



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

## UBS Institutional Consulting Program

SEC File Number 801-7163  
September 17, 2021

**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 the 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 [adviserinfo.sec.gov](http://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 Form ADV Disclosure Brochure since the last amendment of our Form ADV on March 31, 2021.

### **Item 5.B.8 (Cash Balances in your Advisory Accounts) and Item 11.B.3 (Additional Sources of Compensation in Connection with Investments in Advisory Accounts)**

These sections have been updated to reflect that the Puerto Rico Short-Term Investment Fund is no longer available as a sweep option.

### **Item 9 (Additional Information), Section B – Disciplinary History**

This section has been updated to add the following:

Date of Action: July 19, 2021

Brought By: Securities and Exchange Commission

Entity: UBS Financial Services Inc.

The SEC issued an Order finding that UBS violated Section 206(4)-7 of the Investment Advisers Act and Advisers Act Rule 206(4)-7 in connection with the firm's failure from January 2016 through January 2018 to adopt written policies and procedures that were reasonably designed to prevent the unsuitable use of VXX, a volatility exchange-traded product, as a buy-and-hold investment in the firm's discretionary portfolio management program ("PMP"). The Order noted that even though the Firm had mandatory training and a concentration limit for VXX in PMP, it did not have a control to prevent PMP advisors from holding VXX for unsuitably long periods. The Order also noted that UBS on its own decided to remove VXX from the PMP program altogether in late 2017.

Disposition: Cease & Desist Order; Censure; civil monetary penalty of \$8,000,000; disgorgement and pre-judgment interest of \$112,274.

### Item 3. Table of Contents

<b>Item 2. Material Changes .....</b>	<b>2</b>
<b>Item 3. Table of Contents.....</b>	<b>3</b>
<b>Item 4. Services, Fees and Compensation .....</b>	<b>9</b>
A. About our advisory services .....	9
B. Advisory programs; fee schedules, minimum investments and minimum annual fees .....	9
C. Fees/other charges not covered by your program fee .....	12
D. Compensation to Financial Advisors who recommend Advisory Services Described in this Brochure and Branch Office Managers.....	13
E. UBS Institutional Consulting—Description of Services.....	16
1. Investment policy assistance.....	16
2. Asset allocation studies and analysis.....	16
3. Investment searches.....	16
5. Consultant Investment Discretion (“CID”) services.....	17
6. Retirement plan consulting for participant directed retirement plans .....	17
7. Investment menu consulting.....	17
8. Employee education consulting.....	18
9. Additional consulting.....	18
10. Various other services .....	18
11. Implementation options in the IC program .....	18
F. Limitations of our Advisory Services .....	19
<b>Item 5. Account Requirements and Types of Clients.....</b>	<b>20</b>
A. Type of clients.....	20
B. Requirements for participation in the IC program.....	20
1. UBS minimum asset requirement.....	20
2. Eligible and Ineligible Assets.....	22
3. Investment restrictions.....	24
4. Performance reporting for your account.....	25
5. Trade confirmations and account statements .....	25
6. Proxy voting, corporate actions and other related events .....	25
7. Electronic delivery of documents .....	26
8. Cash balances in your advisory accounts .....	26
C. Billing practices .....	30
D. Trading and Execution Practices.....	32
E. Closing your advisory accounts; terminating your agreement .....	33
<b>Item 6. Portfolio Manager Selection and Evaluation .....</b>	<b>34</b>
A. Selecting an SMA manager; Our investment manager evaluation process.....	34
B. UBS or UBS affiliates and employees acting as portfolio managers .....	37
C. Advisory Business .....	37
1. Corporate Structure.....	37
2. Advisory Services .....	37
3. How we tailor our advisory services.....	38
4. Performance based fees and side by side management .....	38
5. Methods of analysis, investment strategies and risk of loss .....	38
<b>Item 7. Client Information Provided to Portfolio Managers .....</b>	<b>41</b>
<b>Item 8. Client Contact with Portfolio Managers.....</b>	<b>42</b>
<b>Item 9. Additional Information.....</b>	<b>42</b>
A. Executive Officers and Board of Directors.....	42
B. Disciplinary History .....	42

<b>Item 10. Other Financial Industry Activities and Affiliations.....</b>	<b>45</b>
<b>Item 11. Investment Adviser Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>47</b>
A. Investment Adviser Code of Ethics .....	47
B. Participation or Interest in Client Transactions .....	47
1. Principal transactions and agency cross trades.....	47
2. Additional Sources of Compensation from SMA Managers or Vendors whose Products we may Recommend to our Advisory Clients .....	48
3. Additional Sources of Compensation in Connection with Investments in Investment Advisory Accounts.....	48
4. Affiliated Money Market Funds Available as Sweep Vehicles in Investment Advisory Accounts .....	54
5. Other Forms of Compensation from Third Parties.....	55
6. Margin and Lending .....	55
<b>Item 12. Personal Trading .....</b>	<b>57</b>
<b>Item 13. Review of Accounts .....</b>	<b>57</b>
<b>Item 14. Client Referrals and Other Compensation.....</b>	<b>58</b>
<b>Item 15. Financial Information.....</b>	<b>58</b>
<b>Exhibit A – Summary of Material Changes .....</b>	<b>59</b>
<b>Item 2. Material Changes .....</b>	<b>60</b>

## References in this brochure to

- **"Account," "IC Account," or "Program Account"** means an account held at UBS and opened under the IC Program where the client custodies their Eligible Investments at UBS. All-inclusive wrap fee pricing covering investment advice, custody, trading and execution costs, and performance reporting is only available when the client custodies their assets at UBS in an IC Account.
- **"Agreement"** means, as relevant, given the context, the **"IC Program Services Agreement"** means the UBS Institutional Consulting Services Agreement. **"CID Agreement"** means the UBS Institutional Consulting Services Agreement with Consultant Investment Discretion.
- **"Consultant"** means your IC Consultant or EFC Consultant.
- **"DC Plan" or "DC plan"** means: a defined contribution retirement plan for self-employed individuals, a defined contribution employee benefit plan subject to ERISA, a defined contribution plan for a municipal entity or a nonqualified retirement plan.
- **"DB Plan" or "DB plan"** means a defined benefit retirement plan for self-employed individuals, or a defined benefit employee benefit plan subject to ERISA, a defined benefit employee benefit plan for a municipal entity or a nonqualified retirement plan.
- **"EFC Consultant"** means your UBS Institutional Consulting Services Financial Advisor has received the UBS internal designation of an Endowment and Foundation Consultant.
- **"Eligible Investments"** means the securities and strategies your Consultant may identify as part of an investment search: investment managers, mutual funds, exchange traded funds, exchange traded notes, collective trusts, stable value funds, alternative investments and other investments as agreed and those that may be held in IC Accounts.
- **"Eligible Funding Securities"** means the securities that may be used to fund your initial CID Accounts in the Consultant Investment Discretion Program. These consist of mutual funds, money market funds, exchange traded funds, common stocks listed on a US exchange, US fixed income securities and preferred stocks where a liquid market for trading exists.
- **"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended.
- **"IC Consultant"** means your UBS Institutional Consulting Services Financial Advisor has received the UBS internal designation of an Institutional Consultant.
- **"IC Consultant Investment Discretion Program" or "CID"** 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 and, under certain circumstances, direct to manager alternative investments, based on your stated goals, without obtaining your consent before selecting or terminating an investment manager or effecting a transaction. Throughout this ADV, terms and conditions applicable to the non-discretionary IC Program are also applicable to the CID program, unless otherwise indicated.
- **"IC Held Away"** means the IC program services are provided to clients who have chosen to custody their assets away from UBS. When a client custodies their assets away, the IC Program Fee, although still based on assets under management, will **not** include custody or investment transaction costs.
- **"IC Program" or "Program"** means the UBS Institutional Consulting Services Program.
- **"IC Program Fee"** means the fee payable to UBS under the IC Program Services Agreement.
- **"IC Wrap"** means the IC program services are provided to clients who have chosen to custody their assets at UBS, in an IC Account.
- **"IPS"** means your Investment Policy Statement.
- **"Plan" or "plan"** means a DC Plan or a DB Plan.
- **"Single Share Class(es)"** refers to the single share class of mutual funds with no front-end loads, back-end loads or 12b-1s offered for purchase in our brokerage platform effective January 2020 subject to a per-transaction commission.
- **"SMA Manager"** means the investment managers you selected for the management of your IC Account.
- **"SMA Manager Fee"** means the separately managed account investment management fee payable to your SMA Manager.
- **"UBS" and "UBS-FS"** unless otherwise noted, means UBS Financial Services Inc.
- **"You" and "your"** refer to the IC Program client.
- **"We" or "us,"** unless otherwise noted, refers to UBS Financial Services Inc.

## 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 US Securities and Exchange Commission (SEC) at [adviserinfo.sec.gov](http://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: Important distinctions between brokerage and advisory services

As a wealth management firm providing services to clients in the United States, UBS Financial Services Inc. is registered with the US 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 financial goals and circumstances. Based on the services you request, we can act 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 investment advisory services.

You may obtain information about your Financial Advisor, their licenses, educational background, employment history, and if they have had any problems with regulators or received serious complaints from investors through the FINRA BrokerCheck service available from FINRA at [finra.org](http://finra.org), or from the Securities and Exchange Commission at [adviserinfo.sec.gov](http://adviserinfo.sec.gov).

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. While a Financial Advisor's professional designation imposes obligations on the Financial Advisor, those obligations are separate from and do not apply to the Firm. Similarly, such designations do not change the obligations of UBS as a Firm in providing investment advisory or brokerage services 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 arrangements that we may have with you. The specific services we provide, our relationship with you and our legal duties to you in each arrangement are described in our applicable contracts with you.**

This section summarizes the key distinctions between brokerage and investment advisory services and our respective duties and obligations. We encourage you to review this information carefully, along with your applicable contracts, and discuss it with your Financial Advisor.

## Our services as an Investment Adviser and relationship with you

**We believe that professional investment advisory programs can help investors pursue their investment objectives. However, the fees and expenses associated with advisory services may exceed those that apply to brokerage services. Advisory products are not for everyone. Please speak with your Financial Advisor for additional information.**

In our capacity as an investment adviser, we offer a number of investment advisory services and programs, including fee-based financial planning, discretionary investment management, and 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.

The fees for these services and programs are calculated as a percentage of assets in the account or a flat or annual fee and are charged on an ongoing basis. 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 specific obligations to you. At the beginning of our advisory relationship, we provide this Form ADV brochure which provides detailed information about, among other things, the program(s) you select; the advisory services we provide; our fees; personnel; other business activities and financial industry affiliations; and conflicts between our interests and your interests.

## Our 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 under the Investment Advisers Act of 1940. Our responsibilities include the obligation to:

---

<sup>1</sup> Examples of our advisory programs and services include our fee-based financial planning services and our ACCESS, Portfolio Management Program, Managed Accounts Consulting, CAP Program, UBS Institutional Consulting, Retirement Plan Consulting Services Program, Retirement Plan Manager, Retirement Plan Advisor, UBS Strategic Advisor, UBS Strategic Wealth Portfolio, Advisor Allocation Program, UBS Advice Portfolio Program and PACE programs. Example 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 US, which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

- **Disclose:** Disclose all material facts, including conflicts between our interests and your interests, to you.
- **Inform:** Inform you if we or our affiliates receive additional compensation from you or a third-party as a result of our relationship with you.
- **Seek best execution:** Where we direct trading, to seek best execution of your securities transactions.
- **Obtain consent for principal trades and agency cross trades:** Obtain your informed consent after providing appropriate disclosure before engaging in transactions with you for our own account or that of an affiliate (principal trades) or transactions where we or our affiliates act as broker for parties on both sides of the transactions.
- **Treat you fairly:** Treat you and our other advisory clients fairly and equitably, without unfairly favoring one client to the disadvantage of another.
- **Act in your best interests:** Act in what we reasonably believe to be your best interests and in the event of a conflict of interest, place your interests above our own.
- **Make informed recommendations:** Provide recommendations that we reasonably determine are appropriate for you given your individual financial situation, investment objectives and goals and that are consistent with any restrictions you have placed on us.

When we provide investment advisory services, our fiduciary status under the federal retirement laws depends on the nature of the specific services we have agreed to provide to you. Please see your applicable agreement and related disclosures for more information.

### Ongoing advice and monitoring

If specified in your client agreement:

- We will provide advice and management services (as applicable) on an ongoing basis.
- We will also monitor your account investments (including cash and cash equivalents) and provide investment recommendations on an ongoing basis.

Termination of your advisory account or agreement 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.

### Conflict of interest—asset-based compensation

- When we act as your investment adviser, we and our representatives earn more when you invest more in your advisory account, and we earn the same advisory fee rate regardless of how frequently you trade. We also receive payments from third parties, including the investment products in which you invest, and their sponsors. These third-party fees are disclosed in our Form ADV Brochure and the prospectus and other offering documents for the applicable investment products.
- This creates an incentive for us to recommend that you:
  - Increase the assets in your advisory accounts to increase our fees;
  - Invest in investment products that result in greater compensation to us (including products and services provided by us and our affiliates or those for which we receive a portion of product-level fees that you pay); and IPOs.
  - Maintain cash balances in a sweep investment.

### Conflict of Interest—principal trades and underwriting

- We may trade with you for our own accounts—a practice known as **“principal trading.”** This means that we can buy investments from you, or sell them to you, including securities that we buy in bulk (or in an underwriting/IPO) and then distribute to individual investors. But, we can only do this upon **written disclosure and with your specific consent to each transaction.**
- When we trade on a principal basis, we earn compensation by marking up the price of securities we sell to you, or by marking down the price of securities we buy from you, and from discounts and selling concessions for underwritings and IPOs.
- This creates a UBS **firm-level incentive** to:
  - Offer securities that we have in inventory or where we are participating in an underwriting syndicate; and
  - Execute your trade against our proprietary accounts.

Types of securities commonly traded on a principal basis include stock, fixed income securities, IPOs, certain closed-end funds and municipal securities.

**By choosing an investment advisory program for your personal assets, you understand these conflicts and limitations and that you will pay a separate ongoing asset-based fee for our services. You also acknowledge that this Form ADV Disclosure Brochure and “Your Relationship with UBS” disclosure at contain more detailed discussions of these conflicts, compensation practices and limitations. The Form ADV Disclosure Brochures for all of our advisory programs can be found at . If you have any questions or concerns, please talk to your Financial Advisor.**

**If you do not want to pay for fee-based, ongoing investment advice and monitoring through an investment advisory program, then consider opening a brokerage account with us instead.**

### Our services as a Broker-Dealer and our relationship with you

**Although a brokerage relationship can be a cost-effective way of investing your assets, it is not for everyone. As a brokerage client, you need to understand and agree to our service limitations and conflicts.**

- In our capacity as a broker-dealer, we provide a variety of services relating to investments in securities, including investment research, trade execution and custody services. We may also make recommendations to you as a brokerage client about

whether to buy, sell or hold securities, and/or access banking-related services such as credit cards, mortgages, credit lines and margin for your accounts. We do not make investment decisions for you or manage your accounts on a discretionary basis. We will only buy or sell securities for your brokerage accounts based on specific directions from you.

- We receive **transaction-based compensation** for trades you decide to enter into, which include commissions, administrative fees and compensation from third parties all of which are disclosed to you.
- Unlike how we charge for investment advisory services, **we do not charge or receive a separate fee for our advice or recommendations** and our recommendations are provided solely as incidental to our brokerage services.

### **Our responsibilities to you as a broker-dealer**

When UBS acts as a broker-dealer, including when we recommend securities transactions and/or banking-related services in your account, recommend that you enroll in an investment advisory program or make any recommendation on an account that has terminated investment advisory services, **UBS does not act as a “fiduciary” under the federal securities nor as a registered investment adviser.**

When we act as your broker-dealer, we are subject to the Securities Exchange Act of 1934, the Securities Act of 1933, the rules of self-regulatory organizations such as the Financial Industry Regulatory Authority (FINRA), the rules of the New York Stock Exchange and applicable state laws. When you have a brokerage account with us, we have the following responsibilities:

- **Fairness obligation:** We have a duty to deal fairly with you. Consistent with our duty of fairness, we are obligated to make sure 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.
- **Seek best execution:** Where we direct trading, to seek best execution of your securities transactions.
- **Suitability:** 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.
- **Best interest:** If you are an “individual wealth management client”<sup>3</sup> we must have a reasonable basis for believing that a recommendation of any securities transaction or investment strategy involving securities is in your best interest, without placing the financial or other interest of the firm or Financial Advisor ahead of your interests. As part of our best interest obligation, we must provide written full and fair disclosure of all material facts relating to the scope and terms of our relationship with you.
- **Principal trading:** We are permitted to buy securities from you or sell securities to you from our (or our affiliates) own inventory, known as “principal trading” and earn a profit on those transactions. When we engage in principal 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. Absent special circumstances, we are not held to the same legal standards that apply when providing investment advisory services to you. 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 are providing investment advisory services to you.
- **No monitoring:** We have no duty to provide ongoing recommendations or monitor your investments. We are not obligated to provide recommendations to you, or to update recommendations made previously, and not doing so should not be viewed as a recommendation to hold an investment.
- **Your responsibility:** You are responsible for independently ensuring that the investments in your accounts remain appropriate given your investment objective, risk tolerance, financial circumstances and investment needs.
- **Transaction-based compensation:** We receive transaction-based compensation for trades you decide to enter into, which includes commissions, administrative fees and compensation from third parties that are disclosed to you.
- **No separate fee for advice:** Unlike how we charge for investment advisory services, we do not charge or receive a separate fee for our advice or recommendations and our recommendations are provided solely as incidental to our brokerage services.

### **Conflict of interest: Transaction compensation**

- When we act as a broker-dealer, we are compensated by the **commissions and fees you pay us** as well as through **revenue we receive from third-parties** that often include the sponsors of investment products on our platform. Your Financial Advisor does not receive a portion of all of these amounts so that some conflicts apply at the Financial Advisor level and some apply only to UBS at the firm level.

**Financial Advisor conflicts** include incentives to recommend:

- Investments that result in greater compensation.
- That you trade more frequently.

**UBS firm-level conflicts** include incentives to:

- Offer products and services that we or our affiliates create.
- Offer products and services from companies that offer us revenue.
- Maintain a sweep program for uninvested cash balances using our affiliate bank or money market funds of our affiliates.
- Route trades to our affiliate for execution.

### **Conflict of interest: Principal trades and underwriting**

- We may trade with you for our own accounts. This means that we can buy investments from you, or sell them to you, including securities that we buy in bulk (or in an underwriting/initial public offering (IPO)) and then distribute to individual investors.
- When we trade on a principal basis, we earn compensation by marking up the price of securities we sell to you, or by marking down the price of securities we buy from you, and from discounts and selling concessions for underwritings and IPOs.
- This creates a UBS firm-level incentive to:

---

<sup>3</sup> Individual Wealth Management Client” is a natural person, or the legal representative of a natural person, who receives a recommendation from UBS and uses it primarily for personal, family or household purposes.



- Offer securities that we have in inventory or where we are participating in an underwriting syndicate; and
- Execute your trade against our proprietary accounts.

Types of securities commonly traded on a principal basis include stocks, fixed income securities, IPOs, certain closed-end funds and municipal securities.

#### **Item 4. Services, Fees and Compensation**

This brochure describes the UBS Institutional Consulting Services Program. This Program is a fee-based investment advisory program. Wrap-fee or “all-inclusive fee” pricing is available only for accounts held at UBS Financial Services Inc. The fee for accounts held away from UBS Financial Services Inc. is an asset based or hard-dollar fee but it is not a wrap or all-inclusive fee as it does not include custody or trading costs. Please see “Fees/Other Charges Not Covered by your Program Fee” for additional information.

We will acknowledge our status as a fiduciary for the investment advisory services provided under the Program under the Investment Advisers Act of 1940. In addition, for retirement plans, we will acknowledge our status as a fiduciary under Section 3(21) of ERISA for the investment advice we provide to the Plan and where discretionary services are offered by UBS Financial Services Inc., we will acknowledge fiduciary status under Section 3(38) of ERISA.

