

**UBS Financial Services Inc.**  
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**DC ADVISORY**

**This brochure provides information about UBS Financial Services Inc. and our DC Advisory program that you should consider before becoming a client of this program. This information has not been approved or verified by any governmental authority.**

**Disclosure Brochure**  
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## I. ABOUT UBS FINANCIAL SERVICES INC.

UBS Financial Services Inc. is one of the nation's leading securities firms, serving the investment and capital needs of individual, corporate and institutional clients. We are a member of all principal securities and commodities exchanges in the United States and the National Association of Securities Dealers, Inc. Our parent company, UBS AG ("UBS"), is a global, integrated investment services firm and one of the world's leading banks. With our affiliates, we are registered to act as a broker-dealer, investment adviser, futures commission merchant, commodity pool operator and commodity trading advisor.

We provide investment advisory services to individuals, banks, thrift institutions, mutual funds and other investment companies, pension and employee benefit plans, trusts, estates, charities, corporations and other business and government entities. Our advisory services cover most types of debt and equity or equity-related securities of U.S. and foreign companies and national and local government issuers, both those that are exchange-listed and those traded over-the-counter. We also provide consulting, brokerage and advisory services relating to rights and warrants, securities options and futures; mortgage-backed securities; certificates of deposit; commodities and commodity options and futures contracts, including financial futures; commercial paper; bankers' acceptances; variable annuities; variable life insurance; open and closed-end funds; exchange traded funds; real estate investment trusts; American Depository Shares; foreign ordinary shares; and publicly traded master limited partnerships.

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

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

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

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

Our clients work with their Financial Advisors to determine the services that are most appropriate given their goals and circumstances. Based on the services you request, we can fulfill your wealth management needs in our capacity as an investment adviser, as a broker-dealer, or as both. For example, we offer financial planning as an advisory service. Once we deliver a financial plan to you, you can decide whether to implement the financial plan via brokerage accounts, advisory programs or a combination, depending on your needs and preferences. Most of our Financial Advisors are qualified and licensed to provide both brokerage and advisory services depending on the services a client has requested.

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

<sup>1</sup> Examples of our advisory programs and services include our financial planning services and our ACCESS, PMP, PPM, UBS SELECTIONS, Managed Accounts Consulting, DC Advisory, Strategic Advisor, Strategic Wealth Portfolios and PACE programs. Examples of our brokerage accounts include our Resource Management accounts.

## **Our Services as an Investment Adviser and Our Relationship With You**

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

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

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

Depending on the advisory product or service you choose, we will charge you fees determined as either:

- A percentage of the amount of assets held in your advisory account,
- A flat annual fee,
- A combination of asset based fee and commissions or
- Periodic fees.

Comprehensive Financial Planning Services are available for a fee, basic financial planning services are currently available at no charge. Your Financial Advisor will receive part of the fees you pay us.

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

As your investment adviser, we are considered to have a fiduciary relationship with you and are held to legal standards under the Investment Advisers Act of 1940 and state laws, where applicable, that reflect this high standard. These standards include:

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

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

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

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

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

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

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

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

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

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

When we act as your broker, we are held to the legal standards of the Securities Exchange Act of 1934, the Securities Act of 1933, the rules of self-regulatory organizations such as the National Association of Securities Dealers (NASD) and the New York Stock Exchange and state laws, where applicable.

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

### ***Our Obligations, Your Agreement and Your Account/Program Selection***

Generally, if you are establishing an *investment advisory* account with us (for example, ACCESS, Managed Accounts Consulting Programs, PACE, Strategic Advisor, UBS Strategic Wealth Portfolios, Portfolio

Management Program or UBS SELECTIONS), you will be required to execute both an investment advisory agreement and a brokerage account agreement, so that your advisory account will have trading capability and custody services. When you execute a brokerage agreement as part of the process of establishing an investment advisory account, the brokerage agreement supplements your advisory agreement, and all, collectively, govern your relationship with us. In this case, your account will be designated as "advisory" and our obligations to you as they pertain to that account will be that of an investment adviser as described above and in your investment advisory program agreement and application.

If you open an investment advisory account with us, both you and UBS Financial Services Inc. will have the right to terminate your account from the investment advisory program. You should note that termination will end our investment advisory fiduciary relationship with you as it pertains to that account and, depending on the terms of your specific investment advisory agreement with us, will cause your account to be converted to, and designated as, a brokerage account only. Your investment advisory agreement will no longer apply to that account and it will be governed solely by the terms and conditions of your brokerage account agreement.

### **For More Information**

Understanding the ways in which we may conduct business under applicable laws and regulations is essential to the relationship between "You and Us". The investment advisory programs and brokerage accounts we offer differ in other ways than those summarized above. It is important that you carefully read the agreements and disclosures that we provide to you with respect to the products or services under consideration.

While we strive to make sure the nature of our services is clear in the materials we publish, if at any time you would like clarification on the nature of your accounts or the services you are receiving, please speak with your Financial Advisor.

## II. DC ADVISORY - DESCRIPTION OF SERVICES

DC Advisory ("DCA") is a program designed to provide advisory services to defined contribution retirement plans. The ongoing advice of your DCA Financial Advisor is one of the key components and services provided. The program is designed for defined contribution clients that (i) seek assistance in the search and selection of retirement plan program providers and the facilitation of plan conversions; (ii) seek assistance in drafting investment policy statements, investment selection and investment reviews; and/or (iii) seek assistance with employee education and enrollment meetings. As used herein, "you" and "your" refer to the plan or the plan sponsor as appropriate.

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

As is the case with all our Financial Advisors who are duly licensed to conduct advisory business, DCA Financial Advisors (in their capacity as brokers/Financial Advisors) can provide clients with brokerage services outside of DCA. Since services similar to those available in DCA may also be available to you through our brokerage services, your DCA Financial Advisor may have an incentive to recommend to you those services, which may result in increased compensation to them. **Please discuss our various product offerings, their features and costs with your Financial Advisor. See "Consulting, Other Business Activities and Affiliations - Retirement Consulting Services"** for more information on the brokerage services available to retirement plans.

Our DCA services are available for defined contribution retirement plans where the amount of plan assets are \$1 million or greater. The following is a description of the available services and their basic fees. We generally charge a basic fee for each individual service. However, if you choose to bundle services, our fees are subject to negotiation and total fees for bundled services may be less or more than the sum of the fee for the individual components.

- i. **Program Provider Search.** Your DCA Financial Advisor may assist you in the search and selection of a program provider. The services may include an analysis of your current program; development of criteria used in selecting service providers; and evaluation of proposals received from prospective service providers including proposed fund mapping strategies. If you select one of the proposed providers, we can also assist you with the transition and conversion to your new provider.

We have a program called UBS Select for Corporate Plans. Under UBS Select for Corporate Plans we maintain a list of program providers that our Financial Advisors may solicit, recommend and sell in a brokerage relationship with a plan. We have ongoing relationships with these program providers; they send us electronic data feeds that allow for surveillance and supervision of our Financial Advisors, and they may be subject to due diligence reviews. At your request, we may show program providers for your consideration that are not part of UBS Select for Corporate Plans ("Outside Providers"). If you request that we show you Outside Providers, you should note that we may not have an ongoing relationship with the providers, do not receive electronic data feeds that allow for surveillance and supervision of our Financial Advisors and the Outside Providers are not subject to due diligence reviews. However, at your request, your Financial Advisor can facilitate program provider finalist presentations or provider site visits which may allow you to conduct your own due diligence of these program providers.

Any proposal information we provide to you which has been obtained, computed, formatted or displayed by outside sources is believed to be accurate but has not been independently verified and as a result we cannot guarantee its accuracy.

