



Loan disclosure statement

UBS Financial Services Inc. is furnishing this document to you to provide some basic facts about purchasing securities on margin, using leverage as a liquidity source or as part of your investment strategy or otherwise borrowing funds secured by your securities accounts, and to alert you to the risks involved with trading securities in a margin account. Before trading stocks in a margin account or otherwise borrowing funds from UBS Financial Services Inc. or one of its affiliates (for example, UBS Bank USA) and using your securities accounts as collateral, you should carefully review your margin or loan agreement and this loan disclosure statement. You may also speak to your Financial Advisor regarding any questions or concerns you may have with your margin account or loan agreement.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from UBS Financial Services Inc. If you choose to borrow funds from UBS Financial Services Inc. or one of its affiliates, whether to purchase securities or for other purposes, you will open a securities account with UBS Financial Services Inc. The securities in that account (together with the other securities and assets held in your UBS Financial Services Inc. accounts) are UBS Financial Services Inc.'s or its affiliates' collateral for their loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, UBS Financial Services Inc. (or, if applicable, an affiliate) can take action, including but not limited to, issuing a margin call and/or selling securities or other assets in any of your accounts held with UBS Financial Services Inc., in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin, using leverage as a liquidity source or as part of your investment strategy, or otherwise pledging your securities in order to obtain credit. These risks apply whether your loan is made by UBS Financial Services Inc. or one of its affiliates (for example, UBS Bank USA), and include the following:

You can lose more funds than you deposit in the margin or pledged account. A decline in the value of securities that are purchased on margin or pledged as collateral for a loan may require you to provide additional funds to us to avoid the forced sale of the securities or other securities or assets in your account(s).

We can force the sale of securities or other assets in your account(s). If the equity in your account falls below the maintenance margin or loan collateral requirements or UBS Financial Services Inc.'s or an affiliate's higher "house" requirements, we can sell the securities or other assets in any of your account(s) held at UBS Financial Services Inc. or its affiliates to cover the margin or loan collateral deficiency (other than qualified plan or IRA accounts or other accounts where doing so would be a prohibited transaction or violation of applicable law or regulation). You also will be responsible for any deficiency or shortfall in the account after such a sale.

We can sell your securities or other assets without contacting you. Some investors mistakenly believe that we must contact them for a margin call to be valid, and that we cannot liquidate securities or other assets in their account(s) to meet the call unless we have contacted them first. This is not the case. We will attempt to notify you of margin calls, but we are not required to do so. However, even if we have contacted you and provided a specific date by which you can meet a margin call, we can still take necessary steps to protect our financial interests, including immediately selling the securities without notice to you.

You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call. Because the securities are collateral for the margin or other loan, we have the right to decide which security to sell in order to protect our own interests.

We can increase our "house" maintenance margin or loan collateral requirements at any time and we are not required to provide you advance written notice. These changes in our policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause us to liquidate or sell securities in your account(s).

You are not entitled to an extension of time on a margin call. While an extension of time to meet margin requirements may be available to you under certain conditions, you do not have a right to the extension.

Important supplemental disclosures regarding securities-backed loans

UBS Financial Services Inc. is furnishing this document to you to provide some important information about using your advisory account(s) as collateral to secure a credit line loan ("Loan") from one of our affiliated lenders pursuant to the UBS Credit Line Program. Securities-backed lending involves special risks and is not suitable for everyone. If this Loan is the only means of meeting your cash requirements, then it may not be appropriate for you. You should carefully review the credit line agreement between you and our affiliated lender, this disclosure statement, the Loan Disclosure Statement and our Form ADV brochure.

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. UBS Financial Services Inc. acts as a broker (not as investment advisor) in connection with your participation in the UBS Credit Line Program, even if your advisory account is used as collateral for the Loan. UBS Financial Services Inc.'s advisory relationship does not encompass your decision whether to establish a Loan or draw down on your Loan and/or how you use your loan proceeds. Any interaction you have with your Financial Advisor in connection with applying for or obtaining a Loan is in his or her capacity as broker, not as an investment advisor.

It is important that you understand the following information when a Loan is collateralized by assets held in your advisory account(s):

The proceeds of a non-purpose Loan may not be used to purchase, trade or carry securities. Loan proceeds also may not be used to repay debt (1) used to purchase, trade or carry securities or (2) to any affiliate of UBS Bank USA.

Your advisory account(s) will be pledged to support the Loan, and our affiliated lender will have a lien on the assets in your advisory account(s) to secure the Loan. Therefore, you will not be permitted to withdraw any of the assets in the account(s) unless sufficient collateral otherwise supports the loan or as permitted by our affiliated lender in its sole discretion.

You will pay interest to our affiliated lender separately and in addition to any advisory account program fees paid to UBS Financial Services Inc.

UBS Financial Services Inc. and your Financial Advisor benefit if you draw down on your Loan.

If you have a need for liquidity and choose to draw down on the Loan rather than liquidate assets in your advisory account, UBS Financial Services Inc. and your Financial Advisor will benefit because the draw down has the effect of preserving the asset levels on which you pay advisory fees paid for your account(s). In addition, our affiliated lender pays to UBS Financial Services Inc. a servicing fee based on the amount of the outstanding loan balance, and your Financial Advisor will receive additional compensation in the event you maintain a loan balance.

Failure to promptly meet a request for additional collateral or repayment or other circumstances (e.g., a rapidly declining market) could cause our affiliated lender to liquidate or to instruct us to liquidate some or all of the assets in your brokerage or advisory account(s). Depending on market conditions, the prices obtained for the securities in the course of such liquidations may be unfavorable and may trigger a loss. Neither UBS Financial Services Inc. nor your Financial Advisor will act as investment advisor to you with respect to such liquidations. Such liquidations will be executed in our capacity as broker-dealer. Where a Loan is secured by both brokerage and advisory assets, UBS Financial Services Inc. and your Financial Advisor will benefit if brokerage assets are liquidated prior to or instead of advisory assets because in that case advisory fee revenue would be maintained.

To preserve sufficient collateral value to support the Loan and avoid a margin call, depending upon your leverage, your Financial Advisor may be inclined to invest your advisory account(s) 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 advisory account(s) is managed consistent with your investment objectives and strategies.

Please consider your financial circumstances and whether you can afford to assume the obligation to repay before you draw down on your Loan. You may wish to speak with your Financial Advisor regarding any questions or concerns you may have regarding the credit line agreement, how your advisory account(s) may be used in connection with a Loan, and how the Loan should be taken into consideration when discussing the management of your advisory account(s).