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

##### **A. About our advisory services**

The Program offers wrap fee advisory services for assets held at UBS, which allow you to manage your account in a number of ways:

- You can access the services of SMA investment managers.
- You can delegate investment discretion to your IC Consultant.
- You can retain investment discretion and your Consultant can provide investment advice only

The IC Program also provides consulting services to institutional clients who choose to custody their assets away from UBS. Under those circumstances, the consulting services are offered in a non-wrap fee relationship. Please see Item 4, Section E.9, Implementation Options in the IC Program, for additional information.

Generally the IC Program is designed for institutional clients:

- Seeking advice on the establishment of a strategic asset allocation and assistance in the development and review of an investment policy statement.
- Who want to implement a medium to long-term investment plan.
- Who seek and use the advice and guidance of an investment professional either in their self-directed accounts or by delegating management of their assets to a portfolio manager and/or SMA Manager.
- Who prefer the consistency of fee-based pricing.
- Who are looking for investment advice, custody, trading and execution services, and performance reporting in an all-inclusive account instead of accessing those services separately.

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

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

While we offer an extensive list of investment options and SMA Managers, the offerings are limited to those approved for sale or recommendation by the firm and which are eligible for the IC Program, as determined by IC program management. We do not offer or recommend every SMA Manager, investment or strategy available in the industry.

##### **Programs available at UBS outside the IC program**

UBS-FS provides portfolio management services in other programs not covered by the Program Agreement or relationship, and in some of those 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.

##### **B. Advisory programs; fee schedules, minimum investments and minimum annual fees**

###### **Program fees**

The fee that you pay for the Program described in this Brochure is negotiable and is generally expressed as a fee based on a percentage of assets under management. The fee can also be expressed as a flat hard-dollar fee for services, a breakpoint fee schedule, or may be for a specific project or for ongoing services, and it covers the specific services, paid for in the manner agreed to in your IC Program Services Agreement. Your UBS Consultant receives a percentage of the UBS-IC fee you pay to us.

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

With a flat basis points fee option, the agreed-upon annual fee is a fixed percentage of the assets in the Program; that percentage does not change as the value of your account changes. With break-points, the negotiated fee, also a percentage of the assets, varies based on asset levels and changes as you increase or decrease assets in your account. With a flat hard-dollar fee, your fee remains the same dollar amount, regardless of changes in your assets.

The IC Program charges a “wrap fee”. The maximum annual rates are listed in the fee schedules below. The total Program Fee that you pay in the Programs described in this brochure covers: the UBS Investment Advisory Fee which covers investment advice and consulting services of UBS and your Financial Advisor; trading, execution and settlement for trading through UBS; custody; performance reporting and related account services that we provide to you.

Because IC is an investment advisory program, you should not enroll in order to obtain ancillary services such as custody, trading and execution, or assume that you will receive any particular benefit from the availability of those services. For example, depending on the circumstances, IC Accounts may have low or no trading (such as may be the case with a “buy and hold” strategy) or the securities or other investments traded might not typically incur commissions or other transaction-based charges (such as can be the case with some fixed income securities and mutual funds). Moreover, other broker-dealers offer custody and trade execution services on discounted or complimentary basis.

#### **IC Program Fees**

Our services under the IC Program do not include portfolio management services, except when providing Consultant Investment Discretion services. Flat hard-dollar fees are only a payment option when IC services are provided on a non-discretionary basis and the assets are held away from UBS.

#### **Fee schedule for the IC program: Non-discretionary services**

<b>Assets</b>	<b>Maximum program fee</b>
\$0 – 10 million	2.00%
\$10 – 25 million	1.50%
\$25 – 50 million	1.30%
\$50 – 100 million	1.10%
\$100 – 250 million	0.90%
\$250 – 500 million	0.70%
\$500 – 1 Billion	0.50%
> \$1 Billion	0.30%

#### **Fee schedule for the IC program: Discretionary services**

<b>Assets</b>	<b>Maximum program Fee</b>
\$10 – 25 million	1.80%
\$25 – 50 million	1.55%
\$50 – 100 million	1.30%
\$100 – 250 million	1.05%
\$250 – 500 million	0.80%
\$500 – 1 Billion	0.58%
> \$1 Billion	0.33%

**The minimum fee is generally \$10,000 or the maximum program fee as stated above with respect to services selected and the value of Eligible Investments, whichever is less.**

Our fees in the IC Program are negotiable based on the services selected and, if ongoing services are being provided, are expressed as an annual rate. The same fee schedule applies to wrap-fee arrangements (for accounts held at UBS) and asset-based arrangements for accounts held at other financial institutions.

**Important considerations of an asset-based fee option.** We set and evaluate the reasonability of IC Fees based on the investment advisory services we offer, without regard – and attributing no economic benefit – to any ancillary services such as custody, trading and execution, and you should expect that lower fees are available from other firms offering the same or comparable services. 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 or through other firms.

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 fees and 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 you select, or are made by the SMA Manager, or Financial Advisor.
- Whether such investments carry additional administrative or management fees.
- The trading activity in the Account and types of securities traded.
- Whether your SMA Manager uses our trading and execution capabilities or those of other broker-dealers to execute transactions for your accounts.
- Whether you have large cash holdings (i.e., cash or cash equivalents such as bank account deposits or money market funds offered as so-called sweep vehicles) in an Account and whether investment advisory fees are charged on those cash holdings
- The actual costs of the services if purchased separately.

You should consider these factors carefully before establishing accounts in the Program. You should not enroll in our Programs in order to obtain ancillary services such as custody, trading and execution, or assume that you will receive any particular benefit from the availability of those services. 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, you should consider whether an ongoing advisory relationship that charges an ongoing asset-based fee continues to be appropriate to your investment needs.

**Your Program Fee will not be adjusted if, among other things:**

- Your account has low or no trading activity,
- Your SMA manager chooses to trade away from us, and your trades are subject to commissions or other charges imposed by other broker-dealers,
- You choose to custody and trade your assets at another financial institution,
- You decide not to implement or follow the investment advice we provide to you, or
- You have large cash holdings.

**Accordingly, you should evaluate IC Fees based solely on the investment advisory and consulting services we provide, without regard to any ancillary services provided such as custody, trading and execution services.**

**IC commission accounts:** Certain legacy clients have established IC Accounts at UBS and pay all or a portion of their Program Fee through mutual fund 12b-1 fees and finders fees ("IC Commission Accounts"). In IC Commission Accounts, these legacy clients use these mutual fund fees as a method of payment of the IC program fee. Any mutual fund fees received in excess of the IC program fee are rebated to the client. If the credits remain in the account at the time of billing, they will be subject to the asset-based fee charged to your account; they are also included in the account's average daily balance for purposes of calculating quarterly fee adjustments.

**Conflicts of interest created by pricing structures in UBS investment advisory programs**

IC clients are able to implement IC services through the ACCESS investment advisory program ("ACCESS") sponsored by UBS. In order to implement IC services through the ACCESS program, IC clients must hold their assets at UBS and sign a separate client relationship agreement with the ACCESS program. For additional information about this implementation option, see *Item 4 (Services, Fees and Compensation), Section E(10). UBS Institutional Consulting—Description of Services (Implementation Options in the IC Program)*.

Select strategies in ACCESS (and other investment advisory programs outside of IC) are available that do not charge an additional SMA Manager fee to Clients. UBS Financial Services pays a pre negotiated institutional rate to the SMA Managers out of its own resources. The SMA Managers will charge additional fees for certain strategies or additional services determined to be premium solutions, such as personalized tax management and sustainable investing. The fees for those value-add services will be paid by Clients ("Premium Services Fee").

All SMA Managers are invited to participate in this pricing structure within the ACCESS program. Participation is optional and it does not impact the availability of a SMA Manager's strategy on the UBS Financial Services Inc. platform. SMA Managers may choose to participate in this pricing structure at any time. If a SMA Manager elects to participate in this pricing structure for some or all of its strategies, existing clients invested in those strategies will see a decrease in the SMA Managers fee, which the ACCESS program will communicate to you.

**The lower pricing structure creates a conflict of interest by providing Financial Advisors the ability to negotiate a higher UBS Advisory Fee (and increasing their compensation) in the ACCESS program for these strategies than they would for strategies that charge an additional SMA Management Fee.**

These strategies are available to IC clients who implement through the ACCESS program and whose IC fee is higher than the hard floors described below. The proprietary strategies are not available to retirement IC clients at this time.

Although the UBS investment advisory fee in those programs ("Advisory Fee") is also negotiable and can be waived in certain instances, we limit the ability of Financial Advisors to negotiate below certain levels in those programs, including ACCESS ("hard floors"). The hard floors differ based on relationship size, strategy type and whether the account will be for a separately managed accounts with no additional manager fee.

While IC clients implementing IC services through the ACCESS program can generally be charged an investment advisory fee below the hard floors, the hard floors do apply when IC clients select ACCESS strategies that do not charge a separate SMA Manager Fee. In order to avoid conflicts of interest, ACCESS strategies that do not charge a separate SMA Manager Fee are ineligible for IC clients whose IC Program Fee is lower than the hard floors described above.

### C. Fees/other charges not covered by your program fee

You may pay 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. These additional fees will reduce the overall return of your account. Your Program Fee does not cover:

- Any other services, accounts or products we provide to you outside of the IC Program.
- Our expenses in delivering services to you, such as travel expenses (which may be separately billed), as agreed in the Agreement.
- Unless you utilize an IC Account at UBS, the transaction charges or commissions, account maintenance fees or any other charges you may incur in implementing investment recommendations received as part of the Institutional Consulting services.
- **IC held away:** If you choose to custody your assets away from UBS, the IC Program Fee does not cover charges for transactions or custody fees charged by broker-dealers and custodians. If you choose to custody your assets away from UBS, you will not have the option to execute investment transactions at UBS. Therefore, you will incur additional costs if you choose to hold your assets away from UBS.
- **Trade execution costs through other broker dealers:** The IC Program Fee does not cover commission charges for transactions that your SMA Manager effects through other broker-dealers. This is the case whether your Account is an IC Account held at UBS or an account held at another financial services institution. 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. When you hold your assets in an IC 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 take action to ensure that you do not incur redundant costs, the IC Account may not be an appropriate option.**
- 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 our 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 Bank USA will also charge interest on any outstanding loan balances (including margin loans) to clients who borrow money from us or UBS Bank USA.
- **SMA manager fees:** Our IC Program Fee does not include the services of your SMA Managers. Your SMA Manager will charge a separate fee for discretionary portfolio management services, which you negotiate (or in the CID program, we negotiate on your behalf).

Clients also may be charged additional fees for specific account services, such as:

- Account Transfer Fee.
- Wire Transfer Charges.
- Annual Account Service Fees for Retirement Accounts.
- Fees relating to custody and transactions in physical securities.
- Fees for RMAs or Business Services Accounts (BSAs) services where such services are available for the account.
- Voluntary corporate action fees.

**If you are opening an IC Program Account, please review the applicable prospectus and offering documents of each IC Eligible Investment 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 our advice and without incurring the fee under an IC Account.**

#### **D. Compensation to Financial Advisors who recommend Advisory Services Described in this Brochure and Branch Office Managers**

Our standard compensation plan for Financial Advisors consists of: (1) a guaranteed monthly minimum draw required by applicable law; and (2) a payout based on the Financial Advisor's production if it is greater than the monthly minimum draw.

The payout is a percentage (referred to as grid rate) of the production (generally transaction revenue and investment advisory program fees) that each Financial Advisor generates during that month, minus certain adjustments that are specified by our Financial Advisor Compensation Plan. The grid rate percentages range from 28% to 50% and increase as a Financial Advisor's production increases. Financial Advisors working as part of a team that meets minimum production requirements can qualify for a higher grid rate (but not above 50%) than they would receive working as an individual.

We reduce or terminate the payout rates described above to Financial Advisors in connection with accounts they service that do not meet certain prescribed asset levels on a household basis or for transactions or fees below specified amounts.

Generally, Financial Advisors are not paid on households below the following thresholds:

- Wealth Management US households: \$100,000
- Nonresident alien households: \$1,000,000
- Private Wealth Management households: \$2,000,000

Financial Advisors receive credit for production generated in accounts they transfer to the Wealth Advice Center depending on the value of the assets in the account household. For households over \$100,000, Financial Advisors are paid at the grid rate applicable to them. For households under \$100,000, advisors are paid at a grid rate of 30%. In addition, for referrals of new relationships to the Wealth Advice Center, Financial Advisors also receive credit for purposes of calculating awards and bonuses but not for purposes of increasing their grid rate.

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

**For our Investment Advisory Programs** (asset-based fee programs) the grid rate is applied to the program fees credited to the Financial Advisor by the Firm, but the payout is generally reduced for accounts priced below certain thresholds. Advisory accounts in relationships with assets over certain thresholds may have customized pricing and/or payout rates as approved by the Firm.

The differences in the way we compensate Financial Advisors for the products we offer creates financial incentives for Financial Advisors to recommend certain products and account types over others, to encourage clients to purchase multiple products and services, and to choose a payment structure for products and services that generates greater compensation.

We address our conflicts of interest by maintaining policies and procedures requiring that Financial Advisors act in your best interest, reasonably supervising their activities and disclosing these conflicts so that you can make fully informed decisions.

Financial Advisors are also eligible to receive certain awards based on their production, length of service with UBS, and net new business.

Under certain circumstances (e.g., acquisitions and recruitment; or particular programs or designations, such as Wealth Advice Center, Wealth Planning Associate, Financial Advisor Associates, Institutional Consulting, Retirement Plan Consulting Services ("RPCS") Retirement Plan Manager ("RPM"), Retirement Plan Advisor ("RPA"), some Financial Advisors or producing Branch Managers are compensated differently.

**Production for Retirement accounts in IC, RPCS, RPM, and RPA advisory programs.** With respect to retirement account clients enrolled in the IC, RPCS, RPM or RPA programs, who also have brokerage accounts at UBS or accounts opened in another investment advisory program at UBS, including those that may have been included in IC Program services only as an accommodation, the production payout rate for the Financial Advisor related to the IC, RPCS, RPM, or RPA relationship will be applied to all retirement assets and accounts the client has at UBS ("Retirement Account Production"). However, on an exception basis, the Retirement Account Production payout rate for the Financial Advisor may be the weighted average production rate generated by that client's retirement accounts at UBS during a prior time period established by UBS.

**Compensation for Financial Advisors recruited from other firms:** In general, if your Financial Advisor is joining UBS from another firm, you should discuss the reasons your Financial Advisor decided to change firms and any costs or changes in services you may incur by transferring your accounts to UBS. Typically, UBS pays Financial Advisors financial incentives when they join and on an ongoing basis as described below.

Financial Advisors who were recruited to UBS prior to November 1, 2016 were eligible to receive incentives, including loans, bonuses and/or other compensation, if they reach certain minimum asset and/or production levels or other targets. The amount paid to Financial Advisors under these arrangements is largely based on the revenue generated by the Financial Advisor at their prior firm and the Financial Advisor achieving a minimum percentage of their prior firm production and/or asset levels within a specific time period after joining UBS. Recruiting offer letters issued by UBS after November 1, 2016 do not include recruitment incentives triggered by production, but include baseline revenue thresholds, assets under management, or net new asset levels in order to continue receiving incentives.

Generally these incentives are the continuance of monthly payments for up to 10 years, unless threshold/levels are not met.

These payments can be substantial and take various forms, including salary guarantees, loans, transition bonus payments and various forms of compensation to encourage Financial Advisors to join UBS, and are also contingent on your Financial Advisor's continued employment. Therefore, even if the fees you pay at UBS remain the same or are less, the transfer of your assets to UBS may contribute to your Financial Advisor's ability to meet such targets and to receive additional loans and/or compensation even if not directly related to your account or the fees you pay to us.

Effective after June 9, 2017, for purposes of all existing arrangements within the IC, RPCS, RPM, and RPA Advisory Programs, including those entered into prior to November 1, 2016, production for retirement accounts will be calculated based on the applicable Retirement Account Production rate described above.

These practices create an incentive and a conflict of interest for your Financial Advisor to recommend the transfer of your account assets to UBS since a significant part of the Financial Advisor's compensation is often contingent on the Financial Advisor achieving a pre-determined level of revenue and/or assets at UBS. You should carefully consider these conflicts and whether your Financial Advisor's advice is aligned with your investment strategy and goals.

**Wealth planning associate compensation:** Wealth Planning Associates do not receive production payouts described above and do not qualify for awards or recognition programs described below. Wealth Planning Associates receive base compensation and they are eligible for discretionary incentive compensation, which is based on the performance of the firm in general as well as their individual performance.

**New financial advisor compensation:** Financial Advisor Associates in the Development Program ("FAA") are eligible for a 48 – 60 month compensation structure that combines base compensation, production payout and potential awards. Production payout is based on a payout rate that is applied to the production credited to the FAA and there is a minimum grid rate of 45% for those with production start dates prior to June 1, 2018. FAAs in the Development Program with firm determined and approved production start dates after June 1, 2018, have a minimum grid rate of 35%.

**Compensation for Financial Advisors transitioned from the New York and Miami Branches of UBS AG New York Branch:** Financial Advisors who moved from the New York and Miami Branches of UBS AG New York Branch received a change of compensation structure from salary and bonus to the standard compensation plan for our Financial Advisors described above, but with grid rate percentages that range from 18% to 50%.

**Aspiring Legacy Financial Advisor and Premier Programs:** Financial Advisors (and Branch Managers who service client accounts) who meet minimum production and length of services requirements and commit to transition their client relationships to other UBS Financial Advisors or Branch Managers on a specific date receive annual cash transition payments with an up-front cash loan option. Once the accounts are transitioned, they receive payments over a five-year period based on a pre-set schedule.

**Compensation to Financial Advisors in the UBS Wealth Advice Center:** UBS Wealth Advice Center Financial Advisors receive an annual salary and are also eligible to earn both quarterly incentive awards and an annual discretionary incentive compensation award. The total amount of the incentive awards generally range between 15% – 120% of the of the average salary, with the most common awards bring approximately 50% of the average salary.

- **Annual discretionary incentive compensation award:** The annual discretionary compensation award is determined by management in its discretion considering the Financial Advisor's earned credits (as described below) and overall job performance.
- **Quarterly incentive award:** The quarterly incentive award is based on production credits earned for transactions and enrollments, as described below, and additional credits for specified activities that are designed to deepen client relationships and improve the client experience. These credits are applied to a pre-determined formula which is used to determine the quarterly incentive award payout.
- Production credits are based on client transactions in brokerage accounts and enrollments in, and additional investments into existing advisory accounts.
- Production credits are variable, depending on the type of investment purchased, and for brokerage accounts are only earned for: (1) mutual fund purchases; (2) ETF purchases; and (3) annuity purchases. In addition, annuity purchases provide higher production credits than mutual fund or ETF purchases. This creates a conflict of interest and an incentive for Financial Advisors to recommend mutual funds, ETFs and annuities over other investments, and for annuities over mutual funds or ETFs.
- **For investment advisory accounts, production credits are earned for:** (1) new enrollments into advisory programs (ACCESS and Advice Portfolio Program); (2) additional investments into existing advisory accounts; and (3) account conversions from PACE Programs to ACCESS or Advice Portfolio.
- **Financial advisors in the Wealth Advice Center receive more production credits for investment advisory enrollments and additional investments than for transactions in brokerage accounts. This creates a conflict of interest and an incentive for the Financial Advisors to recommend Advisory Accounts over other products, services and transactions. Production credits earned on Advisory products are based on the time required to execute, which includes Financial Advisor effort, product complexity and time required to complete the transaction.**
- **Compensation to Sales Managers in the UBS Wealth Advice Center:** UBS Wealth Advice Center Sales Managers receive an annual salary and are also eligible to earn an annual discretionary incentive compensation award. The annual award is recognition of the employee's contribution throughout the year. It's based on many factors, including individual performance on goals and behaviors, Group, business division and team performance, risk considerations, market environment, internal equity and external competitiveness.