We do not provide legal, tax or actuarial advice. We will not be responsible for ensuring that the plan complies with the requirements under ERISA. This responsibility rests solely with you, and you should consult with your legal and tax advisors regarding those matters.

Our fees for this service generally range from \$10,000 to \$50,000 and are based upon the type and size of the plan, the number and type of services selected and the complexity of the needs and preferences of the fiduciaries, other than UBS Financial Services Inc. or any of its employees, agents or affiliates, responsible for the control and management of the operation and management and administration of the plan ("plan fiduciaries"). However, if you choose to bundle services, our fees are subject to negotiation, and total fees for bundled services may be less or more than the sum of the fee for the individual components.

- ii. **Investment Consulting.** Your DCA Financial Advisor may assist you with review of the plan's Investment Policy Statement and assist you with review and selection of the plan's investments.

**Investment Policy Statement Assistance.** Your DCA Financial Advisor may assist you in the development and preparation of an Investment Policy Statement utilizing our standard template. The Investment Policy Statement is a written document that addresses various components of your overall investment plan and outlines the criteria utilized to monitor the investments offered in the plan. If you request, we will review the Investment Policy Statement with you on an annual basis.

We do not provide legal, tax or actuarial advice. We will not be responsible for ensuring that your investment policy statement complies with all specific legal or other requirements that apply to you. That responsibility rests solely with you, and you should consult with your legal and tax advisors regarding those matters.

**Investment Reviews.** Your DCA Financial Advisor may provide periodic investment reviews of the investment funds offered as investment options under the plan.

Investment reviews are a depiction of investment results compared to pre-selected benchmarks. Benchmarks shown are for informational purposes only. Those comparisons relate to the historical performance of market indices and not the performance of actual investments. Our selection and use of benchmarks for comparison purposes is not a promise or guarantee that the performance of your assets will meet or exceed the performance of the stated benchmark. A particular investment strategy in which you invest is generally not restricted to investing only in the securities and only at the weights or percentages of the securities that are included in the benchmarks. The reports we provide to you may include information obtained from third-party sources.

Our review of the plan's investment options may cover investment funds or other investment vehicles, which you retained or purchased, as the case may be, at other institutions prior to entering into the DCA Consulting Services Agreement and without our recommendation. Our performance review of those investments is solely for the purpose of portfolio performance analysis and does not constitute an endorsement of the funds or a recommendation that the plan continue to hold those securities or retain those managers. If the plan had previously retained a mutual fund or other investment for which our firm does not serve as distributor or does not conduct a due diligence review, and the plan would like to continue that relationship in the context of a new DCA Consulting Services Agreement, the



plan fiduciaries will be asked to acknowledge, in writing, that the investment has not been reviewed by our Firm.

If the plan assets include employer securities, our services will not include a review of the performance or recommendations regarding whether the plan should continue to offer employer securities as an investment option under the plan. If our fees are based on the value of the assets in your plan, we will not include the value of the employer securities in that value.

We do not independently verify or guarantee the information in any descriptive profiles of investment funds provided to the plan. Also, we may not review any past performance information in the profile, and we cannot assure the plan that the performance information is calculated on a uniform or consistent basis. Moreover, the prior performance of a mutual fund may not be indicative of the investment fund's future performance.

To the extent permissible by applicable law, we may, in the future, deliver these Investment Reviews to the plan fiduciaries via electronic format.

We use our best efforts to ensure timely delivery of these reports, but reserve the right to delay delivery to ensure completeness.

See "*Additional Sources of Compensation to UBS Financial Services Inc., UBS Affiliates and Financial Advisors*" for a summary of additional compensation we receive in connection with the sale and distribution of mutual funds.

#### **No Recommendation of Affiliated Mutual Funds**

Your DCA Financial Advisors will not present or recommend affiliated/proprietary mutual funds in the DCA program. Recommendation of affiliated or proprietary mutual funds raises a conflict of interest as purchasing those funds will result in increased compensation to UBS Financial Services Inc. and/or a member of the UBS organization. If the plan retained a UBS affiliated mutual fund prior to entering into the DCA Consulting Services Agreement and wishes to continue holding it, we will require that the plan fiduciaries acknowledge in writing that you have opted to retain the funds as investment options in the plan without the assistance or recommendation of your DCA Financial Advisor and understand and acknowledge that UBS Financial Services Inc. does not conduct due diligence or make recommendations about these funds or fund families. Your DCA Financial Advisor may review those funds solely for the purpose of portfolio performance analysis and does not constitute an endorsement of the fund or a recommendation that the plan continue to hold those securities. The value of the plan's investments in any such fund will not be considered in determining or calculating our fee. Our fees will not include or be based on the assets invested in our affiliated/proprietary mutual funds.

#### **Recommendation of Affiliated Collective Investment Funds**

DCA Financial Advisors may present or recommend affiliated Collective Investment Funds in the DCA program. Such recommendations may raise a conflict of interest as participation in those investments will result in compensation to a UBS affiliate; however purchase of any such investment would be subject to an exemption from the ERISA prohibited transaction restrictions under Section 408(b)(8) of ERISA (and Section 4975 (d)(8)). In all cases, the compensation payable to UBS Financial Services Inc. and the Plan's DCA Financial Advisor will be level across the plan assets covered by the DCA Consulting Services Agreement.

Our fees for this service generally range from .25% to 1.00% on eligible plan assets and are based upon the type and size of the plan, the number and type of services selected, the complexity of the needs of the plan and preferences of the plan fiduciaries and the expected frequency with which services may be needed, among other factors. However, if you choose to bundle services, our fees are subject to negotiation, and total fees for bundled services may be more or less than the sum of the fee for the individual components.

- iii. **Employee Education Consulting.** Your DCA Financial Advisor may provide a review of the plan's current education program and recommendations for improvements. We may provide general investment education, which may include education seminars to the participants of the Plan as requested. Services may include providing seminars focused on educating employees about topics such as asset allocation, the definition of various asset classes, potential risks and rewards, the advantages of tax deferred or tax free investing options available when receiving a retirement plan distribution and other similarly generic subject matter. These seminars are generic in nature and do not contain recommendations to invest in a particular security.

Our fees for this service generally range from .25% to 1.00% on eligible plan assets and are based upon the type and size of the plan, the number and type of services selected, the complexity of the needs of the plan and preferences of the plan fiduciaries and the expected frequency with which services may be needed, among other factors. However, if you choose to bundle services, our fees are subject to negotiation, and total fees for bundled services may be more or less than the sum of the fee for the individual components.

The fees described above do not include any charges that may be incurred implementing any suggestions we make, such as fees for recordkeeping, trust and plan administration charges.

Our expenses in delivering services, such as travel expenses, are in addition to the fees described above unless we specifically agree otherwise.

**Other Information.** We may terminate one or more of the DCA services at any time for any reason. In some cases, in order to provide the best possible service, DCA may use one or more experts not affiliated with us to assist in one or more of its services.

### III. FEE ARRANGEMENTS

Our fees are subject to negotiation based upon the type and size of the plan, the number and type of services selected, the complexity of the needs of the plan and preferences of the plan fiduciaries and the expected frequency with which services may be needed, among other factors. DCA may customize the fee structure so that some services may be obtained under one payment option and other services under a different option.

Fees, as well as other account requirements, may vary as a result of the application of prior policies depending upon customer account inception date.

Our fees may be either a specific dollar amount or as a percentage of assets ("hard dollars"). Total bundled fees may be more or less than the individual components when billed separately.

**Fees/Other Charges Not Covered by the Program Fee.** Our Program fees do not include (i) custody fees imposed by other financial institutions; (ii) trust fees; (iii) charges imposed by law; and (iv) internal administrative and management fees that may be imposed by investment funds.

