

Information about your relationship with us



What relationship and pricing
structure is appropriate for you?

How we charge for our services

Detailed explanation of fees for
selected investments and services

| | |
|---|-----------|
| Introduction | |
| Our commitment to our clients | 1 |
| Helping us to serve you better | 1 |
| Your rights as our client | 1 |
| What relationship and pricing structure is appropriate for you? | 2 |
| Transaction-based account relationship and pricing | 2 |
| Asset-based account relationship and pricing | 2 |
| Material distinctions in our duties and obligations as investment adviser and broker-dealer | 2 |
| Our responsibilities to you as a broker-dealer | 4 |
| Pricing decisions: brokerage vs. advisory, transaction vs. asset-based | 5 |
| How we charge for our services | 6 |
| How our Financial Advisors are compensated | 7 |
| Additional compensation Financial Advisors may receive | 7 |
| Compensation for New Financial Advisors | 7 |
| Compensation for Financial Advisors and New Financial Advisors is subject to change | 7 |
| Your relationship with your Financial Advisor | 8 |
| Third-party services | 8 |
| Detailed explanation of fees for selected investments and services | 9 |
| I. Transaction-based account relationships | 10 |
| II. Asset-based advisory account relationships | 21 |
| III. Credit products and cash deposits | 28 |
| IV. Brokerage account fees | 30 |
| V. Miscellaneous administrative fees | 33 |
| Disclosures | 35 |
| A word to our clients | 38 |

At UBS, we offer our clients access to some of the world's most powerful financial resources. But the most important resources of all are the ones your Financial Advisor brings to the table each time you meet—listening and understanding. They are the first steps in the ongoing process that we call wealth management.

Your Financial Advisor will begin the process by listening to the expert on your situation: you. That's the key to understanding where you are, where you want to be and your risk tolerance for getting there. After all, a true wealth management plan is one that is designed to help you pursue your individual financial needs.

One of the most important steps in our process is understanding the services we provide and our related fee structure. This brochure helps explain the various ways in which we charge for our products and services and how your Financial Advisor is compensated.

The information in this publication applies to clients of UBS Financial Services Inc. and UBS Financial Services Incorporated of Puerto Rico. UBS Financial Services Incorporated of Puerto Rico is a subsidiary of and introducing firm to UBS Financial Services Inc. Investment advisory services in Puerto Rico are provided through UBS Financial Services Inc. UBS Financial Services Incorporated of Puerto Rico may also refer clients to its affiliate, UBS Trust Company of Puerto Rico, for additional services including retirement planning, consulting and trust services. All information is as of March 3, 2010, and is subject to change.

We believe that wealth management goes beyond traditional investment strategies. We see it as encompassing your entire investment and financial life—with your Financial Advisor involved every step of the way.

With us, you have access to the resources of one of the world's leading wealth managers, an award-winning investment bank and a global leader in asset management. An essential element in our approach is to make sure that our clients are informed about the products and services we offer, including their benefits, risks and prices.

This brochure is designed to provide you with an overview of:

- How we establish and maintain our relationships with clients
- The different ways that clients can conduct business with us
- How we, as a firm, and our Financial Advisors are compensated for our guidance and for providing products and services to you
- The main distinctions between brokerage and investment advisory services and our respective duties and obligations

Our commitment to our clients

Today's investors need more than information. It takes the assistance of a wealth management professional to put that information into context; to know you, your needs and your stage of life; and to determine which strategies complement your goals. Our Financial Advisors strive to:

- Understand your individual needs, goals and tolerance for risk, so that you will feel confident in the financial decisions you make
- Recommend and present wealth management solutions that are designed to help in the pursuit of your investment and wealth planning needs
- Work closely with you to implement these recommendations
- Adjust these strategies, as appropriate, to suit your changing needs or adapt to economic and market conditions

- Act on your behalf with integrity and respect for your financial needs and concerns

Helping us to serve you better

To provide you with appropriate and suitable wealth management strategies and solutions, we must work together so that we understand your individual financial circumstances and goals. This effort requires clear and open communication between you, your Financial Advisor and our firm.

That's why we ask you to:

- Provide us with a full picture of your financial situation, goals and needs, along with any updates, so that your Financial Advisor can make appropriate recommendations
- Read all important disclosure statements before investing or borrowing funds so that you can understand the risks and ask questions
- Inform us promptly of any service issue you may have by contacting your Financial Advisor or the Branch Manager of the office serving you

Your rights as our client

- A relationship with a Financial Advisor who understands your goals, objectives, investment time horizon and tolerance for risk
- Wealth management products designed to help you pursue your individual needs
- Disclosure of risks, costs and how our firm and your Financial Advisor are compensated
- Timely and accurate reporting about your accounts and transactions
- Courteous service from all UBS personnel
- Prompt resolution of grievances and errors
- Strict confidentiality and privacy about your personal and financial information

What relationship and pricing structure is appropriate for you?

No single approach to wealth management suits every investor. We offer a variety of ways in which you can work with your Financial Advisor and do business with us.

The retail client relationships we offer can be divided into two broad styles with different pricing methods: transaction-based and asset-based. You may prefer one or the other—or a combination of both.

Transaction-based account relationship and pricing

With this account relationship, clients pay for the services they request, such as buying and selling stocks, bonds and mutual funds, and trading and exercising options. Payment may be in the form of commissions or other fees for each transaction, or as deferred sales charges or built-in expenses in products such as mutual funds, variable annuities and alternative investment funds. Clients can conduct transaction-based business with us through investment, education savings, retirement, trust and other accounts we offer, subject to eligibility requirements of the specific products.

Annuities and insurance are made available through our insurance-licensed subsidiaries from third-party insurance companies unaffiliated with us. We also offer credit lines and mortgages provided by our affiliates, UBS Bank USA and UBS AG, Tampa Branch d/b/a UBS Mortgage.

Asset-based account relationship and pricing

In asset-based relationships, clients pay fees on a quarterly basis rather than commissions on transactions. These fees may cover a variety of services and are based primarily on the value of eligible assets in the account (and sometimes on the total value of advisory business a client's household conducts with our firm).

Our asset-based accounts can be divided into three distinct categories:

1. Client-directed advisory accounts.
2. Discretionary portfolio management, in which qualified Financial Advisors or UBS Portfolio Managers make investment decisions.
3. Investment management consulting, where assets are invested in a mutual fund asset-allocation

program, or where assets are managed by affiliated and/or nonaffiliated investment managers. Financial Advisors guide clients through investor profiling, asset allocation and ongoing consultation and evaluation.

Some common wealth management solutions that are not included in asset-based accounts, and therefore carry separate charges, include our lending programs (i.e., mortgages and other loans), as well as insurance products.

Material distinctions in our duties and obligations as investment adviser and broker-dealer

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. Our financial planning service ends upon our delivery of the plan to you, as will the fiduciary relationship that arises from providing you with this service. You 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 in order to put into action any aspect of your financial plan. If you would like UBS to be involved with helping you develop an investment strategy, we would welcome the opportunity to assist you. The capacity in which we act when helping you implement an investment strategy will depend on, and vary by, the nature of your accounts (i.e., brokerage or advisory accounts) used for such implementation.

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

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

Our services as an investment adviser and 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, nondiscretionary investment advisory programs and advice on the selection of investment managers and mutual funds and other products offered through our investment advisory programs.

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

Our fiduciary responsibilities as an investment adviser

As your investment adviser, we are considered to have a fiduciary relationship with you. The fiduciary standards are established under the Investment Advisers Act of 1940 and state laws, where applicable, and include:

- Obligations to disclose to you all material conflicts between our interests and your interests.
- If we or our affiliates receive additional compensation from you or a third party as a result of our relationship with you, we must disclose that to you.

- 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 or your investments.
- 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 relationship with you

As a full-service broker-dealer, our services are not limited to taking customer orders and executing securities transactions. We provide both UBS Wealth Management Research and UBS Investment Research to clients. UBS Wealth Management Research's various reports and publications address market, sector, company and economic issues. In addition, the reports cover thematic topics of real concern to individuals, such as climate change, retirement and purchasing power. As a broker-dealer, we provide a variety of services relating to investments in securities, including custody services and executing trades. 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 ongoing advice and service we provide to our clients with respect to their brokerage accounts are an integral part of our services offered as a broker-dealer.

Subject to limited exceptions in our discretionary cash management program, generally, we do not make investment decisions for clients or manage their accounts on a discretionary basis in our capacity as broker-dealer. We will only buy or sell securities for brokerage clients based on specific directions from you.

Our responsibilities to you as a broker-dealer

As a broker-dealer, we are subject to the Securities Exchange Act of 1934, the Securities Act of 1933, and the rules of self-regulatory organizations such as the Financial Industry Regulatory Authority (FINRA) and the New York Stock Exchange and state laws, where applicable. The standards for broker-dealers include the following:

- 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. When we act as 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 “markup,” “markdown” or commission on the price of the security in addition to any “spread” that we earn on a transaction.

- **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.

It is important to understand how we conduct business under applicable laws and regulations. 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.

Pricing decisions: brokerage vs. advisory, transaction vs. asset-based

Depending on the specific type of account you have, transactions may be conducted on either a discretionary or nondiscretionary basis. In a discretionary account, a Financial Advisor or outside investment manager makes the investment decisions. In a nondiscretionary account, you make the investment decisions.

- Where we act as brokers for clients—executing transactions for you according to the investment decisions you make—the primary services you pay for are trading and execution, and the advice we provide is incidental.
- Where we act in an advisory capacity in managed accounts, the primary service we provide to you is our advice or the advice of a third-party money manager. In those cases, we charge an explicit fee, based on assets, for that advice.

Clients may purchase many of our products and services in either transaction-based or asset-based accounts, or a combination of both. Advisory services, however, are available predominantly in asset-based fee accounts.

Since the cost of doing business with us depends on each client’s wealth management preferences and needs, it may be difficult to compare asset-based and transaction-based relationships solely on the basis of price.

You may pay more or less in an asset-based program than you might otherwise pay if you purchased the services separately. Several factors affect the relative cost of an asset-based program, including:

- Size of the portfolio
- Mix of product types
- Additional administrative or management fees, if any
- Your level of trading
- The actual cost of the services if purchased separately

You should consider the specific features of each product and the effect on your total cost when asset-based fees are applied to certain products, such as mutual funds, alternative investment funds and unit investment trusts, that also carry built-in management and administrative fees.

How we charge for our services

Our firm earns revenue primarily from our clients, as well as from product vendors and investment managers whose products and services are purchased by clients, and from our fixed income trading activities. We compensate your Financial Advisor from some, but not all, of these sources of revenue.