## Compensation to Branch Managers

Our compensation plan for Branch Managers consists of (1) a base salary that is based on the level of revenue for the branch in the prior year, and (2) an incentive compensation award consisting of two components: a formulaically driven calculation and "discretionary overlay." The formulaically driven component is an amount based on the economic profit of the branch (net income less the cost of capital). The discretionary overlay is determined in the firm's sole discretion after consideration of overall performance, risk and other factors, including:

- UBS Behaviors—Integrity, Collaboration and Challenge
- Net new business (net new assets plus positive lending balances)
- Retention of Financial Advisors
- Wealth management revenue (which includes revenue from advisory business, banking-related business and the Wealth Advice Center)

The formulaically driven calculation will generally be adjusted (upward or downward) by up to 30% of the total sum of the base salary and the formulaically driven calculation.

In addition to the compensation above, Branch Managers are eligible for payouts under the standard Financial Advisor compensation plan described above at the applicable Financial Advisor compensation plan grid rate (28% to 50% as noted above) or 40%, whichever is greater. Branch Managers can also qualify for the additional bonuses and rewards described in the *Bonuses and Rewards* section below.

Elements of our management compensation are based on revenues and sources of profit to the firm. This creates an incentive for our management team to encourage Financial Advisors to recommend products and services that result in more revenue and/or are more profitable to the firm, and can create a conflict of interest. Regardless of these incentives, we maintain policies and procedures and supervisory processes designed to ensure that Financial Advisors meet the standard of conduct applicable to each client.

**Bonuses and Rewards:** Financial Advisors are generally eligible to qualify for strategic objective awards and recognition programs, which are based on production, length of service at the Firm and net new business brought to the Firm by the Financial Advisor. These awards are subject to various caps and deferrals. Additionally, we may reduce or deny any such awards for any reason at our discretion. The Retirement Account Production described above will impact the annual awards for advisors in the IC, RPCS, RPM, and RPA programs to the extent that the advisor's overall production includes Retirement Account Production.

- **Net New Business Award.** This award is granted to a Financial Advisor based on their year-end result for net new business, defined as the sum of net new assets gathered over the calendar year and positive lending balances, subject to minimum requirements and overall caps. It includes assets in new accounts to UBS referred by Financial Advisors directly to the Wealth Advice Center. Financial Advisors receive less credit toward the Net New Business Award for assets enrolled in the Institutional Consulting ("IC"), Retirement Plan Consulting Services ("RPCS") and Retirement Plan Guided Solutions ("RPGS") Programs when those accounts are priced below certain levels as contractually defined. This creates an incentive for Financial Advisors to price accounts at or above those levels in those programs.

Award values range from 1% to 6% of year-end trailing 12-month revenue, and awards are capped at \$250,000. Financial Advisors designated by UBS as Consultants and who provide services in the IC/RPCS/ RPGS Programs ("Consultants") can earn 1% greater than the net new business value ranges if they meet net new business requirements within the IC/RPCS/RPA Programs (the "Net New Business Consulting Award"). The Net New Business Consulting Award is still subject to the overall \$250,000 cap.

- **UBS Length of Service award.** This award is based on a Financial Advisor's current year production and length of service with UBS. It is subject to minimum production and length of service requirements. Eligibility requirements are a minimum year-end trailing 12-month production of \$750,000 and length of service requirements of five years or greater. Award values range from 1.5% to 10% of year-end trailing 12-month revenue.

The payment structure of the awards generally consists of deferred cash awards paid annually over a specified time frame (provided the Financial Advisor is employed with UBS on the payment date), and restricted equity/notional shares subject to the plan's vesting and forfeiture rules, or some combination thereof. Total awards below a certain threshold will be paid in cash.

- **Recognition Councils.** At UBS, there are four Recognition Councils for top-performing Financial Advisors. They are Pinnacle Council, Chairman's Council, President's Council and Director's Council. Membership is based on a combination of production and net new business rankings and other eligibility factors set by the firm, including disciplinary history and compliance with firm rules, standards and policies. Recognition Council members participate in training and education events that involve travel paid for by the firm.
- **The Expense Allowance Program.** Recognition Council members and other Financial Advisors meeting minimum production levels are generally eligible to participate in the Expense Allowance Program, which provides an expense allowance for the purpose of promoting business. The amount of the expense allowance awarded is based on production level and Recognition Council Membership.

Defined contribution plan clients must provide permission for their recordkeeping providers to provide asset data to UBS. Institutional Consulting clients with assets held away from UBS must provide permission for their custodian to provide asset data to UBS. If the client does not provide permission, these held away assets will not be included for compensation or awards.

## **E. UBS Institutional Consulting—Description of Services**

UBS Institutional Consulting is available through a select group of Financial Advisors referred to as Institutional Consultants or Endowment & Foundation Consultants (collectively "Consultants") who provide specialized investment consulting services. The IC Program is designed to provide advisory services primarily to institutional clients. The services outlined below are available through the IC Program. The services may be offered on an ongoing basis charged as an annual rate, as a project charged as a flat fee, or some combination of the two.

The IC Program offers the following services:

### **1. Investment policy assistance**

Assist in the development and preparation, as well as periodic review of an investment policy statement that describes your overall investment objectives and guidelines. On an exception basis the IC Program Services Agreement may also provide for investment monitoring services (beyond broad asset class asset allocation monitoring (which is a standard monitoring service), 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 initial and ongoing asset allocation recommendations. These services typically involve analyzing your IPS, as well as your liquidity requirements, performance goals and risk tolerance levels 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. 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 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

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-retirement clients, we may, after a review of your needs and available options, identify other UBS entities and proprietary investments for your consideration. In CID, we may select affiliated investment managers and certain affiliated alternative investments on your behalf. Identifying (or purchasing on your behalf) 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 receive compensation, possibly including a share of investment advisory fees by the fund and performance fee, for providing various services to the alternative investments fund that will be based, in part, on the amount of assets you invest in the fund. 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 by disclosing our practices to you to ensure you make fully informed decisions in your selection of investment strategies.

### **4. Portfolio evaluation, review, analysis and reporting**

We 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. 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.

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 a holistic portfolio evaluation 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 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.



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

## 5. Consultant Investment Discretion ("CID") services

You may delegate investment authority to UBS-FS and your Institutional Consultant by executing a Limited Power of Attorney or other delegation of discretion document (LPOA). **UBS will not accept discretionary authority until we accept your IPS Addendum through the process outlined below.** UBS reserves the right to transfer day-to-day management responsibilities of your accounts to another Institutional Consultant or Branch Office Manager without your prior consent. Following execution of your CID Agreement and LPOA, we will review your existing IPS with you and assist you on a non-discretionary basis, in developing an IPS Addendum that includes your risk tolerance, asset allocation and investment restrictions. In the event of a conflict between your IPS and IPS Addendum, the IPS Addendum will control for purposes of the UBS-CID relationship. Upon adoption of the IPS Addendum, you will submit it to UBS for review. UBS reserves the right to approve or reject individual CID Accounts if, in its opinion, the selected asset allocation, IPS, investment restrictions or other preferences are inconsistent with the services offered in CID or would otherwise interfere with its ability to manage the client's assets on a discretionary basis. Following UBS's acceptance of your IPS Addendum, we will exercise investment discretion over the selection, review and termination of investment managers and other Eligible Investments. After your IPS Addendum is accepted for discretionary management by UBS, you can no longer place orders to trade in the CID Accounts. With limited exceptions, CID services are generally available only over assets held at UBS. We will exercise discretion in a manner reasonably consistent with your IPS Addendum, including your agreed upon asset allocation strategy and any agreed upon reasonable restrictions you may impose on Eligible Investments (other than pooled investments like mutual funds and alternative investments). The LPOA will also authorize the Firm to take any actions necessary to open and maintain the UBS accounts that are subject to the exercise of discretion (including ACCESS accounts if you have enrolled in that program), sign investment manager agreements and negotiate fees and to complete and pay for transactions for such accounts, including the payment of investment manager fees. You will authorize UBS to sign subscription, redemption and tender documentation for researched alternative investments (proprietary and non-proprietary hedge funds, fund of funds, and private equity). However, we will require that you review, complete and execute certain forms and documents prior to investing in an alternative investment fund. **In connection with all documents that we will sign on your behalf, Client will agree that UBS can make certain representations and warranties and bind you to contractual terms, including customary indemnification and arbitration provisions.**

As part of the CID Agreement, you will consent to UBS investing, on your behalf, in portfolios, hedge funds or funds of funds managed or sponsored by UBS or its affiliates.

Financial Advisors do not aggregate ETF orders across client accounts. However, when executing orders, your Financial Advisor may place the order for your Account with orders entered for other accounts. Financial Advisors have broad discretion to trade their CID accounts and there can be no assurance that a Financial Advisor can or will purchase or sell the same securities for all client Accounts at the same time. Whether they enter the order at the same time or not, you may receive different prices and executions for the same securities as compared to other clients investing in the same securities. Although we monitor the prices of orders of the same securities within specific timeframes among client accounts, investment opportunities will not necessarily be allocated among client Accounts proportionally.

## 6. Retirement plan consulting for participant directed retirement plans

On a limited basis, Consultants may provide non-wrap retirement plan consulting services to participant directed retirement plans. Within that context, we offer the following services:

- **Program provider search.** Assist plan sponsors with service provider searches to retain third party record keepers. This service may include an analysis of your current program; development of criteria used in selecting service providers; and evaluation of proposals received from prospective service providers. Searches may include program providers who are not subject to review by UBS.
- **Conversion assistance.** Assist plan sponsors with conversion to a new record keeper, which may include investment fund mapping and planning employee education strategies with respect to the conversion.
- **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.
- **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.
- **Plan program liaison.** We can assist you in communicating with record keepers and other third-party service providers regarding plan features, investments, services and fees.
- **Additional consulting.** As agreed between us, we may also consult 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.

## 7. Investment menu consulting.

Consultants may provide non-wrap investment menu consulting services to entities seeking guidance with respect to an investment menu, including for example, but not limited to, participant directed retirement plans and health savings account plans. Within that context, we offer the following services:

- **Investment Policy Statement ("IPS") assistance.** We can assist you in the development and preparation, as well as periodic review, of an Investment Policy Statement or investment selection and review criteria for investments on the investment menu. The IPS describes your overall investment objectives and guidelines and outlines the criteria utilized to review the investments offered in the menu.
- **Investment searches.** We will identify investments consistent with your IPS criteria and which are offered by the Firm or for which the Firm has conducted a review. In determining which share classes of an investment fund to identify, we will consider the limitations of the entity's record-keeper platform and/or custodian and the entity's direction regarding plan expenses.

- **Investment reviews, evaluation and reporting.** We can provide a review of the performance of mutual funds, ETFs and other Eligible Investments held within your menu and assist you in evaluating the type and number of investments offered. Our review may include graphic and tabular presentations of performance, and risk/return analyses. When evaluating the performance of the investments on the menu, we will review the performance of the investments and not the specific investment performance of accounts for individuals or entities that may ultimately invest in options made available on the investment menu.
- **Non-discretionary model portfolio service.** We can provide risk-based asset allocation advice using six strategic risk-based model portfolios ("Risk Based Models") established by the Firm's Asset Allocation Committee (the "AAC") and can identify those investment funds offered on the investment menu that are consistent with the asset class components of each of the Risk-Based Model Portfolios. Changes made by the AAC to the Model Portfolios will be communicated to you within a reasonable time period. You may request that UBS provide education to plan participants in regard to the Risk-Based Model Portfolios and risk tolerance through various approved educational pieces, however any such education will not constitute UBS either providing investment advice to participants, exercising discretion, or expanding its fiduciary responsibilities.

## 8. Employee education consulting

We offer general investment education to employees or plan participants of contracted clients, which may include educational newsletters, seminars and other materials which have been reviewed and approved for use by our Firm. The seminar subjects offered cover topics such as investing, saving for retirement, distribution planning and retirement planning and transition. Additional seminar subjects may be offered if available. Seminars offered are generic in nature and do not contain recommendations to invest in any particular security or strategy. We can also evaluate an entity's existing education program for plan participants or employees and recommend strategies for improving education and participation in participant-directed retirement plans. We can work with your program provider to implement these strategies and to deliver materials.

Where requested, employee education seminars can be the only service provided under our contract.

## 9. 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.

## 10. 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.

## 11. Implementation options in the IC program

**Non-discretionary services.** You can implement the results of investment searches performed as part of the IC Program through an account held at another financial institution, through a UBS Institutional Consulting Account(s) ("IC Account"), or certain other UBS investment advisory programs. The annual fee for an 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. 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.

**If you decide to implement the results of investment searches performed as part of an Institutional Consulting relationship through an account held at another financial institution, it is important that you understand that such implementation is not part of the Institutional Consulting service and will result in your payment of custody, brokerage and execution fees collected by the other financial institution.** Those costs may be avoided through utilization of an IC Account.

Even if you implement through an IC Account, a SMA Manager may still execute trades through another broker-dealer, as it is solely responsible for meeting its best execution obligations to you. Please see Item 5 for additional information regarding third-party investment manager best execution responsibilities.

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

If you decide to implement the results of investment manager searches performed as part of your IC relationship through the UBS ACCESS advisory 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 generally subject to the terms, conditions and fees of the ACCESS program, which may differ from those of UBS-IC. However, SMA Manager and strategy eligibility is determined in accordance with IC eligibility requirements, whether a SMA Manager or strategy is available in ACCESS or not. You will be required to sign a separate UBS agreement in order to implement through the ACCESS program. For retirement and CID clients, the UBS portion of your ACCESS fee will be the same annual fee provided in Schedule A to your UBS-IC Agreement, whether you implement your investment manager selection through the ACCESS program or the IC Program.

The ACCESS program and IC Program offer some of the same SMA strategies for different fees. The SMA Manager's fee is in addition to the UBS advisory fee. Not all strategies in ACCESS have an additional SMA Manager fee. When fees are charged, the amount of the fee paid to each SMA Manager is a function of that SMA Manager's investment style and the fee negotiated with the SMA Manager either by UBS (in ACCESS) or by you in the IC Program or by your Financial Advisor on your behalf where you have engaged CID services. Depending on your asset level and negotiating leverage the investment management fee with the SMA Manager in the dual-contract structure of the IC program, you may find that the single-manager structure in ACCESS provides a more cost-effective option or vice versa. In addition, based on the combination of our UBS Investment Advisory Fees and your SMA Manager's Fees, the overall Program Fee for your SMA account in ACCESS or the IC Program may exceed 3% of the account value. **Please review your options and overall costs carefully with your Financial Advisor before investing.**

Fees charged by SMA Managers can vary significantly, depending on the type of investment services offered. Your account may also be subject to minimum annual fees from the SMA Manager, which may be assessed quarterly.

### **Consultant Investment Discretion**

The annual fee for CID services includes 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. We do not offer discretionary services with respect to assets held at other financial institutions, except in limited circumstances.

The LPOA 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 if you have enrolled in 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. Where you are also enrolled in the ACCESS program, you will pay the UBS fee through the ACCESS program in accordance with the terms and conditions of the ACCESS program. The UBS ACCESS program fee will be billed with the investment manager fee and the UBS advisory fee as one combined fee. For UBS-CID accounts opened within the UBS-CID account structure, any investment manager fee will be collected separately, and not as a combined fee. The UBS portion of your ACCESS fee will be the same annual fee provided in Schedule A to your UBS-CID Agreement, whether your Institutional Consultant implements the investment manager selection through the ACCESS program or the UBS-CID program.

### **F. Limitations of our Advisory Services**

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

- **We do not provide legal, tax or actuarial advice.**
- **We are not responsible for ensuring:** (1) that your investment policy statement, asset allocation, investment choices and/or your Plan complies with specific legal requirements, including ERISA, federal, state or municipal law, or other regulations, actuarial or other requirements that apply to you, (2) that the investment managers you select in the IC Program are provided with a copy of your investment policy statement unless otherwise agreed in your contract, (3) that your investment manager complies with your investment policy statement or other investment restrictions, unless otherwise agreed in your contract.
- **Ineligible Investments:** Neither UBS-FS nor your Financial Advisor will act as your investment advisor or discretionary manager with respect to Ineligible Investments. Investment restrictions will apply only to those assets over which we or your investment managers have discretion.

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

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

Your SMA Manager has the sole authority to manage the portion of your portfolio that they manage and will make all investment decisions for your account without discussing these transactions with you or us. We will execute transactions in those accounts based on the instructions we receive from your SMA Manager.

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

- **Model portfolio service in the IC program.** When non-discretionary Risk-Based Model Portfolio Services are provided to Defined Contribution Retirement Plans, you are responsible for the final choice of funds to populate each component of the Model Portfolios which you make available to plan participants. Our non-discretionary services do not include ensuring that Model Portfolios can be implemented on the plan recordkeeping platform. UBS may assist in determining the capabilities of your record-keeper; however you are responsible for ensuring that Model Portfolios are implemented, updated and offered to participants in a manner that is consistent with your overall goals and objectives. Performance reporting for the non-discretionary UBS Model Portfolios, including model performance comprised of the fund performance within the model, must be provided by your record keeper. We do not rebalance Model Portfolios used by participants. It is the responsibility of plan participants using the Model Portfolios to rebalance the portfolios or elect 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.
- **Affiliated/proprietary products:** For Retirement Plan clients enrolled in the IC program, our investment searches will not include UBS affiliated/proprietary mutual or sub advised funds. Inclusion of affiliated or proprietary mutual or sub advised funds in our investment searches or discretionary selections raises a conflict of interest as purchasing those funds will result in increased compensation to UBS and/or a member of the UBS organization. For retirement plans clients, you understand that we will exclude the value of the plan's investments in any UBS affiliated/proprietary fund when calculating the program Fee.
- **Employer securities:** If 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 non-discretionary IC services, the services you select may include asset allocation and performance reporting of investment managers and investments which you retained or purchased without our recommendation. In such cases, we will ask you to acknowledge, in writing, that the manager or investment has not been reviewed or recommended by our Firm.
- **Third-party information.** In connection with the provision of our services, we rely on third party information. We can obtain this information from publicly available sources or from your third-party custodian or your plan providers. While we believe the information and reports obtained from external sources are accurate, we do not independently verify or guarantee the information presented or its accuracy.

## **Item 5. Account Requirements and Types of Clients**

### **A. Type of clients**

The IC 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 other client types that meet IC Program requirements.

Legacy retail clients and trusts for the benefit of retail clients can receive the advisory IC services described in this Brochure. IC services are not offered to new retail clients.

Foreign entity clients: Please note that as a foreign entity, your participation in a Discretionary Program or a Separately Managed Account will likely prevent you from having a FATCA classification of Passive Non-Financial Foreign Entity. This could result in your entity having more burdensome documentation and reporting requirements. Please consult your tax advisor with regard to the possible tax consequences associated with your FATCA status.

### **B. Requirements for participation in the IC program**

#### **1. UBS minimum asset requirement.**

Typically, the non-discretionary advisory services described in this Brochure are provided to institutional clients with investable assets in excess of \$1 million and the discretionary services are typically provided to institutional clients with investable assets in excess of \$10 million, although we may provide Consulting services to clients with less than those respective values in limited circumstances.

#### **Agreements**

As a client in any of the programs described in this Brochure, you will enter into a written agreement with us. The agreement will identify the services to be provided, the fees charged, and our respective rights and obligations under the agreement.

#### **Custody and account documentation**

With respect to services provided to participant directed defined contribution plans, we do not custody plan participant assets at UBS, nor do we execute securities transactions on their behalf.

If you decide to open an IC Account at UBS and for accounts established in the IC Program, you will also be required to execute a brokerage agreement. It is important to note that once you open the IC Account, that Account will be designated as "advisory" and our obligation to you will be that of an investment adviser instead of a broker-dealer. **See "Conducting Business with UBS: Investment Advisory and Broker Dealer Services."** In addition, if you enter into a discretionary relationship with us in the IC Program, you will also execute a LPOA that will allow us to open additional IC Accounts for you, select and terminate selected investment managers, and place transactions in IC Eligible Investments for your IC Account. When providing CID services, we will not begin exercising discretion until we have reviewed and accepted your Investment Policy Statement Addendum.

