



## Agenda

### Retiree Healthcare Benefits Plan & Trust Board Meeting

November 13, 2013 at 1:00 PM  
Conference Room C

Troy City Hall  
500 West Big Beaver  
Troy, Michigan 48084  
(248) 524-3330

#### ROLL CALL

#### ABSENT MEMBERS

#### MINUTES FROM THE OCTOBER 9, 2013 MEETING

#### INVESTMENTS

#### OTHER BUSINESS

Review Investment Consultant Services

#### PUBLIC COMMENT

#### ADJOURN

A meeting of the Retiree Health Care Benefits Plan & Trust Board of Trustees was held on Wednesday, October 9, 2013, at Troy City Hall, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting was called to order at 1:15 p.m.

**Trustees Present:** Mark Calice  
Thomas J. Gordon, II  
Milton Stansbury  
Thomas Darling, CPA  
Dave Henderson  
Steve Pallotta

**Trustees Absent:** William R. Need (Ex-Officio), Brian Kischnick

**Also Present:** None

## Minutes

### **Resolution # ER – 2013-10-08**

Moved by Pallotta  
Seconded by Gordon

RESOLVED, The Minutes of the September 11, 2013 meeting be approved with direction to edit the motions (and/or seconds) moved by Milton Stansbury from “Milton” to “Stansbury”.

Yeas: All- 6  
Absent: Kischnick

## Investments

None

### **OTHER BUSINESS – UBS AGREEMENT FOR INVESTMENT CONSULTING SERVICES**

Rebecca Sorenson and Louise Emerson from UBS Financial Services reviewed the tentative agreement for investment consulting services. Discussion ensued on various topics including item 4(b) regarding monitoring of transactions by ubs. It was explained that specific transactions for the retirement healthcare system may not be specifically monitored however a sample of transactions by a particular investment manager are monitored on an aggregate basis to assure compliance with the investment strategy and protocols. UBS will provide greater detail of this function at next meeting.

It was noted that the City Attorney has not had a chance to review the agreement in detail and that the Board will wait on ratification until such review is complete.

### **OTHER BUSINESS – SPECIAL MEETINGS**

**Resolution # ER – 2013-10-09**

Moved by Gordon

Seconded by Pallotta

RESOLVED, The System Administrator shall schedule and post publically special meetings of the Retiree Healthcare Benefits Plan & Trust Board for Wednesday November 13<sup>th</sup>, 2013 and Wednesday December 11<sup>th</sup>, 2013 at 1:30pm.

Yeas: All- 6

Absent: Kischnick

**Public Comment**

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None

The next meeting is October 9, 2013 at 1:30 p.m. at Troy City Hall, Conference Room C, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting adjourned at 2:15 p.m.

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Mark Calice, Chairman

\_\_\_\_\_  
Tom Darling, Administrator



## **UBS Manager Research Group**

Since 1978, the Manager Research Group of UBS Financial Services has been committed to identifying high-quality investment management firms to build and manage the accounts in our managed programs. The UBS Manager Research Group is comprised of the following:

- Twelve investment research professionals, including seven Chartered Financial Analysts (CFA), with an average of 15 years of financial services experience and a combine 175 years investment experience.
- Investment research professionals who also research managers who work primarily with large institutions.

The Manager Research Group uses a proprietary, multi-step process that utilizes both quantitative and qualitative analysis. It is a carefully crafted and disciplined process that is focused on selecting the best managers to fulfill certain mandates. Our proprietary manager research database includes managers based in the US and managers based outside the US.

In addition to UBS' proprietary database, our group subscribes to a variety of independent investment manager databases that provide information on thousands of investment strategies. Our challenge is to sift through the extensive amount of data available today, analyze its importance, augment it with our own observations and experiences, and select the appropriate managers to be a part of our researched database.

A successful search for a suitable investment manager requires three critical elements. The first element is having a sensible and disciplined manager selection process. The second is consistently applying that process. The third is having skilled and experienced manager research professionals to implement the process.

An integral part of the investment manager selection process is the "due diligence" effort performed. The managers selected must pass certain due diligence standards. Once accepted for our proprietary database, the managers must continue to meet these criteria over time in order to remain in good standing.

Approximately 1,700 managers (offering over 7,000 investment products) meet the basic requirements for inclusion in our normal search process. These are the managers who make up the "investment universe." Through each step of the selection process, the universe is continually narrowed. The initial steps in a search emphasize the quantitative aspects of a manager, yet are not approached in a "cookie-cutter" manner. As the selection process advances, manager candidates undergo increasingly intensive screening processes, both qualitative and quantitative, with the hurdle becoming progressively harder as they advance to the next step. These high standards help separate those top-tier

managers from the rest, as only very few manager candidates make it through the entire selection process. The manager search and selection process is described below.

Our proprietary researched database currently contains approximately 450 individual investment strategies from approximately 230 managers. These managers are subjected to rigorous on-going due diligence conducted by the Manager Research Group. These managers cover the full spectrum of asset classes and investment styles, including domestic and international equity in all capitalizations and styles, domestic and international fixed income in all sectors, durations and credits, and diversifiers such as REITs and convertibles. We evaluate numerous and different investment approaches including fundamental, quantitative and passive strategies. The strategies in our proprietary researched database currently include:

- 200 domestic equity strategies
- 50 international equity strategies
- 110 domestic fixed income strategies
- 80 alternative strategies (including hedge funds, private equity funds, real estate, managed futures and commodities)
- 975 ETFs/ETNs
- 3,000 mutual fund strategies

To be included on our platform, managers must satisfy certain due diligence requirements and are subject to on-going review. On-site meetings enable the Group to expose any structural weaknesses and procedures that are inconsistent with the manager's stated goals. Our manager research teams evaluate approximately 450 strategies and meet with approximately 200 different managers each year. We add approximately 40-50 managers annually and remove approximately 25-30 managers yearly.

**A summary of our Due-Diligence Procedures follows:**

**Identify Candidates** – Based on the search requirements, the process begins with a preliminary selection of those managers who specialize in the asset class or investment style being sought. The search is augmented with screening conducted in manager databases and the Group's network of industry contacts.

**Collect and Analyze Information** – Once a manager candidate passes the initial screen, an initial examination takes place, including analysis of a detailed questionnaire, which covers all aspects of the manager's investment philosophy, process and research capabilities. Other factors include key personnel, management and corporate structure, and detailed performance results over the short and long term.

Generally, a performance attribution analysis is prepared. This effective statistical study identifies and breaks down the various sources of each manager's historical performance to ensure that it was achieved in ways that are consistent with the manager's philosophy, investment style and process. Managers who fail to meet the Group's standards are eliminated from further consideration.

**Understand Investment Philosophy and Process** – At the next stage, the Manager Research Group will typically initiate meetings with key members of the investment management organization, run more detailed performance track record analysis or request additional information from the manager.

**Verify and Build Conviction** – If the Group is satisfied with the outcome of this analysis, an in-depth due diligence meeting is conducted. This meeting is the principal opportunity to verify that the manager candidate's philosophy, process, and capabilities are indeed as stated. The due diligence meeting also enables the Group to expose any structural weaknesses and procedures that are inconsistent with the manager's stated goals. Finally, a detailed report on the manager is prepared based on all the research completed to date.

**Discussion and Decision** – A final analysis and recommendation is presented to the Manager Research Review Committee, composed of senior members of Wealth Management Solutions and the Manager Research Group. The Manager Research Review Committee reviews all research analysis, opinions and recommendations to help ensure that consistency of research is maintained throughout the Group, and that all important research issues are fully considered. Any manager candidate still under consideration has overcome the more easily visible hurdles in the selection process. This part of the process requires an appreciation and awareness of the intangible "human" and qualitative factors that help distinguish a manager as a leader from the rest of the crowd. Discussions are rigorous and thorough. The Manager Research Review Committee uses its collective wisdom and perspective to raise, and subsequently answer, the questions that will determine the final evaluation and rating for the manager candidate.

Once on our platform, managers must continue to adhere to our standards. The Manager Research Group spends more time monitoring managers already in our programs than they do looking for new candidates. It is essential that the review of the managers is continuous.

A critical feature of our program is our ongoing "due diligence" used to ensure that the quality of investment management is maintained. Managers within our program undergo a comprehensive portfolio and performance review every quarter by our Manager Research Group. Representative portfolios are analyzed in detail to determine the sources of each manager's performance results and to confirm that the manager is properly adhering to its investment disciplines. As part of our ongoing review process, our Manager Research Group meets with each manager firm periodically, usually at the manager's place of business, to thoroughly review the organization and confirm that the firm continues to meet our quality standards.

Our Manager Research Group schedules regular manager meetings and visits. Follow-up meetings and/or telephone interviews take place on an ongoing basis with these firms and we require questionnaires be completed by the managers. We refresh our due diligence every 1-3 years, depending on the stability and performance of the manager.

The Manager Research Group regularly compiles portfolio holdings for the strategies it monitors. The sources of these holdings are internal UBS sources and external sources, including the manager. The following documents are requested during our due diligence review to assist us in our evaluation of the firm's and the strategy's risk management capabilities:

- Organizational Chart
- Financial Statements and Composite
- Form ADV I and II
- Findings of SEC reviews
- Ethics and Trading Procedures
- Disaster Recovery Plan

Managers within our program must meet rigorous standards regarding:

- Soundness of the organization
- Continuity of the investment team
- Investment philosophy and process
- Long-term performance potential
- Operations and trading practices
- Legal and regulatory criteria

The Manager Research Group assigns one of three ratings to each individual strategy on its Researched List: Highly Recommended, Recommended and Hold. Ratings are based on a comprehensive quantitative and qualitative review of the manager, its organization, investment personnel, investment process and performance. The Manager Research Group may assign a Hold rating to a strategy if there were a significant change in the organization, personnel or process, as well as if there were notable performance-related concerns. The Manager Research Group monitors strategies on Hold closely and the Hold rating may be removed if the Manager Research Group is satisfied that conditions leading to the rating have been addressed and/or the team has had time to demonstrate its ability to execute the strategy effectively.

Our continued inclusion of a manager is questioned and reviewed for the reasons listed below:

- Consistent under-performance over the long-term compared to the appropriate market index and peer group;
- Significant changes in the organization (key personnel, ownership, etc.) that may have a negative impact upon potential performance;
- A drift in the manager's established investment process;
- Reduction in an allocation to a particular asset class or investment style.

We may recommend that a manager be terminated if the firm fails to meet the client's long-term objectives or no longer meets the qualitative or quantitative criteria used for

manager evaluation. However, dismissing a manager for the sole reason of short-term under-performance may likely lead to unnecessary turnover costs.

If a manager does not perform up to par, we typically allow several quarters before recommending that a client remove a manager. For a manager who is not performing up to par, we seek to uncover the factors contributing to the underperformance or any significant operational change that may have occurred. We will then evaluate these factors in the context of overall market conditions. We also take into account, however, that even the best managers will suffer periods of disappointment.

For example, in the last decade, 75% of top quartile performing large cap money managers spent at least one three-year period in the bottom quartile of the group.\* Historically, even some of the most legendary money managers have experienced periods of disappointment on their way to building stellar investment records. Nonetheless, if, based on our findings, there appear to be risks that potentially could significantly impair future long-term performance, we will conduct a fund manger search to identify potential replacements.

*\* Source: Davis Advisors. 160 managers from eVestment Alliance's large cap universe whose 10-year average annualized performance ranked in the top quartile from January 1, 1998 to December 31, 2007*

Respectfully,

*Rebecca S. Sorensen,*

Rebecca S. Sorensen, CPA, CFP<sup>®</sup>, CIMA<sup>®</sup>  
Senior Vice President – Wealth Management  
Wealth Advisor

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**SEC File Number 801-7163**

**April 8, 2013**

## UBS Institutional Consulting

**This brochure provides information about the qualifications and business practices of UBS Financial Services Inc. and the UBS Institutional Consulting Group that you should consider before becoming a client of this program.**

**If you have any questions about the content of this brochure, please contact us at 888-526-7454. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about UBS Financial Services Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Please note that registration as an investment adviser does not imply a certain level of skill or training.**

## **Item 2. Material Changes**

This section describes the material changes to our UBS Institutional Consulting Services since the last amendment of our Form ADV on August 15, 2012.

### **Disciplinary History**

- Please see Item 9 of this Brochure for updates to the disciplinary events reported for UBS Financial Services and its management personnel. These events were not focused on services provided by the UBS Institutional Consulting Group.

### **Fees**

- Please see Item 5 of this Brochure for the following updates to our fees and how our fees may be paid: (i) an updated fee schedule and minimum fee have been added; (ii) the use of brokerage commissions to offset our consulting fees has been eliminated.

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**References in this brochure to:**

- **“Programs”** means our investment advisory programs.
- **“Agreement”** or **“IC Program Agreement”** means the UBS Institutional Consulting Agreement.
- **“ERISA”** means the Employee Retirement Income Security Act (ERISA) of 1974, as amended.
- **“IC Consultant”** means your UBS Institutional Consulting Services Financial Advisor.
- **“IC Program”** means the UBS Institutional Consulting Services Program.
- **“IC Program Fee”** means the fee payable under the UBS Institutional Consulting Services Agreement.
- **“IC Eligible Investments”** means the securities and strategies your IC Consultant may identify as part of an investment search: investment managers, mutual funds, exchange traded funds, exchange traded notes, collective trusts, stable value funds, alternative investments and other managed investments.
- **“Plan”** or **“plan”** mean: a retirement plan for self-employed individuals, or an employee benefit plan subject to ERISA or a nonqualified retirement plan.
- **“UBS”** unless otherwise noted, means UBS Financial Services Inc.
- **“You”** and **“your”** refer to the IC Program client.