In general, our firm's client-related revenue consists of:

- Commissions charged to clients in connection with their purchase, or sale, of equities and fixed income products, where the firm acts as agent or broker
- Markups and markdowns on the price of purchases and sales of securities, where the firm acts as principal (i.e., purchases and sales out of firm inventory)
- Selling concessions and/or underwriting discounts earned by the firm in connection with new offerings of equity, fixed income or structured investments
- Sales loads, commissions or concessions in connection with the offering of various packaged products, such as mutual funds, alternative investment funds, unit investment trusts, insurance and annuities
- Asset-based fees charged in connection with our advisory programs
- Interest on margin and loan accounts
- Interest on free cash balances
- Annual account service fees
- Account administrative fees

Our firm also earns revenue from other sources, including:

- Reimbursements from third parties, such as mutual funds, unit investment trusts, exchange traded funds (ETFs), insurance companies and investment advisors, for the cost of educational programs and seminars for employees and clients
- Profits from trading activities
- Volume concession payments on sales of third-party unit investment trusts (UITs)

- Payments based on our total sales of and/or total client assets in mutual funds and variable annuities, known as "revenue sharing"
- Mutual fund networking and omnibus servicing fees, which are determined on a per-account basis
- Built-in operating expenses on UITs sponsored by our firm
- Payments from insurance and annuity companies for the costs of establishing and maintaining their products in our distribution system

For more information about revenue sharing arrangements and other sales charges on the products of third-party vendors, please ask your Financial Advisor for our guides, *Important Information About Mutual Funds*, *Unit Investment Trust Disclosure Statement* and *Understanding Your Variable Annuity*. You can also find mutual fund revenue sharing information on our website (www.ubs.com/mutualfundrevenuesharing.com).

Our affiliates within UBS may be compensated for trade flow sent to various market destinations. In addition, our affiliates may earn compensation from business that you conduct with us when you:

- Purchase securities underwritten by an affiliate
- Buy or sell securities where our affiliate acts as principal in the transaction
- Execute trades in shares of mutual funds structured or managed by an affiliate
- Hold a loan extended by, or maintain credit with, one of our affiliates
- Make deposits of your money through us into affiliated entities

Affiliates such as UBS Global Asset Management and UBS Investment Bank may also pay us for referring client business to them. Conversely, we may pay our affiliates for referring client business to our Financial Advisors.

How our Financial Advisors are compensated

In general, we pay our Financial Advisors a percentage of clients' commissions and fees (called a payout rate), less certain adjustments requested by our Financial Advisors or required by us, according to an established schedule based on the revenues the Financial Advisor generates with the clients he or she services.

- For transaction-based accounts, which hold products such as stocks, bonds, options and mutual funds, the payout rate ranges from 20% to 45% of the commissions or sales charges paid to the firm. For stock and option transactions, the payout is adjusted to account for \$12 per transaction.
- For insurance and annuity products and asset-based fee programs, the payout ranges from 20% to 48% of the commissions or sales charges paid to the firm.

We may reduce or abolish the above payouts to Financial Advisors in connection with accounts they service that do not meet certain prescribed asset levels on a household basis.

In general, Financial Advisors earn more for products sold in initial offerings than for those purchased and sold in secondary offerings.

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. The differences in compensation may create an incentive for Financial Advisors to recommend products for which they receive higher compensation.

Additional compensation Financial Advisors may receive

A Financial Advisor may also be eligible for bonuses based primarily on:

- His or her annual revenues and length of service with our firm
- Net new assets and credit lines from both current and new clients

Vendors, such as mutual fund wholesalers, annuity wholesalers, unit investment trust wholesalers, investment managers and insurance distributors, may pay certain expenses on behalf of Financial Advisors, including expenses related to training and educational efforts. Similarly, in some instances, vendors may make payments to our firm to subsidize training costs for Financial Advisors. Such vendors may also give Financial Advisors gifts, up to a total value of \$100 per vendor per year, consistent with industry regulation.

In addition, vendors may occasionally provide Financial Advisors with meals and entertainment of reasonable and customary value. Also, investment managers and/or affiliates may arrange for commissions to be paid to Financial Advisors or affiliates (called "directed commissions") for trading activities here or at other broker-dealers, including our affiliates. Financial Advisors may receive a fee when clients participate in certain tender offers. Financial Advisors may also receive referral fees or finder's fees for referring business to affiliates or assisting others in developing new business. Finally, some Financial Advisors receive a portion of any ongoing payments, called "trailers," paid by mutual funds to our firm based on their payout rate.

Compensation for New Financial Advisors

In the first four years of a Financial Advisor's career, compensation is based on a combination of salary, payout on the Financial Advisor's total annual revenues and client assets, plus a bonus based on new assets. In the first two years, a Financial Advisor may also receive additional compensation based on the amount of assets in certain asset-based fee accounts.

Compensation for Financial Advisors and New Financial Advisors is subject to change

The foregoing summarizes, in general terms, how we currently compensate the majority of our Financial Advisors. Some Financial Advisors may, under certain circumstances, (for example, pursuant to acquisitions) 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.

Detailed explanation of fees for selected investments and services

Your relationship with your Financial Advisor

At the heart of our wealth management process is the relationship you have with your Financial Advisor. By asking the right questions, regularly assessing your needs and always listening, your Financial Advisor can help you manage your finances in the way that suits your individual circumstances, goals and tolerance for risk.

Third-party services

From time to time, our firm may introduce to you providers of other services for your personal or business financial needs, which you would obtain by direct arrangement with the service provider. In connection with its provision of services to you, the service provider may receive payment from other parties involved in such services or may make payments to such other parties.

Detailed explanation of fees for selected investments and services

The tables that follow offer an overview of what our firm charges and how your Financial Advisor is compensated for the wide variety of products and services that our clients typically purchase. Some of these fees are specific to our firm, while others are imposed by third parties, such as mutual fund and insurance companies. Still others, such as certain charges on the sale of securities, are regulated by the securities industry.

This brochure is designed to serve as a general guide for you, and may or may not apply to your individual circumstances. The amount you pay may be affected by such factors as your account or portfolio size, your mix of assets and liabilities, and your level of trading. Developing your wealth management plan, opening particular accounts and establishing fees typically are part of a conversation you have with your Financial Advisor.

The tables are divided into five categories: transaction-based account relationships (starting on page 10), asset-based advisory account relationships (pages 21 – 27), credit products and cash deposits (pages 28 – 29), brokerage account fees (pages 30 – 33) and miscellaneous administrative fees (pages 33 – 34).

While we believe that we have covered the charges most important to you, please note that not every fee, product or pricing detail is listed here. For asset-based fee programs, you should refer to the program agreement and/or Form ADV disclosure brochure for additional information. Similarly, you should read all prospectuses, offering materials and other disclosure documents in connection with any investment for more information on charges.

Executing orders

When executing your order in certain types of securities, including debt, 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. When we or an affiliate act as principal in buying a security from or selling a security to you, we earn compensation on the transaction by charging you a markup or markdown from the price of the security and collecting a spread for our affiliate's role (generally as a dealer in the transaction). The spread is our compensation for taking market risk and making a market in the security.

When executing your order in an equity security, we may act as an agent on your behalf and route your order to either an exchange or an affiliate for execution, and we earn compensation by charging a commission for our role in the transaction. We may also act in a riskless principal capacity by executing an offsetting trade with another entity, including an affiliate, to fill your order, and we earn compensation by charging you a disclosed markup or markdown from the price of the security we received in filling your order. We may also act in a principal capacity by filling your order out of our inventory with a price that includes our undisclosed compensation for taking market risk in the transaction.

We may receive directed brokerage from fund sponsors in exchange for our service as a placement agent.

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|--|---|--|
| I. Transaction-based account relationships | | | |
| Equity securities | Common stock, preferred securities (\$25 par), American Depositary Receipts (ADRs), closed-end funds and exchange traded funds. | When you buy or sell a stock, you pay a commission based on the quantity of shares and the stock price. Preferred securities carry a sales charge, known as a commission or a markup/markdown (see the taxable fixed income securities section below). Closed-end funds also carry built-in operating expenses that affect the fund's return. The sponsors of such funds may also pay our firm a portion of the operating expenses. | Your Financial Advisor receives a percentage of the commissions or charges for equity securities, based on his or her payout rate. |
| Options | Puts, calls. | You pay a commission to buy or sell an option based on the number of contracts and the principal amount of the trade. | Your Financial Advisor receives a percentage of the commissions or charges for option transactions, based on his or her payout rate. |
| Equity syndicates | Initial and secondary public offerings of common stock. | You do not pay a commission. Instead, our firm receives a selling fee, sometimes called a selling concession, directly from the corporation bringing the equity to market. This fee is built into the offering price of the equity. | Your Financial Advisor receives a percentage of the selling concessions, based on his or her payout rate. |
| Taxable fixed income securities | Corporate bonds (both investment grade and noninvestment grade), U.S. Treasuries, federal agency bonds, mortgage-backed securities, zero-coupon bonds, high-yield and emerging market securities, convertible securities, certificates of deposit (CDs), preferred securities, commercial paper, and foreign exchange spot and forward transactions. | We sell newly issued bonds, CDs and preferred securities at the offer price with no sales charge or commission during the order period. Our firm receives a selling fee, sometimes called a selling concession, from the issuer bringing the security to market. This fee is built into the initial offering price of the bond. Secondary (previously issued) bonds, CDs and preferred securities carry a sales charge (markup/markdown) or commission that ranges up to 2.1% for purchases and 0.5% for sales (or up to 3% in Puerto Rico), depending on the type of security and its duration. These sales charges are included in the price reflected on your sales confirmation. The yields stated on confirmations, also reflect the impact of the sales charge. When the total markup/markdown is less than \$100 and the size of the transaction is under \$100,000 face amount, an additional \$35 fee is charged for U.S. Treasury bills, notes and bonds, and government agency securities, as well as Treasury auction transactions. Foreign exchange spot and forward transactions carry a sales charge (markup/markdown) that ranges up to 1%, depending on the size of the transaction. Our firm or an affiliate may also earn revenues from principal trading in fixed income securities, which are additional to the sales charge or commission that you pay on each transaction. | Your Financial Advisor receives a percentage of any commissions or charges for taxable fixed income securities, based on his or her payout rate. |

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|---|--|---|
| I. Transaction-based account relationships (continued) | | | |
| Municipal securities | Bonds issued by states, cities, counties and other governmental entities to raise money, typically for general governmental needs or special projects. | We sell newly issued municipal bonds at the offer price with no sales charge or commission during the order period. We acquire these bonds through either 1) a competitive bid to an issuer or 2) a preferred provider (another broker-dealer). In the first case, our firm or an affiliate receives a selling fee, sometimes called a selling concession, from the issuer bringing the security to market. In the second case, our preferred provider receives this fee and shares it with us. In both cases, this fee is built into the initial offering price of the bond. Secondary (previously issued) municipal bonds carry a sales charge (markup/markdown) that ranges up to 2.1% for purchases and 0.5% for sales (or up to 3% in Puerto Rico), depending on their type and duration. These sales charges are included in the price reflected on your sales confirmation. The yields stated on confirmations also reflect the impact of the sales charge. Our firm or an affiliate may also earn revenues from principal trading in municipal securities. | Your Financial Advisor is paid a portion of the selling concession/sales charge, based on his or her payout rate. |
| Municipal variable rate demand obligations (VRDOs) | Debt instruments with long maturities, usually 30 years, featuring multiple interest rate modes and associated tender features, including an option to tender securities at par on seven days' notice or, in some cases, on a day's notice. | We may sell newly issued VRDOs acquired from a preferred provider at the offer price with no sales charge or commission during the order period. Our preferred provider receives a selling fee, sometimes called a selling concession, directly from the issuer for bringing the security to market, and shares a portion of that with us. This fee is built into the initial offering price of the bond. For certain secondary VRDO transactions where our affiliate still acts as a remarketing agent for an issuer, our affiliate receives a remarketing fee from the issuer. For other secondary VRDO transactions, our preferred provider acts as remarketing agent, is paid a remarketing fee for so doing and may share a portion of that fee with UBS. | Your Financial Advisor is paid a portion of the selling concession/remarketing fee earned by our affiliate or preferred provider based on his or her payout rate. |
| Auction rate securities | Auction Rate Certificates (ARCs) and Auction Rate Preferred Stock (APS) are floating rate securities with long or perpetual maturities, which are repriced periodically through a series of "dutch auctions." | We continue to facilitate selling and buying of existing ARCs and APSs through an affiliate of our firm. Our affiliate may receive an annualized broker-dealer fee for operating the auction process. | Your Financial Advisor is paid a portion of the broker-dealer fee that our affiliate receives for operating the auction process. The percentage your Financial Advisor receives is based on his or her payout rate. |