#### **Confirmation of your account record**

If we are custodian for your assets, updates to existing accounts are reflected in your next account statement. Please review those materials carefully and report any discrepancies to your Financial Advisor as soon as possible.

### Important Information in provision of services

Whether you custody your assets with us or with another financial institution, 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 the account will revert to a brokerage account. Your IC Agreement with us no longer applies. Any securities that cannot be held in a brokerage account will be liquidated and that liquidation may have tax consequences.

In certain cases, the investment advisory and consulting services available in our programs may be provided by Financial Advisors that are registered with one of our affiliates rather than or in addition to UBS Financial Services, Inc.

### Ownership of securities and investment discretion

You are the beneficial owner of all securities in your IC accounts and, you retain all rights related to the ownership of those securities. This means that you retain proxy voting obligations (unless delegated to third party SMA Managers as noted below) and, in a non-discretionary relationship, this means you retain trading authority. 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 taxation matters.

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

### Custody

UBS Financial Services Inc. is a qualified custodian under Rule 206(4) of the Investment Advisers Act of 1940 and has custody of client funds and securities.

With the exception of DC Plans, clients participating in the IC program may elect to custody their assets with UBS-FS through an Institutional Consulting Account ("IC Account"). Clients who have engaged CID services are required to custody their account assets with UBS-FS through an IC Account. Under limited circumstances, CID clients will be permitted to hold assets away from 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 US registered broker-dealer, a futures commission merchant or a foreign financial institution. This custodian must meet the definition of a "qualified custodian".

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

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

- It is your responsibility to provide us with all material and pertinent information regarding investment objectives, risk tolerance, asset allocation, and the historical performance of your investments, income and liquidity requirements as well as any other relevant matters that we may request from time to time.
- We will rely on the information you provide without further verification.
- You should notify us promptly of any material changes in the financial condition, risk tolerance, needs or investment objectives, or reasonable investment restrictions you wish to impose so we can work with you to update your investment policy statement to reflect these changes. These changes may also impact our advisory services and ongoing advice or the manner in which your assets are invested.

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

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

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

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

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

With respect to services provided to participant directed defined contribution plans, we do not advise plan participants regarding their investment options in the plan.

**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.**

#### **Broker of record**

Neither UBS nor any of our Financial Advisors may be listed as broker of record for any of the mutual funds you select.

## **2. Eligible and Ineligible Assets**

### **Funding your discretionary CID account**

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

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

If you fund your CID Account through the transfer of securities, you authorize and direct UBS-FS to liquidate those securities on your behalf and to allocate the proceeds in accordance with your investment policy statement and asset allocation agreed upon for the Account. We will not notify you in advance of the liquidation of these securities. UBS-FS will execute those transactions free of commission charges, but, depending on the type of security involved, those liquidations may result in you incurring redemption charges, taxable gains or losses, and other possible tax consequences. UBS and its affiliates do not provide legal, tax or accounting advice, so you are responsible for reviewing the potential legal, tax and accounting consequences of these liquidations with your legal, tax, accounting and other professional advisors before funding the Account with securities.

When liquidating Eligible Funding Securities for purposes of establishing your CID Account, UBS-FS will be acting as your broker, not your investment adviser. Liquidations will occur promptly at prevailing market prices after you fund your Account and UBS-FS has accepted discretion. UBS is not responsible for the liquidations and any consequences due to your failure to notify us of other existing security holdings, the overall effect of liquidations once effected or the loss of potential gains due to movements in the market prices or changes in market conditions.

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

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

If you hold Eligible Assets that are non-researched illiquid investments, you will be required to liquidate those investments at the next available liquidation window. Until those assets can be liquidated, the value of those assets will be included in asset allocation studies and performance reports for informational purposes but we will not provide advice on these assets.

### **Funding your non-discretionary IC account**

If you fund your IC Account with investment managers, IC Eligible investments and/or alternative investment funds which are not offered by the Firm and/or for which the Firm has not conducted due diligence or has not otherwise reviewed, we will not undertake diligence and will not be a fiduciary during the time you hold such assets or in the course of effectuating their sale and/or redemption. Therefore, you should consider whether to sell or redeem those investments within a reasonable time frame or, in the case of alternative investments, when full redemption can occur without penalty. Until such time as those investments are sold or redeemed, the value of such investments will be included in your asset allocation and performance report and in the calculation of the IC Program fee, described below. If you fund your account with Ineligible Investments, those investments will be excluded from IC services and fees, unless your IC Agreement states otherwise. Clients who seek IC services over their full portfolio and, therefore, intend to transition Ineligible Investments into Eligible Investments will be required to do so within one full billing cycle following contract execution ("Transitional Period") and those investments will be included in the calculation of the IC Program Fee during the Transitional Period. If those Ineligible Investments are not transitioned within the Transitional Period, they will be excluded from IC Program Fees following expiration of the Transitional Period. We will work with you during this Transitional Period to identify suitable Eligible Investments based upon your Investment Policy Statement, investment objectives, and risk tolerance.

#### **Ineligible assets**

Neither UBS-FS nor your Financial Advisor will act as your investment adviser or discretionary manager with respect to Ineligible Investments. Investment restrictions will apply only to those assets over which we or your investment managers have discretion. See Item 5.C, Billing Practices, Calculation of Fees for billing information regarding Ineligible Assets.

UBS, at its discretion, can make particular securities or issuers ineligible for the IC Program or place a “hold” on further trading for certain investments at any time.

UBS, also in its discretion, may limit investment allocations to particular mutual funds, ETFs, closed end funds, UITs and other registered investment companies (“Funds”), including where additional investments may adversely impact the ability of one or more of our affiliates to trade with such Funds due to regulatory restrictions. In these circumstances, such Funds will be placed on “hold”, thereby restricting additional purchases of such Funds in our Program accounts and a different Fund will then be selected for investment in order to increase exposure to a particular strategy or asset class for such Program accounts. These limitations cause a conflict of interest because UBS is taking into consideration the potential impact on trading relationships and business of its affiliates in making decisions on the availability of investments for Program clients. UBS mitigates this conflict by ensuring the availability of alternative Funds that can provide exposure similar to the initial Fund where additional purchases were restricted.

### **Classification and availability of investments and SMA managers**

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

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

### **Share class conversion: Advisory/institutional share classes of mutual fund and alternative investments eligible in the program**

Mutual funds and alternative investments available for purchase through IC Accounts include affiliated (for non-retirement clients) and non-affiliated investments. We will provide you with mutual fund prospectuses, the offering documents for alternative investments 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.

Institutional and/or Advisory share classes are the primary eligible share classes for proprietary and non-proprietary mutual funds available for purchase in IC Accounts, with the exception of offshore mutual funds and legacy IC Commission Accounts.

If you hold Institutional Shares in your Account and the Advisory share class becomes the share class eligible for purchase, your Institutional shares will become “hold only” (even if, in the case of offshore funds, you elect not to convert your Class A shares to Advisory shares). That means you may sell but you cannot add to those positions in the IC Accounts.

If you transfer class A shares to your IC Account, or use such shares to fund your IC Account, we will automatically convert such shares monthly on a tax-free basis to the Institutional or Advisory share class, if that is the eligible share class for your IC Account. Institutional and Advisory share classes do not pay a 12b-1 distribution fee. Class A shares are available for funds that do not offer Institutional or Advisory share classes or that declined to make those shares available. Class A shares normally impose a shareholder servicing fee, commonly referred to as a 12b-1 fee, which you pay directly to the fund company. As a distributor of mutual funds, we receive a portion of the 12b-1 fees for services we provide. IC Clients will receive a credit for the portion of 12b-1 fees we receive. If the 12b-1 fee remains in your account at the time of billing, it will be subject to the Program Fee; they are also included in the account’s average daily balance for purposes of calculating quarterly fee adjustments. The Class A shares available in IC Program Accounts do not impose a load or sales charge at the time of purchase; however, because most Institutional or Advisory share classes do not impose a 12b-1 fee shareholder servicing fee, these share classes are usually more cost effective than the Class A shares.

Class A shares of offshore funds are **not** automatically converted to the advisory share class. If you hold Class A shares of offshore mutual funds, you may elect (but you are not required) to convert those positions to advisory share classes upon reviewing your Account and providing an attestation regarding your understanding of tax consequences that may occur as a result of the conversion.

If you transfer Class C shares to IC Accounts, we will automatically convert such shares monthly on a tax-free basis to the Institutional or Advisory share class so long as those shares are not subject to a Contingent Deferred Sales Charge (“CDSC”).

Conversion of Class A or Class C shares will be reflected on quarterly Account statements.

**Availability of Institutional Shares of Mutual Funds in Brokerage Accounts:** For both domestic and offshore mutual funds you may be able to purchase and hold Institutional shares and/or Advisory shares in your brokerage account and exclude these assets from your Program Fee. Other share classes, including some that may be more cost effective and for which we receive no revenue sharing compensation, may be available to you in brokerage accounts.

**Single share class mutual funds:** There is now a single share class of mutual funds with no front-end loads, back-end loads or 12b-1s offered for purchase in our brokerage platform subject to a per-transaction commission, with certain limited exceptions including, but not limited to, offshore funds, interval funds, and money market funds. This share class will be, in most instances, the same share class available in our Institutional Consulting and other investment advisory programs. Clients who hold A, B, C or other share classes in their brokerage accounts may continue to hold those assets. Financial Advisors will continue to receive

12b-1s, and clients may continue to incur CDSCs and other fees associated with such share classes so long as clients continue to hold them. However, new purchases of mutual funds (other than the limited exceptions referred to above) will be limited to the commission-based single share classes.

**The difference in compensation structure between the single share class and previously offered share classes creates a conflict of interest as Financial Advisors have an incentive to recommend that clients continue to hold the A, B, C or other share classes. Financial Advisors also have an incentive to recommend that shares held in a brokerage account be moved to the Institutional Consulting program or another investment advisory program to maintain the level of revenue they would have received selling A, B, or C share classes.**

**Transferring mutual funds shares into your accounts.** We may accept the transfer of certain assets and shares of mutual funds purchased outside of an Account at UBS or at other financial institutions into an 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 Program Fee based on the value of those assets except in certain instances.

If your Transferred Assets were purchased in a UBS brokerage account and were assessed a:

- Front-end sales load,
- Placement fees, or
- Syndicate/underwriting fees,

Those assets will not be included in the Program Fee until 12 months have elapsed from the date of initial purchase.

If your transferred mutual fund or alternative investment shares (for example Class A shares of mutual funds or the brokerage share class of an alternative investment purchased with a sales charge) are converted to an Institutional or Advisory share class on transfer to the IC Program, the new share class will be designated as a "Transferred Asset" and will be excluded from the Program Fee until 12 months have elapsed from the initial purchase date of the Class A share or brokerage share class.

Transferred Assets purchased at other financial institutions will be included in the calculation of the Program Fee immediately. 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 at another financial institution. Please review the costs carefully before making a decision to transfer assets into an IC Account. If you sold mutual fund shares or alternative investment funds prior to entering into, or while in our IC Program, you may have paid certain fees with respect to that sale or incurred charges on the initial purchase of certain share classes. You will now incur the Program Fee on mutual fund shares held in your IC Accounts, in addition to the operating fees and expenses applicable to mutual funds.

**However, if you transfer mutual fund shares purchased under the new Single Share Class offering to an IC Account or other investment advisory account, those shares will be subject to the UBS IC or Investment Advisory Fee upon transfer and any commissions charged within a certain period prior to such transfer will be rebated to your account.**

**Advisory/Institutional Share Classes of Alternative Investments:** IC permits you to hold advisory/institutional share classes of certain alternative investments (proprietary and non-proprietary) as part of your IC Account or Program Relationship. Generally, and subject to limited exceptions, only funds that offer advisory/institutional share classes and permit conversion of the brokerage share class on a tax free basis are eligible and billable in the IC Program.

Unlike mutual funds where the conversion of share classes is automatic, the tax free conversion of alternative investment share classes is subject to additional documentation and may take up to 120 days to complete. These assets will not be approved for the IC Program until the Share Class Conversion is complete. UBS and our Financial Advisors will continue to receive a portion of the management fee and other compensation until the effective date of such conversion. See Item 5.C for additional information about billing.

**Termination of your IC account and impact on share classes:** Generally, you may continue to hold most Institutional and/or Advisory share classes after you terminate your IC Account. However, in certain limited cases, mutual fund companies and alternative investment fund sponsors require that Institutional and/or Advisory share classes that have been created for use or are eligible exclusively within wrap fee investment advisory programs be converted to the respective brokerage share class of the fund (for example, single share class shares for mutual funds) on termination of the IC Account. When required by the prospectus for mutual funds, on termination of your advisory account, we will convert your Institutional and/or Advisory share classes to single share class shares of the same fund on a tax-free basis unless you are terminating your account to establish another one in a separate program where the same share class is eligible. **Unless the issuer requires automatic redemption of these investments, you can continue to hold them in your brokerage account.** Single share class holdings that move from IC to brokerage accounts will be subject to commission charges on buys and sells. Please see "Automatic Liquidation or Exchange of Certain Assets at Account Termination" for more information.

### **3. Investment restrictions**

You may request reasonable investment restrictions on the management of your CID Account by indicating such restrictions in your IPS Addendum. UBS-FS will review proposed restrictions and may reject an Account if they determine that the proposed restrictions are not reasonable or appropriate for the CID services.

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



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

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

#### **4. Performance reporting for your account**

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

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

**Impact of non-researched and ineligible assets on performance reporting:** Neither UBS, your SMA Manager nor your Financial Advisor will act as your investment advisor with respect to Ineligible Assets, including investments and securities that UBS makes ineligible after your account is enrolled in the IC Program. At your request, we may include ineligible assets in performance reporting. Since ineligible assets are not considered IC Program assets, the inclusion of such securities will impact the actual performance of the IC Program assets in your account. When we are providing non-discretionary services in the IC Program, we will automatically include non-researched investments that would otherwise be Eligible Investments in your performance reporting. However, when we are providing CID services, we will automatically include only the value of illiquid non-researched investments. However, those assets are also not considered IC Program assets and, therefore, the inclusion of such securities will impact the actual performance of the IC Program assets in your account. We will ask you to sign an acknowledgement that non-researched investments are not included in IC services.

#### **5. Trade confirmations and account statements**

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

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

#### **6. Proxy voting, corporate actions and other related events**

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

By executing the IC or CID Program Services Agreement, you delegate any SMA 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 SMA 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 SMA 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 SMA Manager any materials or other information received by us with respect to such solicitation.

**You may not delegate proxy voting authority to UBS-FS or any of its employees. Neither your Financial Advisor nor UBS-FS will exercise voting discretion or have input regarding voting decisions made on your behalf for the securities held in our Programs or assets you hold at UBS or at other financial institutions. We will not vote or provide any advice about the voting of proxies solicited by, or with respect to, legal proceedings, including bankruptcies and class actions, relating to securities in your Program Accounts, or their issuers, except to the extent required by law.**

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 SMA Manager.

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

**Proxy voting in our capacity as a broker-dealer:** Except for ERISA Plans and Individual Retirement Accounts, if we forward proxy materials to you or your SMA Manager, as applicable, but we do not receive voting instructions from you (or from your SMA 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 or where casting a vote as described above would have the unintended consequence of impacting the voting results on "non-routine" ballot items.

## 7. Electronic delivery of documents

To the extent permissible by applicable law, we may, with your prior consent, deliver trade confirmations, Form ADV Disclosure brochures, performance monitors, prospectuses, offering documents and other documents and notices related to your accounts, trades and relationship with us via electronic format.

UBS offers certain communications through electronic delivery. Examples include: statements, trade confirmations and notices; shareholder communications, including fund reports, prospectuses and proxies; account documents related to IC Accounts, other investment advisory accounts and fee-based financial planning services; quarterly performance reports; tax reporting documents; Client and account information documents; other firm documents that may be available now or in the future.

Certain documents will be delivered electronically when you enroll in electronic delivery of Shareholder Communications. The documents may 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 these documents as a link to a UBS website or as an attachment to an e-mail. When sending attachments to e-mails, for your protection, we will exclude and/or mask certain personal information such as name, address, and account number. We may also include important notices, disclosures and updates relating to your Accounts in or with your monthly account statements or quarterly performance reports.

By signing the IProgram Agreement you confirm that you authorize UBS Financial Services Inc. to electronically deliver all reports, disclosures and notices related to your Program accounts to the extent permitted by law. Based on that authority, we will automatically enroll you in electronic delivery for your Investment Advisory accounts if you select the electronic delivery of Shareholder Communication option in your brokerage account agreement.

**If you are enrolled in UBS Online Services, you may change your delivery preferences at any time by logging into UBS Online Services at: [ubs.com/edelivery](https://ubs.com/edelivery). You may also change your delivery preferences by contacting your Financial Advisor.**

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

## 8. Cash balances in your advisory accounts

Generally, a portion of your Institutional Consulting Account(s) may be held in cash, cash equivalents or money market funds as part of the overall investment strategy for the account. We make available an automatic sweep feature for your account where available cash balances are automatically invested or deposited, respectively in shares of an available money market mutual fund or to deposit accounts at FDIC-insured banks, which balances may be insured by the FDIC up to applicable FDIC insurance limits of \$250,000 per insurable ownership category per bank (e.g., \$250,000 for individual accounts and \$500,000 for joint accounts). **"Available cash" in your Institutional Consulting Accounts eligible for the sweep program will vary. For example, if you are invested in an Options Overlay Strategy, accounts only sweep now in excess of the margin debits.**

Descriptions of the sweep feature and options included below are current as of the date included on the cover of this document and are subject to change. For the most up-to-date information, please refer to the applicable disclosures at [ubs.com/sweepyields](https://ubs.com/sweepyields) or available from your Financial Advisor.

**You should consider the following important information regarding these sweep options:**

- 403b plan accounts, Qualified Plans with a pooled structure, corporate cash management accounts and financial institution accounts sweep directly to money market funds, specifically the UBS Liquid Assets Government Fund (for retirement accounts) or UBS RMA Government Money Market Fund (for non-retirement accounts). These funds are referred to together as "Sweep Funds."

- All other accounts will sweep to FDIC-insured deposit accounts through either the UBS Bank Sweep Programs or the UBS FDIC-Insured Deposit Program. The FDIC-Insured Deposit Program is the sweep option for accounts owned by a trust where all beneficiaries are natural persons and/or non-profit entities. These programs are referred to together as the UBS Deposit Sweep Programs. UBS Bank USA receives deposits through both programs and is the only bank in the UBS Bank Sweep Programs. In the FDIC-Insured Deposit Program, non-UBS banks also receive deposits. These programs are described in more detail below.

### **Conflicts of interest and benefits to UBS**

UBS Bank USA and UBS Financial Services Inc. receive substantial financial benefits for activities related to the deposit accounts and investments in the money market funds.

**Your IC Program Fee applies to the cash and cash equivalents in your Institutional Consulting Account, including cash that is swept into the various sweep options.** Interest rates on the deposit accounts held at UBS Bank USA are determined by the Bank and are competitive relative to similar deposit sweep programs in the industry. These interest rates depend on the general level of interest rates in the US economy and generally are lower than the prevailing yield on money market mutual funds and other cash alternatives and can be significantly lower. See UBS Deposit Sweep Programs-Interest Rates below for additional information. **You can hold cash in a brokerage account without incurring the Institutional Consulting Program Fee.**

**UBS Deposit Sweep Programs—Benefits to UBS Bank USA:** UBS Bank USA uses deposit balances in the UBS Deposit Sweep Programs to fund new lending and investment activity. Its profitability is determined largely by the difference between the interest paid and costs associated with deposit balances, and the interest or other income earned on its loans, investments and other assets. UBS Bank USA improves its profitability when it lowers the interest rates paid and the costs associated with deposit balances. The yield UBS Bank USA provides is based on industry comparables (selected by UBS Bank USA) of the yields of other banks, it is not based on the yields provided by other cash or cash equivalents such as money market funds and treasuries. Having more assets sweeping to UBS Bank USA provides significant economic benefits to UBS as a whole.