## About UBS Financial Services Inc.

UBS Financial Services Inc. (“UBS”) is one of the nation’s leading securities firms, serving the investment and capital needs of individual, corporate and institutional clients. We are a member of all principal securities and commodities exchanges in the United States including the New York Stock Exchange (“NYSE”). Our parent company, UBS AG is a global, integrated investment services firm and one of the world’s leading banks. We are registered to act as a broker-dealer, investment adviser, and futures commission merchant.

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

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

### Conducting Business with UBS: Investment Advisory and Broker Dealer Services

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

Our clients work with their Financial Advisors to determine the services that are most appropriate given their goals and circumstances. Based on the services you request, we can fulfill your wealth management needs in our capacity as an investment adviser, as a broker-dealer, or as both. Most of our Financial Advisors are qualified and licensed to provide both brokerage as well as advisory services depending on the services you have requested.

In addition, some of our Financial Advisors hold educational credentials, such as the CERTIFIED FINANCIAL PLANNER™ (CFP®) designation. Holding a professional designation typically indicates that the Financial Advisor has completed certain courses or continuing education. However, use of a designation does not change UBS’

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 our relationship with you

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

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) to you for our advisory program(s), which provides detailed information about, among other things, the advisory services we provide, our fees, our personnel, our other business activities and financial industry affiliations and conflicts between our interests and your interests.

### How We Charge for Investment Advisory Services

We may charge for our investment advisory services in any of the following ways:

- A percentage of the amount of assets held in your advisory account
- A flat annual fee
- A combination of asset based fee and commissions
- Periodic fees
- Financial planning services are available for a fee

Your Financial Advisor will receive a portion of the fees you pay us.

<sup>1</sup> Examples of our advisory programs and services include our fee-based financial planning services and our ACCESS, Portfolio Management Program, Managed Accounts Consulting, UBS Institutional Consulting, DC Advisory Program, UBS Strategic Advisor, UBS Strategic Wealth Portfolio, UBS Managed Portfolio Program, Mutual Fund Discretionary Program and PACE programs. Examples of our brokerage accounts include our Resource Management Account® and the International Resource Management Account.

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

When you participate in one of our investment advisory programs, we are considered to have a fiduciary relationship with you.<sup>2</sup> 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.
- 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.

Termination of your advisory account will end our investment advisory fiduciary relationship with you as it pertains to that account and, depending on the terms of your specific investment advisory agreement with us, will cause your account to be converted to, and designated as, a brokerage account only.

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

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

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

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

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

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

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

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

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

As a broker-dealer we are subject to the following:

- The Securities Exchange Act of 1934
- The Securities Act of 1933
- The rules of the Financial Industry Regulatory authority (FINRA)
- The rules of the New York Stock Exchange
- State laws, where applicable

These laws and regulatory agencies have established certain standards for broker-dealers which include:

- As your broker-dealer, we have a duty to deal fairly with you. Consistent with our duty of fairness, we must ensure that the prices you receive when we

<sup>2</sup> Fiduciary status under the Investment Advisers Act is different from fiduciary status under ERISA or the Internal Revenue Code. While in our investment advisory programs we act as a fiduciary under the Investment Advisers Act, we do not act as a fiduciary under ERISA or the Internal Revenue Code unless we expressly agree to do so in writing.

execute transactions for you are reasonable and fair in light of prevailing market conditions and that the commissions and other fees we charge you are not excessive.

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

#### Item 4. Advisory Business

This brochure describes our UBS Institutional Consulting Services Program which is an investment advisory service. We will acknowledge the extent of our fiduciary responsibilities when providing Institutional Consulting services in our UBS Consulting Services Agreement, including, for retirement plans, the extent of our fiduciary responsibilities under ERISA.

#### A. Our Firm and Corporate Structure

UBS Financial Services Inc. was organized as a Delaware corporation on June 30, 1969. It is a wholly owned subsidiary of UBS Americas Inc., which in turn is a wholly owned subsidiary of UBS AG. UBS AG is a publicly held company. UBS Financial Services Inc. became a registered investment adviser on January 22, 1971.

#### B. Our Advisory Services

##### UBS Institutional Consulting—Description of Services

UBS Institutional Consulting (the “IC Program”) is a program designed primarily to provide advisory services to institutional clients as described under a UBS Institutional Consulting Services Agreement, although we also provide services to family offices and high net worth individuals. The ongoing advice of your UBS Institutional Consultant is one of the key components and services provided by the Program. Generally, the IC Program is designed for clients who seek:

- advice on the establishment of strategic investment goals and assistance in the development and review of an investment policy statement
- advice on the development and analysis of a strategic asset allocation for an overall investment portfolio
- to delegate investment discretion to a professional money manager(s), and value the ongoing advice of a financial advisor
- assistance in the search and implementation of a medium- to long-term investment plan
- portfolio evaluation and review, including performance analysis of the overall investment portfolio and the professional money managers who have been retained
- for retirement plan clients who seek assistance with the search and selection of retirement plan program providers, facilitation of plan conversions, coordination of administrative vendor and recordkeeper support, plan program liaison; fiduciary support, and benchmarking reviews

**We do not provide legal, tax or actuarial advice. We will not be responsible for ensuring that your Investment Policy Statement and/or your retirement plan complies with the requirements under ERISA, federal, state or municipal law or other regulations. This responsibility rests solely with you, and you should consult with your legal and tax advisors regarding those matters.**

The IC Program offers the following services:

##### 1. Investment Policy Assistance

We can assist you in the development and review of an investment policy statement that describes your overall investment objectives and guidelines. On a periodic basis we will assist you in reviewing the investment policy statement and incorporating any changes you determine appropriate. On an exception basis the IC Program Agreement may also provide

for investment monitoring services whereby your Institutional Consultant will assist you on a quarterly basis in monitoring your portfolio's adherence to asset allocation and investment parameters identified in your investment policy statement.

## 2. Asset Allocation Studies and Analysis

We can provide periodic asset allocation studies and analysis of your IC Eligible Investments. Our asset allocation studies and analysis may also include investment managers or investments which you retained or purchased without our recommendation. Our inclusion of these investments is solely for the purpose of providing the asset allocation study and does not constitute an endorsement that you continue to hold those investments or retain those managers. In addition, assets held in other UBS programs may also be included in our allocation studies in order to provide a holistic analysis of your portfolio, but those assets are included for informational purposes only and are not part of the assets for which Institutional Consulting services are provided.

## 3. Searches

We can identify and present IC Eligible Investments approved for sale or recommendation at the firm which can include:

- investment managers
- mutual funds
- Exchange Traded Funds (ETFs)
- Exchange Traded Notes (ETNs)
- Collective trusts
- Unit Investment Trusts (UITs)
- stable value funds
- alternative investments
- other managed investments

For defined contribution plans, in determining which share classes to recommend for an investment fund, we will consider the limitations of the plan's recordkeeper platform and/or custodian and the plan fiduciary's discretion regarding plan expenses. Our role is to identify investments which, in our professional judgment, are appropriate to help you pursue your financial goals. We gather information regarding IC Eligible Investments from the firm's proprietary databases, third-party databases, directly from investment managers and/or from various commercially available means.

**Affiliated/Proprietary Investments Managers and Investments:** For Non-ERISA clients and non-

retirement accounts, we may, upon your request and after a review of your needs and available options, identify affiliated/proprietary investment managers or investments. Identifying proprietary or affiliated managers and investments raises a conflict of interest because, if such investments are retained or purchased, we or our affiliates will earn additional compensation from management and other fees. Your Account's actual investment return will be reduced by those fees, plus any related expenses and the Program Fees. Please review the applicable prospectus, offering documents or disclosure brochure carefully for a detailed description of the fees associated with these investments.

We address the conflicts of interest presented by identifying affiliated investment managers and investments and by disclosing our practices to you to ensure you make fully informed decisions in your selection of investment strategies.

## 4. Portfolio Evaluation and Review

We can provide periodic portfolio evaluation, review and analysis of your IC Eligible Investments and your other assets as agreed upon for your convenience. We will assist you in evaluating your portfolio including the review of your investment performance on an absolute and relative basis. We can also assist you in determining whether and how an adjustment should be made and implemented. We can also provide reports which include performance information, comparisons, portfolio characteristic and style attribution analysis, and the historical asset evaluation for a variety of investment strategies. For accounts held at other institutions, those reports and evaluations will be based on information provided by your custodian. For assets held in a UBS account, those reports and evaluations will be based on the information that appears on your UBS account statement. The past performance of an investment does not guarantee or indicate future results.

Our portfolio evaluation and review may also include investment managers or investments which you retained or purchased without our recommendation. Our inclusion of these investments is solely for the purpose of providing the portfolio evaluation and review and does not constitute an endorsement that you continue to hold those investments or retain those managers. In addition, assets held in other UBS programs may also be included in our portfolio

evaluation and review in order to provide a holistic evaluation of your portfolio, but those assets are included for informational purposes only and are not part of the assets for which Institutional Consulting services are provided.

For certain client types (for example, defined contribution plans), we can provide a review of mutual funds and other securities held within your plan and assistance to sponsors in evaluating the type and number of investment alternatives offered to plan participants. Our review may include graphic and tabular presentations of performance (including comparisons to appropriate market indices, inflation and stated goals), as well as market cycle comparisons, and risk/return analyses. When evaluating the performance of the funds available to the plan, we will review the funds' performance and not the specific investment performance of plan participant accounts.

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

## 5. Retirement Plan Consulting for Participant Directed Retirement Plans

**Program Provider Search.** At your request, we can assist you in the search and selection of a program provider. The services may include an analysis of your current program; evaluation of the relative merits of bundled or unbundled recordkeeping/investment service providers, development of criteria used in selecting service providers; evaluation of proposals received from prospective service providers.

Searches may include program providers who are available through the UBS Select for Corporate Plans program ("UBS Select program"). We may also include program providers who are not available through the UBS Select program and for whom UBS does not conduct due diligence.

**Plan Conversion Assistance.** We can assist you with your conversion/transition to a new program provider including investment fund mappings and planning employee education strategies.

**Fiduciary Support.** We can provide you with the UBS Defined Contribution Plan Fiduciary Kit as well as periodic newsletters and/or whitepapers which

address retirement plan issues for plan fiduciaries.

**Plan Feature Review.** We can assist you in benchmarking and reviewing various plan features. The services may include a review of plan features to determine whether they are meeting the needs of the plan and the plan participants.

**Plan Program Liaison.** We can assist you in communicating with recordkeepers and other third party service providers regarding plan features, investments, services and fees.

**Fee Analysis and Benchmarking.** We can provide assistance in conducting a benchmarking analysis of your Plan's fees and provide an evaluation, review and analysis of your fees in relation to other retirement plans.

## 6. Investment Education for 401(k) plan participants

We can provide a review of the Plan's current education program, recommend strategies for improvement and develop goals with you. We can assist with the implementation of new communication and education strategies and work with your program provider to deliver enrollment meetings and seminars. We can provide general investment education, which may include educational newsletters, seminars and other materials which have been reviewed and approved for use by our firm. These materials are intended to help the recipients understand the important financial issues they face and may cover topics such as investing, saving for retirement, distribution planning and retirement planning and transition. They are generic in nature and do not contain recommendations to invest in a particular security.

## 7. Additional Consulting

On an ongoing basis, we may also consult with you on matters related to news and developments in the capital markets and asset classes based on information generally available from us or our affiliates, or more specifically prepared for you based on publicly available information. Additional services may be available as agreed to between us.

## 8. Various Other Services

The Program offers other consulting services, including assistance in identifying custodial services, third-party administrators, and/or record keepers.

## Limitations on Our Services

- We do not provide legal, tax or actuarial advice.
- We are not responsible for ensuring:
  - that your investment policy statement, asset allocation or investment choices comply with specific legal requirements (including ERISA, federal, state or municipal law, or other regulations), actuarial or other requirements that apply to you
  - that your investment manager has provided you with a copy of your investment policy statement
  - that your investment manager complies with your investment policy statement, asset allocation or other investment restrictions

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

### – Investment Searches:

- While we can conduct our investment searches for an extensive list of investment options, investment managers, and investment strategies, our searches are limited to those available through, or reviewed by, the firm. We do not search for every investment strategy or investment manager available in the industry.
- **Employer Securities:** If the plan assets include employer securities, our services do not include a review of the performance or recommendations regarding whether the plan should offer or continue to offer employer securities as an investment option under the plan.
- **Investment Managers Hired and Investments Purchased which are not Identified by UBS:** The services you select may include asset allocation and performance reporting of investment managers and investments which you retained or purchased without our recommendation. In such cases, we will ask you to acknowledge, in writing, that the manager or investment has not been reviewed or recommended by our firm.
- **Third-Party Information.** In connection with the provision of our services, we rely on third party information. We obtain this information from publicly available sources or from your third party custodian or your plan providers.

While we believe the information and analyses obtained from external sources is accurate, we do not independently verify or guarantee the information presented or its accuracy.

## Implementation

Unless specifically agreed to in the IC Program Agreement, Institutional Consulting services do not include advice with respect to how to implement the results of the investment searches or whether to hold an account at UBS. In addition, the services, costs and contracting process for retaining an investment manager are separate from the services provided through Institutional Consulting. Where you have retained the services of an investment manager and utilize UBS to effect transactions in securities upon that manager's instructions, we and our affiliates will be acting solely as a broker or dealer in connection with such transactions and not as an investment adviser. You are responsible for negotiating the terms, fees and conditions of your agreement with such manager and providing them with investment instructions via an IPS or as otherwise agreed. In addition, these investment managers may request that we provide them with information regarding the transactions in your account (e.g., electronic data download of all transactions they effected on your behalf, copies of your account statements, etc.) and you will need to authorize us to provide this information. You may revoke this authorization at any time by notifying us in writing.

The following describes the various account structures that may be used to implement the result of Institutional Consulting investment searches.