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|--|--|---|
| I. Transaction-based account relationships (continued) | | | |
| Structured products | <p>Issued by our affiliates and nonaffiliated third parties, with underlying exposure to equities, commodities, foreign exchange, interest rates, credit and/or hedge funds.</p> | <p>We sell newly issued structured products at the offering price with no additional sales charge or commission during the offering period. Our firm receives a fee, sometimes called a selling concession, directly from the issuer, for bringing the security to market.</p> <p>These selling fees or concessions, which are part of the initial offering price of the investment, are generally disclosed in the relevant offering materials.</p> <p>For structured products issued under certain exemptions from U.S. securities laws, the selling fees may not be separately disclosed in the relevant offering materials.</p> <p>Certain structured products are subject to an annual fee (disclosed as such in the relevant offering materials) or other charge, which is deducted from the principal amount of your investment or which may otherwise affect how the return on your investment is calculated over its life.</p> <p>Our firm or an affiliate may also receive compensation from trading and hedging activities related to structured products and from setting the particular terms of an investment (such as the applicable maturity or participation rate). This compensation is built into the terms of each structured product offering; however, the amount of this compensation is not separately disclosed in the relevant offering materials.</p> <p>For certain structured products linked to hedge funds and funds-of-funds, our firm or an affiliate may receive, as compensation, a portion of the management fees charged by those funds relating to the assets raised by the firm or an affiliate in connection with the structured product. This compensation is factored into the initial pricing of the product and is generally not separately disclosed in the relevant offering materials.</p> <p>Secondary (previously issued) structured products carry a sales charge (markup/markdown) of up to 2.5% for client purchases and up to 0.5% for client sells, based on the type of product, the invested amount and the term of the product. These sales charges are included in the price reflected on your sales confirmation.</p> <p>Since the fees and compensation that our firm and your Financial Advisor receive from structured products vary, please be sure to review the offering materials. You also may contact your Financial Advisor for specific details.</p> | <p>Your Financial Advisor receives a percentage of any commissions or charges for structured products, based on his or her payout rate.</p> |

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|---|--|---|
| I. Transaction-based account relationships (continued) | | | |
| Mutual funds¹ | <p>Investment vehicles operated by an investment company to invest in a group of assets in accordance with stated objectives.</p> <p>The classification of Class A, B and C shares is an industry-wide standard.</p> <p>There are additional share class types that are not addressed in this brochure.</p> | <p>All mutual funds carry built-in operating expenses that affect the funds' return. Examples include investment management fees, distribution and marketing fees (called 12b-1 fees or annual distribution fees). Details on the operating expenses are included in each fund's prospectus or offering document.</p> <p>The various funds may pay our firm additional amounts, based on our overall sales and/or assets, known as distribution support or revenue sharing, as well as networking fees, which are determined on a per-account basis.</p> <p>Depending on share class, your front-end charges may be reduced or completely eliminated as the amount of your investment, or your household total investment, with the mutual fund company increases above certain levels. Such reduced charges are known as breakpoint discounts.</p> <p>For more information on costs, breakpoints and revenue sharing, please ask your Financial Advisor for our guide, <i>Important Information About Mutual Funds</i>.</p> | <p>Your Financial Advisor is advanced or credited a percentage of the sales charge, if any, based on his or her payout rate.</p> <p>Your Financial Advisor also may receive a portion of any ongoing payments, called trailers, provided by the 12b-1 fees or annual distribution fees paid to our firm, based on his or her payout rate.</p> <p>Your Financial Advisor does not receive any portion of revenue sharing and networking and omnibus fee payments that we receive from mutual fund companies.</p> |
| | <ul style="list-style-type: none"> • Class A shares | <p>You typically pay a front-end sales charge, called a load, which is deducted from the initial investment. Mutual funds with front-end loads generally reduce the sales charge as the amount of your investment increases above certain levels, according to a breakpoint schedule. At a certain level, typically \$1 million, you may cease paying front-end sales charges. However, a contingent deferred sales charge (CDSC) of one percent will generally be imposed if the Class A Shares are sold within one year of purchase and a sale charge was not paid at purchase. Annual operating expenses are generally lower than for Class B and C shares. Our firm receives a portion of any sales charge.</p> | |
| | <ul style="list-style-type: none"> • Class B shares | <p>You do not pay a front-end sales charge on the purchase but may be assessed CDSC upon the sale. The CDSC typically declines and is eventually eliminated over time if you continue to hold the shares. Class B shares usually have higher operating expenses than A shares.</p> <p>The mutual fund's distributor may pay our firm a commission when you purchase shares.</p> | |

¹ Short-term redemption fees of 1%-2% may apply on redemptions of specified mutual funds made within a short time period.

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|--|---|---|
| I. Transaction-based account relationships (continued) | | | |
| Mutual funds (continued) | <ul style="list-style-type: none"> Class C shares | <p>You are normally not charged a front-end sales charge or a CDSC unless you sell the shares within a short period of time, usually one year. The operating expenses are usually higher than Class A shares and are similar to those for Class B shares.</p> <p>The mutual fund's distributor may pay our firm a commission when you purchase shares.</p> | |
| | <ul style="list-style-type: none"> Retirement share classes | <p>Typically called R shares, most major fund companies offer special retirement plan share classes that are available exclusively to the retirement plan market. Some fund companies offer several versions of retirement share classes, which are generally available to 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit-sharing and money purchase pension plans, defined benefit plans and nonqualified deferred compensation plans.</p> <p>In rare instances, some mutual funds will pay a finder's fee to our firm when retirement shares are purchased, which is disclosed in the fund's prospectus. Our Financial Advisors will discuss the share classes available and the various considerations with the appropriate retirement plan fiduciaries.</p> <p>The annual operating expenses of these types of shares will vary by fund company and are detailed in the fund's prospectus. These expenses can be higher or lower than other available share classes. Most fund companies do not assess a front end sales charge on the purchase, but some may assess a CDSC if you sell the shares within a short period of time, usually one year.</p> | |
| | <ul style="list-style-type: none"> Class Y shares | <p>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 13th month after purchase, an annual fee in an amount up to 20 basis points for an equity fund, an asset allocation fund or a balanced fund, 15 basis points for a fixed income fund and 5 basis points 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 nonproprietary products.</p> | |

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|--|--|---|
| I. Transaction-based account relationships (continued) | | | |
| Mutual funds (continued) | <ul style="list-style-type: none"> Other share classes (applicable only to offshore mutual funds). | <p>Other share classes offered by major offshore mutual fund companies, such as Class N shares, are a hybrid to Class A or Class C shares of an offshore mutual fund and, like Class C shares, are normally not charged a front-end sales charge or a CDSC unless you sell the shares within a short period of time, usually one year. The operating expenses are usually higher than Class A shares and are similar to those for Class B or Class C shares.</p> <p>The offshore mutual funds distributor may pay our firm a commission when you purchase shares.</p> | |
| Exchange traded funds (ETFs) | <p>An ETF is a type of investment company, generally registered as a unit investment trust of an open-end investment company whose shares can be bought and sold in the open market. These funds typically hold portfolios of securities that correspond to the price and yield performance of a particular broad market index or basket of securities for a particular industry, sector or geographic region.</p> | <p>You typically pay a commission in connection with the purchase and sale of an ETF. ETFs also carry built-in operating expenses that affect their return. Details on the operating expenses are included in each fund's prospectus.</p> | <p>Your Financial Advisor is advanced or credited a percentage of the commission based upon his or her payout rate.</p> |
| Unit investment trusts (UITs) | <p>Investment companies that purchase a fixed, unmanaged portfolio of securities and sell shares in the trust to investors.</p> | <p>You typically pay either a front-end sales charge or a combination of front-end and deferred sales charges. Such charges on new issues usually decrease as your investment increases, based on a breakpoint schedule. We receive a portion of that sales charge from the company sponsoring the UIT.</p> <p>UITs carry built-in operating expenses that affect their return. Details on the operating expenses are included in each UIT's prospectus.</p> <p>On products sponsored by third parties, our firm may receive additional amounts based on our overall sales, called volume concessions. The potential volume concession amounts are detailed in each UIT's prospectus. For more information on volume concession payments, please ask your Financial Advisor for a copy of the <i>Unit Investment Trust Disclosure Statement</i>.</p> | <p>Your Financial Advisor is advanced or credited a percentage of the sales charge based on his or her payout rate.</p> <p>Your Financial Advisor does not receive any portion of volume concession payments that we receive from third-party sponsors.</p> |

