain vendors pursuant to which, for a fee ranging from \$150,000 – \$300,000, we will provide analytics and data relating to Financial Advisors in order to help vendors streamline and tailor the way they do business with our Financial Advisors. The list of Financial Advisors will be a complete list of all of our Financial Advisors including those that sell their products and those who do not.

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

Please note that this document only provides a summary of material changes and is qualified by reference to the Form ADV Disclosure Brochure for the UBS Institutional Consulting Program.

©2015 UBS Financial Services Inc. All Rights Reserved. Member SIPC.