**Please review the applicable prospectus and offering documents for the investment vehicles offered in the program carefully for a detailed description of the additional fees associated with these securities.**

#### IV. LIMITS OF DC ADVISORY'S RESPONSIBILITY

In making the services described in this brochure available to the Plan and the plan fiduciaries, we rely on the information provided to us by the plan fiduciaries. It is the responsibility of the plan fiduciaries to provide us with all material and pertinent information regarding investment objectives, risk tolerance, asset allocation, and the historical performance of the plan's 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 provided to us by the plan fiduciaries without further verification. The plan fiduciaries should notify us promptly of any material changes in the financial condition, risk tolerance, needs or objectives of the plan.

**Discretion Over Plan Assets.** DCA is not a portfolio management program. Neither we nor any DCA Financial Advisor will manage the plan's assets or exercise any investment discretion or control over the plan's assets. DCA services are suggestions, and are not binding on the plan. The plan fiduciaries retain absolute discretion over, and responsibility for, the implementation of any of DCA's suggestions. All investment decisions are the responsibility of the plan fiduciaries. We do not assume any responsibility nor are we liable for the conduct or investment performance, either historical or prospective, of any investment fund suggested by a DCA Financial Advisor and selected by the plan fiduciaries. In addition, neither we nor any DCA Financial Advisor will provide any legal, accounting or actuarial advice or prepare any legal, accounting or actuarial document.

#### V. GENERAL INFORMATION ABOUT DC ADVISORY SERVICES

**Custody and Other Account Services.** Under DCA, the assets of the plan may not be held at our firm and the plan agrees to use only a "qualified" custodian that is a bank, a U.S. registered broker-dealer or futures commission merchant or a foreign financial institution and meets the definition of "qualified custodian" set forth in Rule 206(4)-3(c)(3) under the Investment Advisers Act of 1940.

**Agreements and Account Documentation.** As a DCA client, the plan fiduciaries will enter into a written agreement with us. The agreement to participate in DCA will not be effective until accepted by an authorized member of DCA Program Management. The agreement may be terminated at any time in writing by either party upon written notice to the other.

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

**Diversification.** Unless the investment strategy you selected is identified as a fully diversified strategy, an investment in that strategy should not be considered as a diversified asset allocation plan to investing, but should be viewed only as the equity or fixed income portion, as applicable, of your overall portfolio.

**Valuation and Other Information.** To determine the value of the plan's assets for purposes of determining or calculating fees we will rely on the value provided by the plan's custodian, which is not subject to independent verification by us.

**Payment of Fees.** DCA fees generally will be billed in arrears on a calendar quarter basis. However, when conducting a program provider search we will generally bill for half of our total fee in advance and the remainder of our fee will be billed once we complete the agreed upon services. If the fee will be based on the percentage of assets, the fees will generally be calculated based on the asset value of the account at the end of

the preceding quarter and will be billed at the beginning of the current quarter. We will invoice the plan for our services. We will not bill the custodian directly for our fees.

Depending on the plan's program provider, the plan fiduciaries may be able to direct the plan provider to automatically pay our fees from the assets of, or generated by, the plan. In those situations in which your program provider automatically remits the program fees to us, we will provide you with a quarterly statement, rather than an invoice, with details on the amount of fees we have received. We will not accept 12b-1 fees, transaction based compensation or other revenue directly from the investments offered in the plan.

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

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

**UBS FINANCIAL SERVICES INC. DOES NOT GIVE TAX ADVICE. PLEASE CONSULT WITH THE PLAN'S TAX ADVISOR FOR ADVICE ON TAX AND ERISA ISSUES.**

#### **VI. ADDITIONAL SOURCES OF COMPENSATION TO UBS FINANCIAL SERVICES INC., UBS AFFILIATES OR FINANCIAL ADVISORS**

**The following information summarizes the various sources of compensation that may be received by the Firm, or its affiliates and Financial Advisors in addition to the fees charged under an investment advisory program. Unless otherwise noted below, we do not receive many of these fees in DCA; however they may be applicable if you decide to select a different investment advisory program or if you continue to hold mutual funds obtained in DCA after you terminate your DCA Advisory relationship.**

**Mutual Fund Compensation.** We and certain of our affiliates are compensated for providing services to certain mutual funds and to certain affiliated money market funds in which your cash assets may be invested. This compensation includes, in the case of mutual funds not affiliated with us, shareholder servicing or distribution fees and, in the case of affiliated funds, investment advisory and/or management and certain other fees. 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 is greater than the amount payable to the organization as a whole from the sale of unaffiliated mutual funds. The nature of the services provided by, and the compensation paid to us and our affiliates are set forth in the prospectuses for the mutual funds, which are available for no charge through your Financial Advisor. Mutual Funds are sold by prospectus only. Please read the prospectus carefully before investing. The amount of those fees paid to us, and therefore Financial Advisors, may vary depending on the arrangement between us and the Fund and the terms and conditions of the relevant fund's 12b-1 or trail plan. These payments may be made for the duration of the Program agreement or, in some circumstances, may extend beyond the termination of the Program agreement if you continue to hold shares of Funds at our firm. **In DCA, you will not be expected to have any cash assets invested in affiliated money market funds.**

**Management and Administrative Fees for Affiliated Funds.** 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 Program. The current annual rates of investment management fees paid by the affiliated funds to our affiliates generally range from 0.23% to 1.95% of the average daily net assets and are described in each Fund's prospectus. The amount of investment management fees paid to our

affiliates may vary depending on the arrangement between our affiliate and the Fund. Our affiliates also receive administrative fees in connection with the affiliated funds we offer. As of the date of this document, the annual contract rate for administrative services ranges from 0.075% to 0.30 % of the Fund's average daily assets. Neither UBS Financial Services Inc. nor our Financial Advisors receive a portion of the management and administrative fees paid to our affiliates.

**Trailers and 12b-1 Fees for Affiliated Funds and Non-Affiliated Funds.** UBS Financial Services Inc. receives trailers and 12b-1 fees from affiliated funds and non-affiliated funds available through the program which are intended to compensate us for effecting purchases of shares of Funds or for other services ancillary thereto. The current annual rate of trailer and 12b-1 fees paid from affiliated funds to us is generally 0.25% of the different funds' assets. The current rate of trailers and 12b-1 fees paid from non-affiliated funds ranges generally from 0% to 0.50%, but on average the current annual rate is approximately 0.25%.

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

***In DCA, we do not receive revenue sharing compensation in connection with the mutual fund assets that are held by the plan.***

In addition to sales loads, 12b-1 fees and processing fees, UBS Financial Services Inc. receives other compensation from certain distributors or advisors of mutual funds that we sell. These separate compensation amounts (commonly referred to as "revenue sharing") are based on two components (i) the amount of sales by UBS Financial Services Inc. of a particular mutual fund family to our clients (excluding sales through wrap-fee programs), and (ii) the asset value of a particular mutual fund family's shares held by our clients at UBS Financial Services Inc. 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, because revenue sharing payments are intended to compensate us for ancillary services in connection with effecting 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.**

Many mutual funds companies pay revenue sharing to us. UBS Financial Services Inc. 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 participation of funds in researched investment models and branch discretion.