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|---|--|--|
| I. Transaction-based account relationships (continued) | | | |
| 529 education savings plans | State-sponsored programs designed to help finance education expenses. | <p>Our firm works with third-party providers to offer 529 plans. Like mutual funds, 529 plans generally carry sales charges, either front-end or deferred, based on the number of 529 investment units owned. Front-end sales charges typically decrease as your investment increases, based on a breakpoint schedule. Programs with deferred sales charges carry a fee if you sell investment units before a specified period of time elapses, typically seven years; the sales charge declines over time until it reaches zero.</p> <p>In addition, you pay an annual account maintenance fee, depending on the plan—typically \$10 to \$30.</p> <p>The operating expenses of the underlying mutual funds affect the return of 529 plan share classes. Examples of operating expenses include distribution and marketing fees (called 12b-1 fees), networking fees and transaction fees. Details on the operating expenses are included in each plan’s program description document.</p> <p>The various sponsors may also pay our firm revenue sharing. For more information, please ask your Financial Advisor for a copy of our guide, <i>Important Information About Mutual Funds</i>.</p> | <p>Your Financial Advisor receives a percentage of the sales charge, based on his or her payout rate.</p> <p>Your Financial Advisor also receives a portion of any ongoing payments, called trailers, provided by the 12b-1 fees paid to our firm, based on his or her payout rate.</p> <p>Your Financial Advisor does not receive any portion of revenue sharing payments that we receive from 529 Plan sponsors.</p> |
| Variable annuities | Contracts, issued by insurance companies, the value of which fluctuates with the value of an underlying securities portfolio. | <p>There is usually no front-end sales charge. All of the purchase price is directed toward your variable annuity. However, most variable annuities carry a CDSC (i.e., a surrender charge) if money is withdrawn during the CDSC period of the contract, which may be up to nine years. Such charges may be as high as 9%. The charges decline to zero over time.</p> <p>The annuity provider pays UBS a commission in the first year, which can range from 1% to 6% of the annuity premium. There may also be trail commissions paid by the provider in subsequent years. These payments commonly range from 0% to 1.4% of the annuity value.</p> <p>All variable annuities carry built-in operational expenses that will affect your overall return. Details regarding contract charges, expenses, optional contract benefits and risk factors of the underlying variable portfolios can be found in each variable annuity prospectus. Please read the variable annuity and fund prospectuses carefully before you invest or send money.</p> <p>The various insurance companies may pay our firm additional amounts based on overall sales and/or assets held, which is known as “revenue sharing.”</p> <p>For more information, please ask your Financial Advisor for a copy of our guide, <i>Understanding Your Variable Annuity</i>.</p> | <p>Your Financial Advisor receives a percentage of the commissions, based on his or her payout rate.</p> <p>Your Financial Advisor can choose to be paid in one of two ways:</p> <ol style="list-style-type: none"> 1. A full upfront commission 2. A reduced initial commission followed by ongoing annual trail commissions <p>Your Financial Advisor does not receive any portion of revenue sharing payments that we may receive from insurance companies.</p> |

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|---|---|---|
| I. Transaction-based account relationships (continued) | | | |
| Fixed annuities | Contracts issued by insurance companies which guarantee a fixed interest rate for a specified period. | <p>There is usually no front-end sales charge. Instead, the costs are built into the interest rate that the annuity pays you. However, most fixed annuities have a CDSC on withdrawals for up to 10 years. The charge declines to zero over time.</p> <p>The insurance companies pay commissions to our firm on initial sales, up to 5.55%.</p> | Your Financial Advisor receives a percentage of the commissions, based on his or her payout rate. |
| Group annuities | A group annuity can only be issued to a business or some other eligible type of organization. An employer-sponsored retirement plan is probably the most common type of eligible group. Group annuity contracts are often issued in connection with qualified retirement plans as plan funding vehicles. In general, the employer sponsoring the retirement plan makes contributions to the group annuity contract on behalf of its eligible employees to fund the retirement benefits provided by the plan. As with individual annuities, group annuities can be either fixed or variable. Group annuity retirement programs utilize variable group annuities. | <p>There is usually no front-end sales charge. The entire purchase price is directed toward the group annuity.</p> <p>Typically, a group annuity provider pays UBS a commission in the first year, ranging up to 2% of the group annuity purchase. A group annuity provider may also pay trail commissions in subsequent years of 0.25% to 1.00% of the total group annuity assets.</p> <p>Details on the actual separate account fees and operating expenses you will pay for your group annuity are set forth in your contract.</p> | Your Financial Advisor receives a percentage of the commission based on his or her payout rate. Your Financial Advisor may also receive a trail commission. |
| Disability, life and long-term care insurance | Contracts issued by insurance companies to cover the risks indicated. If the life insurance policy is variable, its value and death benefit fluctuate with the value of an underlying securities portfolio. | <p>The amount of premium you pay depends on your age and health, the level of coverage and the optional riders you select.</p> <p>Certain life insurance contracts may have a surrender charge, determined at the time of policy issue based on the death benefit and other factors. The surrender charge may last for a number of years.</p> <p>The commission our firm receives is based on the policy structure and is calculated as a percentage of the premiums you pay.</p> | Your Financial Advisor receives a percentage of the commission, based on his or her payout rate. |

Alternative Investments

Important information regarding how we compensate UBS Financial Advisors for our alternative investment offerings such as hedge funds, hedge funds-of-funds, managed futures funds, private equity funds and real estate funds.

At UBS, an essential element in our approach is to make sure that our clients are informed about the products and services we offer, including their benefits, risks and fees. This disclosure is designed to provide you an overview of how we compensate our Financial Advisors in connection with the proprietary and nonproprietary alternative investment vehicles (funds) they sell.²

In general, when you invest in these funds, you will be subject to a variety of fees: (i) management, performance (incentive-based) and administration fees, which are paid by the funds to their service providers, and (ii) placement, referral and distribution fees, which are normally payable solely to the broker-dealer distributing the funds. Your Financial Advisor, at his or her discretion, may charge you a placement fee of up to 2% of your investment, in addition to both your initial investment and any additional investment(s) you make in a fund, and UBS may re-allow all or a portion of the placement fee to your Financial Advisor. This sales charge, if imposed, is disclosed to you at the time of your investment.

The level and type of compensation we and our Financial Advisors receive in connection with your investments in these funds varies depending on our distribution arrangement with each fund. Generally, we and certain of our affiliates are compensated for providing services to affiliated or proprietary alternative investment vehicles.³ This compensation can include

distribution or referral fees, investment advisory and/or management, administration and certain other fees, including performance 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 vehicles is greater than the amount payable to the organization as a whole from the sale of unaffiliated investments. For funds managed by third-party advisers, we receive fees for distribution, shareholder services or solicitation services, or a combination thereof, depending on the arrangement we have with the third party. The nature of the services provided by, and the compensation paid to, us and our affiliates are set forth in the offering documents, which are available through your Financial Advisor. Please read the offering documents carefully before investing.

The payout that your Financial Advisor receives may differ from one fund to another, even if the two funds are charged the same management fee and/or incentive-based fee (i.e., even if, overall, you would pay the same amount in fees). The differences in compensation may create an incentive for Financial Advisors to recommend funds for which they receive higher compensation. We encourage you to discuss this with your Financial Advisor to learn more about the compensation he or she receives.⁴

Financial Advisor compensation structure

We seek to apply a level, standard payment schedule for all of the alternative investment funds we sell. While we request that third-party managers pay the same level of compensation paid to us by our affiliates, third-party providers may decline to pay distribution fees exactly at the same level, which may present a financial incentive to promote the sale of affiliated funds.

UBS Financial Services Inc. receives compensation as a distributor of proprietary and third-party alternative investment funds. In addition, UBS Financial Services Inc. also receives compensation with respect to third-party alternative investment funds for which it no longer acts as distributor, and, in certain cases, with respect to third-party alternative investment funds that were purchased by investors before they became clients of UBS Financial Services Inc. Those fees may be payable to UBS Financial Services Inc. for as long as UBS Financial Services Inc. clients hold interests in such fund or a successor to that fund. Your Financial Advisor is credited a percentage of the following fees and is paid based on his or her payout rate:

Hedge funds

Proprietary hedge funds

Placement fee: up to 2%.

Financial Advisor payout: Generally, 90 basis points of net asset value (frequency of payout varies by investment). Financial Advisors will not necessarily share in performance fees, if any, we receive from affiliated funds.

Nonproprietary hedge funds

Placement fee: up to 2%.

Financial Advisor payout: Generally, 80% of total management fees received; this payout is generally subject to a cap of 90 basis points (frequency of payout varies by investment). Subject to certain limited exceptions, Financial Advisors will not share in performance fees, if any, we receive from these funds.

Managed futures funds

Placement fee: up to 2% (some managed futures funds do not permit placement fees).

Financial Advisor payout: Generally, 1.5% – 4% of net asset value (frequency of payout varies by investment). Financial Advisors will not necessarily share in performance fees, if any, we receive from these funds.

Private equity and real estate funds

Placement fee: up to 2%.

Financial Advisor payout: Generally, initial payout is based on the amount of committed capital. The calculation of ongoing payouts will change at the

end of each respective fund's investment period. Please note that the trail commission percentages do not change, but the basis on which they are calculated changes after the expiration of the investment period.

Directed brokerage fees.

For a small number of funds that are not on the broad UBS platform, UBS Financial Services Inc. may receive commissions from trades placed on behalf of the applicable fund, either to offset the agreed-upon compensation or in addition to paying a hard dollar fee. That directed brokerage practice may cause UBS Financial Services Inc. to earn substantially more than the fees it would normally receive and may result in a financial incentive for your Financial Advisor to advocate funds that use directed brokerage and hard dollars to pay for referral services.

Access to our alternative investment fund platform

Your ability to invest in the alternative investment products offered by our firm will be subject to the following allocation policy which, depending on the circumstances, may limit or preclude your access to these products. Normally, we will give priority in allocating opportunities to invest in alternative investments that have limited capacity, such as private equity offerings, to those clients of our firm who have invested previously with the same manager in the same type of vehicle or investment strategy. If capacity remains, we will make these alternative investment products available as follows. We segment potential investors into three categories, and allocate a percentage of the remaining capacity to each category. The categories are: (i) clients of our most established Financial Advisors, who generally are members of our Chairman's Club or those Financial Advisors who have completed our Wealth Management training program; (ii) clients of our Private Bank; and (iii) other clients of UBS Financial Services Inc. Please note that the percentage allocations may differ for each category and may differ from one offering to the next. In addition, depending on the offering, we may allocate a percentage of the offering to clients that we select or categorize in our sole discretion.

² Depending on the facts and circumstances, you may not meet all of the eligibility requirements to invest in a particular fund, or one or more funds may not be suitable for you. An investment in these types of strategies is speculative and involves substantial risks. It is intended for long-term investors who can accept the significant risks associated with such investments. Please review your objectives, risk tolerance and portfolio concentration in illiquid and speculative investments carefully if you are considering these types of strategies. Alternative investments should not comprise the entire investment solution or recommendation, and a review of concentration in illiquid/speculative investments and your risk tolerance for such investments is recommended as you consider these types of strategies. This disclosure is for informational purposes only, is limited to a discussion of Financial Advisor compensation, and does not constitute an offer to purchase, or a solicitation to sell, any particular security. You should contact your Financial Advisor for more information about this.

³ This document describes the compensation UBS Financial Services Inc. pays to their Financial Advisors. The compensation payable to UBS Financial Services Inc. as distributor of the funds, and to other UBS affiliates, as investment advisers and administrators of the Funds, is described in the relevant offering documents.

⁴ Please note that your Financial Advisor is not authorized to negotiate such fees with you and is not authorized to rebate any fees back to you.

In the event that there is a shortage of a particular alternative investment fund offering, the firm will attempt to treat all investors equitably, but not necessarily equally. Other investors, who may share in the distribution of such funds, may include UBS affiliates and UBS proprietary funds.

Conflicts of interest

Your Financial Advisor may offer to sell to you a nonproprietary hedge fund from which a proprietary fund of funds is redeeming, or has redeemed. There is no obligation that any of the proprietary funds-of-funds (or any other client or affiliate of the firm) invest in, or hold, any investment vehicle, hedge fund or alternative investment fund that your Financial Advisor may offer to you. In addition, other clients of the firm, who may have the same or another Financial Advisor, may sell their interests in an alternative investment fund that you, at the same time, are purchasing or holding.