### Implementation Through an IC Account

You can decide to implement the results of investment searches performed as part of Institutional Consulting through a UBS Institutional Consulting Account that provides for an asset-based fee arrangement. ("IC Account"). The annual fee for the IC Account includes Institutional Consulting services as well as custody of securities and all brokerage and execution services for the purchase and sale of securities at our firm but not the fees for investment managers retained by or for you.

The IC Account fee does not include (i) commission charges and mark-ups/mark-downs for transactions for your account that your investment manager may effect through other broker-dealers; (ii) custody fees imposed by other financial institutions if you chose to custody your assets at other financial institutions; (iii) internal trust fees; (iv) charges imposed by law; (v) costs relating to trading in foreign securities (other than commissions otherwise payable to us); (vi) internal administrative and management fees that may be imposed by collective investment vehicles such as open-end and closed-end mutual funds, UITs, exchange-traded funds or real estate

investment trusts; (vii) mutual fund redemption fees for active trading; and (viii) other specialized charges, such as transfer taxes, exchange and certain account fees.

Mutual funds available for purchase through an IC Account include, as appropriate, affiliated and non-affiliated mutual funds. We will provide you with mutual fund prospectuses and other fund information as you may reasonably request to assist you in completing appropriate forms for purchases, redemptions, account designations, address changes and other transactions involving these investments. Generally, Class A shares of mutual funds will be available and are sold on a no-load or load-waived basis (i.e., no upfront sales charge). In addition to offering no-load or load-waived Class A shares, we may also offer institutional, advisor or fee-based share classes (where available) in the future, either as “hold only” investments or for additional purchases for some or all of the funds available in our Advisory programs. As with the no-load or load-waived Class A Shares, these share classes do not impose a sales charge at the time of purchase.

We may, in the future, convert some or all of our Programs to offer exclusively (where available) the Institutional, Advisor or Fee-Based share classes. We will notify you of these changes. If you hold Class A shares at the time we convert each Program Fund to a new share class, then we will attempt to convert your Class A shares on a tax-free basis if possible into the institutional, advisor or fee-based share class. At our discretion, we may allow existing clients to hold Class A shares. Class A shares that are used to fund accounts subsequent to the share class conversion will be automatically converted, on a tax-free exchange basis, (subject to availability of that service) to the new share class available for the relevant fund.

### **Implementation Outside of an IC Account**

Alternatively, you can decide to implement the results of investment searches performed as part of Institutional Consulting through an account held at any other financial institution or through an account at UBS that is not an IC Account. It is important that you understand that such implementation is not part of the Institutional Consulting service.

If you decide to implement at UBS the results of investment searches performed as part of Institutional Consulting through another UBS investment advisory program (e.g., ACCESS, Managed Account Consulting (MAC), Strategic Advisor, Portfolio Management

Program (PMP), PACE, SWP etc.) it is important that you understand that these programs are separate and distinct from Institutional Consulting. **Unless otherwise agreed in our Institutional Consulting Services Agreement, while we may include these assets in consolidated performance reports and/or asset allocation studies, the inclusion of such assets is done solely as an accommodation and such assets are not subject to the terms and conditions of our Institutional Consulting Services Agreement.** You will be charged a separate investment advisory fee for these other programs, which may be greater or lesser than the fee you pay for Institutional Consulting services, and the terms and conditions of the respective contracts and disclosure statements for these other programs will be applicable.

### **Termination**

You may terminate UBS Institutional Consulting services within five (5) business days of executing the UBS Institutional Consulting Agreement and receive a full refund of all fees paid to us. Thereafter, either party may terminate this relationship by notifying the other in writing. The termination will become effective upon the receipt of this notice. Upon termination, we will have no further obligation to you to act or advise you with respect to your assets. You should note that termination of your UBS Institutional Consulting Agreement will end our investment advisory fiduciary relationship and as applicable our ERISA fiduciary relationship with you as it pertains to the UBS Institutional Consulting Agreement.

With respect to the IC Account, your UBS Institutional Consulting Agreement will no longer apply to that account and the account will be governed solely by the terms of a UBS RMA brokerage account. In addition, terminating your IC Account will result in the sale of your assets held in the UBS Money Market Funds in instances in which your underlying brokerage account is eligible to use the UBS Bank USA as a sweep option or if the cash in your IC Account is swept into a money market fund that is exclusively for advisory accounts.

In certain cases, your assets may be invested in securities, special mutual funds or shares of mutual funds that have been created for use or are eligible exclusively within certain investment advisory programs. Most of these investments contain restrictions that limit their use exclusively in wrap fee Advisory programs, and may be unavailable for purchase or holding outside of wrap fee programs. If you end your participation in the IC Account and do not move such assets to a UBS wrap-fee Advisory program, that termination results in the **automatic**

**redemption** of shares or investments held by or on your behalf—which will have tax consequences for you. When you select one of these types of strategies or investments for your portfolio, you agree to the automatic sale of the investments upon termination of your account, and you direct us to execute these sales. We recommend that you consider the potential impact of such sales and restrictions carefully before participating in these types of strategies.

**Qualifications of Financial Advisors Who Provide Institutional Consulting Services**

Most of our Financial Advisors are registered as broker-dealer and investment adviser representatives. Financial Advisors who provide institutional consulting services are given the UBS firm designation of Institutional Consultant and are usually required to have at least five years of industry experience, meet certain client asset thresholds at UBS and have either the CIMA designation from the Investment Management Consultants Association or the CFA designation from the CFA Institute. Waivers of the education requirements may be granted for Financial Advisors who have sufficient industry experience.

The timeframe to meet the requirements may be extended under certain circumstances including recruitment situations. Certain Financial Advisors holding other firm designations may also provide institutional consulting services.

When you enter into a UBS Institutional Consulting Services Agreement, we will provide to you a Brochure Supplement for your Financial Advisor, and if applicable, any specialist involved in providing investment advisory services to you. The Brochure Supplement includes information regarding their education, business experience, disciplinary history, outside business activities, their compensation and supervision. You may also obtain information about your Financial Advisor, their licenses, educational background, employment history, and if they have had any problems with regulators or received serious complaints from investors through the FINRA BrokerCheck service available from FINRA at <http://www.finra.org>, or from the Securities and Exchange Commission at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

You can also contact your state securities regulator through the North American Securities Administrators Association’s website at <http://www.nasaa.org> and request information about our firm and your Financial Advisor.

**Advisory Services and Programs Other than the UBS Institutional Consulting Program**

We offer other Advisory services separate from the UBS Institutional Consulting Program and not described in this brochure. If you would like more information please ask your Financial Advisor for the Form ADV Disclosure Brochure for those programs and services.

We do not hold ourselves out as specializing in a particular type of advisory service or strategy. Instead, our advisory programs and services offer a broad variety of strategies, investment options and asset allocations and features.

- Wrap Fee Programs:

<b>Program type</b>	<b>Programs included</b>
Discretionary Programs	UBS Managed Portfolio Programs, Portfolio Management Program and Mutual Fund Discretionary Program
Separately Managed Accounts (SMA) Programs	ACCESS and Managed Accounts Consulting
Unified Managed Accounts Program	UBS Strategic Wealth Portfolio
Non-Discretionary Advisory Programs	PACE and UBS Strategic Advisor Program

- Financial Planning Services
- Financial Education Program: an employer or other sponsoring entity can contract with UBS to have a UBS Financial Advisor provide one or more of a series of financial education seminars to their employees or members (generally, but not always, at no charge to the employee or member) or to the public for a fee
- Consulting Services: available to retirement plans, institutions and corporate clients

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

### C. How We Tailor Our Advisory Services

All of our Investment Consulting Services are customized based on information you provide regarding your particular needs, goals and circumstances.

We tailor our services, reports, asset allocations and investment policy statement services to your specific investment objectives, risk tolerance and goals in various ways, including the following:

- **Reports.** The reports and analysis we provide can be tailored to meet your particular needs and goals. You and your Financial Advisor can determine which types of analysis to include in your reports. See “Our Advisory Services” for details about the services offered in the Institutional Consulting Services Program.
- **Asset Allocations and Strategies.** Our asset allocations are based on a proprietary process which offers (depending on the software program) various customized asset allocations.
- **Investment Searches.** Searches are based on your needs and are aligned with your Investment Policy Statement.

### D. Participation in Wrap Fee Programs

Our services under the IC Program do not include portfolio management services.

### E. Assets Under Management

Our assets under management in wrap fee programs as of February 28, 2013 are listed below. Values for DVP accounts are as of 12/31/12. Although this information does not apply to our Institutional Consulting Program, it provides you additional background regarding our activities as an investment adviser.

– Non-discretionary Programs:	<b>146,227,216,131</b>
– Discretionary Programs:	<b>83,767,225,561</b>
– Total:	<b>229,994,441,692</b>

### Item 5. Fees and Compensation

The fee that you pay in the Institutional Consulting Program covers the specific services agreed to in your IC Program Agreement.

The following is a description of the available fees for our services. Our fees may differ from client to client based on a number of factors which include, but are not limited to:

- type and size of the institution
- other eligible relationships
- the number and type of services selected
- the scope of the engagement
- the complexity of the services provided and preferences of the institution
- the expected frequency with which services may be needed
- the nature and amount of client assets involved

Fees, as well as other account requirements, may vary as a result of the application of prior policies depending upon when you engaged us to provide advisory services. In addition, we reserve the right, in our sole discretion, to institute special pricing features, or to waive or discount annual minimum fees.

For assets custodied at another financial institution fee may be a specific dollar amount fee or an asset-based fee (expressed as a percentage of the market value of the assets under advisement). For assets custodied at UBS in an IC Account: an asset-based fee which includes the cost of custody and trading for trades executed at UBS.

Following rates are the maximum annual program fees:

<b>Assets</b>	<b>Maximum Program Fee</b>
\$10 – 25 mil	1.50%
\$25 – 50 mil	1.30%
\$50 – 100 mil	1.10%
\$100 – 250 mil	0.90%
\$250 – 500 mil	0.70%
\$500 – 1 Billion	0.50%
> \$1 Billion	0.30%

Individual projects may be provided for a negotiated fee.

### A. Institutional Consulting Services Basic Fee Schedule

**Minimum Annual Fee:** A minimum annual program fee of \$20,000 may be imposed. If your assets decline,

imposing the minimum fee may result in you paying a higher fee than your contractual fee rate.

**Similar Services Available at No Charge.** Our investment advisory services are separate and distinct from our brokerage services and entail comprehensive, sophisticated or specialized asset allocation studies and analysis and portfolio evaluation and review services as an investment advisory service, for which we charge a separate fee. Depending on the services you select, you may find that components or variations of the individual UBS Institutional Consulting services are available to you outside of UBS Institutional Consulting for more or less than you would pay in the program. For example, as a brokerage service, Financial Advisors can provide certain asset allocation modeling, mutual fund selection services and basic portfolio analytics to clients either free of charge or for the 12b-1 payments we receive from your mutual funds.

**Please discuss our various product offerings, their features and costs with your Financial Advisor for more information on the other services available to retirement plans.**

You should consider these factors carefully before participating in the UBS Institutional Consulting Services Programs.

## **B. Billing Practices**

Clients may cancel the IC Program Agreement and receive a full refund of fees paid by contacting their Financial Advisor within 5 business days from the date the Agreement is accepted by us. After that period, if you terminate your IC Program Agreement, any fees billed in advance will be refunded to you on a pro-rata basis.

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

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

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

## **Calculation of Fees**

- For assets custodied at another financial institution, asset based fees will have the initial fee prorated from the date that your IC Program Agreement is effective or as otherwise agreed. The fees will thereafter be calculated based on the asset value of the account at the end of the preceding quarter or if not available the last reported value provided by your custodian and billed in arrears at the beginning of the current quarter.
- For assets custodied at UBS in an IC Account, fees will be billed in advance and your initial fee will be due in full as soon as your IC Program Agreement is effective or as otherwise agreed to by us. The fee will be calculated on the value of the eligible assets on that date, pro-rated to cover the period your agreement is in effect through the end of the current calendar quarter. Thereafter the fee will be based on the value of your investments on the last business day of each calendar quarter and billed in advance for the next calendar quarter.

The following assets are not subject to our UBS Institutional Consulting Agreement and therefore will be excluded from the asset value for purposes of calculating our fees:

- the value of the employer securities
- individual stocks, bonds and other securities held in a brokerage account
- for ERISA clients only: (i) the value of UBS affiliate/proprietary investments purchased prior to our engagement; (ii) the value of outstanding participant loans; and (iii) the value of self directed brokerage accounts

If you decide to invest all or portion of your assets in one or more of our UBS separately managed account programs (i.e. Managed Account Consulting, ACCESS,

PMP, PACE, Strategic Adviser, SWP), that portion of your assets will be excluded from the fee calculation under your UBS Institutional Consulting Services Agreement and instead you will be subject to a fee under the respective managed account program. You will be billed separately according to the billing practices in those programs.

### **Payment of Fees**

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

**Invoicing Program Fees.** Qualified employee benefit plans may choose to be invoiced for the Program fee by directing us to do so in the IC Program Agreement. Payment will be due within thirty (30) days of the mailing of the invoice. If the fee is not received within thirty (30) days, the account may be debited.

Plan fiduciaries for defined contribution plans may be able to direct the plan provider to automatically calculate and pay our fees from the assets of, or generated by, the plan. In those situations in which your program provider automatically calculates and remits the program fees to us, we will provide you with a quarterly statement, rather than an invoice, with details on the amount of fees we have received. We will not independently verify the calculations made by the plan provider.