In general, we charge each mutual fund family the following amounts: (i) 0.05% per year (paid quarterly) on all sales of mutual fund shares (excluding sales through wrap-fee programs); (ii) up to 0.10% per year (paid quarterly) of the asset value of all equity mutual fund shares held at UBS Financial Services Inc.; and, (iii) up to 0.075% per year (paid quarterly) of the asset value of all fixed income mutual fund shares held at UBS Financial Services Inc. (other than money market, institutional, and offshore funds). Except as noted below, this calculation includes shares of affiliated and non-affiliated funds in our wrap-fee programs, but does not include UBS PACE Money Market investments or mutual fund assets held at other financial institutions. Further, we may institute caps at certain asset and sales levels, as well as comprehensive caps, and may exclude certain mutual fund shares from the above calculations. And although we seek to apply a level, standard payment schedule for all of the mutual fund companies whose funds we sell, we recognize that mutual fund companies approach revenue sharing in a variety of ways, and that some mutual fund companies may decline to pay revenue sharing exactly at the levels listed above or at all, which may present a financial disincentive for us to promote the sale of those funds that do not pay us at the levels listed above.

Revenue sharing payments may present a conflict between our interests and those of our customers, because the payments give us a financial incentive to recommend that our customers buy and hold shares of those

funds that we maintain on our distribution platform and for which we receive revenue sharing payments. Although approximately 2,500 mutual funds from nearly 160 different mutual fund families are available through our distribution platform, this is only part of the universe of mutual funds that are available to our customers in the marketplace. Certain other mutual funds may be purchased by our customers through the FundConnect system at a charge of \$20 per transaction, plus other customary sales charges.

**Mutual Fund Networking Fees.** We also receive networking fees in consideration for certain other services, which are ancillary to the effecting of mutual fund transactions that we provide on behalf of mutual funds. These fees generally are paid from investor assets in mutual funds, but in some cases may be subsidized in part by affiliates of the mutual funds, and are generally calculated by applying our standard networking rate of \$12 to each mutual fund position that exceeds \$500 and is held at UBS Financial Services Inc.

**Account Services Fee.** We also receive fees in connection with account support services for certain Affiliated Funds. The amount of such fees may vary depending on the fund, but generally average \$12 per account per year. We do not share these fees with our Financial Advisors.

**Class Y Shares.** Generally, shareholders pay no front-end sales charges on Class Y shares nor does that share class pay ongoing 12b-1 distribution or service fees. We have entered into an agreement with our affiliate, UBS Global Asset Management (US) Inc., pursuant to which UBS Global Asset Management (US) Inc., as principal underwriter of its funds, may make payments out of its own resources for sales of Class Y shares to eligible purchasers. The payments consist of a one time finder's fee consistent with the Fund's Class A share Reallowance to Selected Dealers' schedule as indicated in the relevant funds' prospectus and, beginning in the 13<sup>th</sup> month after purchase, an annual fee in an amount up to 0.20% for an equity fund, an asset allocation fund or a balanced fund, 0.15% for a fixed income fund, and 0.05% for an index fund. UBS Global Asset Management (US) Inc. does not make these payments on accounts holding Class Y shares for employees or employee-related clients. The one time finder's fee is calculated on the date of purchase and may be paid in four equal installments over the first 12 months of ownership. UBS Global Asset Management (US) Inc. reserves the right to suspend these payments at any time in its sole discretion. We pay a portion of these payments to the Financial Advisor originating the sale. ***These payments may create a financial incentive for our brokers to recommend Class Y shares of UBS proprietary funds over non-proprietary products.***

**Affiliated Money Market Funds.** We serve as advisor and administrator to several of the money market funds<sup>2</sup> underwritten by our affiliate, UBS Global Asset Management (US) Inc. The amount of investment management fees may vary depending on the arrangement between us and the fund. **Your Financial Advisor does not receive a portion of these fees.** Pursuant to sub-advisory and/or sub-administration agreements with UBS Global Asset Management (Americas) Inc. ("UBS Global AM"), we delegate to UBS Global AM the day-to-day investment management of the money market funds. Pursuant to these sub-advisory and/or sub-administration agreements, UBS Financial Services Inc. (not the funds) pays UBS Global AM fees, compounded daily and paid monthly, at an annual rate of 0.08% of the fund's average daily net assets.

**In DCA, you will not be expected to have any cash assets invested in affiliated money market funds.**

**Contributions to Training and Education Expenses.** In addition to the contributions listed above, from time to time, mutual fund companies, insurance companies or other services providers or their affiliates ("vendors") may subsidize a portion of the cost of training and achievement seminars we offer to Financial Advisors through specialized firm-wide programs and consulting training forums. These seminars are designed to provide education and related training to Financial Advisors who regularly solicit clients to participate in mutual fund, insurance or other service provider platforms or programs. The subsidies may vary

<sup>2</sup> UBS Cashfund Inc., UBS RMA Money Market Portfolio, UBS RMA U.S. Government Portfolio, UBS RMA California Municipal Money Fund, UBS RMA New York Municipal Money Fund, UBS RMA New Jersey Municipal Money Fund, UBS RMA Tax-Free Fund and UBS Retirement Money Fund.

among vendors, and no vendor is required to participate in the seminars or to contribute to the costs of the seminars in order to have their funds distributed through our platform. UBS affiliated companies often contribute substantially more to the costs of these seminars than other vendors. Your Financial Advisor does not receive a portion of these payments.

**Non-Cash Compensation.** In addition to the revenue sharing payments described above, we and our Financial Advisors, may, from time to time, receive non-cash compensation from mutual fund companies, money managers, insurance vendors and sponsors of products we distribute in the form of: (i) occasional gifts; (ii) occasional meals, tickets or other entertainment; (iii) sponsorship support of training events for our employees; and/or (iv) various forms of marketing support.

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

You also understand that we or certain of our affiliates may engage in a variety of transactions with or provide other services to the investment managers and mutual funds or to their affiliates or service providers presented to you or already held by you for which we receive compensation. Those transactions and services may include but will not be limited to effecting transactions in securities or other instruments, as broker or as dealer for our own account and research, consulting, performance evaluation, investment banking, banking or insurance services.

## **VII. METHODS OF ANALYSIS, SOURCES OF INFORMATION AND INVESTMENT STRATEGY USED FOR INVESTMENT MANAGEMENT PURPOSES**

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 Wealth Management Research (“WMR”), which is part of UBS Global Wealth Management and Business Banking. WMR is the primary source of research for private clients and UBS Financial Services Inc. Financial Advisors. As a result, subject to certain exceptions, we expect that product areas in UBS Financial Services Inc. will incorporate insights and economic perspectives of WMR, where appropriate, in their products and services.

Clients and Financial Advisors also have access to Investment Research (“INV Research”) issued by UBS Investment Bank, a separate business group of UBS. Although the WMR and INV Research organizations are both under the UBS umbrella, they are independent of each other and employ separate methodologies. Because both sources of information are independent of one another and reflect the different assumptions, views and analytical methods of the analysts who prepared them, there may exist a difference of opinions between the two sources. Neither WMR nor INV Research 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.

**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 Financial Services Inc., and its affiliates (or employees thereof) may have long or short positions, or deal as principal or agent, in relevant securities, or may provide advisory or other services to the issuer of relevant securities or to a company connected with an issuer covered in research reports issued by WMR and/or INV Research. Analyst compensation is not based on investment banking revenues, however, their compensation may relate to the revenues or profitability of UBS business groups as a whole, which may include investment banking, sales and trading services

Financial Advisors also have access to proprietary models covering equities, fixed income, mutual funds and municipal securities developed by our various business areas.

In the United States, UBS Financial Services Inc. is obligated to provide independent, third-party research on companies covered by UBS Research to UBS customers, at no cost to them, where such research is available.

We obtain information from various sources, including financial publications, inspections of corporate activities, company press releases, research material prepared by our affiliates and third parties, rating or timing services, regulatory and self-regulatory reports and other public sources. In addition, we receive a broad range of research and information about the economy, industries, groups of securities and individual companies, statistical information, market data, accounting and tax law interpretations, political developments, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and other information which may affect the economy or securities prices. Research can be received in the form of written reports, telephone contacts and personal meetings with research analysts, economists, government representatives and corporate and industry spokespersons. We may receive research services generated by third parties by or through brokers or dealers.