Due diligence

Alternative investment funds placed by UBS Financial Services Inc. are subject to both initial and ongoing due diligence. Our due diligence function consists of two principal components.

The first component is due diligence carried out to identify new alternative investment fund investment opportunities for our clients. This process includes consideration of both subjective and objective criteria. The professionals on our due diligence team rely upon their industry knowledge, expert references, databases and their network of professional contacts. The due

diligence team also performs quantitative analysis where data is available. Finally, an operational due diligence analyst independently assesses the potential investment manager’s internal controls. After this analysis is completed, the due diligence team reports to a UBS investment committee that determines whether to make the fund available to our clients.

The second component of the due diligence process consists of monitoring. Once an investment fund is approved for inclusion on our platform, the due diligence team takes a risk-based approach to monitoring investments.

The level of diligence performed may vary based on a number of factors; a fund subject to limited distribution is subject to an appropriate level of diligence that nevertheless may exclude elements common to more widely distributed funds, such as, for example, on-site visits. A fund closed to new investment may be subject to no ongoing diligence at all, and a fund that you have transferred from another broker-dealer may never have been subject to any diligence by UBS Financial Services Inc., although UBS Financial Services Inc. and your Financial Advisor may nevertheless receive ongoing payments from the managers of such transferred funds. Additionally, we may choose to outsource all or part of this due diligence process to a third-party service provider, including diligence for funds broadly available on our fund platform. If you have any questions about the level of diligence performed with respect to any specific fund, please contact your Financial Advisor.

Important note: If you have more than one advisory account, you may be able to link these accounts (if eligible) so that the total of your eligible assets is considered when determining the appropriate fee schedule. Please ask your Financial Advisor for more details.

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|--|---|---|
| II. Asset-based advisory account relationships | | | |
| PACESM (Personalized Asset Consulting and Evaluation) | Offers a disciplined process that incorporates asset allocation and portfolio rebalancing into a long-term mutual fund investment strategy. | You pay a maximum annual program fee of 1.5% ⁵ of eligible assets, charged quarterly in advance. The fee includes such services as asset allocation, fund analysis, automatic services—including automatic rebalancing, contributions and withdrawals—client performance reporting and your Financial Advisor’s guidance. ⁶ The mutual funds you select in the PACE program are purchased at net asset value (NAV). The various mutual funds may pay our firm additional amounts, based on overall sales and/or assets, known as revenue sharing. In addition to the PACE program fee, each mutual fund has its own operating expenses and management fees. Fees vary depending on the fund. For affiliated funds in the program, operating and management fees are paid to our firm or one of our affiliates. For more information on mutual funds, please see page 13. | Your Financial Advisor receives a portion of the fee you pay based on his or her payout rate. Your Financial Advisor does not receive any portion of revenue sharing payments that we receive from mutual fund companies. |
| | • PACE Multi Advisor Offers access to a broad variety of mutual funds with diverse investment management approaches. | Mutual funds with a sales charge bought at our firm that are later moved into the PACE Multi program are excluded from billing for a two-year period from the date of purchase. | In PACE Multi, your Financial Advisor receives a portion of any ongoing payments, called trailers, provided by 12b-1 fees paid to our firm, based on his or her payout rate. Please note that not all funds included in PACE Multi have 12b-1 fees. |
| | • PACE Select Advisors Offers the opportunity to participate in style-specific, no-load funds managed by the institutional investment subadvisors carefully chosen by UBS Global Asset Management, which is also the advisor on the portfolios. | Our affiliate, UBS Global Asset Management, receives fees for providing investment management, administration and shareholder servicing to the PACE UBS portfolios. The current annual rates of investment management fees generally range from 0.25% to 1.30% of the average daily net assets, with a portion being paid to the fund’s subadvisor(s). UBS Global Asset Management also receives an administrative fee from each fund at the rate of 0.10% of the fund’s average daily assets. Fee waivers or expense caps are currently applicable to many of these funds. These items are further explained in each fund’s prospectus. For more information on mutual funds, please see page 13. | UBS PACE Funds (Class P) do not have 12b-1 fees. |

⁵ This fee is subject to change based on program modifications.

⁶ If your account holds assets that are ineligible for the PACE program—such as individual securities (stocks, bonds, etc.)—you will be charged an annual account fee in addition to the program fee.

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|--|---|--|
| II. Asset-based advisory account relationships (continued) | | | |
| ACCESSSM | With a minimum investment of \$100,000 (certain strategies require higher minimums), ACCESS is an advisory program that offers professional investment managers whose minimum account requirements typically exceed \$1 million. Your Financial Advisor plays an integral part by helping you define your investment needs and goals, select appropriate managers and monitor the performance of managers relative to the market and to your objectives. | <p>You pay an annual fee, charged quarterly in advance and based on the value of assets in the account at the end of the previous quarter. The fee includes the cost of UBS trading, execution, custodial and related services, and the investment management service of the ACCESS manager.</p> <p>There are two fee schedules for ACCESS accounts:</p> <ul style="list-style-type: none"> • Equity and balanced <ul style="list-style-type: none"> 2.80% for the first \$500,000 2.20% for the next \$500,000 1.60% for the next \$4 million 1.40% for assets over \$5 million • Fixed income <ul style="list-style-type: none"> 1.25% for the first \$500,000 1.10% for the next \$500,000 1.00% for the next \$4 million 0.80% for assets over \$5 million <p>The minimum annual fee for equity and balanced accounts is the lesser of \$2,800 or 2.8% of the account value. For fixed income accounts, the minimum annual fee is the lesser of \$1,250 or 1.25% of the account value.</p> <p>Commingled investment vehicles, including exchange traded funds, carry built-in operating expenses in addition to the program fees. Details on the operating expenses are included in each fund's prospectus. Investment managers are paid a percentage of the annual fee based on assets under management.</p> | Your Financial Advisor receives a portion of the fee that you pay based on his or her payout rate. |
| Managed Account Consulting (MAC) | Provides investment consulting services and access to professional portfolio management to high net worth individuals, small pension plans, foundations, etc. Your Financial Advisor helps you to set investment goals and objectives, review asset allocation, identify investment managers that may be appropriate for you and monitor account performance. | You pay an annual fee, charged quarterly in advance and based on the value of assets in the account at the end of the previous quarter. The fee covers the cost of trading, execution, custodial and related advisory services. | Your Financial Advisor receives a portion of the fee that you pay based on his or her payout rate. |

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|-------------|---|---|
| II. Asset-based advisory account relationships (continued) | | | |
| Managed Account Consulting (MAC) (continued) | | <p>There are two consulting fee schedules for MAC asset-based fee accounts:</p> <ul style="list-style-type: none"> • Equity and balanced <ul style="list-style-type: none"> 2.05% for the first \$500,000 1.50% for the next \$500,000 0.95% for the next \$4 million 0.80% for assets over \$5 million • Fixed income <ul style="list-style-type: none"> 0.90% for the first \$500,000 0.75% for the next \$500,000 0.65% for the next \$4 million 0.45% for assets over \$5 million <p>The minimum annual consulting fee for equity and balanced accounts is generally the lesser of \$2,050 or 2.05% of the account value. For fixed income accounts, the minimum annual fee is generally the lesser of \$900 or 0.90% of the account value.</p> <p>Commingled investment vehicles, including exchange traded funds, carry built-in operating expenses in addition to the program fees. Details about the operating expenses are included in each fund's prospectus.</p> <p>In addition to the consulting fees above, you will have to pay additional incremental fees for investment management.</p> <p>The annual fees charged by MAC managers for equity and balanced accounts generally range up to 1% of assets under management. For fixed income accounts, annual fees generally range up to 0.75% of assets under management. However, fees charged by MAC managers can vary significantly depending on the type of investment services offered.</p> | |

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|---|--|--|
| II. Asset-based advisory account relationships (continued) | | | |
| Portfolio Management Program (PMP) | Specially trained Financial Advisors act as discretionary portfolio managers. | <p>You pay an annual fee, charged quarterly in advance and based on the value of assets in the account at the end of the previous quarter. The fee covers advisory, investment management, execution, custodial settlement and related services.</p> <p>There are three fee schedules for PMP accounts:</p> <ul style="list-style-type: none"> • Equity and balanced <ul style="list-style-type: none"> 2.80% for the first \$500,000 2.20% for the next \$500,000 1.60% for the next \$4 million 1.40% for assets over \$5 million • Fixed income <ul style="list-style-type: none"> 1.25% for the first \$500,000 1.10% for the next \$500,000 1.00% for the next \$4 million 0.80% for assets over \$5 million • Pooled investment vehicles <ul style="list-style-type: none"> 2.00% for the first \$500,000 1.70% for the next \$500,000 1.40% for the next \$4 million 1.00% for assets over \$5 million <p>Pooled investment vehicles, including mutual funds, exchange traded funds, unit investment trusts and closed-end funds carry built-in operating expenses in addition to the program fees. Details on the operating expenses are included in each fund's prospectus.</p> <p>The various funds may pay our firm additional amounts based on overall sales and/or assets known as revenue sharing. For more information on mutual funds, please see page 13.</p> | <p>Your Financial Advisor receives a portion of the fee that you pay based on his or her payout rate.</p> <p>If your account maintains mutual funds, we will deposit the 12b-1 fees we receive in connection with the mutual fund investments in your account.</p> |

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|--|---|---|
| II. Asset-based advisory account relationships (continued) | | | |
| UBS Strategic Advisor | A nondiscretionary advisory program that is centered on advice, guidance and personalized service. | <p>You pay an annual fee on eligible billable assets, charged quarterly in advance and based on the value of assets in the account at the end of the previous quarter. The fee covers the costs of trading, performance reporting and your Financial Advisor's guidance.</p> <p>The maximum annual fee for clients is a flat fee of 2.00% of the amount of eligible billable assets.</p> <p>The minimum annual fee is \$750.⁷</p> <p>Mutual funds bought in the UBS Strategic Advisor program are sold on a load-waived basis (meaning without a sales charge). Mutual funds bought at our firm that are later moved into the UBS Strategic Advisor program are excluded from billing for a two-year period from the original date of purchase.</p> <p>Any mutual funds or similar commingled investment vehicles, including exchange traded funds, carry built-in operating expenses in addition to the program fees. Details on the operating expenses are included in each fund's prospectus.</p> <p>The various funds may pay our firm additional amounts, based on overall sales and/or assets, known as revenue sharing. For more information on mutual funds, please see page 13.</p> | <p>Your Financial Advisor receives a portion of the fee that you pay based on his or her payout rate.</p> <p>If your account holds mutual funds, your Financial Advisor may also receive a portion of the ongoing payments, called trailers, provided by the 12b-1 fees paid to our firm, based on his or her payout rate.</p> <p>Your Financial Advisor does not receive any portion of revenue sharing payments that we receive from mutual fund companies.</p> |

⁷ This fee is subject to change based on program modifications.