**For clients with an IC Account and Accounts in other UBS Wrap Fee Programs: Relating Accounts for Billing Purposes.** You may choose to have your IC Account related to other eligible advisory accounts for the purposes of taking the IC Account assets into consideration in order to calculate the fees for such other eligible advisory accounts. Relating the IC Account for billing purposes can provide the opportunity for price reductions at certain breakpoints for those other advisory accounts. Please contact your Financial Advisor for more information on the definition of eligible accounts and the forms needed to choose this billing option. Retirement accounts may not be linked where a prohibited transaction under ERISA or the Internal Revenue Code may result.

**Paying your IC Program Fees Through Mutual Fund and/or Alternative Investment Compensation Offsets.** With respect to an IC Account, where the firm receives a 12b-1 fee or other similar compensation (including on an exception basis finders fees), such amounts will be deposited into your IC account, unless otherwise agreed, which in effect will reduce your Program Fee. If a credit remains in your account at the time of billing, it will be subject to the Program Fee.

If you elect to implement the results of investment searches performed as part of Institutional Consulting at another financial institution, you may also elect to pay some or all of your IC Program fee through certain mutual fund compensation and/or alternative investment compensation offsets.

For mutual funds held at another financial institution, where UBS receives a 12b-1 fee or similar compensation in connection with the purchase or sale of mutual funds, such amounts will be used as a fee off-set on a dollar for dollar basis. For alternative investments, any sales charges, commissions, or trail received by us after the commencement date of this Agreement will be credited against your fee on a dollar for dollar basis. If the annual IC Program fee has been fully satisfied through such mutual fund compensation and/or such alternative investment compensation, additional amounts received by the firm will be paid to you as a credit against fees paid in prior years.

If the amount of your fee is greater than the credit for mutual fund compensation and/or alternative investment compensation received, you will be billed for the difference. The bill must be paid within thirty (30) days of receipt.

As of December 31, 2012, we no longer accept brokerage commissions to offset our institutional consulting fee. Previously generated commission credits will be applied as an offset to the Program Fee until such time as the credit is fully utilized.

### **C. Fees/Other Charges Not Covered by Your IC Program Fee**

The IC Program Fee does not cover:

- Any other services, accounts or products we provide to you.
- Our expenses in delivering UBS Institutional Consulting services to you, such as travel expenses, unless we specifically agree otherwise in the IC Program Agreement

- Unless you utilize an IC Account, the transaction based charges or commissions, account maintenance fees or any other charges you may incur in implementing investment searches performed as a part of the Institutional Consulting services
- Commission charges for transaction that your investment manager may effect through other broker-dealers. Your investment manager has the option to trade through us or with other financial institutions, in accordance with best execution obligations. **If you elect to utilize the IC Account and your investment manager will not be executing transactions with UBS, the IC Account may not be an appropriate option as you will be incurring redundant costs.** You should direct your inquiries regarding these costs to your Financial Advisor
- Custody fees imposed by other financial institutions if you choose to custody your assets at other financial institutions
- Fees for recordkeeping, trust and plan administration charges
- Precious metals custody fees imposed by affiliates, or other financial institutions
- Mark-ups/mark-downs on principal transactions with us or other broker-dealers
- Internal trust fees
- Costs relating to trading in foreign securities (other than commissions otherwise payable to us)
- Internal administrative, management, redemption and performance fees that may be imposed by collective investment vehicles such as open-end and closed-end mutual funds, UITs, hedge funds and other alternative investments, exchange-traded funds or real estate investment trusts
- Redemption fees for active trading imposed by mutual fund sponsors
- Other specialized charges, such as transfer taxes, and fees we charge to customers to off-set fees we pay to exchanges and/or regulatory agencies on certain transactions

Either UBS Financial Services or UBS Credit Corp. will also charge interest on any outstanding loan balances (including margin loans) to clients who borrow money from us or UBS Credit Corp. Clients also may be charged additional fees for specific account services, such as:

- Account Transfer Fee
- Wire Transfer Charges
- Annual Account Service Fees for Retirement Accounts
- Physical Security Safekeeping for RMAs or Business Services Accounts (BSAs)

**For IC Eligible Investments other than investment managers, please review the applicable prospectus and offering documents for a detailed description of the additional fees associated with these securities.**

- **You have the option to invest in or retain IC Eligible Investments through other broker-dealers or agents not affiliated with us. You may also be able to invest in or retain these investments directly in the open market without incurring the fee under an IC Account**

#### **D. Compensation to Financial Advisors**

As with other UBS advisory programs, if you obtain services through the Institutional Consulting program, portion of the fees you pay to us in connection with this program are allocated on an on-going basis to your Financial Advisor. For advisory fee programs, the payout ranges from 20% to 48% of the fees credited to the Financial Advisor by the firm.

In general, we pay our Financial Advisors a percentage of the commissions and fees (called a payout or grid rate), that each Financial Advisor generates from the clients he or she serves, minus certain adjustments that are requested by our Financial Advisors, according to an established schedule.

**The percentage of firm revenues credited to Financial Advisors in advisory programs is higher than the percentage of firm revenues credited on most other products and services, including the compensation they would receive if you paid separately for advice, brokerage and other services. The difference in compensation creates an incentive for Financial Advisors to recommend products for which they receive higher compensation.**

For brokerage 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. Generally, for stock and option transactions, the payout is adjusted downward to account for a \$12 per transaction fee. In general, Financial Advisors earn more for products sold in initial offerings than for those purchased and sold in secondary offerings.

The compensation structure may create financial incentives for Financial Advisors to encourage clients to purchase multiple products and services, or to choose a method

of payment for products and services that generate compensation in excess of that for other products.

Under certain circumstances (e.g., acquisitions and recruitment), some Financial Advisors or producing Branch Office Managers may be compensated differently. Financial Advisors also receive certain awards based on their production amount, business mix and net new assets. We reserve the right, at our discretion and without prior notice, to change the methods by which we compensate our Financial Advisors.

## **Item 6. Performance Based Fees and Side by Side Management**

Neither we nor our Financial Advisors receive performance-based fees for Institutional Consulting Services. Where we are a distributor of alternative investments, including hedge funds and fund of funds, UBS receives a portion of the performance fees charged by the investment adviser to those funds. Financial Advisors who sell those alternative investments receive a portion of those fees, except where these investments are purchased through an IC Account.

## **Item 7. Types of Clients**

### **A. Type of Clients**

The Institutional Consulting Program is designed to provide advisory services principally, but not exclusively to, institutional clients such as:

- sponsors of qualified retirement plans
- corporations
- endowments and foundations
- municipalities
- Taft-Hartley plans
- religious and charitable organizations

We may also agree to provide Consulting Services to individuals and other client types.

### **B. Requirements for Participation in the Institutional Consulting Program**

#### **1. Minimum Asset Requirement**

Typically Consulting services are provided to clients with investable assets in excess of \$10 million, although we may provide Consulting services to clients with less than \$10 million in investable assets under certain conditions.

#### **2. Agreements and Account Documentation**

As a UBS Institutional Consulting client, you will enter into a written agreement with us.

If you decide to open an IC Account, you will also be required to execute a brokerage agreement.

It is important to note that once you open the IC Account, that account is included as part of a UBS Institutional Consulting Services Agreement, our obligation to you will be that of an investment adviser instead of a broker-dealer. **See “Conducting Business with UBS: Investment Advisory and Broker Dealer Services.”**

#### **3. Custody**

Please see Item 15 “Custody” for a description of custody requirements.

#### **4. Information Provided**

In providing UBS Institutional Consulting services to you, we rely on the information you provide to us. This means that:

- It is your responsibility to provide us with all material and pertinent information regarding investment objectives, risk tolerance, asset allocation, and the historical performance of your investments, income and liquidity requirements as well as any other relevant matters that we may request from time to time
- We will rely on the information you provide without further verification. You should notify us promptly of any material changes in your financial condition, risk tolerance, needs or objectives
- You should notify us promptly of any material changes in the financial condition, risk tolerance, needs or investment objectives that impact our IC services or the manner in which your assets are invested

#### **5. Your Responsibilities**

It is your responsibility to determine if, and how, the advice and suggestions we provide to you should be implemented or otherwise followed. You should carefully consider all relevant factors in making these decisions, and we encourage you to:

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

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

manage your assets or exercise any investment discretion or control over your account.

- assume any responsibility nor are we liable for the conduct or investment performance, either historical or prospective, of any investment manager, mutual fund, alternative investment, other managed investments, ETF or ETN identified in an investment search.
- provide any legal, tax, accounting or actuarial advice to you or prepare any legal, accounting or actuarial document.

**You are not required to establish accounts, purchase products that we distribute or otherwise transact business with UBS Financial Services Inc. or any of our affiliates to implement any of the suggestions made in connection with the IC Program services we provide.**

## 6. Electronic delivery of documents

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

UBS offers certain communications through electronic delivery. Examples include: statements, trade confirmations and notices; shareholder communications, including fund reports, prospectuses and proxies; quarterly performance reports; tax reporting documents; Client and account information documents; other firm documents that may be available now or in the future.

For IC Accounts:

- We will automatically enroll you in electronic delivery for your Advisory account if you select this option in your brokerage account agreement.
- **You may change your delivery preferences at any time by logging into UBS Online Services at: <http://www.ubs.com/edelivery>. You may also change your delivery preferences by contacting your Financial Advisor.**
- As applicable, when a new prospectus is available, we will send you an e-mail notification to the e-mail address you have provided to us. The e-mail will include a link that will take you directly to where the prospectus can be viewed and downloaded. Prospectuses contain important information regarding your investments. We recommend that you read them carefully and consider investment objectives, risks,

charges and expenses before investing, and maintain them in your files for future reference. If you have any questions, please contact your Financial Advisor. If your e-mail address becomes outdated or we receive messages that a prospectus sent to you is not deliverable to the e-mail address you provided, we will send the document to you via regular mail.

## 7. Trading, Execution and Custody Practices Applicable to IC Accounts

Where you have elected to participate in an IC Account, the following provides a general summary of our trading, execution and custody practices.

### Execution of transactions for your account

You should note that in order to comply with principal trade restrictions, orders are routed for agency execution. Where permissible by applicable law, and after complying with applicable regulatory requirements, we may route orders for our Advisory clients for execution as principal.

If your account is managed by a third-party investment manager, your manager is solely responsible for meeting its best execution obligations to you, and you should review carefully the manager's trading for your account. UBS does not analyze or evaluate whether your manager is meeting its best execution obligations on trades executed for your account.

All trading in your Accounts is at your risk. Accounts are subject to a variety of market and other risks, including illiquidity and volatility. Investment performance of any kind can never be and is not guaranteed—nor is past performance an indicator of future results. In executing transactions for your Accounts, we will not be liable for losses caused directly or indirectly by government restrictions, exchange controls, exchange or market rulings, suspension of trading, acts of war, strikes or other conditions beyond our control, including but not limited to, extreme market volatility or trading volumes.

We use automated systems to route and execute orders for the purchase and sale of securities for all Advisory accounts, unless you direct us otherwise. Generally, an order is routed to an execution center that we believe will provide the best execution. Certain large orders that may require special handling may be routed to a market center for execution via the telephone or in the case of large ETF orders, an Authorized Participant for that ETF. We regularly monitor existing and potential execution venues and may route orders in exchange listed or OTC securities to other venues if we believe that such routing is consistent with best execution principles.

In determining the best way to execute an order for a client, we evaluate the following:

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

### **Exchange-listed Securities, NASDAQ and OTC Securities**

The vast majority of our exchange-listed securities and over-the-counter (OTC) orders are executed through our affiliate, UBS Securities LLC—which executes orders as either principal or as agent, depending on the circumstances and type of program involved. These orders will be executed by UBS Securities LLC as principal when there is an opportunity for execution at a price equal to or superior to the price quoted on the primary exchange. If that is not the case, the order will be routed immediately to the primary exchange for execution. UBS Securities LLC may have a profit or loss when executing orders as principal. For orders requiring agency execution, UBS Securities LLC routes the orders to unaffiliated market makers for execution. In some instances, however, for certain securities, we place OTC orders directly with unaffiliated market makers for execution. All routing decisions are in accordance with the principles of best execution.

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

### **Aggregation of Trades for Advisory Clients**

We may aggregate transactions for Advisory clients for execution under appropriate circumstances. This practice will not ordinarily affect or otherwise reduce fees, commissions or other costs charged to clients for these transactions but may provide price improvement. Partial fill of a block security transaction may be allocated

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

### **Trade Errors**

We have a trade error procedure, pursuant to which we resolve trading errors that may occur from time to time. We require the appropriate supervisory personnel to review and approve the correction. The correction must be processed on a timely basis and may not adversely affect a client, with very minor exceptions. The firm maintains an error account to facilitate handling trading errors. Gains may be offset by losses in the error account. To the extent permitted by applicable law, at the end of the calendar year, gains in the error account will be kept by the firm. That practice can result in additional compensation to the firm. If an outside investment adviser causes a trade error, the outside investment adviser's trade error procedure will govern, unless it conflicts with our internal procedure.

### **Payment for Order Flow**

At this time, we have determined not to direct the order flow from our Advisory programs to specific destinations in exchange for payment for that order flow. Payment for order flow is defined to include any monetary payment, service, property or benefit that result from remuneration, compensation or consideration to a broker-dealer from another broker-dealer in return for routing customer orders to that broker-dealer. We may route orders to electronic communication networks (ECNs) or similar enterprises in which we may have a minority ownership interest. If we direct orders for our Advisory programs accounts to such a trading network, we may receive indirect compensation from the ECN with respect to these trades due to our ownership interest. These arrangements will not cause you to pay additional fees directly to us. We believe that, in the course of executing trades for our clients, we may be able to obtain best execution through other exchanges or trading networks. We may direct order flow for these programs to trading networks in which we have an interest in the future if we determine that it is in the interest of our clients and consistent with our obligations under applicable laws.