**UBS Deposit Sweep Programs—Benefits to UBS Financial Services Inc.:** UBS Bank USA pays UBS Financial Services Inc. ("UBS") an annual fee of up to \$50 per securities account that sweeps to the UBS Deposit Sweep Programs. In the UBS FDIC-insured Deposit Program, third party unaffiliated banks that benefit from this cash deposited with them pay a fee to UBS, which as of the date hereof average approximately 0.32% annually on the deposit accounts. These fees fluctuate based on changes in interest rates. The fees UBS receives from third party unaffiliated banks are used to pay the yields in the UBS FDIC-Insured Deposit Program. A portion is also paid to a third party administrator and the balance is retained by UBS. The compensation to UBS significantly exceeds the amount paid to clients as interest on their deposit account balances at the third party banks. Also, because the yields for both the UBS Bank Sweep Program and the UBS FDIC-Insured Deposit Program are the same and can vary over time, the amount of the fees retained by UBS will fluctuate.

Money market funds may be available for purchase as an alternative to the UBS Deposit Sweep Programs.

Our monitoring of cash in Institutional Consulting Accounts **does not** include a review of cash balances being swept to deposit accounts at UBS Bank USA through the UBS Deposit Sweep Programs to determine if there are cash balances sweeping in excess of the FDIC insurance limit. **You are responsible for monitoring the total amount of deposits that you have with UBS Bank USA and other participating banks to determine the extent of FDIC deposit insurance coverage available to you on those deposits.**

**Clients seeking higher yielding cash equivalent investments should consider the several cash alternatives we have available, including the aforementioned money market funds, short-term Certificates of Deposit (CDs) and treasuries.**

We may change or discontinue the sweep feature, sweep programs or specific sweep options at any time in our sole discretion. We will notify you of material changes to this account feature. You may obtain information about current yields on available sweep options online at [ubs.com/sweepyields](https://ubs.com/sweepyields).

### **UBS sweep programs: Account eligibility**

**IC accounts.** When permitted by applicable law and subject to eligibility requirements (see below), we will automatically sweep cash balances in your IC accounts into bank deposit accounts (through either the "UBS Bank Sweep Programs" or the "UBS FDIC-insured Deposit Program") and/or money market funds affiliated with UBS for which we or our affiliates receive compensation in addition to the Program Fees you pay us. For more information, please contact your Financial Advisor for a copy of the money market fund prospectus(es) and the disclosure statement (each a "Program Disclosure") for the UBS Bank Sweep Programs and the UBS FDIC-Insured Deposit Program. If your sweep option changes to a money market fund as a result of your Advisory program selection, the applicable money market fund prospectus will be sent to you as part of your Welcome Package when we confirm that your Account has been accepted.

**Retirement accounts.** With the exception of qualified plans with a pooled structure and 403(b)(7) accounts, UBS will offer only the UBS Bank Sweep Programs as a primary sweep option for the automatic investment of available cash balances in Individual Retirement Accounts ("IRAs") and securities accounts held by employee benefit plans and plan participants. For qualified plans with a pooled structure and 403(b)(7) accounts, our affiliate's compensation from the money market fund will be limited to reimbursement of its direct costs and expenses for providing services to the fund excluding overhead costs or profits. All fees and reimbursements for direct costs and expenses paid to our affiliate by such a fund are in addition to the fees you pay us.

When your IC Account is closed, it becomes a brokerage account and it is subject to the terms and conditions of your brokerage account agreement. The sweep options for Advisory and brokerage accounts may be different and, depending on the circumstances, may yield significantly different rates of return on the free cash in your brokerage account. The resulting change

in sweep options may result in additional compensation to UBS, its Financial Advisors and UBS affiliates. The sweep options for the cash held in brokerage accounts are described in the brokerage account agreement.

**UBS bank sweep programs:** The UBS Bank Sweep Programs consists of the UBS Retail Account Program and the UBS Business Account Program. UBS at its discretion will consider a client to be ineligible if UBS becomes aware that the entity is prohibited as a matter of law from holding funds at any participating bank.

In addition, an account is not eligible for the UBS Bank Sweep Programs (an "Ineligible Account") if the account is (1) owned by a financial institution, (2) is a Qualified Plan pool account, (3) owned by a trust if all trust beneficiaries are natural persons and/or nonprofit organizations, (4) plans established under Section 403(b)(7) of the Internal Revenue Code; or (5) a corporate cash management account.

The term "financial institution" includes the following entities and any others that UBS may add from time to time: Insurance companies, broker-dealers, investment advisors, fund companies, hedge fund companies, private pension funds, public retirement funds, state and federal chartered banks, state and federal chartered credit unions, state and federal chartered savings associations, and state and federal chartered trust companies.

The sweep option for an Ineligible Account will be either an available UBS money market fund or deposit accounts through the UBS FDIC-insured Deposit Program.

**UBS retail account program:** The UBS Retail Account Program is available only to:

- Individuals (including non-US residents).
- IRAs.
- Sole proprietorships.
- Governmental entities.
- Certain employee benefit plans and participants in such plans (excluding plans with a pooled structure).

Custodial accounts are eligible for the UBS Retail Account Program as long as none of the beneficiaries is a business entity.

**UBS business account program:** The UBS Business Account Program is available only to:

- Business entities, such as: corporations, partnerships, limited liability companies, associations, and business trusts but excluding sole proprietorships.
- Nonprofit organizations, including organizations described in Sections 501(c)(3) through (13) and (19) of the Internal Revenue Code.
- Estates.
- Trusts (if one (1) or more beneficiaries is a business entity).
- All trusts owned by non-US residents.

**Sweep to UBS Bank USA.** For eligible Accounts in the UBS Bank Sweep Programs, cash balances will be deposited automatically—or "swept"—to interest bearing deposit accounts (Retail Accounts or Business Accounts as the case may be) at UBS Bank USA, an FDIC member institution and an affiliate of UBS. Cash will be swept without any limit. As a result, you may have balances in excess of the FDIC insurance limit. See important information about FDIC coverage below.

The Program Disclosure is available online at [ubs.com/sweepyields](https://ubs.com/sweepyields).

**UBS FDIC-insured deposit program:** This program provides a sweep feature of cash balances of certain UBS client accounts to deposit accounts at UBS Bank USA and several third-party banks that have entered into an agreement with UBS. Deposit accounts through the UBS FDIC-Insured Deposit Program will be your sweep option if you are a US resident and your Account is owned by a revocable or irrevocable trust where our records indicate that all beneficiaries are either individuals and/or not-for-profit organizations. Non-US residents and retirement accounts are not eligible for the UBS FDIC-Insured Deposit Program.

Through this program, available cash balances in your Account up to \$249,000 will be swept into deposit accounts at each participating FDIC-insured bank (each a "Program Bank") on a Bank Priority List ("Priority List") applicable to your Account. UBS Bank USA will be the first Program Bank on the Priority List.

Available cash balance will be swept into deposit accounts at each Program Bank in the order in which the Program Banks are set forth on the Priority List, up to a total of \$2.49 million ("Program Deposit Limit"). Once deposit balances are equal to the Program Deposit Limit, any additional available cash balances will be held in deposit accounts at UBS Bank USA.

The Program Disclosure and Priority List are available at [ubs.com/sweepyields](https://ubs.com/sweepyields) or from your Financial Advisor.

**UBS deposit sweep programs—FDIC insurance coverage and limitations:** Deposit balances in the UBS Deposit Sweep Programs are eligible for deposit insurance by the FDIC up to a total of \$250,000 including principal and accrued interest for each insurable ownership capacity (e.g., individual, joint, IRA). Qualified Plan accounts are eligible for FDIC insurance up to a total of \$250,000 per plan participant based on each participant's non-contingent interest in the employee benefit plan. Deposit balances are not eligible for protection by SIPC. Qualified Plan accounts are eligible for FDIC insurance up to a total of \$250,000 per plan participant based on each participant's non-contingent interest in the employee benefit plan.

**All of your deposits with UBS Bank USA (including cash swept through eligible UBS accounts and any certificates of deposit) will be aggregated for purposes of the FDIC coverage limit. In addition, if you exceed the Program Deposit Limit, your balances at UBS Bank USA will exceed the amount covered by FDIC insurance. Also, if you have more than one Account that sweeps to a Program Bank, the amount deposited at the Program Bank may exceed the amount covered by FDIC Insurance. You are responsible for monitoring the total amount of deposits that you have**

with UBS Bank USA to determine the extent of FDIC deposit insurance coverage available to you. Please refer to the Program Disclosure for the UBS Deposit Programs for more detailed information regarding FDIC insurance. You may obtain a copy of each Program Disclosure by contacting your Financial Advisor. It is also available at [ubs.com/accountdisclosures](https://ubs.com/accountdisclosures).

**UBS deposit sweep programs—Interest rates:** Interest rates on the deposit accounts in the UBS Deposit Sweep Programs are tiered based on your total eligible deposits in a Marketing or Qualified Plan Relationship as defined in the “General Terms and Conditions” of the Agreements and Disclosures booklet, which is available at [ubs.com/accountdisclosures](https://ubs.com/accountdisclosures) or by requesting one from your Financial Advisor. Interest rates generally are lower than the prevailing yields on money market mutual funds. As of October 16, 2020, the Annual Percentage Yield on the lowest tier of the UBS Deposit Sweep Programs was 0.01%, while the seven-day current yield on the money market funds available to certain clients or as secondary sweep options ranged from 0.01% to 0.10%. You may view current interest rates, yields and important disclosures at [ubs.com/sweeppyields](https://ubs.com/sweeppyields). If you hold cash in your investment advisory account you should have a discussion with your Financial Advisory because, if eligible, it will be swept automatically as described above.

In addition, interest rates may be higher or lower than interest rates available to depositors making deposits directly with a Program Bank in the UBS-FDIC Insured Deposit Program or other depository institutions in comparable accounts.

**See “Conflicts of Interest: Benefits to UBS” above for a description of the compensation received by UBS in connection with this program.**

**Alternatives to the UBS deposit sweep programs:** Investors who are not eligible to participate in the UBS Deposit Sweep Programs—such as financial institutions, qualified plans with a pooled structure, 403(b)(7) accounts and corporate cash management accounts—will sweep to an available money market fund as their sweep option. UBS RMA Government Money Market Fund and UBS Liquid Assets Government Fund are the funds currently available for non-retirement accounts and retirement accounts, respectively.

For more complete information about any of the money market funds available as a sweep option, including all charges and expenses, please contact your Financial Advisor for a prospectus or go to [ubs.com/sweeppyields](https://ubs.com/sweeppyields). Read the prospectus carefully before you invest or send money.

**Non-US residents are not eligible for any of the money market funds available as sweep options.**

**Important information regarding the Puerto Rico Short Term Investment Fund for Puerto Rico Residents, Inc.**

**Due to changes in legislation, UBS was required to register the Puerto Rico Short Term Investment Fund for Puerto Rico Residents, Inc. as an investment company under the U.S. Investment Company Act of 1940. As a result, on or about May 2021, you are no longer able to choose the Puerto Rico Short Term Investment Fund for Puerto Rico Residents, Inc. as a sweep option. We will inform you of any changes to the availability to the Puerto Rico Short Term Investment Fund for Puerto Rico Residents, Inc.**

**Please contact your Financial Advisor to discuss available sweep options and any questions you have. You should consult with your tax advisor before moving uninvested cash balances to any non-Puerto Rico investment or fund.**

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 for the applicable money market fund 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 from time to time, and you should discuss your options with your Financial Advisor. You may also choose to maintain any cash component of an asset allocation strategy outside of your UBS Advisory Accounts.

**You could lose money by investing in a money market fund. Although each of the money market funds named above seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Each money market fund’s sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.**

**Investors should consider the investment objective, risks, and charges and expenses of a money market fund carefully before investing. The fund’s prospectus contains this and other information about the fund. You may obtain a prospectus from your Financial Advisor. The prospectus should be read carefully before investing.**

**Money market funds—Not FDIC Insured. May lose value. No bank guarantee. UBS Asset Management (US) Inc. is each money market fund’s distributor.**

**SIPC Protection:** Please note the following:

We are a member of SIPC. SIPC provides protection for securities in your accounts with us up to \$500,000, including \$250,000 for free cash balances in the unlikely event that we fail financially. For details please see [sipc.org](https://sipc.org). The SIPC asset protection limits apply, in total, to all accounts that you hold in a particular capacity. Investments in the sweep money market funds are not bank accounts and are not protected by the FDIC. However, balances in those funds, are covered by both the SIPC as well as the excess SIPC insurance that we have obtained for the benefit of our clients. The maintenance of a given share price value (e.g.,

\$1.00 per share) by the funds is not insured or guaranteed. **See the Account Information Booklet and the Disclosure Statement for more information regarding SIPC protection.**

### C. Billing practices

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

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

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

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

#### Impact of alternative investments valuation

The valuation of alternative investments held at UBS, or at other financial institutions, reflects the records of the issuers and administrators of those funds. UBS does not guarantee the accuracy of the information. The value shown is not necessarily the value you would receive from the issuer if you sold the assets. Funds actively sold by UBS are subject to ongoing due diligence, although the level performed may vary. A closed fund may be subject to no ongoing diligence. A fund that you purchased elsewhere may never have been subject to UBS FS diligence.

The NAV is primarily based on **estimated** portfolio values provided by the underlying fund sponsor. Reported estimates may not reflect resale, liquidation or repurchase value, if any, and may not reflect distributions of capital until the next valuation is reported, generally on an annual or semi-annual basis. **These valuation practices are important because we calculate the Program Fee for alternative investments you hold in Advisory Accounts based on these estimates.**

For purposes of calculating the Program Fee, we will use the valuation of alternative investments available/reported to us as of the billing date. Valuation for alternative investments is often delayed, sometimes significantly, and is not provided to us in a timely manner. As a result, the valuation we use for purposes of calculating the Program Fee may not be current with the actual value of your investments at the time billing is processed and, depending on the circumstances, may result in a higher Program Fee. You should carefully consider the impact of these valuation delays on the Program Fee you pay to us.

**Redemptions and "Hold Back" promissory notes:** For accounts holding eligible alternative investments, proceeds from redemptions are not received into the IC Account for a period that can extend over several months after a redemption request is submitted and is effective. As a result, the Program Fees charged originally are based on the value of the alternative investment fund inclusive of the value of the alternative fund pending redemption.

You will receive a credit of the Program Fee imposed on alternative investments you redeem in whole or in part while you hold these investments in advisory programs, including IC. Credits will be based on the effective date of redemption. Proceeds from "hold back" promissory notes are usually received within 18 months of issuance.

**Example for illustration purposes only.** Fund ABC has a quarterly redemption period. Notice of redemption is due 9/30 and processed 12/31 (the "effective date"). Although the redemption is processed by the fund on 12/31, UBS may not receive the proceeds of the redemption for up to 120 days **after** the effective date of 12/31. Once received by UBS, the cash proceeds due to client will include a promissory note if the fund imposes a "holdback."

Program Fees will be imposed on the value of the alternative investment only until the effective date of redemption (in this example: 12/31). Thereafter, the Program Fee may not include the investment proceeds until such time as the cash proceeds are received which could be 120 days later. Fees previously imposed will be credited to your Account.

In addition, the advisory fee may not be imposed on any promissory notes received as a result of a holdback. Once the cash is added to the account, it may not be charged a contribution fee.

#### Calculation of fees

- For assets custodied at another financial institution, fees will generally be billed in arrears at the beginning of the current quarter. Your initial fee will be pro-rated to cover the period your agreement is in effect through the end of the current calendar quarter. For CID clients who pay an asset-based fee, the fee will be calculated based on the value of the eligible assets (including cash and assets for which UBS has not performed a review or due diligence) at the end of the preceding quarter or if not available the last reported value provided by your custodian. For non-discretionary clients, for the first full billing cycle following execution of your IC Agreement ("Transitional Period"), for asset-based fees, we will bill on the value of all assets that will ultimately be included in the IC relationship, as described in your IC Agreement. During the Transitional Period, you will be expected to transition all Ineligible Assets into Eligible Assets. Thereafter, for asset-based fees, the fee will



- be calculated based on the value of the eligible assets (including cash and assets for which UBS has not performed a review or due diligence) at the end of the preceding quarter or if not available the last reported value provided by your custodian.
- For assets custodied at UBS in an IC Account, IC fees will be billed in advance and we will deduct your initial fee during the same month as your IC Program Services Agreement is effective or as otherwise agreed to by us. The initial fee is then adjusted based on the average daily value of the account, as described below in Quarterly Fee Adjustment. For CID clients, your asset-based fee will be based on the value of Eligible Assets as of your billing start date or the following day. For non-discretionary clients who pay an asset-based fee, your initial fee will be based on the value of all assets that will ultimately be included in the IC relationship, as of your billing start date or the following day. During the Transitional Period, non-discretionary clients will be expected to transition all Ineligible Assets into Eligible Assets. Thereafter, the fee will be calculated on the value of only the Eligible Assets (including assets for which UBS has not performed a review or due diligence) on that date. All IC Program fees will be adjusted in the following quarter based on the average daily value of the account, as described below in Quarterly Fee Adjustment. The fee will include, if applicable, the value of accrued interest, dividends, cash and margin loans.
  - Asset-based fees are calculated based on the number of days in the calendar quarter [i.e.,  $\text{Annual Fee}/365 \times (\text{number of days in the quarter})$ ].
  - Generally flat fees for assets held away from UBS are calculated by dividing the annual flat fee into four equal quarterly payments and in some situations, the flat fee may be calculated based on the number of days in the calendar quarter.
  - Fees for projects will be billed once we complete the agreed upon project services.
  - 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 (except during the Transitional Period): the value of Ineligible Assets, including individual stocks, bonds and other securities held in a brokerage account.
  - For ERISA clients only, 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: (i) the value of UBS affiliate/proprietary investments; (ii) the value of outstanding participant loans; (iii) the value of employer proprietary investments; and (iv) the value of self-directed brokerage accounts.

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

If you invest all or a portion of your assets through another investment advisory program offered by UBS, these Firm programs are separate and distinct from UBS-IC and assets included in these programs will not be included in the assets upon which Institutional Consulting services will be performed or fees billed. If you decide to implement through the PMP program, you will be required to terminate your IC Agreement. You will be charged a separate fee for these other programs, which may be greater or lesser than the fee you pay for UBS-IC services, and the terms and conditions of the respective contracts and disclosure statements for these other programs will be applicable.

### Quarterly fee adjustment

We will adjust the Quarterly Fee that was charged in advance based on the account's average daily balance during that quarter. At the end of each quarter we will recalculate the Quarterly Fee using the account's average daily balance during the quarter. Any difference above \$25 from the quarterly fee assessed in advance will be debited from or credited to the account. **Using the average daily balance to adjust the fee captures both contributions/withdrawals and changes in market value during the quarter.** If the market value of the account increases during the quarter, your fee will increase (unless offsetting withdrawals are made from the account). Similarly, if the market value of the account decreases during the quarter, your fee will decrease (unless offsetting deposits are made to the account).

Adjustments will be due and payable within the first month of the new quarter and will be reflected on your monthly account statement as a Prior Quarter Fee Adjustment.

For example:

- Value of account on the last day of the prior calendar quarter: \$250,000
- Annual IC Fee Rate: 1.5%
- Quarterly Fee charged in advance = \$945.21 – calculated as follows  $(\$250,000 (\text{quarter end value}) \times 1.5\% (\text{annual fee rate}) \times (92 \text{ days} (\text{days in the quarter})/365 \text{ days} (\text{days in the year})) = 945.21$ .
- Avg. Daily Balance Adjustment: Following the end of the calendar quarter, the Quarterly Fee will be re-calculated and adjusted based on the average daily balance during that quarter.
- If the average daily balance of the account during the quarter was \$265,000, the recalculated fee would be \$1,001.92 and the difference between the original fee and recalculated fee of \$56.71 would be charged to your account.

The Quarterly Fee Adjustment does not apply to DVP accounts, accounts held away from UBS, or to any clients who receive an invoice.

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

When the Manager's fee is deducted directly from the account, the fee billing will be done in accordance with UBS's billing practices which in some cases may be different from those described in the Investment Management Agreement you signed with your Manager. This could result in Manager fee billing that is higher or lower than if the Manager were to bill you directly.