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|---|--|---|
| II. Asset-based advisory account relationships (continued) | | | |
| UBS Strategic Wealth Portfolio (SWP) | Financial Advisors assist clients in constructing portfolios that use a variety of discretionary and nondiscretionary investments, such as managed accounts, mutual funds and exchange traded funds (ETFs). | <p>You will be charged an annual Blended Program Fee. The Blended Program Fee includes a UBS consulting fee of up to 1.75% for trade execution, administrative services and consulting services, and a fee for the services of the Investment Manager(s) you select for the discretionary portion of your account. The fee is charged quarterly in advance based on the eligible assets in the account at the end of the previous quarter.</p> <p>In addition to the SWP program fee, each mutual fund, exchange traded fund (ETF), pooled investment vehicle and alternative investment vehicle has its own operating expenses and management fees. Fees vary depending on the fund. For affiliates' funds in the program, operating and management fees are paid to our firm or one of our affiliates. Details on the operating expenses are included in each fund's prospectus.</p> <p>The various funds may pay our firm additional amounts, based on our overall sales and/or assets, known as revenue sharing. For more information on mutual funds, please see page 13.</p> | <p>Your Financial Advisor receives a portion of the fee that you pay based on his or her payout rate.</p> <p>If your account maintains mutual funds, your Financial Advisor receives a portion of any ongoing payments, called trailers, provided by any 12b-1 fees or annual distribution fees paid to our firm, based on his or her payout rate.</p> <p>Your Financial Advisor does not receive any portion of revenue sharing payments that we receive from mutual fund companies.</p> |

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|--|---|---|
| II. Asset-based advisory account relationships (continued) | | | |
| UBS Managed Portfolio of Funds (MPF) | Centrally managed discretionary mutual fund and exchange traded fund (ETF) program managed by UBS investment professionals. | <p>You pay an annual fee charged quarterly in advance and based on the value of assets in the account at the end of the previous quarter. The fee includes the cost of advisory, investment management, execution, custodial settlement and related services.</p> <p>In addition to the MPF program fee, each mutual fund and exchange traded fund carries built-in operating expenses and management fees. Fees vary depending on the fund. Details on the operating expenses are included in each fund's prospectus.</p> <p>Following is the fee schedule for MPF:</p> <ul style="list-style-type: none"> • For the first \$500,000, 1.85% max/1.35% min. • For the next \$500,000, 1.85% max/1.10% min. • For the next \$4 million, 1.85% max/0.95% min. • For assets over \$5 million, 1.85% max/0.70% min. | <p>Your Financial Advisor receives a portion of the fee that you pay based on his or her payout rate.</p> <p>UBS reimburses your account for any 12b-1 fee charges related to mutual funds in your MPF account.</p> |
| UBS Managed Portfolio of Global Selections (MPGS) | Centrally managed discretionary program leveraging UBS's global investment capabilities and teams. Offers a diversified portfolio of U.S. core equities with a global selection of ETFs for exposure to other asset classes, including international equity and fixed income. | <p>You pay an annual fee charged quarterly in advance and based on the value of assets in the account at the end of the previous quarter. The fee includes the cost of advisory, investment management, execution, custodial settlement and related services.</p> <p>In addition to the MPGS program fee, each ETF carries built-in operating expenses and management fees. Fees vary depending on the fund. Details on the operating expenses are included in each fund's prospectus.</p> <p>Following is the fee schedule for MPGS:</p> <ul style="list-style-type: none"> • For the first \$1 million, 2.05% max/1.30% min. • For the next \$4 million, 2.05% max/1.15% min. • For assets over \$5 million, 2.05% max/0.90% min. | <p>Your Financial Advisor receives a portion of the fee that you pay based on his or her payout rate.</p> |
| UBS Managed Portfolio Advised by Gradison (Gradison) | Centrally managed discretionary program managed by Gradison, a specialized team of investment professionals within the UBS organization. Gradison works directly with Financial Advisors and their clients to provide customized implementation of an existing portfolio and personalized, ongoing attention and expertise from the portfolio manager. Ideal for high net worth and ultra high net worth clients with established legacy portfolios with inherent needs or those wanting a more personal approach. | <p>You pay an annual fee charged quarterly in advance and based on the value of assets in the account at the end of the previous quarter. The fee includes the cost of advisory, investment management, execution, custodial settlement and related services.</p> <p>Following is the fee schedule for Gradison:</p> <ul style="list-style-type: none"> • For the first \$1 million, 1.85% max/1.10% min. • For the next \$4 million, 1.85% max/0.95% min. • For assets over \$5 million, 1.85% max/0.70% min. | <p>Your Financial Advisor receives a portion of the fee that you pay based on his or her payout rate.</p> |

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|--|---|---|
| III. Credit products and cash deposits | | | |
| Credit Lines | Variable or fixed Credit Lines that are not used to purchase, trade or carry securities. Loans are collateralized by securities pledged by the client and/or a third party. | You have no origination fees, application fees or closing costs. You pay interest on any outstanding balance. You may repay the principal on variable loans at any time without a prepayment fee. For fixed loans, you may be subject to a prepayment fee (as described in the loan document) if you repay the loan prior to the end of the contract. | Your Financial Advisor is generally credited 8.5% of the firm's net interest spread less 0.2%. |
| Sweep programs for domestic accounts⁸ | Free credit balances or portions of your account set aside as part of the overall investment strategy for your account will be held in cash, cash equivalents or money market mutual funds, based on your account's eligibility and, as applicable, your sweep election. | You are not charged an additional fee for this service. If you are an Eligible Participant as defined in the UBS Deposit Account Sweep Program Disclosure Statement (available from your Financial Advisor), unless you affirmatively elect one of the alternative tax-free sweep fund offerings, uninvested cash will automatically sweep to deposit accounts at our affiliate, UBS Bank USA (member FDIC). Our firm receives an annual fee of up to \$25 from UBS Bank USA for each UBS securities account that sweeps into a UBS Bank USA deposit account established through this program. Uninvested cash balances in accounts which are ineligible for sweeping to UBS Bank USA, or in certain accounts where a tax-exempt fund is selected as the primary sweep option, are automatically invested in money market mutual funds. These funds are affiliated with us and we and/or our affiliates receive compensation for services rendered to the funds in addition to the account fees. UBS Financial Services Inc. or its affiliate serves as investment adviser to each of the money market funds. ⁹ | Your Financial Advisor is credited with an amount equal to 0.04% on sweep balances, money market funds and bank deposits, and he or she receives a percentage of this amount based on his or her payout rate. |

⁸ On October 3, 2008, the Emergency Economic Stabilization Act of 2008 temporarily increased insurance coverage limits from \$100,000 per depositor to \$250,000 per depositor for accounts other than some retirement accounts (which were already insured up to \$250,000). This temporary increase is effective October 3, 2008, through December 31, 2013.

An investment in a money fund or other sweep option is neither insured nor guaranteed by the U.S. government and there can be no assurance that any money fund or other sweep option will be able to maintain a stable net value of \$1.00 per share. It is possible to lose money by investing in the fund. For more information about UBS RMA money market funds, please obtain a prospectus by contacting your Financial Advisor. Investors should consider the investment objectives, charges, expenses and risk factors carefully before investing. The prospectus contains this and other information. Read it carefully before you invest.

⁹ The money market funds are: UBS RMA Money Market Portfolio, UBS RMA U.S. Government Portfolio, UBS RMA Tax-Free Fund, UBS RMA California Municipal Money Fund, UBS RMA New Jersey Municipal Money Fund, UBS RMA New York Municipal Money Fund, UBS Retirement Money Fund, UBS Cashfund Inc., UBS Cash Reserves Fund and UBS Liquid Assets Fund.

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|--|---|--|---|
| III. Credit products and cash deposits (continued) | | | |
| Sweep programs for domestic accounts (continued) | | Unless the account is for an individual retirement account, ERISA Plan, a 403(b)(7) account, a Coverdell education savings account, or an account that UBS Financial Services Inc. has investment discretion over or has agreed to act as a fiduciary (as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Internal Revenue Code) for, we will earn income at the prevailing market rates on overnight investments on deposits and credits to your accounts until the cash balances are invested or swept pursuant to your sweep election. In addition, the funds' transfer agent pays us or our affiliates for certain transfer agent-related services. For details of these fees by fund, please see the respective prospectus. Puerto Rico residents may elect to have available funds in their eligible accounts sweep to the Puerto Rico Short Term Investment Fund, Inc. We receive fees from the funds which include investment management and service fees. In addition, the funds transfer agent pays us or affiliates for certain transfer agent-related services. For details of these fees, please see the prospectus. | |
| Sweep option for non-U.S. accounts: International Deposit Account (IDA) | Our firm deposits free credit balances into interest-bearing deposit accounts at UBS AG, Cayman Islands branch. | You are not charged an additional fee for this service. Our firm receives an annualized fee from UBS AG of up to 0.4875% of the daily balance held by UBS AG in deposit accounts established through the IDA program. | Your Financial Advisor is credited with an amount equal to 0.04% on IDA program sweep deposit balances, and he or she receives a percentage of this amount, based on his or her payout rate. |
| Standby Letters of Credit | Documents that guarantee the payment of your obligations to a third party for a specified period, up to a specified amount. | You pay a \$200 issuance fee and an annual credit fee based on the stated dollar amount of the Standby Letter of Credit, ranging up to 2%, with a minimum of \$500. | Your Financial Advisor is generally advanced or credited with 50% to 75% of the Letter of Credit fee and receives a percentage of this amount based on his or her payout rate. |
| Mortgage loans and, when available, home equity lines of credit | Loans used to purchase a home or for other purposes that are secured by personal, residential real property. | You repay the principal amount borrowed, with interest, to the loan servicer. Loans generally have origination fees, application fees and/or closing costs. | Your Financial Advisor will generally receive a payment of between 20 and 30 basis points of the size of the mortgage loan. Your Financial Advisor's gross production is also credited based on the size of the mortgage, which may help to increase his or her payout rate and bonus. |
| Margin loans | Loans that use securities in your account as collateral. Proceeds may be used to purchase, trade or carry securities. | You pay interest on any outstanding balance up to 3.5 percentage points above our firm's base lending rate, depending on the amount borrowed. You may repay the loan at any time without a prepayment fee. | Your Financial Advisor is not compensated on margin loans. |

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|--|---|---|--|
| IV. Brokerage account fees | | | |
| Resource Management Account® (RMA®) | Our premier account for managing cash, financing and investments. Allows you to manage your assets with greater efficiency and control. | <p>You pay an account fee of \$150 for your primary billable RMA annually.¹⁰ The annual account fees for an unlimited number of additional RMAs, IRAs and IRA RMAs are waived as long as these accounts are held within the same Marketing Relationship with the primary billable RMA.</p> <p>The fee covers such services as:</p> <ul style="list-style-type: none"> • Automatic sweep • Checkwriting • Complimentary wallet-size check reorders • Direct deposit • Electronic bill payment • Electronic funds transfer • UBS Online Services • Premier account statement • ResourceLineSM (our automated voice response system) • UBS Card Program, featuring <i>My Choice Rewards</i> (the UBS Rewards program)¹¹, also includes the UBS American Express® Card (additional fees may apply)¹² and the UBS Visa Signature® credit card (you must apply for the card; only U.S. residents or citizens are eligible for this card; additional fees may apply) <p>Additional cash management charges may apply. We reserve the right to charge for excessive checkwriting (e.g., more than 100 checks per month).</p> <p>Although UBS does not charge a fee for ATM withdrawals, some outside vendors do. You will be automatically reimbursed for ATM transaction fees, up to \$3.00 per transaction, for an unlimited number of transactions per year when you use either UBS card to get cash at banks and ATMs worldwide.</p> <p>When all assets in your account are transferred to another firm, you may be charged a \$150 termination fee, plus we will collect any outstanding annual and/or maintenance fees. In addition, you will be charged an account transfer fee.</p> | Your Financial Advisor does not directly receive any portion of the RMA fee. However, your Financial Advisor's gross production is credited on the fee, which may help to increase his or her payout rate and bonus. |

¹⁰ A primary billable RMA may be an RMA, IRA RMA or Business Services Account BSA (sole proprietorships only) that is designated as the fee paying account. The primary account is considered the billable account in a marketing relationship and is generally determined in the following order:

1. RMA joint account, 2. RMA individual account, 3. RMA custodial account, 4. RMA guardian account, 5. RMA trust account, 6. Business Services Account BSA (sole proprietorship only), 7. IRA RMA. Any of these accounts used as collateral for a loan by UBS Bank USA will be considered last in priority. Among comparable account and ownership types, the billable account is the one with the earliest account opening date.