### **VIII. EDUCATION AND BUSINESS STANDARDS**

Generally, we require our professional personnel who provide investment advisory services to clients to have a college degree or securities industry experience. Most of our Financial Advisors are registered as broker-dealer and investment adviser representatives. DCA Financial Advisors are required to meet certain minimum standards demonstrating their expertise in the consulting industry, unless exempted. DCA Financial Advisors must meet certain criteria established to demonstrate a minimum level of retirement plan knowledge and experience.

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 the FINRA. You can also contact your state securities regulator through the Financial Industry Regulatory Authority web site at <http://www.finra.org/InvestorInformation/InvestorProtection/p005882> and request information about our Firm and your Financial Advisor.

You can view the disciplinary history reported on our Form ADV by reviewing Part I of our ADV available on [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **IX. CONSULTING, OTHER BUSINESS ACTIVITIES AND AFFILIATIONS**

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; and 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; and we manage, sponsor and distribute registered investment companies and other public and private pooled investment vehicles, including hedge funds, whose shares or other interests are sold to clients. Currently, our principal business, in terms of its revenues and personnel, is that of a broker-dealer in securities.



**Financial Planning Services.** Financial planning is an investment advisory service. These services are separate and distinct from our brokerage services and other investment advisory services. Clients may select among four distinct financial planning services based on their objectives, levels of wealth and the overall complexity of financial needs. We provide clients with a personalized report to help them assess their current and projected financial situation and their ability to pursue specific financial goals. Our financial planning services do not include initial or on-going advice regarding specific securities or other investments. Recommendations and types of analysis (including asset allocation strategies) may vary depending on the asset allocation model and the software used for the analysis. Some services are provided free of charge. For those services where a fee is assessed, the fee is negotiable.

*Although we act as an investment adviser in providing a client with a financial plan, this does not affect any other relationship the client may have with UBS or one of our Financial Advisors. The nature of any existing UBS accounts, the rights and obligations relating to these accounts, and the terms and conditions of any UBS account agreement in effect do not change in any way. Financial planning services end upon our delivery of the plan to the client. Clients are not required to establish accounts, purchase products that UBS distributes, or otherwise transact business with UBS Financial Services Inc. or any of our affiliates. If a client decides that they would like UBS to help them implement an investment strategy, the capacity in which we act will depend on, and vary by, the nature of the accounts (i.e., brokerage or advisory accounts) used for such implementation.*

Please contact your Financial Advisor with questions about these services.

**Financial Education Program.** We also offer a financial education program where an employer or other sponsoring entity, such as an adult education organization, can have a Financial Advisor provide one or a series of financial education seminars to their employees or members (generally, but not always, free of charge to the employees or members) or to the public for a fee. Seminars offered through this program are generic in nature and do not contain recommendations to invest in any particular security. These seminars focus on educating attendees about such topics as asset allocation, the definition of various asset classes, potential risks and rewards, the advantages of tax-deferred or tax-free investing, options available when receiving a retirement plan distribution and other general subjects.

**Consulting Services.** Consulting services may also be available to retirement plans, institutions and corporate clients for an asset based fee, a fixed fee, mutual fund distribution and finder's fees or brokerage commissions, as well as a combination of a consulting fee with a brokerage offset or transaction fee. Certain services may be available for fixed hourly rates for some programs. The compensation structure may create financial incentives for Financial Advisors to encourage clients to purchase multiple products and services, or to choose a method of payment for products and services that generates compensation in excess of that for other products. In addition, Financial Advisors' compensation may be connected to the referral or cross-selling of additional UBS Financial Services Inc. products and services to clients.

Depending on the services you select, you may find that variations of the individual DCA services may be available to you outside of DCA for more or less than you would pay in the program.

Consulting services may include, but are not limited to, helping a client establish or amend investment policies and objectives; assisting in an investment manager search; aiding in asset allocation planning; providing asset/liability analysis for defined benefit plans; providing investment evaluation and education materials including enrollment seminars; determining the number and type of investment alternatives to be offered to plan participants; developing criteria to select and evaluate service providers; and providing performance evaluations. In these cases, investment decisions are made by the client.

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

We have a number of related persons that may provide investment management and other financial services and products to our investment advisory clients that may be material to our advisory business.

We, our subsidiaries or affiliates act in one or more capacities, including investment adviser, subadviser, 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, commodity pool operator and commodity trading advisor, we or an affiliate also provide advice on commodities and commodity related products. Certain of our subsidiaries, affiliates and related entities include the following:

- PaineWebber Properties Incorporated and PaineWebber Development Corp. create, market, distribute or act as general partner for a number of limited partnerships which invest in commercial and residential properties, oil and gas interests, and research and development activities.
- UBS Financial Services Insurance Agency, Inc.
- UBS Financial Services Incorporated of Puerto Rico, a separately registered broker-dealer
- UBS Insurance Agency of Puerto Rico Incorporated
- Trust related services are available through the UBS Fiduciary Trust Company, the UBS Trust Company, N.A. and the UBS Trust Company of Puerto Rico.
- UBS Credit Corp. provides loans to clients that are either unsecured or secured by securities or other financial instruments. These loans may be used to buy securities or for other purposes. These loans are not subject to the maintenance requirements and potential capital charges that are imposed on broker-dealers.

UBS 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 advisers and, in some cases, registered broker-dealers and commodity trading advisers. Their principal lines of business range from developing and distributing investment products including wrap fee products, mutual funds, closed-end funds, privately placed funds and other pooled investment products, providing investment advice to individuals, pension and other employee benefit plans; other tax-exempt organizations, insurance companies, investment companies, commingled trust funds, corporations, and other institutional investors, and serving as investment managers, administrators, distributors and/or placement agents for a number of funds, including (in the case of UBS Global Asset Management (US) Inc., formerly known as "Mitchell Hutchins Asset Management Inc." and as "Brinson Advisors, Inc.") the PACE Select Advisors Trust and a number of UBS Financial Services Inc. and UBS Global Asset Management-advised mutual funds. Certain of the investment advisers listed below may serve as investment manager for clients participating in our Managed Accounts Consulting Program ("MAC") or our ACCESS program.

The UBS AG subsidiaries registered as investment advisers in the United States include: (1) Alternative Investment Solutions; (2) DSI International Management Inc.; (3) UBS Agrivest LLC; (4) UBS Global Asset Management (Americas) Inc.; (5) UBS Global Asset Management (US) Inc. (formerly known as "Mitchell Hutchins Asset Management Inc." and as "Brinson Advisors, Inc."); (6) UBS International Inc.; (7) UBS Investment Advisors Ltd.; (8) UBS O'Connor LLC; (9) UBS O'Connor Limited; (10) UBS Realty Investors LLC; (11) UBS Securities LLC; (12) UBS Swiss Financial Advisers; and (13) UBS Fund Advisor, LLC, a separately registered investment adviser, is the managing member of five additional registered investment advisers. These are UBS Juniper Management, L.L.C.; UBS Tamarack Management, L.L.C.; UBS Sequoia Management, LLC; UBS Eucalyptus Management, LLC; and UBS Willow-Management, LLC. These entities 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 adviser.

## **X. CODE OF ETHICS AND PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

***Code of Ethics.*** The Firm maintains and enforces a written Code of Ethics ("Code") pursuant to Rule 204A-1 under the Investment Advisers Act of 1940. The Code, and any subsequent amendments, is provided to all employees of the Firm and each employee is responsible for acknowledging receipt.