### **Confirmation of Your Account Record.**

If we are custodian for your assets, after a new account is opened or whenever your investment objectives

or financial information is updated, we confirm your personal information to verify that our records are correct. Please review those materials carefully and report any discrepancies to your Financial Advisor as soon as possible. Updates to existing accounts are reflected in your next account statement. Information for new accounts is confirmed and sent promptly after account acceptance. It is your responsibility to inform us of any material changes in your objectives, financial condition or other changes that could affect how your Program Assets are being invested.

You are responsible for providing us with your current address. If we are unable to contact you by mail, we will be required to terminate your account from the program. Upon termination, the assets will continue to be invested in the existing positions when permissible given the nature of the securities, and will be held in a brokerage account. Your Advisory agreement with us no longer applies. Any securities that cannot be held in a brokerage account will be liquidated.

In certain cases, the Advisory and consulting services available in our programs may be provided by Financial Advisors who are registered with companies that are affiliated with us.

#### **Ownership of Securities and Investment Discretion.**

You are the beneficial owner of all securities in your accounts and, you retain all rights related to the ownership of those securities including trading authority and proxy voting. Please note that securities transactions in your account(s), liquidations, redemptions, rebalancing and other portfolio changes may result in you incurring gains or losses for income tax purposes. Neither UBS Financial Services Inc. nor its employees provide legal or tax advice. Please consult with your legal and tax advisors regarding this matter.

#### **Trade Confirmations and Account Statements.**

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

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

election. You may change this instruction at any time by giving UBS Financial Services Inc. written notice.

#### **Cash Balances in Your IC Account.**

Generally, some portion of your advisory account will be held in cash, cash equivalents or money market mutual funds as part of an overall investment strategy. You should consider the following in connection with the investment vehicles into which such cash is "swept":

- UBS Proprietary Investments: When permitted by law, available cash in your advisory account is swept into UBS money market funds for which we or our affiliates receive compensation for services in addition to the Program Fees you pay us. Please see *"Participation or Interest in Client Transactions—Additional sources of compensation—Affiliated Money Market Funds available as sweep vehicles in Advisory Accounts"* for a description of the Advisory fees that we and our affiliate receive from the money market funds
- If you close your advisory account, we will sell the assets held in certain money market funds. Please see section *"Closing Your Advisory Accounts; Terminating Your Agreement – Automatic Liquidation of Certain Assets at Account Termination"* for details
- When your advisory account is closed, it becomes a brokerage account and is subject to the terms and conditions of your brokerage account agreement. The sweep options in Advisory and brokerage accounts are different and depending on the circumstances, may yield significantly different rates of return on the free cash in your brokerage account. This may result in additional compensation to UBS, its Financial Advisors and UBS affiliates. The sweep options for the cash held in brokerage accounts are defined in the brokerage account agreement
- Your Program Fee applies to the cash and cash equivalents in your account, including cash that is swept into the various sweep funds or International Deposit Accounts (IDAs). Certain programs may limit the amount of cash that is subject to the Program Fee. Please see section *"Billing Practices—Billing on Cash and Cash Equivalents in Your Strategic Advisor, UBS Managed Portfolio and PACE Accounts"* for details
- **Domestic accounts.** We will automatically invest cash balances in your Advisory accounts in UBS money market mutual funds including, as permitted by law, those affiliated with UBS for which we or our affiliates receive compensation for services in addition to the Program fees you pay us
- **Retirement accounts.** For certain programs, cash balances in accounts subject to ERISA or IRAs may also be invested in funds serviced by UBS or our

affiliates. Our compensation from these funds will be limited to reimbursement of our direct costs and expenses for providing services to the funds, excluding overhead costs or profits. All fees and reimbursements for direct costs and expenses paid to us by a fund are in addition to the fees you pay us

- **Sweep vehicle for NRA clients—International Deposit Account (IDA).** Cash held in Program accounts of clients who are non-resident aliens (NRA) of the U.S is automatically swept into a demand deposit account at the New York Branch of UBS AG (UBS NY), from which the cash is then swept and re-deposited each business day into an interest-bearing overnight deposit account (or IDA) at the Cayman Islands Branch of UBS AG (UBS Cayman). The cash swept from the UBS NY account becomes payable only at the UBS Cayman account, and not at the UBS NY account, and is thus temporarily exposed to the sovereign risk of the Cayman Islands. **Funds on deposit in the accounts at UBS NY and UBS Cayman are not eligible for federal deposit insurance from the Federal Deposit Insurance Corporation (FDIC).** For more detailed information on the IDA for NRA clients, please see the International Deposit Account Sweep Program Disclosure Statement

For more information about these funds and sweep options please contact your Financial Advisor for a copy of the prospectuses. If your sweep option changes as a result of your Advisory selection, the prospectus will be sent to you as part of your welcome package when we confirm that your account has been accepted.

Other sweep options may be available, and you should discuss your options with your Financial Advisor. We offer a sweep feature for your IC Account as a service to you. We may change or discontinue the sweep feature, programs or specific sweep options at any time in our sole discretion. We will notify you of material changes to this account feature.

## **Item 8. Methods of analysis, investment strategies and risk of loss**

### **A. Our Asset Allocation and Portfolio Evaluation Services**

We may provide you with asset allocation and portfolio analyses generated by UBS, UBS affiliates, third parties, by or through brokers or dealers or investment advisers.

Our asset allocations may be based on a proprietary methodology or customized based on your investment policy statement. UBS employs a variety of asset allocation models and tools. As a result, our modeling outside of the Institutional Consulting Program may vary depending upon the asset allocation model, amount invested and software program used for analysis.

### **B. Our Investment Search Services**

**Investment Manager Searches.** To help you evaluate investment managers, we identify managers who have been reviewed by us for presentation to Institutional Consulting or other Advisory program clients. Our Manager Research Group conducts a thorough review process of each SMA Manager that is identified to Institutional Consulting clients. This process is described in further detail in our brochure,

**Selecting an Investment Manager: the Manager Research Process.** The review process is carried out by experienced investment professionals who specialize in specific asset classes and types of investment strategies.

The review processes typically includes an examination of the manager's investment philosophy and process, and can also include interviews with principals and key staff members, a review of trading practices and portfolio performance, another criteria. We may use third parties to help gather and analyze information used in the review process. Managers are reviewed initially when made available for consideration by Institutional Consulting clients and periodically thereafter.

In addition, at your request we may also include publically available information on managers that you currently hold or that you have requested.

**Investment Managers No Longer Reviewed.** We may discontinue reviewing an investment manager at any time. Circumstances under which we may discontinue review include (but are not limited to) persistent underperformance, significant departure from the manager's stated investment discipline, or material changes in the manager's organization. Your Institutional Consultant will notify you if we discontinue our review of an investment manager you have retained.

**Mutual Fund, Exchange Traded Fund, Stable Value Funds and Collective Trusts Searches.** To help you evaluate mutual funds, exchange traded funds, stable value funds and collective trusts, we identify such investments that have been reviewed by us, and/or included in our firm's databases and made available for use in UBS-IC.

**Alternative Investment Searches.** To help you evaluate alternative investments, we identify such investments reviewed by us, and offered by us or third parties. With respect to alternative investments not offered by us, you must request offering documents, performance or other materials directly from the alternative investment manager. In addition, at your request we may also include publically available information on alternative managers that you currently hold or that you have requested. Similarly, you may request publically available information regarding alternative investment managers that meet certain investment criteria.

**Information Provided to You Regarding Investment Searches.** To help you evaluate investment searches provided through the Institutional Consulting services, we will provide information from third party or proprietary databases regarding different managers. We do not verify or guarantee this information, including past performance information, which may not be calculated on a uniform or consistent basis.

We may make available descriptive profiles of selected investment strategies that include past performance information. Profiles are not available for every investment manager or investment strategy identified in our search services. We may also include composite investment performance. We believe that composite performance information is meaningful. Composites that we provide may be prepared by us, or, in the case of some investment managers or alternative investment funds, by the managers or funds, or obtained from third party sources.

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

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

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

#### **C. Limitations on Statistical Analysis**

Historical statistical data, based on the performance of various market indices, may be provided to show relative historic risk and return information regarding the asset allocation strategies presented. In addition, forward looking analyses are presented based upon various risk and return assumptions, including those developed by UBS Financial Services Inc. Forward looking analyses, including probabilistic modeling (which presents the likelihood that the client may be able to achieve certain goals) are hypothetical in nature, do not reflect actual investments results and are not a guarantee of future results. These analyses do not analyze specific securities. Rather, the asset allocation presented is analyzed. Actual market conditions may result in outcomes significantly different than those illustrated. With respect to probabilistic modeling, the results may vary over time and with each use if any of the underlying assumptions or profile data is adjusted. In addition, the analysis does not present the results that could occur from an extreme market event, either positive or negative, due to the low probability of such an occurrence.

#### **D. Risks Associated with IC Eligible Investments**

All investments involve risk, the amount of which will vary, and that your ability to implement any financial strategy may be affected by a number of factors including:

- market fluctuations

- the actual value of assets held at other financial institutions
- your ability to make the contributions required, and
- the impact of your other investment decisions

This section is not intended to enumerate all the risks associated with the following investments:

Mutual funds, ETFs and ETNs are sold by prospectus. To determine whether a particular investment is an appropriate investment for you, carefully consider the important information on the investment objectives, risks, charges and expenses. Please read the prospectus and offering documents carefully before you invest. Your Financial Advisor can provide a copy of the prospectus. You should be aware that the return and principal value of the Fund, ETF and ETN will fluctuate so that shares, when redeemed, may be worth more or less than their original cost.

Shareholders of these investments pay fees to the service providers of the funds, for example, management and administrative fees. The actual returns of your investment will be reduced by those fees and expenses.

There are risks involved with investing, including possible loss of principal. There is no guarantee that the investments will appreciate during the time that you hold them and some or all may depreciate in price. The risks for each investment will vary depending on the investment objective and underlying investments of each mutual fund, ETF and ETN. The prospectus lists the applicable risks. Please review those risks carefully before investing.

### **Exchange Traded Funds**

When you purchase an ETF share, you purchase an interest in an underlying basket of securities, designed to obtain investment results that correspond generally to price and yield performance of a particular index of securities, such as the S&P 500 index. There is no assurance that the ETF investments will match the index it aims to replicate. Investors in ETFs are subject to different risks than investors in mutual funds, as some of these instruments do not issue and redeem shares on a continuous basis. As a result, these securities may not be as liquid as open-end mutual funds. The price of these securities trading on an exchange can move independently of, and at a discount to, the net asset value (NAV) of securities comprising the fund's portfolio.

### **Exchange Traded Notes**

Exchange Traded Notes, or "ETNs", are unsecured debt obligations of a particular issuer with returns that generally track the total return of an underlying index. Unlike standard debt securities, ETNs may not return the principal amount at maturity and, therefore, depending on the specific terms of the product, investors could lose all or a substantial portion of their investment based on the performance of the underlying index. Investors could also lose their entire investment if the issuer becomes insolvent.

UBS Financial Services Inc. does not guarantee in any way the obligations or the financial condition of any issuer or the accuracy of any financial information provided by any issuer of ETNs.

ETNs are not traditional investments and investing in ETN is not equivalent to investing directly in the underlying asset. ETNs may contain a call feature which allows the issuer to repurchase the ETN at its option prior to maturity. If this call feature is exercised, investors may not be able to reinvest the proceeds received at a comparable rate of return. While ETNs are generally listed on an exchange, the issuer is not obligated to maintain such listing or to ensure that there is a secondary market for the ETNs. As a result, there may be limited or no liquidity in the ETNs and investors should be prepared to hold their investment to maturity.

### **Collective Investment Trusts or Funds**

A collective fund is not open to individual investors. The strategies may be speculative and involve significant risk. Unlike a mutual fund, the only way that an investor can gain access to a collective fund is through a retirement plan such as a 401(k) plan. Additionally, regulation of mutual and collective funds varies. For instance, the mutual fund industry is governed by the Securities and Exchange Commission (SEC). Mutual funds lay out an investment strategy in legal documents that are filed with financial regulators in a region so investors are aware of the risks and rewards that are likely with a fund.

Managers of collective funds are not regulated by the SEC. Instead, these investment advisers adhere to less stringent guidelines and are overseen by the U.S. Office of the Comptroller of the Currency or by a state banking authority. As a result of less stringent governance, managers of collective funds have to disclose fund performance and the components of a portfolio only once a year, although most fund managers communicate performance to investors on a more frequent basis.

## Stable Value Funds

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

## Alternative Investments

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

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

- are not mutual funds and are not subject to the same regulatory requirements as mutual funds
- performance may be volatile, and investors may lose all or a substantial amount of their investment in a Fund
- may engage in leveraging and other speculative investment practices that may increase the risk of investment loss. Interests of the Funds typically will be illiquid and subject to restrictions on transfer, and
- may not be required to provide periodic pricing or valuation information to investors

Fund investment programs generally involve complex tax strategies and there may be delays in distributing tax information to investors. The Funds are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits. The Funds may fluctuate in value. An investment in the Funds is long-term, there is generally no secondary market for the interests of the Fund, and none is expected to develop. Interests in the Funds are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by

the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other governmental agency.

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

## Item 9. Additional Information.

### A. Executive Officers and Board of Directors

- **Robert J. McCann** is Chief Executive Officer of UBS Group Americas, Chief Executive Officer of UBS Wealth Management Americas (WMA) and a member of the Group Executive Board of UBS AG.
- As regional CEO, he works closely with the business division heads in the Americas to leverage UBS's integrated platform for the benefit of individuals, corporations, institutions and governments. He is also CEO of WMA, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation.
- **Rosemary T. Berkery** is Chairman of UBS Bank USA and Vice Chairman of UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation. She is also the Head of the Banking Group for UBS Wealth Management Americas.
- **Daniel C. Cochran** is a member of the Board of Directors of UBS Financial Services Inc. and the Chief of Staff for Operating Officer of UBS Wealth Management Americas.
- **Kathleen Lynch** is the Chief Operating Officer for Wealth Management Americas.
- **John Dalby** is Chief Financial Officer and Chief Risk Officer of UBS Wealth Management Americas.
- **William Frey** is a Managing Director and Chief Financial Officer of UBS Financial Services Inc. He is also the Head of Business Accounting and Controlling for UBS Wealth Management Americas, which principally comprises the registered broker-dealer, UBS Financial Services Inc., UBS Bank USA as well as the Private Banking operation.