¹¹ Please note: You cannot consolidate rewards points across multiple RMAs.

¹² The cards have no annual UBS Card Program fee at the Select level. The annual program level fee for participation in the UBS Rewards Program at the Premier level is \$350 and it is \$1,500 at the Charter level.

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|--|--|--|
| IV. Brokerage account fees (continued) | | | |
| International Resource Management Account® (IRMA®) | Our premier account designed for non-U.S. investors who reside outside the U.S., including both individuals and businesses. | <p>You pay a \$175 fee per account annually. The fee covers such services as:</p> <ul style="list-style-type: none"> • Automatic sweep • Checkwriting • UBS Online Services • Premier account statement • UBS Platinum MasterCard® (additional fees may apply) • Electronic bill payment within the U.S. for individuals • Electronic funds transfer to or from accounts within the U.S. for individuals • ResourceLine (our automated voice response system) • For business accounts, bill payments and electronic funds transfers within the U.S. are limited to 20 complimentary outgoing transactions per month with a \$0.50 fee for each additional outgoing transaction. <p>Additional cash management charges may apply. We reserve the right to charge for excessive checkwriting (e.g., more than 100 checks per month).</p> <p>When all assets in your account are transferred to another firm, you will be charged a \$175 termination fee, plus we will collect any outstanding annual fees. In addition, you will be charged an account transfer fee.</p> | Your Financial Advisor does not directly receive any portion of the IRMA fee. However, your Financial Advisor's gross production is credited on the fee, which may help to increase his or her payout rate and bonus. |
| Business Services Account BSA® | Our premier business services account for managing cash, financing and investing. Allows you to streamline and manage your business transactions in one account. | <p>You pay a \$150 fee per account annually.¹³ The fee covers such services as:</p> <ul style="list-style-type: none"> • Automatic sweep • Checkwriting • Complimentary wallet-size check reorders • Direct deposit • Electronic bill payment • Electronic funds transfer • Electronic tax payments • UBS Online Services • Premier account statement • ResourceLine (our automated voice response system) • UBS Card Program, featuring <i>My Choice Rewards</i> (the UBS Rewards program)¹⁴ also includes the UBS American Express Card (additional fees may apply)¹⁵ and the UBS Visa Signature credit card (you must apply for the card; only U.S. residents or citizens are eligible for this card; additional fees may apply) | Your Financial Advisor does not directly receive any portion of the Business Services Account BSA fee. However, your Financial Advisor's gross production is credited on the fee, which may help to increase his or her payout rate and bonus. |

¹³ If the Business Services Account BSA is held by a sole proprietorship, it is eligible to receive an annual account fee waiver as long as the Business Services Account BSA (sole proprietorship only) is held within the same marketing relationship as your primary billable RMA. See footnote 10 on page 30.

¹⁴ Please note: You cannot consolidate rewards points across multiple Business Services Account BSAs.

¹⁵ The cards have no annual UBS Card Program fee at the Select level. The annual program level fee for participation in the UBS Rewards Program at the Premier level is \$350. Charter level is not available.

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|--|--|---|
| IV. Brokerage account fees (continued) | | | |
| Business Services Account BSA (continued) | | <p>Electronic bill payments and electronic funds transfers are limited to 20 complimentary outgoing transactions per month. There is a \$0.50 fee for each additional outgoing transaction.</p> <p>Additional cash management charges may apply. We reserve the right to charge for excessive checkwriting (e.g., more than 100 checks per month).</p> <p>Although UBS does not charge a fee for ATM withdrawals, some outside vendors do. You will be automatically reimbursed for ATM transaction fees, up to \$3.00 per transaction, for an unlimited number of transactions per year when you use either UBS card to get cash at banks and ATMs worldwide.</p> <p>When all assets in your account are transferred to another firm, you will be charged a \$150 termination fee, plus we will collect any outstanding annual and/or maintenance fees. In addition, you will be charged an account transfer fee.</p> | |
| Basic Investment Account | Account designed for financing and investing. Currently, no new Basic Investment Accounts can be opened at the firm. | <p>You pay a \$75 fee per account annually. The fee covers such services as:</p> <ul style="list-style-type: none"> • Automatic sweep • Direct deposit • Electronic funds transfer • UBS Online Services • Quarterly premier account statement <p>When all assets in your account are transferred to another firm, you will be charged a \$75 termination fee, plus we will collect any outstanding annual and/or maintenance fees. In addition, you will be charged an account transfer fee.</p> | Your Financial Advisor does not directly receive any portion of the Basic Investment Account fee. However, your Financial Advisor's gross production is credited on the fee, which may help to increase his or her payout rate and bonus. |
| Individual Retirement Account (IRA) | Traditional, Roth, SEP, SIMPLE; also includes 403(b)(7) and Coverdell education savings accounts | <p>You pay a \$75 annual account fee. This fee will be waived automatically if your IRA account is within the same marketing relationship as your primary RMA.¹⁶</p> <p>The annual account fee covers such services as:</p> <ul style="list-style-type: none"> • Automatic sweep • Direct deposit • Electronic funds transfer • UBS Online Services • Quarterly premier account statement <p>When all assets in your account are transferred to another firm, you may be charged a \$75 termination fee, plus we will collect any outstanding annual and/or maintenance fees. In addition, you may be charged an account transfer fee.</p> | Your Financial Advisor does not directly receive any portion of the IRA fee. However, your Financial Advisor's gross production is credited on the fee, which may help to increase his or her payout rate and bonus. |

¹⁶ A primary RMA may be an RMA, IRA RMA or Business Services Account BSA (sole proprietorships only) that is designated as the fee paying account. The primary account is considered the billable account in a marketing relationship and is generally determined in the following order: 1. RMA joint account, 2. RMA individual account, 3. RMA custodial account, 4. RMA guardian account, 5. RMA trust account, 6. Business Services Account BSA (sole proprietorships only), 7. IRA RMA. Any of these accounts used as collateral for a loan by UBS Bank USA will be considered last in priority. Among comparable account and ownership types, the billable account is the one with the earliest account opening date.

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|--|---|--|
| IV. Brokerage account fees (continued) | | | |
| Qualified plan prototypes | Profit sharing, money purchase, defined benefit, 401(k) and SIMPLE 401(k) plans. | You pay an annual fee of \$150 per plan, regardless of how many accounts are opened under the plan. | Your Financial Advisor is not compensated from these fees. |
| Qualified plan fee (for plans not using UBS prototype documents) | Profit sharing, money purchase, defined benefit, 401(k), SIMPLE 401(k), ESOP, welfare, target benefit plans. | You pay an annual fee of \$50 per plan, regardless of how many accounts are open under the plan. | Your Financial Advisor is not compensated from these fees. |

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|---|-------------|---|--|
| V. Miscellaneous administrative fees (does not include every administrative fee) | | | |
| Processing and handling | | <p>For most transactions, you pay \$5.25.</p> <p>A \$20 processing and handling fee is applied to purchases of funds available through our Fund Connect platform.</p> | Your Financial Advisor is not compensated from these fees. |
| Account transfer (ACAT and non-ACAT) | | You pay a fee of \$75 per transfer. | Your Financial Advisor is not compensated from these fees. |
| Maintenance fee | | You pay \$75 from the primary billable account in any marketing relationship that does not meet a minimum of \$25,000 in eligible assets. If the closing value at the end of any month during the calendar year, up until the last business day in November, reaches this minimum asset level, then the maintenance fee will not be charged for that calendar year. | Your Financial Advisor is not compensated from these fees. |
| Federal funds wire transfer | | <p>You pay \$25 for each outgoing wire transfer. RMA, IRA, IRA RMA and Business Services Account BSA (sole proprietorships only) accounts residing within the same marketing relationship as the primary RMA account receive a total of three free outgoing wire transfers per year.</p> <p>There is no fee for wire transfers into your account.</p> | Your Financial Advisor is not compensated from these fees. |
| Returned checks | | You pay \$25 for any returned check. | Your Financial Advisor is not compensated from these fees. |
| Security transfer fee | | <p>You pay \$25 for:</p> <ul style="list-style-type: none"> • Each certificate registered and shipped in your name or in any name designated by you • Each re-registration of restricted stock • Each re-registration of securities that involves legal transfer | Your Financial Advisor is not compensated from these fees. |

| Product or service | Description | How we charge for our services | How your Financial Advisor is compensated |
|--|-------------|--------------------------------|--|
| V. Miscellaneous administrative fees (does not include every administrative fee) | | | |
| Transaction fee (per transaction) at a rate adjusted twice per year and rounded by UBS to the next penny¹⁷ | | Shown on confirmations. | Your Financial Advisor is not compensated from these fees. |
| RMA/Business Services Account BSA/IRMA bounced check fee | | You pay \$15 per check. | Your Financial Advisor is not compensated from these fees. |
| Bill payment, automatic payment, or electronic funds transfer returned-item fee | | You pay \$15 per item. | Your Financial Advisor is not compensated from these fees. |
| Check stop payment fee | | You pay \$12 per check. | Your Financial Advisor is not compensated from these fees. |
| Check stop payment fee (series of three or more) | | You pay \$25 per request. | Your Financial Advisor is not compensated from these fees. |
| Check copy fee | | You pay \$2.50 per item. | Your Financial Advisor is not compensated from these fees. |
| Overnight delivery of wallet style check-order fee | | You pay \$15 per order. | Your Financial Advisor is not compensated from these fees. |
| Overnight delivery of UBS American Express Cards and/or UBS Visa Signature credit cards | | You pay \$25 per order. | Your Financial Advisor is not compensated from these fees. |

¹⁷ Covers the transaction fees UBS is required to pay to self-regulatory organizations.

Please note: Although this table includes our most important charges, not every fee or pricing detail is listed.