The Code, which supplements the Firm's **WM US** 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; and to address conflicts of interest associated with the personal trading activities of a subset of employees defined as "access persons."<sup>3</sup> Employees are required to promptly report any suspected violation of the Code. Violations of the Code may result in discipline, up to and including termination. Clients or prospective clients may obtain a copy of the Investment Adviser Code of Ethics upon request.

***Trading and Execution Practices; Margin.*** Brokerage services are not available in DCA. Neither UBS Financial Services Inc. nor a third-party manager will execute trades on your behalf, and margin lending will not be available to you in DCA.

***Other Activities.*** 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 affiliates' own accounts 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 act as market maker or an underwriter for securities recommended, purchased or sold. We and our affiliates, from time to time, 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 effect any transaction for your account that we believe to be improper under applicable law or rules or contrary to our own policies. In particular, you should note that some of our programs may recommend asset allocations or analyze markets and the economy in a different way than would be recommended by some of our research, trading or other departments.

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

## **XI. ADDITIONAL INFORMATION**

**Compensation to Financial Advisors.** In general, we pay a percentage of clients' commissions and fees, called a payout rate, to our Financial Advisors, according to an established schedule that depends on a variety of factors. These factors include the total amount of the Financial Advisor's client assets under management and the total amount of revenues the Financial Advisor generates with his or her entire client base. For transaction-based accounts, which hold products such as stocks, bonds, options and mutual funds, the payout rate ranges from 24% to 44% of the commissions or sales charges paid to the Firm. For stock and option transactions, the payout is reduced by \$12 per transaction. For insurance and annuity products, the payout ranges from 24% to 49% of the commissions or sales charges paid to the Firm. For our asset-based fee programs, the payout generally ranges from 24% to 47% of the fees earned by the Firm.

The percentage of Firm revenues that Financial Advisors receive in asset-based programs and insurance products is higher than the percentage of Firm revenues they receive on most other products and services. As a result, Financial Advisors may have a financial incentive to recommend the program(s) described in this brochure over other products and services.

<sup>3</sup> Access Person: any branch office employee, regardless of their job function, and any other Firm employee who works from a branch location or any home office employee who places trades on behalf of money managers that participate in the Firm's advisory programs.

Financial Advisors may also receive additional compensation based on annual total revenues and length of Firm service and based on net new assets and credit lines from both current and new clients.

Under certain circumstances (for example, acquisitions), some Financial Advisors may be compensated differently. We reserve the right, at our discretion and without prior notice, to change the methods by which we compensate our Financial Advisors.

**Referral Arrangements.** We have referral agreements with our affiliates pursuant to which we refer clients to them and/or they refer clients to us. Under those agreements, we share fees with 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 Financial Services Inc. or our affiliate.

We also have a referral program pursuant to which we enter into solicitation arrangements with third parties who we compensate for referring or soliciting clients to participate in our advisory or trust services programs. 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.

As a result of these arrangements, fees paid by clients may differ from the prevailing retail rate. 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. We 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 pursuant to which we refer our customers to certain lenders, on a non-exclusive basis, for specific financing opportunities not available at UBS Financial Services Inc. or its affiliates. These lenders may be able to assist clients to secure financing for working capital, capital expenditures, and leasing, as well as for other specialized borrowing needs. It is our practice to disclose to the client being referred the roles of UBS Financial Services Inc. 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.

## **XII. REGULATORY ORDERS**

Please note that we are required to disclose to you the following orders which have been entered against UBS Financial Services Inc. but which, pursuant to a no-action letter issued by the Securities and Exchange Commission, do not preclude UBS Financial Services Inc. from receiving the compensation under our referral arrangements with affiliated and non-affiliated third parties:

1. On October 2, 2007, the Firm, without admitting or denying guilt, consented to NYSE findings that it a) violated NYSE Rule 401(a) by not ensuring delivery of prospectuses in connection with sales of certain registered securities and b) violated NYSE Rule 342 by not providing for, establishing or maintaining appropriate procedures of supervision and control. The Firm consented to a censure and fine of \$500,000 and an undertaking to provide enforcement, within 90 days, with a written certification that the Firm's current policies and procedures are reasonably designed to ensure compliance with the federal securities laws and NYSE rules applicable to the delivery of prospectuses and product descriptions.
2. On September 7, 2007, without admitting or denying the findings by FINRA that during the period January 1, 2005 - March 31, 2005 in five customer transactions, UBS Financial Services Inc. did not use reasonable diligence to ascertain the best inter-dealer market, the Firm signed a Letter of Acceptance, Waiver and Consent and consented to the following sanctions: a censure, a \$30,000 fine and restitution to the five customers in the total amount of \$11,630, plus interest.
3. On February 1, 2007, the Firm, without admitting or denying allegations made by the State of Virginia, accepted a Settlement Order with the State for \$100,000 (\$83,000 penalty/\$17,000 cost of investigation) in connection with the activities of a former Financial Advisor during the period of 2000 and 2001. The allegations include failure to properly maintain certain books and records in the branch office and inadequate supervision of the Financial Advisor.
4. On November 3, 2006, the NASD's Office of Disciplinary Affairs and the National Adjudicatory Council accepted a Letter of Acceptance, Waiver, and Consent ("AWC"), wherein the Firm, without admitting or denying the findings, consented to the entry of the findings that it violated NASD Conduct Rules 2110 and 2320, in that, in 27 transactions it failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. The Firm consented to a censure, a fine of \$10,000 and restitution in the amount of \$938.99, plus interest.
5. On May 26, 2006, the Firm, without admitting or denying any allegations or findings, entered into a Stipulation of Facts and Consent to Penalty with the New York Stock Exchange ("NYSE") relating to discrete issues identified in various branch offices during the NYSE Member Firm Regulation's annual sales practice examinations in 2003 and 2004. The Stipulation resulted in NYSE Hearing Board Decision 06-116, which was finalized on August 2, 2006, and which censures the firm and imposes a fine of \$175,000. The Decision indicates that, during 2003 and 2004 in certain branches, the firm did not: 1) exercise reasonable supervision and control, including a separate system of follow-up and review, with respect to the review of certain communications, trade corrections, review of trades in customer accounts, records of customer addresses, and restrictions of accounts in which customer had reneged on trades; 2) obtain appropriate supervisory approval for certain account designation changes prior to effecting such changes; 3) freeze or restrict certain customer accounts in which customers had reneged on trades; 4) maintain adequate memoranda of certain orders that contained all of the required elements; and 5) exercise due diligence in certain accounts that used post office box addresses, and where account documents were sent to a third party.
6. On January 11, 2006, the Firm, without admitting or denying the findings, signed a Stipulation of Facts and Consent to Penalty with the relating to the market timing of mutual funds and variable insurance products. NYSE alleged that the Firm failed to supervise brokers who with their clients engaged in deceptive marketing timing of mutual funds. Through the Stipulation and Consent Order, the Firm was fined \$23.7 million which included censure and civil penalty of \$5 million for failure to supervise, plus \$750,000 for books and records violations and \$18 million in disgorgement. At the same time, UBS Financial Services Inc. entered into an Agreed Consent Order with the New Jersey Bureau of Securities covering the same matters as that NYSE Order. Pursuant to the NJBS Order, the Firm was fined \$24.7 million which included censure and civil penalty of \$12 million for failure to supervise, plus \$750,000 for books and records violations, \$12 million for investigation costs and investor education and other enforcement initiatives. Pursuant to both

orders, the Firm also agreed to retain outside counsel to review procedures related to the alleged failures and violations.