- **Brian P. Hull** is a Group Managing Director and Vice Chairman of UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation. He is also the Head of Strategic Clients & Partnerships for UBS Financial Services Inc.
- **Robert E. Mulholland** is a Group Managing Director and the Head of Wealth Management & Investment Solutions for UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation.
- **Paula D. Polito** is a Group Managing Director and Client Strategy Officer for UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation.
- **Anita Sands** is a Group Managing Director and the Head of Change Leadership for UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation.

#### **CIO Wealth Management Research Americas**

- **Mike Ryan** is a Managing Director, Regional Chief Investment Officer for the U.S. and Chief Investment Strategist for UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation.

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

- **Jim Hausmann** is a Managing Director and Head of the Corporate Solutions & Retirement Services Business for UBS Wealth Management Americas.
- **Peter Prunty** is an Executive Director and Head of the Institutional Consulting Group.

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

- **Jonathan Eisenberg** is a Group Managing Director and General Counsel of UBS Wealth Management Americas, which includes the registered broker-dealers, UBS Financial Services Inc. and UBS Financial Services Incorporated of Puerto Rico, as well as

UBS Bank USA, UBS National Trust Company N.A., UBS Trust Company of Puerto Rico, and the Private Banking Operation which is comprised of UBS AG branches in the United States.

- **Douglas T. Siegel** is a Managing Director and Head of Compliance for UBS Wealth Management Americas, which includes UBS Financial Services Inc. and the Private Banking Operation as well as UBS Bank USA, UBS National Trust Company N.A. and UBS Trust Company of Puerto Rico. Mr. Siegel is also the Chief Compliance Officer of UBS Financial Services of Puerto Rico, Inc. a registered broker-dealer.
- **Lisa M. Francomano** is an Executive Director, Deputy Director of Compliance and Chief Compliance Officer for UBS Financial Services advisory business.

#### **B. Disciplinary History**

Below is a summary of the material legal and disciplinary events against UBS Financial Services Inc. during the last 10 years. As of the date of this brochure, there are no reportable legal and disciplinary events for our senior management personnel or those individuals in senior management responsible for determining the general investment advice available to our clients.

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

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

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

	<b>Date of Action</b>	<b>Brought By</b>	<b>Allegation</b>	<b>Disposition</b>	<b>Monetary Sanctions</b>
1	Dec. 12, 2012	FSA, FINMA, CFTC	On 19 December 2012, UBS AG entered into settlements with the U.S. Department of Justice (DOJ), UK Financial Services Authority, and the Commodity Futures Trading Commission (CFTC) in connection with their investigations of manipulation of LIBOR and other benchmark interest rates. The Swiss Financial Market Supervisory Authority (FINMA) also issued an order concluding its formal proceedings with respect to UBS. UBS agreed to pay a total of approximately CHF 1.4 billion in fines and disgorgement. UBS will pay GBP 160 million in fines to the FSA and CHF 59 million as disgorgement of estimated profits to FINMA.		FINMA: Reprimand and disgorgement of estimated profits CHF 59 million  FSA: Fine GBP 160 million  CFTC: Fine, USD 700 million
2	Nov. 12, 2012	FSA, FINMA	The UBS AG London branch was fined by the FSA for (1) failure to establish and maintain systems and control appropriate to its business, and (2) failure to act with due skill, care and diligence in conducting its business. The penalties were levied in connection with an unauthorized trading incident.	FINMA: Reprimand; Additional measure re: business conduct and capital until effective remediation is demonstrated.	FSA Fine GBP £29.7 million
3	May 1, 2012	SEC	UBS Financial Services of Puerto Rico, a subsidiary of UBS Financial Services, settled with the SEC without admitting or denying charges regarding misrepresentations and omissions of material facts to numerous retail customers during the period 2008 and 2009 regarding the secondary market liquidity and pricing of UBS PR affiliated closed end funds. The firm is required to retain an independent consultant to review its sales and trading policies, procedures and practices in connection with such funds.		Disposition and Fines:  Censure \$14,000,000;  Disgorgement \$11,500,000;  Interest \$1,109,739
4	May 1, 2012	FINRA  FINRA Rule 2010, NASD Rules 2110, 2310, 3010	FINRA alleged that the firm failed to establish and maintain a supervisory system, including written procedures, reasonably designed to achieve compliance with NASD and FINRA rules in connection with the sale of non-traditional exchange-traded funds (ETFs) in accounts where the firm provided brokerage services to certain retail customers and the firm failed to provide adequate formal training and guidance to its registered representatives and supervisors regarding non-traditional ETFs.	Letter of Acceptance, Waiver and Consent, Censure and Fine	Fine: 1.5 million; \$431,488 in restitution

	<b>Date of Action</b>	<b>Brought By</b>	<b>Allegation</b>	<b>Disposition</b>	<b>Monetary Sanctions</b>
5	Feb. 22, 2012	Pennsylvania Securities Commission	The Pennsylvania Securities Commission alleged that the firm failed to reasonably supervise three agents in one branch office relating to the sale of certain structured products issued by Lehman Brothers to two investors and that such conduct formed a basis to sanction the firm under Section 305 (A)(VII) of the Pennsylvania Securities Act of 1972, 70 P.S. Section 1-305(A)(VII)	Consent to the Commission's Findings of Fact, Conclusion of Law, and Order.	Administrative Assessment of \$200,000  Legal and investigation costs of \$75,000
6	Sep. 30, 2011	FINRA	FINRA alleged that during the period of November 2004 to September 2006, the firm violated Municipal Securities Rulemaking Board Rule G-27 by failing to reasonably supervise certain cross-trading of municipal bonds by retail customers, in that the firm lacked adequate policies and procedures to monitor this type of trading and did not conduct adequate follow-up on red flags which put it on notice that one of its registered representatives may have been exercising discretion in customer accounts to engage in unsuitable cross-trading of municipal bonds.	Acceptance, Waiver and Consent	Censure and Monetary Fine: \$300,000
7	Aug. 22, 2011	New Hampshire Bureau of Securities Regulation	UBS sold Lehman Structured Products to clients (specifically referencing three particular investors), who were not made aware of the risks of these products and failed to inform clients of Lehman's financial condition prior to Lehman's bankruptcy. It was also alleged that the firm's recommendations to a small number of New Hampshire residents to purchase Lehman Structured Products were unsuitable.	Consent Order	Administrative fine of \$100,000  Investigation costs of \$200,000  Administrative payment of \$700,000
8	May 4, 2011	SEC, Internal Revenue Service (IRS), Dept. of Justice (DOJ), State Attorney General of 24 States	UBS AG and UBS Financial Services Inc. reached settlements with the SEC, the IRS, the DOJ and a group of State Attorneys General regarding investigations into the conduct of certain former employees in UBS Financial Services former municipal reinvestment and derivatives group from 2001 to 2006. Allegations included violations of: Section 15(c)(1)(A) of the Securities Exchange Act of 1934, Section 1 of the Sherman Act, and IRS regulations in bidding practices and representations made involving the investment of proceeds of municipal securities transactions.	SEC: Waiver and Consent to Final Judgment enjoining UBS from violating Section 15(c) of the Act, disgorgement of profits, interest and civil penalty  IRS: Closing Agreement  DOJ: Non-prosecution Agreement	SEC: Disgorgement of \$9,606,543 plus interest of \$5,100,637 and civil penalty of \$32,500,000  IRS: penalty of \$18 million and restitution of \$4.3 million  States: \$70.8 million plus \$20 million credited from the SEC settlement

	<b>Date of Action</b>	<b>Brought By</b>	<b>Allegation</b>	<b>Disposition</b>	<b>Monetary Sanctions</b>
9	Apr. 11, 2011	FINRA	Violations of NASD Rules 2110, 2010, 2210, 2211, 2310, 3010 and IM2310-2 with regard to Lehman Brothers Holdings Inc. 100% Principal Protection Notes ("Notes"): violated NASD Rule 2110 by making statements and omitting certain facts through communications through some financial advisors that may have misled certain customers, failed to disseminate adequately to financial advisors certain market information relating to Lehman's financial condition, violated NASD Rules 3010 and 2110 by failing to maintain and establish adequate supervisory systems in connection with marketing and sale of the Notes, violated NASD Rules 2310 and 2110 and IM-2310-2 by not adequately analyzing the suitability of sales to certain customers, and use of advertising and marketing materials and training and education materials that were not fair and balanced in violation of Rules 2210(d)(1) (A) and (B), 2211 and 2110.	Letter of Acceptance Waiver & Consent.  Censure, Fine, and Restitution to specific classes of customers	Fine: \$2.5 million Restitution: \$8.5 Million
10	Jan. 5, 2011	FINRA	From October 1, 2007 through December 31, 2007, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to five of its customers was as favorable as possible under prevailing market conditions.	AWC Censure, Fine	Monetary/Fine: \$30,000 Disgorgement/ Restitution
11	Jan. 2011	SIX Swiss Exchange Regulation	UBS AG was fined for (i) publishing too late internally available information related to expected losses in the summer of 2007 and (2) breaching rules on the provision of information about corporate governance in the 2008 UBS annual report.	Fine	CHF100,000
12	Nov. 3, 2010	FINRA	Violation of NASD Rules 1021, 1031, 2110 and 3010, FINRA Rule 2010 by permitting 70 individuals to act as principals without registration, and inadequate supervisory procedures.	Letter of Acceptance, Waiver & Consent.  Censure, Fine. Establish supervisory procedures.	Fine: \$200,000 Test of Supervisory procedures with written report within 120 days and certification of supervisory changes and written report within 90 days

<b>Date of Action</b>	<b>Brought By</b>	<b>Allegation</b>	<b>Disposition</b>	<b>Monetary Sanctions</b>
13 Sep. 29, 2010	FINRA	Violation of NASD Rules 2110, 3010(a) and 3010(b), FINRA Rule 2010 by lending customer securities to facilitate short selling without disclosing certain facts to customers and failing to adequately supervise.	Letter of Acceptance, Waiver & Consent, Censure, Fine, Establish supervisory procedures	Fine: \$175,000
14 Jun. 26, 2009	FINRA	Inadequate systems/procedures, to detect patterns of unsuitable short-term trading of Closed-End Funds.	Letter of Acceptance, Waiver & Consent, Censure & Fine	Fine: \$100,000
15 Feb. 2009	SEC and US Department of Justice	UBS entered into a Deferred Prosecution Agreement with the D.O.J. and a Consent Order with the SEC in connection with an investigation into the firms Cross-Border business. UBS AG agreed to disgorge profits and pay back taxes. UBS AG will terminate cross-border business serving private clients out on non SEC registered entities.	Disgorgement (\$200,000,000 is to the SEC) Back Taxes Payment	\$380,000,000  \$400,000,000
16 Feb. 26, 2009	FINRA	Violated NASD Rules 2110, 3010, 2320, 3110, 3360, 3370, 6130, 6955(A) by failing to find the best inter-dealer market, did not obtain a favorable price, did not mark short-sales as such, did not note delivery instructions. The supervisory procedures were not adequate to achieve compliance.	Letter of Acceptance, Waiver & Consent, Censure and Fine Restitution to customer and revision of firm procedures	Fine: \$110,000 Restitution: \$2,719.65
17 Jan. 9, 2009	CFTC	UBS FA violated Sections 6(c) and 6(d) of Commodities Exchange Act and did not file with the National Futures Association the commodity pools' annual reports in a timely manner or deliver to pool participants.	Cease & Desist from violating Regulation 4.7(b)(3)(i) and CFR 4.7(b)(3)(i)(2008) and pay a civil penalty	Civil Penalty: \$50,000
18 Dec. 2008	Swiss Federal Banking Commission	The cross-border business of UBS AG private clients was investigated and the firm was required to cease operating its non-W9 relationships, and to establish an adequate risk management and control system for this business.	Injunction	None
19 Dec. 22, 2008	SEC and the 50 states	Auction Rate Securities (ARS) UBS is permanently enjoined from violations of the broker/dealer anti-fraud provisions. Violations of '34 Act Section 15(c) regarding the marketing and sale of Auction Rate Securities.	Cease & Desist Injunction Civil Penalty Consent Judgment	Cease & Desist, and Fines in varying amounts currently being paid to all 50 states out of a total fine of \$75 million

<b>Date of Action</b>	<b>Brought By</b>	<b>Allegation</b>	<b>Disposition</b>	<b>Monetary Sanctions</b>
20 Feb. 28, 2008	FINRA	UBS effected transactions in Mutual Fund shares where other share classes were advantageous, or within the NAV transfer program, failure to maintain supervisory procedures designed to identify NAV Programs.	Letter of Acceptance, Waiver & Consent, Censure and Fine. firm to undertake initiative to provide remediation to certain customers who purchased Class B or C shares or who did not receive benefit of the NAV transfer program.	Fine: \$1,000,000
21 Dec. 3, 2007	State of Missouri	Firm failed to supervise former FAs for public seminars and recommendations to customers re: mutual fund share sales.	Consent Order, Censure, Fine & Disgorgement	Civil: \$75,000 Investor Restitution: \$247,680 Disgorge: \$135,946 Investor Education: \$230,000 Cost to Investigate: \$8,584
22 Oct. 24, 2007	FINRA	Firm did not file certain amendments to U-4's and U-5's during the period 1.1.02 to 12.31.04 and did not have adequate supervisory procedures re: late filings.	Letter of Acceptance Waiver & Consent & Fine	Fine: \$370,000
23 Oct. 2, 2007	FINRA	Violated NYSE Rule 401(a) and 342 by failing to deliver prospectuses and failing to maintain supervisory and control procedures.	Letter of Acceptance, Waiver & Consent, Censure & Fine Certification to NYSE re: policy & procedure revisions within 90 days.	Fine: \$500,000
24 Jul. 16, 2007	Attorney General State of NY	Non-discretionary fee-based brokerage accounts were unsuitable for certain clients and fees/commissions were higher than non-fee based accounts	Remediation to Customers & Penalty to State of NY	Remediation: \$21,300,000 Penalty: \$2,000,000