**Defined contribution plan clients.** Plan fiduciaries for defined contribution plans may be invoiced directly for fees or may be able to direct the plan provider to automatically calculate and pay our fees from the assets of, or generated by, the plan. We will not bill the custodian or program provider directly for our fees. In those situations in which your program provider automatically calculates and remits the program fees to us, we will provide you with an annual statement where required by law, rather than an invoice, with details on the amount of fees we have received from the plan. 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 request to have your IC Accounts be treated as related to other eligible advisory accounts for the purposes of taking these assets into consideration in order to calculate the Program fee. 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.

**Refund of fee paid**

Upon termination, a pro-rated refund of any prepaid fees will be made or, if no fees have been paid, a pro-rated fee will be charged. If you terminate your account prior to the calculation of a quarterly fee, a prorated fee based on the average daily balance for the days the account was enrolled in IC will be charged. If you terminate the account after the quarterly fee has been charged, a prorated fee adjustment based on the average daily balance for the period the account was enrolled in the program will be assessed.

**D. Trading and Execution Practices**

The following provides a general summary of our execution practices as they relate to brokerage and IC Accounts. You should note that in order to comply with principal trade restrictions, orders for most of our investment advisory clients, including IC clients, are routed for agency execution. Where permissible by applicable law, and after complying with applicable regulatory requirements, we may route orders for our investment advisory clients, including IC 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. Order delays can create system capacity challenges for UBS Financial Services Inc. and other market participants to which we route orders. As a result, clients may suffer market losses during periods of volatility in the price and volume of a particular security when systems problems result in the inability to place buy or sell orders. During Volatile Markets UBS Financial Services Inc. will process transactions unless market conditions, technology failures, trading volumes or other matters beyond our control preclude us from accurately processing transactions on the order entry date. In those circumstances, we will process the transactions as soon as practicable.

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

In order to fulfill our Best Execution obligation and help reasonably determine the best market for a security (for non-step out flow) we consider several factors, including, but not limited to:

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

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

The vast majority of our exchange-listed securities and Over-The-Counter (OTC) orders are executed through our affiliate, UBS Securities LLC—which executes orders as either principal or as agent, depending on the circumstances and type of program involved. These orders will be executed by UBS Securities LLC as principal when there is an opportunity for execution at a price equal to or superior to the price quoted on the primary exchange. If that is not the case, the order will be routed immediately to a different execution center or an unaffiliated execution center for execution. UBS Securities LLC may have a profit or loss when executing orders as principal. For orders requiring agency execution, UBS Securities LLC routes the orders to a primary exchange



or an unaffiliated market maker for execution. In some instances, however, for certain securities, we place OTC orders directly with unaffiliated market makers for execution. All routing decisions are in accordance with the principles of best execution.

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

#### **Aggregation of trades for advisory clients**

We may aggregate transactions for investment 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 investment advisory clients' accounts randomly, pro rata, or by some other equitable procedure adopted by the investment manager. In certain cases, investment managers may use a computer system that allocates purchases and sales transactions either on a random or pro rata basis. In any case, clients may pay higher or lower prices for securities than may otherwise have been obtained.

#### **Payment for order flow**

At this time, we have determined not to direct the order flow from our investment 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 investment advisory program accounts to such a trading network, we may receive indirect compensation from the ECN with respect to these trades due to our ownership interest. These arrangements will not cause you to pay additional fees directly to us. We believe that, in the course of executing trades for our clients, we may be able to obtain best execution through other exchanges or trading networks. We may direct order flow for these programs to trading networks in which we have an interest in the future if we determine that it is in the interest of our clients and consistent with our obligations under applicable laws.

#### **Best execution**

If you custody your assets in an IC Account, your SMA Manager has the option to trade through us or with other financial institutions, in accordance with the manager's obligation to achieve best execution on all trades for your account. Although use of our trading systems is not required for a manager to participate in our IC program, doing so streamlines trading and may encourage a manager to place trades for program accounts with UBS instead of with other financial institutions. SMA Managers typically will place transactions through UBS on an unsolicited basis, as your SMA Manager deems appropriate. Your Program Fee covers the costs of trades executed with UBS but not any costs of trades executed elsewhere. We refer to trades on which we are not the executing broker as "step out trades." These transactions are generally traded from broker to broker and are usually cleared net, without any commissions. However, under certain circumstances, if your SMA Manager trades with another firm, you may be assessed commissions or other trading related costs (for example, mark-ups) by the other broker-dealer, which are embedded into the price of the security allocated to your account. Those fees are in addition to your Program Fee. For this reason, your SMA Manager may find that placing trades with UBS is often the most favorable trading option for you. However, your manager may direct transactions to other broker-dealers (for additional fees or sometimes, commissions) if your manager decides that its best execution obligations so require. Some managers have historically directed 100% of their trades to outside broker-dealers.

UBS requests from SMA Managers information regarding step-out details at least annually but typically in the first quarter of each year. UBS relies upon the information provided by our SMA Managers in an annual client disclosure notice regarding step-outs that result in increased fees.

**Your SMA Manager is responsible for meeting 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 your SMA Manager will not be executing transactions with UBS, our SMA programs may not be an appropriate option if your SMA Manager does not take action to ensure that you do not incur redundant costs.**

**UBS does not analyze or evaluate whether your SMA Manager is meeting its best execution obligations on trades executed for your account. See the description of our execution and order routing practices above.**

#### **E. Closing your advisory accounts; terminating your agreement**

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

You may terminate UBS Institutional Consulting Agreement within five (5) business days of executing the Agreement and receive a full refund of all fees paid to us. Unless provided otherwise in your Agreement, either party may terminate this relationship by notifying the other in writing. Termination of the IC relationship will not automatically terminate your relationship with investment managers you have hired while enrolled in the program. In the CID program, termination of the Limited Power of Attorney will also terminate the IC relationship in its entirety. However, if you are also enrolled in the ACCESS program at UBS, termination of your IC or CID relationship will not automatically terminate your ACCESS relationship and you must specifically terminate that relationship in accordance with that program's termination provision within its contract. The termination will become effective upon receipt of the written notice. Upon termination, we will have no further obligation to you to act or advise

you with respect to your assets. Termination of your Agreement will end our investment advisory fiduciary relationship and, as applicable, our ERISA fiduciary relationship with you as it pertains to the Program.

With respect to your Program Account(s), your IC Agreement will no longer apply to those terminated accounts and the accounts will be governed solely by the terms of your UBS brokerage account. Terminating your IC 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 investment 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 investment advisory programs, and may be unavailable for purchase or holding outside of wrap fee programs. If you end your participation in the IC Program or terminate the Limited Power of Attorney in the CID program (which terminates the IC Program) and do not move such assets to another UBS wrap-fee investment advisory program, that termination results in the **automatic redemption** of shares or investments held by or on your behalf—which will have tax consequences for you. When you select one of these types of strategies or investments for your portfolio, you agree to the automatic sale of the investments upon termination of your account, and you direct us to execute these sales. We recommend that you consider the potential impact of such sales and restrictions carefully before participating in these types of strategies.

As part of your instructions to withdraw from the IC Program, you may request that we liquidate your securities. If you select or discontinue use of an SMA Manager without consulting us, you are solely responsible for that decision. We do not restrict your access to the SMA Managers during the selection process or thereafter.

We will liquidate the securities held in your Program account if you specifically instruct us to do so when you tell us to close your account. Liquidation of your account will depend upon market conditions at the time and, absent unusual circumstances, generally will be processed by the end of the next business day after instructions have been received by us. However, certain managers may take longer to liquidate securities for terminated accounts, including high yield securities, convertible securities and other less liquid securities.

If we are unable to obtain an agency bid on small bond or illiquid fixed-income positions, after a number of attempts, we will seek to sell the position on a principal basis if a bid is available. This will allow us to comply with your liquidation request in an expeditious manner.

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

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

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

## **Item 6. Portfolio Manager Selection and Evaluation**

### **A. Selecting an SMA manager; Our investment manager evaluation process**

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

**Investment manager searches.** We will identify investment managers that have been reviewed by us for recommendation to Institutional Consulting or other investment 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 may first identify 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.

We may also work with an established investment manager, either third-party or affiliated within UBS, to construct an investment strategy to fulfil a specific investment objective. The strategy may be developed for purposes of fulfilling a platform need or other demand, such as the implementation of a UBS Chief Investment Office (CIO) research theme. The research conducted for UBS CIO based strategies will take into consideration the CIO influence within the strategy. To the extent a strategy is specifically based on UBS CIO content, a CIO model, or UBS Strategic Asset Allocation Models (SAAs) we will not conduct research on the CIO content or the Asset Allocation process, as that research is conducted and provided by UBS CIO or the Wealth Management USA Asset Allocation Committee, respectively. For example, to the extent the strategy is based on SAAs or other sector allocation guidance, the research would include focus on the manager's security selection expertise. To the extent that CIO provides guidance regarding specific security selection in the strategy and the manager's goal is to implement the CIO strategy primarily as published by CIO, the research may be focused towards other aspects such as the manager's execution and implementation expertise, rather than security selection.

Some SMA Managers in turn, delegate their management responsibilities to affiliated and non-affiliated sub-advisors. All SMA Managers and associated strategies in our programs and their sub-advisors, with the exception of those managers categorized as Managed Accounts Consulting (MAC) Eligible, are subject to the initial and ongoing due diligence process.

We may work with an established manager, either third-party or affiliated within UBS, to construct an investment model (Model Provider) to fulfill a specific investment objective. In these instances, we also will work with an Overlay Manager to develop a separately managed account (SMA) strategy based on an investment model maintained by the Model Provider. It is expected that the Overlay Manager will generally follow the model, however, the Overlay Manager will have ultimate discretion regarding selection and timing of SMA strategy trades. Research will be conducted on the Model Provider investment strategy as well as the Overlay Manager identified to construct the SMA strategy for our programs. The Model Provider will often utilize only their proprietary products, such as mutual funds or exchange traded funds, when selecting investments for the model. The Model Provider receives compensation for investments in their proprietary products and therefore has an incentive to include them in their model(s). By doing so, the Model Provider oftentimes is not considering alternative products from other firms that may have features including cost and fee structures that may be preferable as compared to the Model Provider's proprietary products. The Model Provider may also have trading or other policies that favor the Model Provider's proprietary products and directly managed strategies over the SMA strategy on the UBS platform. The respective Form ADV disclosure brochures for the SMA investment manager and the Model Manager will provide additional important information regarding these arrangements.

Our review process leverages the resources of third party research firms and data providers 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 continues to be conducted by the UBS Investment Management Research Group.

**Selecting an SMA manager.** Our SMA Programs offer you the portfolio management services of a select, pre-screened group of SMA Managers. Our role is to identify managers that have been examined and deemed suitable for your needs. Your Financial Advisor will review your Investment Policy Statement, including your objectives and risk tolerance, with you after which you will select your SMA Managers for your accounts from a group of SMA Managers recommended by us. If you have engaged us for CID services, your Financial Advisor is authorized to undertake these actions on your behalf.

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

**Diversification.** Unless the asset allocation or investment strategy you selected is identified as a fully diversified strategy (for example, diversified across all asset classes), your investment in a particular strategy should only be viewed as a portion of your

overall portfolio. It should not, however, be considered as a diversified asset allocation plan to investing—either overall or within a single asset class/style.

**SMA manager searches.** To help you select an SMA Manager, at your request, we may provide information from third party or proprietary databases regarding different managers. We do not verify or guarantee this information, including past performance information, which may not be calculated on a uniform or consistent basis. Our inclusion of an SMA strategy in the database or in the manager search report is not an endorsement or recommendation of that SMA strategy by us.

**SMA manager terminations from our researched list and program offerings.** We retain the authority to remove any SMA Manager from our programs and from the researched list at any time. Circumstances under which we may terminate or discontinue a manager include (but are not limited to) persistent underperformance, significant departure from the 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 recommend a replacement for that manager. For discretionary relationships, if an investment manager is no longer reviewed, we will terminate such manager within a reasonable time frame.

**The standards applied to the performance review of third party managers vary significantly from the review of performance applicable to UBS Portfolio Managers and Financial Advisors in discretionary programs. Those differences can result in situations in which a SMA Manager is placed on hold or terminated from participating in our Programs, while Financial Advisors in the CID Program or strategies managed by UBS Portfolio Managers remain available for investment. The different standards of review create a conflict of interest in our recommendation of the strategies managed by UBS-FS Financial Advisors and our internal Portfolio Managers.**

**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 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 program, 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.

While we believe that information provided by managers is accurate, we do not independently verify or guarantee it. While a manager's investment process for a strategy is consistently applied across all UBS Programs where the strategy is offered, performance results achieved in each UBS Program will differ among programs, and from the performance shown. In addition, we cannot assure you that any performance information provided has been calculated on a uniform or consistent basis. As such, the performance shown should not be considered actual UBS Program account performance and should not be relied upon in making a decision to select a strategy or continue to have an account managed in a strategy.

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

#### **Performance reviews of SMA managers, portfolio managers and financial advisors in our advisory programs**

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

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

**Benchmark selection for performance evaluation:** We assign index benchmarks to those SMA Managers that we have researched, based on our understanding of their strategy, their investment style and our research. Those benchmarks are used for the evaluation of researched SMA Managers by our IMR team. Your performance report may reflect a different benchmark, as selected by you in consultation with your Financial Advisor. The performance comparisons for SMA Managers may differ from those presented by your SMA Managers in their materials. Depending upon the composition of your portfolio and your investment objectives, the broad market indexes used in your performance evaluation may not be the most appropriate measure for comparison purposes, and as such, are represented for illustration only. Your portfolio holdings and performance may vary significantly from the index.

## **B. UBS or UBS affiliates and employees acting as portfolio managers**

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

The IC program may offer the services of UBS affiliated managers. We also offer the services of Financial Advisors as portfolio managers in the CID offering.

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

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

### **The manager research process described above does not apply to our Financial Advisors participating in our discretionary Advisory Programs, including CID, in their capacity as portfolio managers.**

### **Education and Business Standards of Financial Advisors who provide Consulting Services in the Institutional Consulting Program**

Most of our Financial Advisors are registered as broker-dealer and investment adviser representatives. Financial Advisors who provide Institutional Consulting services are given UBS firm designations as either Institutional Consultants or Endowment and Foundation Consultants. Institutional Consultants 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 Investments & Wealth Institute or the CFA<sup>5</sup> designation from the CFA Institute. Waivers of the education requirements may be granted for Financial Advisors who have sufficient industry experience. The timeframe to meet the requirements may be extended under certain circumstances including recruitment situations. Certain Financial Advisors holding other firm designations may also provide institutional consulting services. Endowment and Foundation Consultants are usually required to have at least three years of industry experience, complete a training and education program that complements their industry experience, and have the EIC<sup>6</sup> designation from the Investments & Wealth Institute. EFCs may generally only provide services to certain non-profit organizations, including public charities, endowments and private foundations with assets less than \$25 million and may partner with Institutional Consultants to provide services to larger non-profit institutional clients. Waivers of the education requirements may be granted for EFCs who have other professional designations or sufficient industry experience.

We will provide to you a Form ADV Brochure Supplement regarding 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 [finra.org](http://finra.org), or from the Securities and Exchange Commission at [adviserinfo.sec.gov](http://adviserinfo.sec.gov).

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

## **C. Advisory Business**

### **1. Corporate Structure**

UBS Financial Services Inc. was organized as a Delaware corporation on June 30, 1969. UBS Financial Services Inc. became a registered investment adviser on January 22, 1971. It is a wholly owned subsidiary of UBS Americas Inc., a Delaware corporation. UBS Americas Inc. is a wholly owned subsidiary of UBS Americas Holding LLC, which in turn is a wholly owned subsidiary of UBS AG, a Swiss stock corporation whose business purpose is the operation of a bank, with a scope of operations extending to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS AG is in turn a wholly owned subsidiary of UBS Group AG, the holding company of the UBS Group.

### **2. Advisory Services**

#### **Advisory services and programs other than the UBS IC program**

We offer other investment advisory services separate from the UBS IC Program that are not described in this brochure. We do not hold ourselves out as specializing in a particular type of advisory service or strategy. Instead, our advisory programs and services offer a broad variety of strategies, investment options and asset allocations and features. If you would like more information please ask your Financial Advisor for the Form ADV Disclosure Brochure for those programs and services.

---

<sup>4</sup> CIMA® is a registered certification mark of the Investments & Wealth Institute in the United States of America and worldwide.

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

<sup>6</sup> EIC® is a registered certification mark of the Investments & Wealth Institute in the United States of America and worldwide.

- Wrap Fee Programs:

Program type	Programs
Discretionary Programs	Portfolio Management Program, UBS Advice Portfolio Program, Advisor Allocation Program
Separately Managed Accounts (SMA) Programs	ACCESS and Managed Accounts Consulting (MAC)
Unified Managed Accounts Program	UBS Strategic Wealth Portfolio
Non-Discretionary Advisory Programs	PACE and UBS Strategic Advisor Program
Portfolio Based Advisory Program	UBS Consolidated Advisory Program ("CAP Program")

- Financial Planning Services

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

### 3. How we tailor our advisory services

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

### 4. Performance based fees and side by side management

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

### 5. Methods of analysis, investment strategies and risk of loss

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

We obtain information from various sources, including:

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

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

- The economy
- Industries
- Groups of securities and individual companies
- Statistical information
- Market data
- Accounting and tax law interpretations
- Political developments
- Credit analysis
- Risk measurement analysis

- Performance analysis
- Other information that may affect the economy or securities prices

Research can be received through various channels, including:

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

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

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

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

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

Investments and strategies available in our investment 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 Select Lists initially or if it is removed after you invest.

#### **Discretionary programs**

UBS Portfolio Managers in our discretionary programs use a variety of research sources in making their investment decisions for your account, including research issued by the firm, UBS affiliates and independent sources.

**UBS Portfolio Managers are not required to follow the firm or UBS issued research except in limited circumstances and may, in their discretion, take positions for your account that contradict the research issued by UBS and its affiliates.**

#### **SMA Managers**

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

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

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

### **Our proprietary asset allocations**

Our asset allocations are based on a proprietary methodology. In developing those allocations, UBS considers asset class risk and return results that are based on estimated forward-looking return and risk (measured by standard deviation) assumptions ("Capital Market Assumptions" or "CMAs"). These CMAs are also based on UBS proprietary research, with the development process including a review of a variety of factors, such as the return, risk, correlations and historical performance of various asset classes, inflation and risk premium.

These CMAs are vetted and approved by UBS Wealth Management USA Asset Allocation Committee and may differ or be contrary to those established by other business areas or divisions of UBS as a result of using different assumptions and/or criteria.

The CMAs have two sets of return assumptions, designed for different investment time horizons, but a single set of risk assumptions. The "strategic" return assumptions are used for investing over one full economic cycle, whereas the "equilibrium" returns have an investment horizon of multiple economic cycles. The strategic returns have multiple uses, including developing Strategic Asset Allocations, custom portfolio analysis, and risk monitoring. The equilibrium CMAs are used for financial planning purposes and can be used, under certain circumstances, with institutional clients.

UBS periodically reviews the economic or market conditions or other general investment considerations that it believes may impact the capital market assumptions. The capital market assumptions may change from time to time at the discretion of UBS. UBS has changed its risk and return assumptions in the past and may do so in the future. We will not provide you with an updated investment proposal automatically based upon changes to these or other underlying assumptions, but you may request an updated proposal from your Financial Advisor. Changes in the assumptions may affect your Target Allocation on the broad, subclass or style level. We may also add or remove asset classes, subclasses and styles from our allocation methodology at any time. We will send you a written notice in the event that changes in our capital market assumptions result in a change to your Target Allocation. It is important to note that changes to your Target Allocation may result in tax consequences to you. Please consult your tax advisor if this occurs.

**The CMAs are not guaranteed and do not represent the risk or return of a particular security or investment. The actual performance of any particular security, investment or strategy can differ, perhaps significantly, from these CMAs.** In addition, UBS employs a variety of asset allocation models and tools. As a result, our modeling outside of the programs may vary depending upon the asset allocation model, amount invested and software program used for analysis.