7. On May 6, 2005, UBS Financial Services, Inc., without admitting or denying the findings, signed a Letter of Acceptance, Waiver and Consent with the NASD relating to the firm's marketing and sale of a non-proprietary managed futures fund (the "Fund") to certain customers. The NASD reviewed the period January 2002 to December 2003, during which time more than 4,000 UBS customers purchased the Fund. The NASD found that 14 customers made investments in the fund that exceeded 10% of their net worth, which was not permitted by the prospectus. The NASD also found that the firm did not maintain certain records disclosing the basis upon which suitability determinations were made when the Fund was recommended to customers, did not establish and maintain a supervisory system related to maintaining these records and did not adequately describe certain of the risks of investing in managed futures on the firm's public website. To resolve this matter, the firm agreed to a censure, a fine of \$175,000, and agreed to offer restitution to the 14 affected customers. The firm also agreed to determine whether another group of customers' purchases of the Fund exceeded the net worth limitation set forth in the Fund's prospectus and, if so, to offer them restitution.

8. On July 7, 2004, the Firm, without admitting or denying the findings, settled with the NASD an action relating to the firm's sales literature for privately placed registered investment companies. The NASD found that, between July 2002 and May 2003, UBS Financial Services Inc. distributed a number of pieces of sales literature to its customers that did not comply with NASD conduct Rules 2210(d)(1)(A) and 2110. These included one sales presentation which stated that the fund was seeking a targeted rate of return without providing a substantiated basis for the target, and 22 fund updates which did not contain adequate risk disclosure. To resolve these charges, the firm agreed to a censure, to a fine of \$85,000, and to submit certain sales literature relating to privately placed registered investment companies to the NASD for review within 30 days of July 7, 2004.

9. On June 28, 2004, the Firm, along with seven other firms, without admitting or denying the findings, settled with the NASD an action concerning the firm's reliance on broker's brokers to determine the fair market value of certain of its customers' bonds. In particular, the NASD identified eleven instances during the period from August 6, 2002 through June 4, 2003 where a client requested that UBS Financial Services Inc. sell a bond in which the firm does not make a market. The firm, following industry practice, contacted a broker's broker and obtained bids for the customers' securities, and then bought the bonds from the customers at the bid price. Subsequent trading of the customer's bonds occurred at prices higher than the customers had originally received, indicating that the customers had not received fair prices for the bonds the customers sold. Along with other firms in the group settling with the NASD, UBS Financial Services Inc. was found to have violated MSRB Rules G-17 and G-30 by relying solely on the prices provided by the broker's brokers to determine the fair market values of the bonds. To resolve the actions, all eight firms agreed to make restitution, pay fines in an amount roughly equal to the restitution amount, and update their written supervisory procedures relating to the determination of the fair market value of municipal securities being bought or sold from a public customer. UBS Financial Services Inc. paid a fine of \$100,000, made restitution to the impacted customers and updated its written supervisory procedures.

10. On February 12, 2004, the Firm, along with six other firms, without admitting or denying the findings, settled with both the SEC and the NASD actions relating to the Firm's failure to uniformly provide breakpoint discounts to clients during 2001 and 2002. Breakpoint discounts are volume discounts applicable to front-end sales charges on Class A mutual fund shares. The SEC and NASD each brought cases against a group of seven firms, and the NASD separately brought actions against eight other firms. To resolve the actions, all 15 firms agreed to review all front-end load mutual fund trades in excess of \$2,500 between January 1, 2001, and November 3, 2003, to provide written notification of the breakpoints problem to each customer who purchased Class A shares from January 1, 1999, to November 3, 2002, to advise these customers that they may be entitled to a refund; to provide refunds where appropriate; and to pay a fine equal to the amount of the firm's projected overcharges. Along with other firms in the group settling with both the SEC and NASD, UBS Financial Services Inc. was found to have violated Section 17(a)(2) of the Securities Act of 1933 and Rule

10b-10 under the Securities Exchange Act of 1934. The NASD charged all 15 firms with violations of its just and equitable principles of trade rule. UBS Financial Services Inc. paid a fine of \$4,621,768, split evenly between the SEC and NASD.

11. In August 2003, the Firm consented, without admitting or denying the matters set forth therein, to the entry by the SEC of an Order Instituting Proceedings, Making Findings and Imposing Remedial Actions. The Order alleges that, during the period from 1994 to 1998, the Firm failed to reasonably supervise a former registered representative who had carried out an extended fraud that caused clients substantial losses. Pursuant to the Order, UBS Financial Services Inc. was censured under Section 15(b) of the Exchange Act and ordered to pay civil penalties of \$500,000 to the United States Treasury.

12. On April 6, 2000, The SEC brought and settled civil administrative charges against ten brokerage firms, including UBS Financial Services Inc., resolving its investigation of the pricing of Government Securities by Broker-Dealers in Municipal Bond advanced refunding transactions during the period 1990 through 1994. Consistent with the SEC orders involving the other Broker-Dealers in the settlement, the Firm's order contains findings that the Firm violated Securities Act Sections 17(a)(2) and 17(a)(3) by effecting defeasance escrow transactions with municipalities at prices deemed not reasonably related to the current wholesale market prices for the securities under the particular facts and circumstances. The Firm neither admitted nor denied the findings in the Order. Pursuant to the terms of the Order, the Firm paid \$21,571,057.72 to the United States Treasury under an agreement simultaneously entered into among the Firm, the Internal Revenue Service and the United States Attorney for the Southern District of New York, and also must make certain payments totaling \$4,608,326.23 to certain specified municipal issuers. The SEC settlements are part of a global resolution involving 17 brokerage firms and the SEC, NASD regulation, INC., the United States Attorney for the Southern District of New York and the Internal Revenue Service. The Global resolution requires the firms to pay a total of more than \$135 million.

13. In January, 1999, the Firm consented, without admitting or denying the matters set forth therein, to the entry by the SEC of the Order Making Findings and Imposing Sanctions. The SEC's order makes findings that, in certain market-making activities in connection with specified NASDAQ securities traded on the NASDAQ market on specified dates, UBS Financial Services Inc. engaged in or caused the coordinated entry of quotations; entered or caused to be entered fictitious quotations; engaged in or caused other manipulative conducts; failed, or caused the failure, to provide best execution in the handling of customer orders; and, together with certain other securities firms and traders and a former UBS Financial Services Inc. investment executive, engaged in manipulative conduct. The SEC order also makes findings that UBS Financial Services Inc. failed to keep and maintain accurate books and records and failed reasonably to supervise its NASDAQ market-making activities. Without admitting or denying the above findings, UBS Financial Services Inc. consented to cease and desist from committing or causing any violation of, and committing or causing any future violation of certain provisions of the Securities Exchange Act of 1934 and the rules promulgated thereunder and to pay a civil penalty in the amount of \$6,300,000 and disgorgement in the amount of \$381,685. The Firm also agreed to cooperate with an independent consultant appointed by the SEC to review UBS Financial Services Inc.'s policies, procedures and practices relating to the matters alleged in the order. Admin. Proc. File No. 3-9803 (Jan. 11, 1999).

### **XIII. PERSONNEL**

The following are brief biographical descriptions of personnel who either function as our directors, principal executive officers or who have supervisory responsibility for the program(s) described in this Brochure:

#### **Executive Officers and Directors**

**Marten Hoekstra** is Head of Wealth Management US for UBS. The position, which he assumed in July 2005, comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation in the U.S. Mr. Hoekstra is Chairman of the US Regional Executive Committee of Global Wealth

Management & Business Banking and is responsible for all aspects of UBS Wealth Management in the United States. Mr. Hoekstra joined PaineWebber as an Investment Executive Trainee in 1983. He held several senior positions with PaineWebber Inc. prior to the merger with UBS, including Branch Office Manager, Divisional Sales Manager and Associate Division Manager in PaineWebber's North Central Division, Executive Vice President, Northeast Division Manager (1994-1998), Director of Marketing for PaineWebber's Private Client Group (1998-2000) and Director of the Client Relationship Group (2001).