<b>Date of Action</b>	<b>Brought By</b>	<b>Allegation</b>	<b>Disposition</b>	<b>Monetary Sanctions</b>
25 Apr. 16, 2007	State of Connecticut Department of Banking	Failure to keep certain books & records pertaining to sub-account transfers with insurance products & failure to supervise agents re: market timing.	Fine, Financial Literacy Initiatives, Education Initiatives	Fine: \$1,500,000 Public School Initiative: \$1,250,000 Public College Initiative: \$1,000,000 Dept of Social Service Initiative: \$1,500,000 CT Law Enforcement: \$250,000
26 May 26, 2006	NYSE	Sales Practice exams in 2003 and 2004 revealed overcharges and the firm violated Section 17(a)(2) of the '33 Act, and Rule 10b-10 of the '34 Act.	Stipulation of Facts & Consent to Penalty	Fine: \$175,000
27 Jan. 11, 2006	NYSE	Failure to supervise brokers who engaged in deceptive market timing of mutual funds and varied insurance products.	Fine, Consent Order, Censure, Civil Penalty	Fine: \$23,700,000 Fine State of NJ: \$24,700,000
28 Mar. 7, 2005	State of Illinois	Failure to provide investors with accurate information re: callable CD's and failure to supervise.	Fine	Fine: \$95,000
29 Jun. 28, 2004	NASD	Violation of MSRB Rules G-17 and G-30, unfair pricing of bond sales.	Censure & Fine	Fine: \$100,000
30 Dec. 10, 2003	Secretary of State of 47 States and Washington D.C.	Violation of Securities Act regulations regarding research practices and conflicts of interest arising from those practices.	Cease & Desist, Fine, Penalty, Disgorgement, Investor Education	Disgorgement: \$25,000,000 Procurement: \$25,000,000 Education: \$5,000,000  Fines varied by State
31 Aug. 2003	SEC	Failure to supervise former RR who committed fraud and caused extensive client losses.	Consented to an Order Instituting Proceedings, Censure under '34 Act Section 15(b), Civil Penalties	Civil: \$500,000
32 Jun. 29, 2003	NYSE	Failure to provide investors with accurate information re: callable CD's and failure to supervise.	Censure & Fine	Fine: \$174,000

## Item 10. Other Financial Industry Activities and Affiliations

UBS Financial Services Inc. is a member of all principal securities and commodities exchanges in the United States including the New York Stock Exchange ("NYSE"). Our parent company, UBS AG ("UBS"), is a global, integrated investment services firm and one of the world's leading banks. We are registered to act as a broker-dealer, investment adviser and a futures commission merchant. Please note that registration as an investment adviser does not imply a certain level of skill or training.

As a full service broker-dealer and investment adviser, we offer our customers and investment Advisory clients a broad range of financial services and products, and we are engaged in various aspects of the securities and investment business. Our financial services include:

- Underwriting securities offerings
- Acting as a market maker in securities
- Trading for our own account
- Acting as a clearing firm for other broker-dealers
- Buying or selling securities, commodity futures contracts and other financial instruments for customers as their broker or buying them from or selling them to clients, acting as principal for our own account
- Providing investment advice and managing investment accounts or portfolios
- Acting as a commodity pool operator, futures commission merchant or commodity trading advisor and providing custodial services
- Through our affiliates, we provide clients with trust and custodial services
- We manage, sponsor and distribute registered investment companies and other public and private pooled investment vehicles, including hedge funds, whose shares or other interests are sold to clients

Currently, our principal business, in terms of its revenues and personnel, is that of a broker-dealer in securities.

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

There are a number of related persons that provide investment management and other financial services and products to our investment advisory clients, which may be material to our advisory business. UBS, our subsidiaries or affiliates act in one or more capacities, including investment adviser, sub-adviser, consultant, administrator and principal underwriter (as applicable) to a number of open-end and closed-end investment companies with

varying investment objectives. As a futures commission merchant, and through affiliates registered as commodity pool operators and commodity trading advisors, we or an affiliate also provide advice on commodities and commodity-related products. Certain of our subsidiaries, affiliates and related entities include the following:

- Sydling Futures Management LLC
- UBS Financial Services Insurance Agency Inc.
- UBS Financial Services Inc. (Puerto Rico) LLC, a separately registered broker-dealer
- UBS Insurance Agency of Puerto Rico Inc.
- Trust-related services are available through the UBS Trust Company N.A. and the UBS Trust Company of Puerto Rico
- UBS Credit Corp. provides loans to clients that are either unsecured or secured by securities or other financial instruments. These loans may be used to buy securities or for other purposes. These loans are not subject to the maintenance requirements and potential capital charges that are imposed on broker-dealers
- UBS Bank USA is an FDIC-insured Utah industrial bank. UBS Bank USA provides deposit services and loans to clients that are secured by securities or real estate. These loans may be used for purposes other than buying, trading or carrying securities. These loans are not subject to the maintenance requirements and potential capital charges that are imposed on broker-dealers

UBS AG (UBS Financial Services Inc.'s ultimate parent) offers investment advisory services through a variety of direct and indirect subsidiaries. These entities are separately registered investment advisors and, in some cases, registered broker-dealers and commodity-trading advisors. Their principal lines of business range from developing and distributing investment products including wrap fee products, mutual funds, closed-end funds, privately placed funds and other pooled investment products, providing investment advice to individuals, pension and other employee benefit plans, other tax-exempt organizations, insurance companies, investment companies, commingled trust funds, corporations, and other institutional investors, and serving as investment managers, administrators, distributors and/or placement agents for a number of funds, including (in the case of UBS Global Asset Management (US) Inc., the PACE Select Advisors Trust and a number of UBS and UBS Global Asset Management-advised mutual funds. Certain of the investment advisers listed below may serve as investment manager for clients participating in our MAC, ACCESS program or SWP programs.

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

- Alternative Investment Solutions
- UBS Agrivest LLC
- UBS Global Asset Management (Americas) Inc.
- UBS O'Connor LLC
- UBS Realty Investors LLC
- UBS Swiss Financial Advisers
- UBS Fund Advisor, LLC
- UBS Juniper Management LLC
- UBS Eucalyptus Management LLC
- UBS Willow-Management LLC

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics**

The firm maintains and enforces a written code of ethics in accordance with Rule 204A-1 under the Investment Advisers Act of 1940. The code and any subsequent amendments, is provided to all employees of the firm and each employee is responsible for acknowledging receipt.

The code, which supplements the firm's code of conduct, has a dual purpose:

- To set forth standards of conduct that apply to all employees of the firm, including the firm's fiduciary obligation to its clients
- To address conflicts of interest associated with the personal trading activities of a subset of employees defined as "access persons."<sup>3</sup>

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

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

**Unless otherwise noted, UBS Institutional Consultants do not receive the compensation identified in the tables below with respect to assets subject to an Institutional Consulting Agreement, however, these fees may be received in connection with other client assets.**

### **1. Sources of Compensation from Third Parties in Connection with Investments in Advisory Accounts**

**The following information summarizes the various sources of compensation that may be received by the firm, or its affiliates and Financial Advisors in addition to the fees charged under an investment advisory program.**

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

**Not all advisory programs permit the purchase and sale of domestic mutual funds, offshore funds, unit investment trusts, or alternative investments. Please review the eligibility of investments in your advisory program with your Financial Advisor for more details.**

<sup>3</sup> Access Person: all branch office employees, regardless of their job function, and any other firm employee who works from a branch location or home office employees who place trades on behalf of money managers who participate in the firm's advisory programs and home office employees that develop, manage or place trades for the UBS Managed Portfolio Program.

The amount of fees paid to us, and therefore your Financial Advisors, may vary depending on the arrangement between us and the vendors/sponsors and, if applicable for mutual funds, and the terms and conditions of the relevant fund's 12b-1 or trailing commission plan. If you hold these assets in your advisory accounts, we receive these payments for the duration of your advisory program agreement. In some circumstances, our receipt of such compensation may extend beyond your participation of our advisory programs if you continue to hold those assets at our firm.

As a result of the various payments to us or our affiliated companies, the amount of compensation that UBS

entities receive with respect to the sale of affiliated or proprietary mutual funds, including the money market funds used as sweep vehicles in advisory accounts, is greater than the amount payable to the organization as a whole from the sale of unaffiliated mutual funds.

For UBS proprietary products, our affiliates receive fees for providing investment management and other services ancillary to the execution of purchases of shares in affiliated funds, including, administration and shareholder services to the affiliated funds in the Programs.

Unless otherwise noted, we receive the payments described below for affiliated and non-affiliated products.

## Domestic Mutual Funds

Payment type	Current rate	Source of payment	Do financial advisors receive a portion of these fees?
Trailers & 12b-1 Fees	Affiliated funds: 0.25% of the fund's assets per year.  Non-affiliated funds: Fees generally range from 0% to 0.50% per year—although the average current annual rate is approximately 0.25%.	Investors/Shareholders pay these fees to the sponsors of the Funds. We receive these payments from the sponsors for distribution and shareholder services we provide in connection with the purchase and sale of mutual fund shares.	Yes
Networking Fees	Typically \$12 – \$15 for each mutual fund position that is held at UBS. Some fund companies may choose to calculate this rate expressed in basis points on assets. Exclusions may apply to positions below \$500.	These fees are paid by mutual fund sponsors from investor assets, but in some cases may be subsidized, in part, by affiliates of the mutual fund. Networking fees are paid in consideration for services provided by us ancillary to effecting mutual fund transactions including transmission of shareholder data between UBS and the fund companies.	No
Omnibus Processing Fees	These payments, which usually range from \$16 to \$22 per position are assessed per client and can vary by share class. Some fund companies may choose to calculate this rate expressed in basis points on assets, which may result in payments in excess of \$22 per position. Exclusions may apply to positions below an asset level mutually agreed upon by UBS and the fund company. A portion of the payments we receive for Omnibus processing is paid to a sub-account vendor contracted by UBS.	These fees are paid by mutual fund sponsors from investor assets.  Omnibus fees are paid in consideration for sub-accounting services we provide.  A portion of this fee is paid to the transfer agent.	No

<b>Payment type</b>	<b>Current rate</b>	<b>Source of payment</b>	<b>Do financial advisors receive a portion of these fees?</b>
UBS Global Asset Management Y Shares	<p>Prior to June 16, 2010 (and, for certain funds May 25, 2010), UBS Global AM (US), the principal underwriter of the funds, made the following payments out of its own resources:</p> <ul style="list-style-type: none"> <li>– a one-time finder’s fee consistent with the fund’s Class A share.</li> <li>– Beginning in the 13th month after purchase, an annual fee in an amount up to (1) 20 basis points for an equity fund, an asset allocation fund or a balanced fund; (2) 15 basis points for a fixed-income fund; and (3) 5 basis points for an index fund.</li> </ul> <p>These payments are not available for purchases of Y shares after June 16, 2010 (or, May 25, 2010, as applicable), but continue to be made for investments prior to that date.</p>	UBS Global Asset Management (U.S.) pays these fees out of its resources.	Yes
Account Services Fees For Affiliated Funds	The amount of such fees may vary depending on the fund, but generally average \$12 per account per year, billed quarterly.	Fees are paid by the fund sponsor out of investor assets.	No
Revenue Sharing Payments	(see below for details)	Fees are paid by the fund sponsor or investment adviser out of their legitimate profits and resources.	No

### **Mutual Fund Revenue-sharing compensation.**

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

**UBS Financial Services Inc. generally receives revenue sharing compensation in connection with all mutual fund assets custodied at UBS Financial Services Inc. subject to certain exceptions.**

**Typically, revenue sharing is not received for mutual funds custodied in an IC Account. On an exception basis, to the extent we receive revenue sharing compensation for Qualified Plans participating in UBS Institutional Consulting with accounts held at UBS Financial Services Inc. that compensation will be rebated to the Plan or returned to the fund company.**

In addition to sales loads, 12b-1 fees and processing fees, UBS receives other compensation from certain distributors or advisors of mutual funds that we sell. These separate compensation amounts (commonly referred to as revenue sharing) may be a negotiated flat fee or may be based on two components:

- The amount of sales by UBS of a particular mutual fund family to our clients (excluding sales through wrap-fee programs and the IC Program)
- The asset value of a particular mutual fund family's shares held by our clients at UBS

We require that these payments be made directly from the distributor or advisor, and not from the mutual funds or indirectly through mutual fund portfolio trading commissions, because revenue-sharing payments are intended to compensate us for assisting with the sales of mutual fund shares. **Except as noted below, none of these amounts are rebated to you or paid to the Financial Advisor or his or her branch office.**

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

Advisors and Branch Managers, participation of funds in researched investment models, and branch discretion.