### **Risks associated with eligible investments in the Institutional Consulting Program**

All investments involve risk, the amount of which will vary, and 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**

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 US Office of the Comptroller of the Currency or by a state banking authority. As a result of less stringent governance, managers of collective funds have to disclose fund performance and the components of a portfolio only once a year, although most fund managers communicate performance to investors on a more frequent basis.

– **Stable value funds**

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

– **Alternative investments**

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

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

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

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

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

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

We share certain information you provide to us during the account opening process with your SMA Managers and Financial Advisors in order to assist them in the management and servicing of your Account. The information we provide to them includes personal information, such as your name, address, social security number (TIN) and account type. We may also provide your IPS, information regarding your risk tolerance and general account information, such as risk profile and account objectives, and any investment restrictions on the account. We report account activity and make trade confirmations and monthly account statements available to them as well. We also provide trade confirmations at your direction. Our Financial Advisors who service your Account have access to the same information as listed above.

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

## Item 8. Client Contact with Portfolio Managers

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

## Item 9. Additional Information

### A. Executive Officers and Board of Directors

- **Thomas C. Naratil** is President Americas and Co-President of Global Wealth Management (GWM), Chief Executive Officer of UBS Americas Holding LLC, and a member of the Group Executive Board of UBS Group AG. UBS WMA comprises the registered broker-dealer, UBS Financial Services Inc., as well as UBS Bank USA and the Private Banking operation. As regional President, he brings together the firm's resources, talent and capabilities to benefit UBS's clients in the Americas.
- **Jason R. Chandler** is a Group Managing Director, Head of Wealth Management USA and a member of the Board of UBS Financial Services Inc.
- **Catherine Newcomb** is a Managing Director, Operating Head for Wealth Management Americas and Wealth Management Latin America and a member of the Board of UBS Financial Services Inc.
- **Samuel L. Molinaro** is Group Managing Director; President of UBS Americas Holding LLC, Head of Legacy and a member of the boards of UBS Securities LLC and UBS Americas Holding LLC and Chief Operating Officer of Wealth Management Americas.
- **Mark Sanborn** is a Group Managing Director and the Head of Markets Americas for UBS Wealth Management USA (WM USA). He is a member of the Board of Directors.
- **Ralph Mattone** is a Managing Director and the Chief Financial Officer of UBS Financial Services Inc.
- **Steve Mattus** is a Managing Director, a member of the Board of UBS Financial Services Inc., and head of Advisory and Planning Products, Americas.

### CIO Wealth Management Research Americas

- **Solita Marcelli** is a Managing Director, Regional Chief Investment Officer for the US and Head of CIO Global Wealth Management Research for UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc.

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

- **Michael Barry** is a Managing Director and Head of Workplace Wealth Services for UBS Wealth Management Americas.
- **Abe Puerto** is an Executive Director and Head of Institutional Consulting.
- **Andrew Duren** is an Executive Director and Head of the Institutional Consulting, Retirement Plan Consulting Services and Retirement Plan Guided Solutions Program Administration.

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

- **Douglas Hollowell**, is a Managing Director and General Counsel of UBS Global Wealth Management US, which includes the US registered broker-dealers, UBS Financial Services Inc., as well as UBS Bank USA, and UBS Trust Company of Puerto Rico Inc.
- **Kenneth Townley** is an Executive Director and interim Americas Head of GWM Compliance & Operational Risk Control. He is responsible for coordinating all Compliance & Operational Risk Control activities for Global Wealth Management in the Americas region, which includes UBS Financial Services Inc. Mr. Townley is also the interim Chief Compliance Officer of UBS Financial Services Inc.
- **Lisa M. Francomano** is an Executive Director, Deputy Director of Compliance and Chief Compliance Officer for UBS Financial Services' advisory business.

### B. Disciplinary History

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

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

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

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

## Disciplinary History

**1 Date of Action: July 19, 2021**

Brought By: Securities and Exchange Commission  
Entity: UBS Financial Services Inc.

The SEC issued an Order finding that UBS violated Section 206(4)-7 of the Investment Advisers Act and Advisers Act Rule 206(4)-7 in connection with the firm's failure from January 2016 through January 2018 to adopt written policies and procedures that were reasonably designed to prevent the unsuitable use of VXX, a volatility exchange-traded product, as a buy-and-hold investment in the firm's discretionary portfolio management program ("PMP"). The Order noted that even though the Firm had mandatory training and a concentration limit for VXX in PMP, it did not have a control to prevent PMP advisors from holding VXX for unsuitably long periods. The Order also noted that UBS on its own decided to remove VXX from the PMP program altogether in late 2017.

Disposition: Cease & Desist Order; Censure; civil monetary penalty of \$8,000,000; disgorgement and pre-judgment interest of \$112,274.

**2 Date of Action: July 20, 2020**

Entity: UBS Financial Services Inc.  
Brought By: Securities and Exchange Commission

The SEC issued an order finding that UBS violated MSRB Rules G-11(k), G-17, G-27 and Section 15B(c)(1) of the Exchange Act between August 2012 and June 2016. The SEC alleged UBS did not comply with certain retail order period restrictions in new issue municipal bond offerings it distributed by allocating bonds intended for retail customers to certain customers, who immediately resold or "flipped" the bonds to other broker-dealers at a profit. The Order also found UBS, through certain registered representatives, improperly obtained negotiated new issue bonds for UBS's inventory by placing indications of interest with the flippers who then placed customer orders with the underwriting syndicate, instead of UBS submitting dealer orders directly with the syndicate on its own behalf. This practice was found to have circumvented the priority of orders and given UBS access to a higher priority in the bond allocation process than it typically would have had.

Disposition: Cease and Desist; Censure; disgorgement of \$6,740,000, prejudgment interest of \$1,549,336, and a civil penalty in the amount of \$1,750,000 for a total of 10,039,336.

**3 Date of Action: September 28, 2016**

Brought by: Securities and Exchange Commission  
Rule: Section 15(b)(4)(E) of the Exchange Act

Allegations: The SEC alleged that during the period of 2011 – 2014, UBS failed reasonably to fulfill supervisory responsibilities within the meaning of Section 15(b)(4)(E) of the Exchange Act because UBS failed to establish reasonable policies and procedures, and a system for applying such procedures, that would reasonably be expected to prevent and detect the violations of Section 17(a)(3) of the Securities Act. The product under review was the Reverse Convertible Note ("RCN") with a single stock as the underlying asset, also called single-stock-linked RCNs. The Order finds that the Firm failed to reasonably supervise its RCN sales by failing to develop and implement adequate education and training for its Financial Advisors regarding certain aspects of single stock-linked RCNs, including for example, the role of implied volatility of the underlying stock in the selection of the stock as the asset underlying the RCN. The Order highlighted the Firm's significant cooperation and prompt enhancement of procedures addressing the SEC's concerns.

Disposition: SEC censure order and fine

Fine: \$8,227,566 in disgorgement (to the SEC), \$798,316 in interest, and \$6 million in penalty, for a total of \$15,025,882.

**4 Date of Action: December 2014**

Brought By: State of Vermont Department of Financial Regulation  
Entity: UBS Financial Services Inc.

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

**5 Date of Action: December 2013**

Brought By: FINRA  
Entity: UBS Financial Services Inc.

The firm was fined a total of \$260,000 for rule breaches involving fair pricing of 5 municipal bond transactions, best

## Disciplinary History

execution obligations relating to 51 transactions and late reporting to TRACE of 303 trades. The breaches occurred over sporadic periods between 2008 and 2012.

Censure and Fine: \$260,000

- 6 Date of Action: August 2013  
Brought By: North American Securities Administrators Association  
Entity: UBS Financial Services Inc.

UBS employed client service associates who accepted client orders without being registered with relevant state authorities and failed to supervise those associates adequately. UBS settled the matter without admitting or denying the findings of fact. UBS agreed to enter into separate settlements with each state and the civil penalty will be divided amongst the states in individual settlement amounts.

Fine: \$4.58 million

- 7 Date of Action: December 12, 2012  
Brought By: FSA, FINMA, CFTC  
Entity: UBS AG

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

- 8 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

- 9 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

- 10 Date of Action: February 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)

## Disciplinary History

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

11 Date of Action: September 30, 2011

Brought By: FINRA

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

Acceptance, Waiver and Consent Censure and Monetary Fine: \$300,000

12 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

13 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

14 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

## 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

UBS Financial Services Inc. is a registered broker-dealer that provides a full suite of wealth management advisory services. Our investment advisory business is the principal business in terms of revenues.

### **UBS Financial Services Inc. subsidiaries and 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 Trust Company of Puerto Rico
- UBS Credit Corp. provides loans to clients that are either unsecured or secured by securities or other financial instruments. These loans may be used to buy securities or for other purposes. These loans are not subject to the maintenance requirements and potential capital charges that are imposed on broker-dealers.
- UBS Bank USA is an FDIC-insured Utah industrial bank. UBS Bank USA provides deposit services and secured and unsecured loans to clients, including loans secured by securities or other financial instruments and residential real estate. The securities based loans made by the Bank are predominately loans that are "non-purpose" and may be used for purposes other than buying, trading or carrying securities. Non-purpose securities backed loans are not subject to the maintenance requirements and potential capital charges that are imposed on broker-dealers.
- UBS Business Solutions US LLC is an affiliate of UBS Group AG that provides certain services to UBS Group AG's affiliates and subsidiaries that operate in the United States. Services currently include Finance, Risk Control, Compliance, Legal, Human Resources, Technology and Operations.

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, pensions and other employee benefit plans, other tax-exempt organizations, insurance companies, investment companies, commingled trust funds, corporations, and other institutional investors, and serving as investment managers, administrators, distributors and/or placement agents for a number of funds, including (in the case of UBS Asset Management (US) Inc.), the PACE Select Advisors Trust and a number of UBS and UBS Asset Management-advised mutual funds. Certain of the investment advisers listed below may serve as investment manager for clients participating in our MAC, ACCESS program or SWP programs.

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

- UBS Farmland Investors LLC
- UBS Hedge Fund Solutions, LLC
- UBS Fund Advisor, LLC
- UBS Asset Management (Americas) Inc.
- 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 Wealth Management Americas 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>7</sup>

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

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

#### **1. Principal transactions and agency cross trades.**

Under applicable rules and regulations, we may enter into principal transactions for investment advisory clients after making appropriate disclosure and obtaining client consent when necessary. However, as a matter of policy, UBS does not permit principal trading in IC accounts.

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. Your consent to "agency cross" transactions may be revoked at any time by written notice to us. For MAC accounts, we may execute "agency cross" transactions on a routine basis, consistent with best execution, unless we or one of our affiliates is acting as investment manager.

#### **Conflict of interest**

UBS and our affiliates expect to earn a profit whenever we engage in principal transactions with you, and depending on the type of security, we may include a profit margin in the price we pay or charge you, by marking up or marking down the price of the security.

The profits we or our affiliates earn on these transactions will be in addition to the fees you pay us under the Program for investment advice, trading, execution, custody and other program services. As a result, principal transactions present a conflict between your interests and our interests and those of our affiliates, because we have a financial incentive to recommend these transactions to you when they might not be in your best interest.

When we execute a principal transaction for your account, it is possible that better prices or other terms for the trade could be obtained from alternative sources not known to UBS. Since there may be securities offered by other dealers only to their clients, you may not be able to compare the price on securities offered by these dealers to those offered by UBS. These conflicts are addressed as follows:

- We have an obligation to provide you with best execution and we believe we can provide best execution to you by routing certain orders to our affiliate, UBS Securities LLC, for execution on a principal basis.
- We monitor our execution services and measure how we meet our best execution obligation by taking into account many factors, including the degree to which our affiliate, UBS Securities, executes principal trades in client accounts and, specifically, the pricing and service quality that we receive in connection with principal trades versus the costs associated with foregoing a trade (if UBS is the only dealer in a security) or executing on an agency basis through another dealer.
- The mark-up or mark-down on securities in advisory accounts is not shared with your Financial Advisor.
- Although we are not required to waive or offset our compensation under applicable rules or regulations, for certain security types such as new issue fixed-income securities, we may waive some of the compensation we earn in executing principal trades, or waive a portion of the fee imposed on your account for a period of time as an offset for other compensation we receive.

#### **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, and may give advice to or take actions for those clients, or for our own accounts for those of our affiliates that differs from advice given to, or the timing and nature of actions taken for you. We and our affiliates may buy and sell securities for our own or other accounts, or we may 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

---

<sup>7</sup> Access person: all branch office employees, regardless of their job function, and 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 investment advisory programs.

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 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 home office discretionary programs. Additional home office employees may be deemed Access Persons depending upon their work location 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. See the section "Trading and Execution Practices" for more information.

### **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 for certain trades. 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. At the end of the calendar year, if the net ending value of the Firm's error account is a gain the firm will donate funds to charity. 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.

## **2. Additional Sources of Compensation from SMA Managers or Vendors whose Products we may Recommend to our Advisory Clients**

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

Investment managers, mutual fund vendors, unit investment trust sponsors, annuity, life insurance companies or their affiliates and sponsors of ETFs whose products are available on our platform may contribute funds to support our Financial Advisor education programs. The contributions are used to subsidize the cost of training seminars we offer to Financial Advisors through specialized firm-wide programs and regional training forums. These seminars are designed to provide training and education to Financial Advisors, Branch Office Managers, Field Leadership, and other personnel who regularly solicit clients to participate in the various types of businesses listed above. These contributions also subsidize a significant portion of the costs incurred to support the Financial Advisor training, Financial Advisor and Client education, and product marketing efforts conducted regionally and nationally by product specialists employed by UBS. The training events and seminars can (and often) include a non-training element to the event such as business entertainment which is not subsidized by vendors. 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 or 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, tends to lead Financial Advisors to recommend the products and services of those vendors as compared to 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 available in our advisory programs**

Financial Advisors who recommend or, otherwise solicit the hiring of investment managers in our Programs are generally not permitted to receive any directed commission income or other transaction revenue from any investment manager who is also employed in any of their ACCESS or IC account relationships subject to certain exceptions. However, the firm and other Financial Advisors may execute securities transactions directed to us by affiliated and unaffiliated investment managers for other clients. These transactions and the compensation we receive may not be pursuant to any specific oral or written arrangement between us and any of the affiliated and unaffiliated investment managers.

## **3. Additional Sources of Compensation in Connection with Investments in Investment Advisory Accounts**

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

The amount of fees paid to us, and therefore your Financial Advisors, may vary depending on the arrangement between us and the vendors/sponsors and, if applicable for mutual funds, and the terms and conditions of the relevant fund's 12b-1 or trailing commission plan. If you hold these assets in your investment advisory accounts, we receive these payments for the duration of your investment advisory program agreement. In some circumstances, our receipt of such compensation may extend beyond your participation one of our investment 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 some investment advisory accounts, and alternative investments is greater than the amount payable to the organization as a whole from the sale of unaffiliated mutual funds or products.

Where UBS proprietary products are permitted in IC, 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 IC Program.

Unless otherwise noted, we receive the payments described below for affiliated and non-affiliated products. Please see Section 4D (Compensation to Financial Advisors Who Recommend Advisory Programs) for description of compensation practices on Retirement Account Assets.

## Domestic Mutual Funds

Payment type	Current rate	Source of payment	Do Financial Advisors receive a portion of these fees?
Trailers & 12b-1 Fees	<ul style="list-style-type: none"> <li>Affiliated funds in Advisory Programs: No trailers or 12b-1 fees.</li> <li>Non-affiliated funds: Fees on A shares generally range from 0.04% to 0.50% per year—although the average current annual rate is approximately 0.25%, however, the majority of assets in the Programs are Advisory and Institutional shares and carry no trailers or 12b-1 fees.</li> </ul>	<p>Investors/Shareholders pay these fees to the sponsors of the Funds.</p> <p>We receive these payments from the sponsors for distribution and shareholder services we provide in connection with the purchase and sale of mutual fund shares.</p>	No. 12b-1 fees for Class A shares in PACE, Strategic Advisor and SWP are retained by the Firm and are not paid to Financial Advisors. The 12b-1 fees are treated as non-compensable revenue. See "Revenue Sharing" below for a description of that process.
Networking Fees <sup>8</sup>	<ul style="list-style-type: none"> <li>\$4 – \$16 for each mutual fund position that is held at UBS but typically \$12 – \$13. 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>9</sup>	<ul style="list-style-type: none"> <li>These payments, which usually range from \$10 to \$26 per position but are typically between \$15 – \$26, can vary by share class. Some fund companies may choose to calculate this rate expressed in basis points on assets, which may result in payments in excess of \$26 per position. The asset managers making these payments may consider the excess of what the mutual fund would otherwise have paid for these services on a per position fee schedule as a form of revenue sharing. Exclusions may apply to positions below an asset level mutually agreed upon by UBS and the fund company, certain discretionary advisory and retirement accounts and certain funds and/or shares classes. A portion of the payments we receive for Omnibus processing is paid to a sub-account vendor contracted by UBS.</li> </ul>	<p>These fees are paid by mutual fund sponsors from investor assets but in some cases may be subsidized, in part, by affiliates of the mutual funds.</p>	No

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

<sup>9</sup> For an individual fund company, UBS may receive either Networking Fees or Omnibus Processing Fees.

## Offshore Mutual Funds

Payment type	Current rate	Source of payment	Do financial advisors receive a portion of these fees?
Trails	<ul style="list-style-type: none"> <li>– Equity offshore funds: generally range from 0.00% to 0.90%.</li> <li>– Fixed income offshore funds: 0.00% to 0.60%.</li> </ul> <p>Please ask your Financial Advisor for our fee schedule that shows the specific trail commissions that are paid to your Financial Advisor as these amounts are typically not clearly disclosed in the offering materials of offshore funds.</p>	Asset-based fees typically paid by the distributor or advisor of the offshore fund.	Yes—Trails are received in brokerage accounts only. Trail s are rebated back to clients in the advisory programs.
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 0.70% 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, which would include both revenue sharing payments and trails/commissions.</p>	Revenue-sharing compensation is paid directly from the distributor or advisor, and not from the offshore funds or indirectly through fund portfolio trading commission. Revenue-sharing compensation is intended to compensate us for ancillary services related to the sales of offshore fund shares.	No

## Alternative Investment Funds

Payment type	Current rate	Source of payment	Do financial advisors receive a portion of these fees?
<ul style="list-style-type: none"> <li>– Referral Fees</li> <li>– Distribution Fees</li> <li>– Management Fees</li> <li>– Administrative Fees</li> <li>– Performance (incentive-based fees)</li> </ul>	<p><b>Proprietary funds:</b> Strategic Advisor, UBS-IC, UBS-CID and UBS-CAP: Proprietary funds available in these Programs either on an ongoing basis, or as legacy investments are managed or administered by an affiliate. The management/administrative fees range between 50 bps and 200 bps. Our affiliate pays us between 35 bps and 100 bps for distribution of these funds to brokerage clients. We do not receive those fees in connection with purchases in advisory accounts.</p> <p><b>Proprietary master/feeder funds:</b> For brokerage investments, UBS may receive a one-time service fee between 50 and 100 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. In addition, Financial Advisors may impose placement fees: of up to 2% from its clients.</p> <p><b>Advisory master/feeder fund investments:</b> Neither management, placement nor administrative fees will be imposed at the UBS Feeder level. UBS Investors will incur the management and other fees imposed by the Master Fund.</p> <p><b>Non-proprietary funds</b></p> <p><b>For Brokerage Investments:</b> 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. 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>	Yes

---

**Advisory/institutional share classes:** For advisory share classes the administrative and shareholder servicing fee UBS receives are usually in the range of 10 to 20 bps and apply to taxable assets only. The fee is not paid in connection with IRA or Qualified Plan assets. We may receive these fees in connection with Non-Proprietary fund investments and the Master Funds in which proprietary feeder funds are invested.