Following the merger with UBS, Mr. Hoekstra was named Group Head of Markets and Marketing Development for UBS AG in April 2001. Based in Zurich, Mr. Hoekstra was responsible for initiatives leveraging product and service offerings to both internal and external clients. In June 2002, Mr. Hoekstra became Head of a newly created business area, Market Strategy & Development, with responsibility to drive and enable the development of a clear and consistent UBS Wealth Management & Business Banking marketing and sales strategy, ensure the delivery of marketing systems, processes and tools that make an impact on sales effectiveness and profits, and manage technology to enable these outcomes. He became Member of the Group Managing Board, UBS AG in July 2002. Mr. Hoekstra is a graduate of the University of North Dakota, with a B.A. in political science. He also holds a Masters in Business Administration from the Kellogg Graduate School of Management at Northwestern University.

**Robert J. Chersi**, born 1961, is a Director, Executive Vice President and Chief Financial Officer of UBS Financial Services Inc. and has been with the firm since 1995. He joined UBS Financial Services Inc. in 1995 as Senior Vice President - Director of Financial Analysis. Prior to joining the firm, he was with Kidder, Peabody & Co., Inc. from 1988 to 1995. He is a graduate of Pace University. Mr. Chersi also serves as a panelist for the NYSE Hearing Board.

**Diane Frimmel**, born 1953, is the Regional Chief Operations Officer for the Americas and a member of the UBS Group Managing Board which encompasses UBS Financial Services Inc. In 2005, Ms. Frimmel became a Director of UBS Financial Services, a member of its Executive Committee. In March 2006, Ms. Frimmel was appointed Chair of the Wealth Management US Operating Committee. Ms. Frimmel has been associated with the firm since 1979 in a variety of senior roles across all business areas, including Manager of Cashiering Division, Operations (1988-1989), Director of Administrative Services (1989-1991), Chief Administrative Officer, Private Client Group (1991) and Director of Operations (1995-2005). Ms. Frimmel holds a Masters Degree in Business Policy from Columbia University and a bachelors degree in Accounting from Rutgers University.

**John B. Hannasch**, born 1965, is the Head of Market Strategy & Development US, a member of the Executive Committee and (since February 2007) a Director of UBS Financial Services Inc. Mr. Hannasch is also a member of the Firm's Business Development Committee and Operating Committee. Mr. Hannasch has worked at UBS since February 1998, starting at the former PaineWebber organization. Mr. Hannasch moved to Zurich in May 2001, joining the Group Markets and Marketing Development area within the Corporate Center. In July 2002, Mr. Hannasch was named the Head of Strategic Analysis & Business Development for the Wealth Management & Business Banking business and held that position until November 2006. Prior to joining UBS in February 1998, Mr. Hannasch worked at the Charles Schwab Corporation from May 1995 to February 1998, where he last served as the Director of Business Strategy in the Retail Strategic Marketing Group. John has a Bachelor of Science in Economics from the University of Pennsylvania in 1987 and an MBA in Finance from the University of Chicago in 1993.

**Michael A. Weisberg**, born 1969, is a Member of the UBS Group Managing Board. He heads Products & Services globally for UBS, including North America, in addition to his role as Local Product Head Wealth Management US, which includes UBS Financial Services Inc. Mr. Weisberg started his career with UBS in 1993 as Portfolio Manager in New York. In 1998 he was appointed Head of Investment Advisory (AAT) in New York before moving on to Head Active Advisory (AAT) Europe in Zurich and Head Investment Solutions Switzerland, where he led a total of 550 staff in direct reporting lines as well as 150 employees in global functional reporting lines. In March 2005, Mr. Weisberg was elected to the UBS Group Managing



Board and in September 2005 he assumed responsibility for Products & Services North America as well as Local Product Head Wealth Management US. In 2006, Mr. Weisberg was named Global Head, Products & Services for UBS. Mr. Weisberg is a graduate of St. John's University with a Bachelor's Degree in Finance.

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

**Mark Shelton**, born 1967, is a Managing Director and General Counsel of UBS Financial Services Inc. and has been with the firm since 2003. Prior to joining the firm, he was a partner at Wilmer, Cutler and Pickering, an adjunct professor at the Georgetown University Law Center, counsel to Dole/Kemp '96, and an attorney in the Office of General Counsel at the U.S. Securities and Exchange Commission. Mr. Shelton clerked on the United States Circuit Court of Appeals for the Eighth Circuit. He graduated from the University of Kansas and the University of Virginia School of Law.

**John Polanin, Jr.**, born 1958, is Managing Director and Head of Compliance for UBS Wealth Management US, which includes UBS Financial Services Inc. Mr. Polanin joined PaineWebber Inc. in 1999 and has held a number of senior Legal and Compliance positions within UBS. Previously, Mr. Polanin served as Head of Compliance for the Americas at UBS Investment Bank, as managing attorney for equities at UBS Warburg, and as deputy general counsel for equity capital markets, transaction services and research at PaineWebber Incorporated. Mr. Polanin was in private law practice and served as a branch chief in the SEC Division of Market Regulation, before holding positions as equity counsel for Credit Suisse First Boston and chief compliance officer for SG Cowen Securities Corporation prior to joining PaineWebber. Mr. Polanin graduated from Harvard University in 1980 and Catholic University School of Law in 1983 and received a Master of Laws degree in Securities Regulation from Georgetown University Law Center in 1990.

**Lisa M. Francomano**, born 1969, is an Executive Director, Deputy Director of Compliance and Chief Compliance Officer for UBS Financial Services Inc.'s advisory business as well as the Unit Investment Trusts sponsored by UBS Financial Services Inc. Ms. Francomano has been with the firm since 2001. Prior to her current role, she managed the compliance products group and was an investment advisory attorney in the legal department. Prior to joining the firm, Ms. Francomano was a Vice President at Lehman Brothers Inc. responsible for providing investment advisory legal support primarily to the firm's wrap fee and broker-managed programs. Ms. Francomano began her career at Prudential Securities Inc. in 1992 as an analyst in the legal department. Ms. Francomano graduated from Fairfield University and New York Law School, evening division.

#### **Product Management for the Products Covered in this Brochure**

**Edward P. O'Connor**, born 1957, is a Managing Director of UBS Financial Services Inc. Mr. O'Connor joined UBS Financial Services Inc. in September 2006 and currently serves as Head of Retirement Consulting Services, Wealth Management & Planning US – Products & Services. In that capacity he leads and develops UBS' individual and corporate retirement businesses. Prior to joining UBS Financial Services Inc., Mr. O'Connor worked in various capacities in the financial services industry, including Sr. Vice President of Wealth Management for JP Morgan, where he managed investment and bank products, as well as the Trust business. Before joining JP Morgan, Mr. O'Connor spent 15 years with Merrill Lynch within various product and business development positions, including three years as head of the retirement business.

**Patrick E. Oberlander**, born 1954, is an Executive Director of UBS Financial Services Inc. Mr. Oberlander joined UBS Financial Services Inc. in February 2007 and currently serves as Director of Corporate Plans within Retirement Consulting Services, Wealth Management & Planning US – Products & Services. In that capacity, he oversees the corporate retirement plan business and product development. Prior to joining UBS Financial Services Inc., Mr. Oberlander worked in various capacities in the retirement plan business, including Sr. Vice President and Director of Retirement Services for McDonald Investments (October 1995 to February 2007), Regional Retirement Plan Sales Representative for Transamerica (April 1992 to October 1995),

Regional Group Pension Sales Representative for CIGNA (March 1988 to March 1992), and various home office positions with CIGNA (June 1976 to February 1988) and Travelers (September 1974 to May 1976).