Disclosures

This document is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any security, product or service. The securities, products and services described here may not be available in all jurisdictions or to certain categories of investors. No security, product or service shall be solicited, offered or sold in any jurisdiction where such activity would be contrary to the securities laws or other local laws and regulations, or would subject the firm or any of its affiliates to any registration requirement within such jurisdiction.

Municipal bonds: Our firm does not provide tax or legal advice. Please contact your tax advisor regarding the suitability of tax-exempt investments in your portfolio. Income from municipal bonds may be subject to state and local taxes, as well as the Alternative Minimum Tax (AMT). Call features may exist that can impact yield. If sold prior to maturity, investments in municipal securities are subject to gains/losses based on the level of interest rates, market conditions and credit quality of the issuer.

Alternative investments: There are risks associated with investing in alternative investment products (funds). An investment in a fund is speculative, and an investor may lose some or all of his or her investment. This is not an offer to purchase or sell the interests of any fund.

Alternative investment funds are not mutual funds and are not subject to the same regulatory requirements as mutual funds. Alternative investment funds may engage in leveraging and other speculative investment practices that may increase the risk of investment loss. They can be illiquid, they may not be required to provide periodic pricing or valuation information to investors, they may involve complex tax strategies and there may be delays in distributing tax information to investors. They generally are subject to investment management and administration fees and performance-based allocations and other fees and expenses, all of which will reduce profits. There is generally no secondary market for the interests of the funds, and none is expected to develop. Interests of a fund are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other governmental agency.

Alternative Investments should not comprise the entire investment solution or recommendation, and a review of concentration in illiquid/speculative investments and your risk tolerance for such investments is recommended as you consider these types of strategies.

Investors must meet certain eligibility requirements in order to invest in these strategies. These requirements generally require that investors satisfy certain tests concerning their net worth, their annual income, the amount they have invested with the firm and/or the amount of investable assets that they own.

Auction Rate Securities and variable rate demand obligations (VRDOs): Our firm does not provide tax, legal or accounting advice. Many of these securities are tax exempt, but some are taxable. Issuers include closed-end mutual funds, student loan trusts, nonprofit corporations, as well as states or their political subdivisions or their agencies or authorities. Please consult with your tax advisor regarding the suitability of tax-exempt investments for your portfolio and with your accounting advisor to determine the appropriate treatment of these securities on your balance sheet. While we do not provide tax, legal or accounting advice, we can confer with your advisors to help them understand the investment implications of different securities and investment strategies. Income from municipal bonds may be subject to state and local taxes, as well as the Alternative Minimum Tax. If sold prior to maturity, investments in municipal securities are subject to gains/losses based on the level of interest rates, market conditions and credit quality of the issuer. Extraordinary call features or other calls may exist that can affect yield.

Auction Rate Securities (ARS) are not suitable for all investors, considering the minimum denomination and multiples of \$25,000. Money market funds are generally precluded from investing in auction rate securities because there is no guaranteed put feature on the bond. These securities may not be suitable for investors with liquidity needs. Auction Rate Securities pay interest or dividends at a floating rate that is set periodically through an auction process. Short-term liquidity depends upon the success of the auction process. In February 2008, many auctions failed to clear, and continue to fail. If an investor cannot sell these securities in a successful auction or in the secondary market (which may or may not exist), the investor will hold the ARS until maturity unless the issuer redeems or restructures the security or an active secondary market develops. The interest rate or dividends paid after a failed auction depend on terms previously set by the issuer of those ARS and may be higher or lower than comparable rates for securities with successful auctions. Additional information is available from your Financial Advisor.

VRDOs are long-term debt instruments featuring multiple interest-rate modes and associated tender features to provide holders with liquidity (the ability to sell at par). An investment in VRDOs is subject to the credit risk of the issuer and liquidity

may be subject to the credit rating of the issuer and/or a third-party guarantor. Investors should understand the credit strengths of the issuer, the third-party guarantor (if any) and the liquidity provider and also the terms of the liquidity provider's obligations. In some cases, the obligation of the liquidity provider may be terminated in the event of specific adverse events that are detailed in the issue's official offering documents. Also, liquidity facilities are usually of a shorter term than the maturity of the debt instruments and it may not be possible to renew or replace them when they expire. If the liquidity facility is terminated, holders may have to hold their securities until maturity to receive par from the issuer, or sell them in the secondary market—if one develops—for a price that may potentially be less than par.

VRDOs may not be suitable for all investors considering that the minimum denominations are \$100,000. In a declining rate environment, investors with adjustable rate or variable rate securities will generally find lower yields at which to reinvest interest or principal. Municipal VRDOs may not be suitable for income oriented investors or investors with a long-term investment horizon. Please contact your tax advisor regarding the suitability of tax-exempt investments in your portfolio and your accounting advisor to determine the appropriate accounting treatment. Income from municipal bonds may be subject to state and local taxes as well as the Alternative Minimum Tax. Call features may exist that can impact yield. If sold prior to maturity, investments in municipal securities are subject to gains/losses based on the level of interest rates, market conditions and credit quality of the issuer.

Mutual funds and unit investment trusts: *Mutual funds and UITs are sold only by prospectus or offering document, which contains details on risks, expenses and sales charges. Please read the prospectus or offering document carefully before investing. UITs are not actively managed. Therefore, securities will not be sold to take advantage of various market conditions to improve the UIT's net asset value.*

529 education savings programs: Neither our firm nor any of its employees provides legal or tax advice. You should discuss the tax implications of a 529 plan with your legal and/or tax advisor. It is also important to note that the tax implications, as well as investment choices of 529 plans, may vary significantly from state to state. You should carefully consider these factors before establishing and contributing to a 529 plan. In addition, 529 plans are sold via program description documents which contain detailed information regarding the plan, risks, charges and tax treatment. You should read the program description before investing.

Annuities: Annuities are long-term investment vehicles designed for retirement purposes. Withdrawals or surrenders may be subject to surrender charges. Amounts withdrawn may be subject to ordinary income tax and, if taken prior to age 59½, a 10% IRS penalty may also apply. Withdrawals have the effect of reducing the death benefit, any living benefits and cash surrender value.

Insurance and annuities: All contractual guarantees are based upon the claims-paying ability of the issuing insurance company. Guarantees do not apply to the investment performance or safety of amounts held in the variable accounts. Neither life insurance nor annuity products are insured by the FDIC or any other governmental agency.

Variable life insurance and variable annuities: *Variable life insurance and variable annuity products are sold by prospectus which contains more complete information including investment objectives, risk factors, fees, surrender charges and other costs that may apply. A current prospectus can be obtained from your Financial Advisor. Please read the prospectus carefully before investing.*

The value of the investment options in a variable contract will fluctuate, so that the contract value may be worth more or less than their original costs when redeemed.

PACE: Mutual funds offered through the PACE programs are offered by prospectus which contains more complete information, including charges, expenses and risks. Please read the prospectus carefully before investing in a fund.

Lending, loan accounts and margin: Credit Lines and Letters of Credit may not be used to purchase, trade or carry securities. Margin loans may be used to purchase, trade or carry securities. Prepayments of Fixed Credit Line loans will be subject to an administrative fee and may result in a prepayment fee. Margin loans and Credit Lines are demand loans and are subject to collateral maintenance requirements. The lender may demand payment at any time.

Further, if the required collateral value is not maintained, the lender can require you to post additional collateral, repay part or all of your loan and/or sell securities. Failure to promptly meet a request for additional collateral or repayment or other circumstances (e.g., a rapidly declining market) could cause the lender to liquidate some or all of the collateral supporting the margin loans, Credit Lines and Letters of Credit. Any required liquidations may interrupt your long-term investment strategy and may result in adverse tax consequences. The lender does not provide legal or tax advice. You should consult your legal and tax advisors regarding the legal and tax implications of borrowing using securities as collateral for a loan.

For a full discussion of the risks associated with borrowing using securities as collateral, you should review the Loan Disclosure Statement that will be included in your Credit Line, Letter of Credit or account opening application.

Structured products: The returns on structured products are linked to the performance of the relevant underlying asset or index. Investing in a structured product is not equivalent to investing directly in the underlying asset or index. Clients should carefully read the detailed explanation of risks together with other information in the relevant offering materials including, but not limited to, information concerning the tax treatment of the investment before investing in any structured product. Structured products are debt obligations of the issuer. Investors should be comfortable with the credit risk of the issuer before purchasing a structured product. UBS Financial Services Inc. does not guarantee in any way the financial condition of the issuer or the accuracy of any financial information provided by the issuer.

Sweep options for U.S. accounts: Free credit balances in certain securities accounts are automatically "swept" to interest bearing deposit accounts at UBS Bank USA (member FDIC) or to an available money market mutual fund (money market fund). If you are an eligible participant as defined in the *UBS Deposit Account Sweep Program Disclosure Statement*

(available from your Financial Advisor), unless you affirmatively elect one of the alternative tax-free sweep fund offerings, uninvested cash will automatically sweep to deposit accounts at our affiliate, UBS Bank USA (member FDIC). FDIC deposit insurance protects bank deposits at FDIC-insured banks. On October 3, 2008, the Emergency Economic Stabilization Act of 2008 temporarily increased insurance coverage limits from \$100,000 per depositor to \$250,000 per depositor for accounts other than some retirement accounts (which were already insured up to \$250,000). This temporary increase is effective October 3, 2008, through December 31, 2013.

An investment in a money fund or other sweep option is neither insured nor guaranteed by the U.S. government, and there can be no assurance that any money fund or other sweep option will be able to maintain a stable net value of \$1.00 per share. It is possible to lose money by investing in the fund. For more information about UBS RMA money market funds, please obtain a prospectus by contacting your Financial Advisor. Investors should consider the investment objectives, charges, expenses and risk factors carefully before investing. The prospectus contains this and other information. Read it carefully before you invest.

Mortgage loans: All mortgage products are offered by and through UBS Mortgage, which is a trade name for UBS AG, Tampa Branch. All loans are subject to underwriting, credit and property approval. Not all products are available in all states or for all loan amounts. Other restrictions and limitations may apply. UBS Mortgage currently offers residential mortgage loans within the 50 states of the United States of America and the District of Columbia.

Equal Opportunity Lender. Equal Housing Lender. 

A word to our clients

That word is relationship.

Our relationship with you is about much more than the fees and charges for our services. It's about listening, understanding and helping you plan and manage your financial life the way you want.

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.

ACCESS, PACE and ResourceLine are service marks of UBS Financial Services Inc.

Resource Management Account, RMA, International Resource Management Account, IRMA and Business Services Account BSA are registered service marks of UBS Financial Services Inc.

American Express is a federally registered service mark and is used pursuant to a license.

The UBS American Express Card is issued and administered by Barclays Bank Delaware.

Visa Signature is a registered service mark of Visa International. The UBS Visa Signature credit card is issued by Barclays Bank Delaware pursuant to a license from Visa U.S.A. Incorporated.

Platinum MasterCard is a registered trademark of MasterCard International Incorporated.

©2010 UBS Financial Services Inc. All rights reserved. Member SIPC.



UBS Financial Services Inc.
www.ubs.com/financialservicesinc
100316-2060

UBS Financial Services Inc. is a subsidiary of UBS AG.