

Account protection you can count on

UBS deeply values the trust you place in us and our ability to help you grow and protect your assets. You can feel confident that your UBS Financial Services Inc. account is one of the safest places to hold your assets. Your account is protected in a variety of ways that all work together to give you greater peace of mind, including the:

- Financial strength of our parent company, UBS AG
- Security and stability of UBS Financial Services Inc.¹
- Control policies and procedures we employ to segregate your assets
- Protection provided by the Securities Investor Protection Corporation (SIPC) and our supplemental insurance policy
- Capital strength of UBS Bank USA, where clients' bank deposits are held

We're strong and secure. So you can feel the same way

For over 150 years, UBS AG's clients have benefited from our ability to demonstrate financial strength through ever-changing economic climates. Even with the events of recent years, UBS AG remains one of the world's best capitalized banks as witnessed by our fourth quarter 2010 tier 1 capital ratio of 17.7%.

UBS AG owns a number of businesses that offer specialized services for the needs of our clients, while also contributing to our diversification and growth. Wealth management services in the U.S. are primarily provided through UBS Financial Services Inc., an indirect wholly owned subsidiary of UBS AG and a registered broker-dealer. The separation of parent company and subsidiaries helps ensure that assets held at one entity will not be at risk due to the failure or lack of capital at a related entity.

Exceeding net capital requirements set by the SEC

As a registered broker-dealer, UBS Financial Services is subject to oversight by the U.S. Securities and Exchange Commission (SEC), whose "Net Capital" rule is designed to protect you against the risk of a broker-dealer's failure. The Net Capital rule specifies levels of positive net worth below which a firm's net capital may not fall. UBS Financial Services must meet capital requirements

at all times and regulators carefully monitor these levels on a monthly basis. If a firm's net capital were to fall below the required minimum level, that firm would be immediately forced to obtain additional capital, merge with a financially stronger firm or cease all operations as a broker-dealer and return all client property.

UBS Financial Services has an established history of operating in compliance with the SEC's net capital requirements and maintaining regulatory net capital at levels substantially exceeding those required under the Net Capital rule.

As of March 31, 2011, UBS Financial Services Inc.'s net capital was \$1,295,635,862, which exceeded the minimum net capital requirements by \$1,193,144,151.

Rigorous controls that keep your securities safe

A number of rigorous control and segregation requirements help ensure that the securities you hold with us are as safe as those held at other regulated financial institutions.

- **Your securities are legally your property, not part of a broker-dealer's assets or capital.** The SEC imposes a stringent "Customer Protection" rule that governs the custody and use of clients' securities and cash. As a UBS Financial Services client, your securities are not exposed to the claims of the firm's general creditors because, similar to custody accounts with banks and trust companies, clients' securities are not assets of the financial institution.
- **UBS Financial Services may not use your securities without your written consent.** A broker-dealer may not lend (rehypothecate) client securities unless they are held in a margin account and a margin debit balance exists in that account. Strict regulatory limits and protections govern the use of client securities.
- **You benefit from the safety of rigorous security holding practices.** Under the "Customer Protection" rules, clients' fully paid and excess margin securities must be in the broker-dealer's possession or control and must be segregated for the exclusive benefit of

the clients. Broker-dealers are also obligated to establish a “Special Reserve Bank Account” for the exclusive benefit of their clients. They must account for and physically inspect or otherwise verify every security owned by them or by clients or due from broker-dealers, at least once every calendar quarter. The firm regularly balances and reconciles the records of its securities holdings at its depositories.

Your accounts are protected by SIPC²

UBS Financial Services is a broker-dealer, so your securities and cash held in your securities accounts with us are further protected by the Securities Investor Protection Corporation (SIPC) and by supplemental insurance we maintain with a large, independent insurer.

SIPC provides customer protection in the event that one of its member firms fails. SIPC insurance does not come into play unless two conditions are met: (1) A broker-dealer fails and (2) at the time of the failure, client securities held in custody cannot be accounted for. In these unlikely events, SIPC would step in as quickly as possible and work to return clients’ cash, stock and other securities.

If no client securities are missing, clients will receive all their securities back. If sufficient assets are not available in the broker-dealer’s client accounts (including the Special Reserve Account) to satisfy claims for the net equity value of client accounts, SIPC’s reserve funds are used to supplement the distribution, up to a ceiling of \$500,000 per client, including a maximum of \$250,000 for cash claims. These limits apply to each “separate” client. A client who holds accounts in separate capacities (single name, joint tenant, trust accounts) may be entitled to separate protection for those accounts, if SIPC requirements are met. Additional funds may be available to satisfy the remainder of client claims after the cost of liquidating the brokerage firm is taken into account. For more information you may visit sipc.com.

Supplemental protection for greater peace of mind

UBS Financial Services and certain affiliates have purchased supplemental insurance from London Insurers to augment the SIPC protection. The supplemental policy is subject to policy conditions and limitations and has an aggregate policy limit.³ Within this aggregate policy limit, each separate client has up to \$1.9 million in protection for cash held in all of the client’s accounts.

The highest capital rating given to a bank

For many clients, available “cash” in their UBS Financial Services Inc. account(s) is “swept” daily to bank deposit accounts held at UBS Bank USA (member FDIC), a wholly owned subsidiary of UBS AG. UBS Bank USA is capitalized separately from UBS Financial Services and is considered “well capitalized”—the highest capital rating given to a bank under federal banking regulations.

FDIC protection

Deposits at UBS Bank USA are not insured by SIPC, but instead are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for individual accounts and up to \$250,000 per depositor for joint accounts, including principal and accrued interest, in accordance with FDIC rules.

The FDIC, in turn, is backed by the full faith and credit of the United States government. UBS Bank USA’s most recent regulatory call report may be found on the FDIC website at fdic.gov.

A series of safeguards that all work together

Rest assured, you can count on UBS to protect your assets through an integrated series of safeguards. Your Financial Advisor is always there to answer your questions, or for more information you can visit ubs.com.

¹ UBS Financial Services refers to UBS Financial Services Inc. and its subsidiaries.

² SIPC and the supplemental insurance do not protect against losses in the market value of investments, and do not apply to certain financial assets held away from the broker-dealer (such as insurance products and UBS Bank USA bank deposits) or assets that are not securities, such as precious metals and other commodities, futures, foreign exchange, fixed annuities and life insurance, and certain investments such as limited partnerships that are not registered with the SEC.

³ The \$500 million aggregate policy limit (as of December 10, 2009) applies to all of the UBS broker-dealers covered by this policy (primary broker-dealers: UBS Financial Services Inc., UBS Securities LLC, and introducing broker-dealer, UBS Financial Services Incorporated of Puerto Rico) as a group, not to each individually. A full copy of the policy wording is available upon request. UBS Financial Services also carries a Stockbrokers Blanket Bond covering customers’ securities in our possession (which covers losses due to employee dishonesty, theft, destruction, or other perils) and Excess Vault Insurance (which provides all-risk coverage for the physical loss or damage to securities held by UBS Financial Services Inc.).