**Financial Advisors do not receive a portion of the administrative and shareholder servicing fees.**

**In circumstances where a non-proprietary fund does not offer an advisory share class and places Advisory program account investors into the same share class as brokerage investments, accounts which are part of an Advisory program receive a rebate in the amount up to the fees and compensation received by UBSFS for brokerage investments. If such rebate amount remains in the account, it will be subject to the advisory program fees of the account.**

---

**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, [ubs.com/mutualfundrevenuesharing](https://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 including the IC Program) and
- The asset value of a particular mutual fund family's shares held by our clients at UBS in eligible programs.

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

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

In general, we charge each mutual fund family up to the following amounts:

- Up to 0.15% per year (paid quarterly) on all sales of mutual fund shares (excluding sales through wrap-fee programs); generally, the amount ranges from 0.05% – 0.15%.
- Up to 0.20% per year (paid quarterly) of the asset value of all equity mutual fund shares held at UBS (other than money market or offshore funds); the most common rate on equity mutual fund shares is 0.15%.
- 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 or offshore funds) the most common rate on fixed-income mutual funds shares is 0.10%.
- 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.

Generally, we receive revenue sharing compensation in connection with all mutual fund assets, including assets in Institutional and Advisory shares. This additional compensation we receive presents a conflict of interest and is an incentive to allow certain Institutional and/or Advisory share classes to be purchased in investment advisory programs for which we receive higher compensation.

Except as noted below, and for the Multi-Select Securities Fund for Puerto Rico Residents and the U.S. Monthly Income Fund for Puerto Rico Residents, which do 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 Government Money Market investments or mutual fund assets held at other financial institutions. We may exclude certain mutual fund shares from the above calculations. And although we seek to apply a level, standard payment schedule for all of the mutual fund companies whose funds we sell, we recognize that mutual fund companies approach revenue sharing in a variety of ways, and that some mutual fund companies may decline to pay revenue sharing exactly at the levels listed above or at all, which may present a financial disincentive for us to promote the sale of those funds that do not pay us at the levels listed above.

Revenue-sharing payments present a conflict between our interests and those of our customers, because the payments give us a financial incentive to recommend that our customers buy and hold shares of those funds that we maintain on our distribution platform and for which we receive revenue-sharing payments. Although mutual funds from over 300 different mutual fund families are available through our distribution platform, this is only part of the universe of mutual funds that are available to our customers in the marketplace.

**Unit investment trusts.** 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. These payments are only made on the sale of units subject to a transactional sales charge. 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. 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.

**Multi-Select Securities Fund for Puerto Rico Residents and U.S. Monthly Income Fund for Puerto Rico Residents, Inc.:** The six portfolios of the Multi-Select Securities Fund for Puerto Rico Residents and the one portfolio of the U.S. Monthly Income Fund for Puerto Rico Residents, Inc. are available in certain investment advisory programs (non-retirement accounts) to residents of Puerto Rico. The Multi-Select Securities Fund for Puerto Rico Fund and the U.S. Monthly Income Fund for Puerto Rico Residents, Inc. are open-end funds registered under the Puerto Rico Investment Companies Act and the Investment Company Act of 1940. The Funds pay trailers and 12b-1 fees at the rate of 0.25% of the fund's net assets per year. These fees are retained by the Firm and are not paid to Financial Advisors.

UBS Asset Managers of Puerto Rico, a Division of UBS Trust Company of Puerto Rico Inc. invests a portion of each portfolio of the Multi-Select Securities Puerto Rico Fund (excluding the ETF portfolio) in accounts through the ACCESS Program. Detailed information about the fund and the portfolios, including the current annual rates of investment management fees and administrative fees paid to us or our affiliate are described in the applicable fund's prospectus, available at [ubs.com/prfunds](https://ubs.com/prfunds).

Our affiliate, UBS Trust Company of Puerto Rico Inc., receives fees for providing investment management, administration and shareholder servicing to the Multi-Select Securities Fund for Puerto Rico Residents, the U.S. Monthly Income Fund for Puerto Rico Residents, Inc. and other funds that may be available to Puerto Rico residents in the investment advisory programs in the future.

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

Our affiliate, UBS Asset Management (Americas) Inc. ("UBS AM Americas"), is the advisor and/or administrator for the money market funds used as sweep vehicles in investment advisory program accounts. Another affiliate, UBS Asset Management (US) Inc. ("UBS AM – US"), serves as the principal underwriter for those funds. Under the terms of our agreements with UBS AM – US, we receive service (non 12b-1) fees paid by these funds (except UBS Liquid Assets Government Fund), as well as revenue sharing payments paid by UBS AM-Americas (or UBS AM-US) related to these funds. Service (non-12b-1) fees for these funds are paid at an annual rate of up to 0.25% of the fund's average daily net assets. Revenue sharing payments related to these funds are paid to us out of the legitimate profits or other resources of UBS AM-Americas and/or UBS AM-US and may be up to the annual rate of 0.12% of the fund's average daily net assets (excluding UBS Liquid Assets Government Fund).

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.

UBS AM—Americas may receive up to 0.20% annually for service fees in connection with money market sweep 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.

**UBS Bank Sweep Programs:** We receive an annual fee of up to \$50 from UBS Bank USA for each UBS account that sweeps into deposit accounts at UBS Bank USA, to the extent permitted by law.

**UBS FDIC-Insured Deposit Program:** All Program Banks, except UBS Bank USA, will pay UBS a fee equal to a percentage of the average daily deposit balance in your Deposit Accounts at each Program Bank. The fee varies from bank to bank and ranged between 0.28% and 0.19% from July 2020 to July 2021. The rate for July 2021 averaged 0.19%. The service fee is paid monthly. UBS Bank USA will pay UBS an annual fee of up to \$50 for each Securities Account that sweeps through the Program into Deposit Accounts at Bank USA.

## 5. Other Forms of Compensation from Third Parties

**Non-cash compensation:** We and our Financial Advisors receive non-cash compensation from mutual fund companies, investment managers, unit investment trust sponsors, annuity providers, insurance vendors, and sponsors of investment products (including ETFs) that we distribute. This compensation includes the following:

- Occasional gifts up to \$100 per vendor per year and occasional meals, tickets or other entertainment of reasonable and customary value. The thresholds and limits for gifts and entertainment are designed to mitigate conflicts related to recommending the products of the providers of such gifts, meals or entertainment.
- Sponsorship support of educational events the Financial Advisors arrange for clients and prospective clients.
- Contributions made at the firm-level toward seminars and educational programs for Financial Advisors. These contributions are significant both per vendor and in the aggregate. While Financial Advisors do not receive any portion of these payments, the conflict presented is that a Financial Advisor's attendance and participation in educational or training forums, and the increased exposure to vendors who sponsor these events, tends to lead Financial Advisors to recommend the products and services of those vendors. These seminars and educational programs often include non-educational elements of the event such as business entertainment which is not subsidized by vendors. (See above, *Contributions to Training and Education Expenses*, for additional details).
- Various forms of marketing support and, in certain limited circumstances the development of tools used by the Firm for training or record-keeping purposes.

The receipt of cash and non-cash compensation from sources other than clients, and the differences in the way we compensate Financial Advisors for the products we offer, create an incentive for Financial Advisors to recommend certain products and account types over others.

We address our conflicts of interest by maintaining policies and procedures requiring that Financial Advisors act in your best interest, reasonably supervising their activities and by disclosing these conflicts to you so that you can make fully informed decisions.

Non-cash compensation can vary by vendor and event.

**Compensation for data analytics (strategic insights).** Our Strategic Insights program offers vendors whose products are offered on the UBS Financial Services platform the opportunity to enter into agreements with us pursuant to which, for a fee ranging from \$150,000 – \$330,000, 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

## 6. Margin and Lending

You may choose to engage in leverage strategies involving the assets in your eligible non-retirement, non- custodial accounts. Margin is generally not recommended or permitted in advisory accounts. However, we may from time to time, approve margin on an exception basis when requested by a client or for use in specialized strategies available in our advisory programs. You may also use certain managed account assets to collateralize margin lending in your brokerage account or non-purpose loans referred to as credit line loans below. Certain accounts in Strategic Advisor may use margin upon request.

You must meet certain eligibility requirements and complete loan documentation prior to using margin in your advisory account 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 or UBS Credit Corp.

**Margin.** Using margin in an advisory account or using the advisory assets as collateral for margin used in another account is a more aggressive, higher risk approach to pursuing your investment objectives. Before you decide to use margin in your managed account or to use such assets as collateral for margin, you must carefully consider:

- Whether or not you can afford, and want, to assume the additional risks that losses in your account may be significantly greater than if you decide not to invest with borrowed funds (i.e., not to use leverage).
- That the use of leverage will increase your costs of investing, as well as your risks, and depending upon the return achieved through the use of margin, may make your investment objectives more difficult to realize.
- Interest on the outstanding loan balance. Since the wrap fee is calculated as a percentage of assets under management, the use of margin to purchase securities in a managed account generally will increase the amount of (but not the percentage of) the wrap fee that you pay to us. This will result in additional compensation to us, the Financial Advisor and your selected investment manager.
- Financial Advisors do not receive any portion of the interest paid to us; however, Financial Advisors meeting a minimum length of service period (generally 24 months) receive credit for the amounts of the margin loan drawn as of December 31st for purposes of bonuses, awards, and club status.

**The decision to use leverage in a managed account or use those assets as collateral rests with you and should only be made if you understand:**

- The risks of margin borrowing and the impact of the use of borrowed funds on a managed account
- How the use of margin may affect your ability to achieve investment objectives.
- **You may lose more than your original investment.**
- Also, a positive or negative performance of a margined managed account, net of interest charges and other account fees, will be magnified by virtue of using borrowed money. As a result, gains or losses in a leveraged managed account will be greater than would be the case with an unleveraged managed account.
- **You will not benefit from using margin in an advisory account if the performance of your account does not exceed the interest expense being charged on the loan plus the additional advisory account fees incurred by your account as a result of the deposit of the loan proceeds.**

**Credit lines.** You also may apply to borrow money from our affiliates, UBS Bank USA or UBS Credit Corp., using an eligible securities account. These eligible securities accounts may include one or more of your advisory accounts, which may be used as collateral pursuant to the UBS Credit Line Program. Credit line loans are either non-purpose or purpose loans. Non-purpose loans may not be used to purchase, trade or carry securities and may be used for other liquidity needs such as personal expenses, real estate transactions, or other needs. Purpose loans may be used to purchase, trade or carry securities or may be used for other liquidity needs such as personal expenses, real estate transactions, or other needs. Please review your loan agreement to make sure you understand which type of loan you have and that you ensure you are in compliance with its terms. In order for an advisory account to be eligible to serve as collateral for a credit line loan the advisory account may not also serve as collateral for any margin lending. You are responsible for independently evaluating if the loan is appropriate for your needs, if the lending terms are acceptable, and whether the loan will have potential adverse tax or other consequences to you. Your decision whether to arrange a loan or draw down on your loan and how you use your loan proceeds is not encompassed within our advisory relationship. The lending relationship is governed exclusively by the Credit Line Agreement between you and UBS Bank USA or UBS Credit Corp. and any interaction you have with your Financial Advisor in connection with applying for or obtaining a credit line is in his or her capacity as a broker, not as an investment adviser.

If you wish to collateralize a credit line loan with an advisory account, we will automatically discontinue the margin for that account. Since your advisory account will be pledged to support any loans extended under the UBS Credit Line Program, you will not be permitted to withdraw any of the assets in the account unless there is a sufficient amount of collateral otherwise supporting the loans (as determined by UBS Bank USA or UBS Credit Corp. in its sole discretion).

If you participate in the UBS Credit Line Program, you will pay interest to UBS Bank USA or UBS Credit Corp. separately and in addition to any IC Program Fees paid to UBS. The interest rate charged in connection with a credit line loan from our affiliates may be higher than that charged by other lenders. UBS Bank USA pays to UBS a servicing fee based on the amount of outstanding loan balances, irrespective of the type or level of interest rate, to compensate UBS for referring clients and for administrative and operational support relating to the loan. In the event you maintain a loan balance on a non-purpose loan, your Financial Advisor will receive compensation primarily based upon the outstanding balance and the corresponding spread on the loan. This provides an incentive for your Financial Advisor to refer you for a non-purpose loan and to draw down on the loan. In certain circumstances, the loan approval amount may determine whether your Financial Advisor is eligible for compensation, but even in those circumstances compensation paid to your Financial Advisor depends on the outstanding balance. Your Financial Advisor does not receive any portion of the interest or fees paid to UBS Bank USA or UBS Credit Corp on a purpose loan; however, Financial Advisors meeting a minimum length of service period (generally 24 months) receive credit for the amounts of the purpose loan drawn as of December 31 for purposes of bonuses, awards, and club status.

Moreover, as UBS and your Financial Advisor are compensated primarily through advisory fees paid on your account, we (and your Financial Advisor) benefit if you draw down on your loan to meet liquidity needs rather than sell securities or other investments in your account, which would reduce our advisory fee. A draw down would preserve your Financial Advisor's advisory fee revenue and may generate additional loan-related compensation for him. This presents a potential conflict of interest for your Financial Advisor when addressing your needs for liquidity. UBS mitigates this potential conflict by training and supervising Financial Advisors to make investment decisions that are in your best interest.

Our affiliates will have a lien on assets in your account to secure a credit line loan, which creates a potential conflict of interest with respect to the management of your account. Specifically, in order to preserve sufficient collateral value to support the loan and avoid a house call, depending upon your leverage, a Financial Advisor may be inclined to invest your account in more conservative investments, which may result in lower investment performance than more aggressive investments (depending on market conditions). We mitigate this risk by requiring and monitoring to ensure that your account is managed consistent with your respective investment strategies. In addition, where a loan is secured by both brokerage and advisory assets, a Financial Advisor will benefit if your brokerage assets are liquidated prior to or instead of your advisory assets because he would then be able to maintain advisory fee revenue.



## Defaults

- Margin Accounts: Margin loans are full recourse, demand loans and clients with margin accounts may need to deposit additional cash or collateral or repay part or all of the margin loan if the value of the portfolio declines below the required loan-to-value ratio. We may demand repayment at any time. You are personally responsible for repaying the margin loan in full, regardless of the value of the collateral.
- Credit Lines: Likewise, credit line loans extended under the UBS Credit Line Program are full recourse demand loans and are “margin loans” subject to collateral maintenance requirements. UBS Bank USA or UBS Credit Corp. may demand repayment at any time. If the required collateral value is not maintained, UBS Bank USA or UBS Credit Corp. can require you to post additional collateral (commonly referred to as a “margin call”), repay part or all of your loan and/or sell your securities. You are personally responsible for repaying the Credit Line in full, regardless of the value of the collateral.

Failure to promptly meet a request for additional collateral (a margin call) 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 or to repay all or a portion of the outstanding margin or credit line obligations. It is possible that neither you nor your Financial Advisor will be provided advanced notice of a liquidation of securities that you have pledged as collateral. Furthermore, neither you nor your Financial Advisor may be entitled to choose the securities to be liquidated. Depending on market circumstances, the prices obtained for the securities may be less than favorable. When securities are forcibly liquidated pursuant to a house call or demand for full or partial repayment of the loan, either UBS Bank USA or UBS Credit Corp. will liquidate or instruct UBS to liquidate (in its capacity as a broker-dealer) some or all of the collateral account(s). UBS will benefit if your brokerage assets are liquidated prior to or instead of your advisory assets because UBS would then be able to maintain advisory fee revenue. However, UBS follows procedures, agreed upon with UBS Bank USA and UBS Credit Corp., relating to such liquidations to address and eliminate this potential conflict by prioritizing the position(s) with the most exposure and highest maintenance requirement, irrespective of which account type holds such securities.

Any required liquidations 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.

**Neither UBS, our affiliates nor our Financial Advisors will act as investment adviser to you with respect to the liquidation of securities held in an advisory account to meet a margin call or credit line loan demand. In addition, as creditors, we and our affiliate may have interests that are adverse to you. Our affiliated lenders have the right to protect their own commercial interests and take actions that adversely affect the management of your Account and related performance.**

**Additional limitations and availability may vary by state. Those liquidations will be executed in our capacity as broker- dealer and creditor and may, as permitted by law, result in executions on a principal basis in your Account.**

**Securities backed financing involves special risks (including, without limitation, being subject to a margin call if certain collateral value requirements are not met) and is not suitable for everyone. For further information, please see the UBS Financial Services Inc. Loan Disclosure Statement, which is available from your Financial Advisor. Please speak with your Financial Advisor about how your Account may be used in connection with a credit line loan and how the loan should be taken into consideration when discussing the management of your Account.**

## Item 12. Personal Trading

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

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

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

## 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 peer groups and benchmarks and style drift of investments
- Determine whether portfolio adjustments should be made

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

#### **Item 14. Client Referrals and Other Compensation**

Arrangements with Affiliates: We have referral agreements with our affiliates that outline:

- How we refer clients to them.
- How they refer clients to us.
- How we act as solicitor for their advisory services and/or wrap fee programs.
- How we refer clients to them for services other than advisory services.

In certain cases, the advisory and consulting services available in our Programs may be provided by Financial Advisors registered with companies affiliated with us through a solicitation agreement with us or we may serve as a clearing broker for those affiliated entities.

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

**Third party arrangements:** We also have a referral program that allows UBS to enter into solicitation arrangements with third parties that we compensate for referring or soliciting clients to participate in our advisory or trust services programs. The compensation solicitors receive includes a portion of the advisory fees we receive from referral clients.

We also have solicitation arrangements under which either we and/or our Financial Advisor may receive compensation for referring clients to a third party who will provide investment Advisory or other services to the client. The compensation we receive is usually a portion of the advisory fee the third party receives from its clients. In certain circumstances we may also receive commission revenue for transactions those third parties execute through our firm. It is our practice to disclose to the client being referred the terms of the arrangement, including the maximum compensation payable to us and/or our Financial Advisors or a third party, as the case may be.

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

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

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

**Referral arrangements for annuities for insurance business.** UBS offers a referral program for property and casualty insurance, high limit disability insurance, certain life insurance products and products for certain international clients, and pension risk transfer services. Under these programs, a Financial Advisor may refer a client to a third party general agency ("General Agency") or other third party firm ("Third-Party Firm") that sells the insurance or annuity policy directly to the client. The General Agency or other third party firm then pays UBS a portion of the commission it receives from the insurance company that issues the policy or the fee that the Third-Party Firm receives from the client ("Referral Fee"). The fees and charges paid by clients, as well as the Referral Fee paid to UBS, will differ based on the type of policy and a variety of other factors. Financial Advisors receive a portion of the amounts UBS receives based on the grid rate applicable to them. Clients will receive disclosures from their Financial Advisor when a referral is going to be made.

#### **Item 15. Financial Information**

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

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

## 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

September 17, 2021

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

#### UBS Institutional Consulting Program

This Summary of Material Changes applies to the Form ADV Disclosure Brochure for our 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 Services Form ADV Disclosure Brochure since the last amendment of our Form ADV on March 31, 2021.

## **Item 5.B.8 (Cash Balances in your Advisory Accounts) and Item 11.B.3 (Additional Sources of Compensation in Connection with Investments in Advisory Accounts)**

These sections have been updated to reflect that the Puerto Rico Short-Term Investment Fund is no longer available as a sweep option.

## **Item 9 (Additional Information), Section B – Disciplinary History**

This section has been updated to add the following:

Date of Action: July 19, 2021

Brought By: Securities and Exchange Commission

Entity: UBS Financial Services Inc.

The SEC issued an Order finding that UBS violated Section 206(4)-7 of the Investment Advisers Act and Advisers Act Rule 206(4)-7 in connection with the firm's failure from January 2016 through January 2018 to adopt written policies and procedures that were reasonably designed to prevent the unsuitable use of VXX, a volatility exchange-traded product, as a buy-and-hold investment in the firm's discretionary portfolio management program ("PMP"). The Order noted that even though the Firm had mandatory training and a concentration limit for VXX in PMP, it did not have a control to prevent PMP advisors from holding VXX for unsuitably long periods. The Order also noted that UBS on its own decided to remove VXX from the PMP program altogether in late 2017.

Disposition: Cease & Desist Order; Censure; civil monetary penalty of \$8,000,000; disgorgement and pre-judgment interest of \$112,274.