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

- Up to 0.15% per year (paid quarterly) on all sales of mutual fund shares (excluding sales through wrap-fee programs)
- Up to 0.20% per year (paid quarterly) of the asset value of all equity mutual fund shares held at UBS
- Up to 0.20% per year (paid quarterly) of the asset value of all fixed-income mutual fund shares held at UBS (other than money market, institutional or offshore funds)
- Some mutual fund families may be subject to a minimum annual payment which, in some instances, may result in a fee that exceeds the percentages described above

Except as noted below, and for the Multi-Select Securities Puerto Rico Fund, which does not pay revenue-sharing to us, this calculation includes shares of affiliated and non-affiliated funds in our wrap-fee programs, but does not include UBS PACE Money Market investments or mutual fund assets held at other financial institutions. Further, we may institute caps at certain asset and sales levels, as well as comprehensive caps, and may exclude certain mutual fund shares from the above calculations. And although we seek to apply a level, standard payment schedule for all of the mutual fund companies whose funds we sell, we recognize that mutual fund companies approach revenue sharing in a variety of ways, and that some mutual fund companies may decline to pay revenue sharing exactly at the levels listed above or at all, which may present a financial disincentive for us to promote the sale of those funds that do not pay us at the levels listed above.

Revenue-sharing payments may present a conflict between our interests and those of our customers, because the payments give us a financial incentive to recommend that our customers buy and hold shares of those funds that we maintain on our distribution platform and for which we receive revenue-sharing payments. Although mutual funds from over 250 different mutual fund families are available through our distribution platform, this is only part of the universe of mutual funds that are available to our customers in the marketplace. Certain "no load" and "institutional" mutual fund shares may be purchased by our customers at a charge of \$75 per transaction, plus other customary sales charges.

## Offshore Funds

<b>Payment Type</b>	<b>Current Rate</b>	<b>Source of Payment</b>	<b>Do Financial Advisors Receive a Portion of These Fees?</b>
Trail Commissions	<ul style="list-style-type: none"> <li>– Equity offshore funds: generally range from 75 to 90 basis points.</li> <li>– Fixed income offshore funds: 50 to 60 basis points.</li> </ul> <p>Please ask your Financial Advisor for our fee schedule that shows the specific trail commissions that are paid to your Financial Advisor as these amounts are typically not clearly disclosed in the offering materials of offshore funds.</p>	Asset-based fees typically paid by the distributor or advisor of the offshore fund.	Yes
Revenue Sharing	<p>Most all offshore funds pay revenue sharing to UBS.</p> <p>Affiliated Offshore Funds: Where revenue-sharing compensation is paid, we receive an amount that ranges from 0.05% to 0.60% per annum of the average daily net asset value of the fund attributable to the shares owned by our clients, during each month.</p> <p>Unaffiliated Offshore Funds: Where revenue-sharing compensation is paid, we receive an amount that ranges from 0.10% to 0.50% per annum of the average daily net asset value of the fund attributable to the shares owned by our clients, during each month. Alternately, this could be paid as a percentage of the fund's stated management fees and could be up to 65% of these fees.</p>	Revenue-sharing compensation is made directly from the distributor or advisor, and not from the offshore funds or indirectly through fund portfolio trading commissions because revenue-sharing compensation is intended to compensate us for ancillary services related to the sales of offshore fund shares.	No

## Alternative Investment Funds

Payment Type	Current Rate	Source of Payment	Do Financial Advisors Receive a Portion of These Fees?
<ul style="list-style-type: none"> <li>- Referral Fees</li> <li>- Distribution Fees</li> <li>- Management Fees</li> <li>- Administrative Fees</li> <li>- Performance (incentive-based fees)</li> </ul>	<p><b>Proprietary Funds:</b> SWP Program: The funds that were previously offered in the SWP program are managed or administered by an affiliate.</p> <p>The management/administrative fees range between 1.25 and 1.75 bps. Our affiliate pays us approximately 90 bps for distribution of these funds. These payments are shared with your Financial Advisor.</p>	<p>These fees are usually paid by the fund sponsor out of investor assets. The management, administrative, distribution and performance based fees are paid by investors/shareholders of the funds to the sponsor/adviser.</p>	Yes
	<p>The management/administration fee paid to our affiliate may be waived in their entirety for certain classes of investors (for example, ERISA plans investing through an advisory program).</p>		
	<p>Master/Feeder funds: UBSFS may receive a one-time service fee of 50 bps from the sponsor of a fund into which a proprietary feeder fund invests.</p>		
	<p>Placement Fees: of up to 2% from its clients.</p>		
	<p><b>Non-Proprietary Funds:</b> UBSFS receives a trail or service fee ranging between 15 to 125 bps of the assets of UBSFS investors in the non-proprietary funds. Financial advisors receive compensation of up to 90 bps.</p>		
	<p>Incentive Fees: UBSFS may receive a portion of the incentive allocation of up to 2.5%.</p>		
	<p>Placement Fees: UBSFS receives a fee of up to 2% from its clients.</p>		
	<p><b>Referrals:</b> UBSFS may refer a client to a third party manager for investment into one of the manager’s funds for a negotiable referral fee.</p>		

**Unit Investment Trusts.** Most UIT sponsors make additional payments to the firms that sell their UITs, including UBS. These payments are typically calculated as a percentage of the total volume of sales of the sponsor's UITs made by the firm during the UIT's initial offering period. That percentage typically increases as higher sales volume levels are achieved. Detailed descriptions of the terms of these additional payment programs are provided in a UIT's prospectus. UIT sponsors may also pay UBS fixed amounts for marketing, promotional or related expenses intended to result in additional sales of a sponsor's products, or to defray a portion of the costs incurred to facilitate UIT sales, such as the costs of developing or purchasing UIT trading systems. Payment rates and total payment amounts vary from sponsor to sponsor. These payments are made by the UIT sponsor and not out of UIT assets. None of these amounts are paid to the Financial Advisor or his or her branch office.

For "private label UITs" (UITs only offered to UBS clients), the sponsor may pay UBS an additional concession within a reasonable time following the initial offering period. This additional payment generally ranges from to 0.10% to 0.40% of the public offering price per unit sold by UBS during the initial offering period, excluding units sold to Fee Accounts subject to a Wrap Fee.

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

**Domestic Money Market Funds.** Effective March 1, 2011, UBS Financial Services Inc. transferred its investment advisory and administration contracts for the money market funds offered as sweep vehicles in our Advisory Programs to UBS Global Asset Management.

Our affiliate, UBS Global Asset Management, now serves as advisor, administrator and principal underwriter for the money market funds used as sweep vehicles in Program accounts.<sup>4</sup> Under the terms of our agreement with UBS Global Asset Management, we will receive service or 12b-1 fees related to these funds (except UBS Cashfund) as well as revenue sharing payments from UBS Global Asset Management related to these funds. Service or 12b-1 fees for these funds are paid at an annual rate of up to 0.15% of the fund's average daily net assets (0.12% in the case of UBS RMA New Jersey Municipal Money Fund). Revenue sharing payments related to these funds are paid to us out of the legitimate profits of UBS Global Asset Management and may be up to annual rate of up to 0.37% of the fund's average daily net assets. **Your Financial Advisor**

**receives a portion of the service fees paid to us in connection with these money market funds. Your Financial Advisor does not receive a portion of the revenue sharing payments paid to us in connection with these money market funds.**

### **International accounts: International Deposit Account (IDA)**

Cash held in your Program Account is automatically swept into a demand deposit account at the New York Branch of UBS AG (UBS NY), from which the cash is then swept and re-deposited each business day into an interest-bearing overnight deposit account (i.e., the IDA) at UBS Cayman. The cash swept from the UBS NY account becomes payable only at the UBS Cayman account, and not at the UBS NY account, and, as a result, is temporarily exposed to the sovereign risk of the Cayman Islands. **Funds on deposit in the accounts at UBS NY and UBS Cayman are not eligible for federal deposit insurance from the Federal Deposit Insurance Corporation (FDIC).** UBS Cayman earns revenue from cash swept into the IDA, which is greater than the interest you receive on your cash. The difference between the rate that UBS Cayman earns on your cash and what you receive is shared between UBS AG and UBS. Your Financial Advisor receives a share of UBS' portion of such excess revenue. For more detailed information on the IDA for NRA clients, please see the **International Deposit Account Sweep Program Disclosure Statement** given to you with the documentation for your program account.

### **Sweep vehicle for Puerto Rico residents**

The Puerto Rico Short Term Investment Fund is available as a sweep option only for customers who hold accounts with UBS Financial Services Inc. of Puerto Rico and who are Puerto Rico residents. UBS Asset Managers of Puerto Rico, a Division of UBS Trust Company of Puerto Rico, serves as investment advisor to the fund and receives management fees of 0.500%. UBS Trust Company of Puerto Rico also acts as administrator, transfer agent and custodian to the fund and receives fees for those services, which are included in the fund's other expenses and estimated at 0.219%. UBS Trust Company of Puerto Rico is an affiliate of UBS Financial Services Inc.

In addition, distribution and/or service (12b-1) fees of 0.125% are deducted from the fund's assets and a portion may be paid to Financial Advisors in connection with their sale of fund shares.

<sup>4</sup> UBS RMA Money Market Portfolio, UBS RMA U.S. Government Portfolio, UBS Retirement Money Fund, UBS RMA California Municipal Money Fund, UBS RMA New York Municipal Money Fund, UBS RMA New Jersey Municipal Money Fund, UBS RMA Tax-Free Fund and UBS Cashfund.

## 2. Sources of Compensation from Third Parties

### Contributions to Training and Education Expenses

**Contributions are not received toward training and education provided exclusively to Institutional Consultants. Institutional Consultants may attend general training and education that is subject to the contributions identified below.**

Investment managers, mutual fund vendors, unit investment trust sponsors, retirement platform providers, annuity, life insurance companies or their affiliates and sponsors of ETFs whose products are available on our platform may contribute funds to support our Financial Advisor education programs.

The contributions are used to subsidize the cost of training seminars we offer to Financial Advisors through specialized firm-wide programs and regional training forums. These seminars are designed to provide training and education to Financial Advisors, Branch Office Managers, Field Leadership, and other personnel who regularly solicit clients to participate in the various types of businesses listed above. These contributions also subsidize a portion of the costs incurred to support the Financial Advisor training, Financial Advisor and Client education, and product marketing efforts conducted regionally and nationally by product specialists employed by UBS.

Not all vendors contribute to our education efforts. Neither contribution towards these training and educational expenses, nor lack thereof, is considered as a factor in analyzing or determining whether a vendor should be included or should remain in our programs or our platform. Contributions can vary by vendor and event. Some vendors may decide to contribute at levels different than those we request. Additional contributions may be made by certain vendors in connection with specialized events or training forums.

Your Financial Advisor does not receive a portion of these payments.

**Directed brokerage compensation from managers available in our advisory programs.**

As of July 2013 UBS Institutional Consulting does not receive brokerage commissions, fees or soft dollars from investment managers in connection with UBS Institutional Consulting services. Previously generated commission credits will be applied as an offset to the Program Fee until such time as the credit is fully utilized.

### Non-Cash Compensation

In addition to the revenue-sharing payments described above, we and our Financial Advisors, may, from time to time, receive non-cash compensation from mutual fund companies, investment managers, insurance vendors, and sponsors of products that we distribute. This compensation may include the following:

- Occasional gifts
- Occasional meals, tickets or other entertainment
- Sponsorship support of training events for our employees
- Various forms of marketing support
- These payments do not relate to any particular transactions or investments made by Institutional Consulting clients.

### Other Compensation

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

UBS or our affiliates may engage in a variety of transactions with (or provide other services to) the investment managers, mutual funds, their affiliates or service providers with which you are doing business. We may, in turn, receive compensation from these entities. Those transactions and services that we provide may include:

- Executing transactions in securities or other instruments
- Broker-dealer services for our own account
- Research services
- Consulting services
- Performance evaluation services
- Investment banking services
- Banking or insurance services

## 3. Other Interests in Client Transactions

**Margin Loans and Credit Lines.** You may choose to engage in leverage strategies involving the assets in your eligible non-retirement, non-custodial accounts. You must meet certain eligibility requirements and complete loan documentation prior to using margin or applying for a UBS Credit Line Loan. Specifically, you will be required to execute a separate margin agreement with us or loan documents with UBS Bank USA.

When you trade on margin or obtain a credit line, either we or our affiliate will act as your creditor. As a creditor we will charge interest on the loans we extend to you and can take certain actions in the case you default. Failure to promptly meet a request for additional

collateral or repayment or other circumstances (e.g., a rapidly declining market) could cause us, in the case of margin loans, or our affiliate, in the case of credit lines, and in our discretion, to liquidate or instruct us to liquidate some or all of the collateral account or accounts to meet the margin loan or credit line requirements. Depending on market circumstances, the prices obtained for the securities may be less than favorable. Any required liquidations may interrupt your long-term investment strategies and may result in adverse tax consequences. UBS and our affiliates do not provide legal or tax advice. You should consult your legal and tax advisors regarding the legal and tax implications of margin borrowing and using securities as collateral for a loan.

Margin is not recommended or permitted in certain advisory programs. **There are substantial risks associated with the use of borrowed funds for investment purpose and securities as collateral for a loan. For further information, please see the UBS Financial Services Inc. Loan Disclosure Statement, which is available from your Financial Advisor.**

#### **Principal Transactions and Agency Cross Trades**

If we act as your broker, we and/or our affiliates may execute transactions on your behalf as your agent or as principal for our own account on the other side of the transaction from you. Similarly, we or our affiliates may, in transactions involving clients' securities, act as agent while also representing another client on the other side of the transaction. We may also have a position in, or enter purchase or sale orders for, securities recommended to clients in the normal course of its business as a broker-dealer. We and/or our affiliates may profit from such positions or transactions in securities.

In certain advisory programs, we may enter into principal transactions for some investment advisory clients after making appropriate disclosure and obtaining client consent when necessary. In accordance with the provisions of Section 11(a) of the Securities Exchange Act of 1934, we may execute transactions on the floors of national or regional securities exchanges for managed client accounts where appropriate. Additionally, if appropriate client consent is obtained and required disclosure is made, agency cross transactions may be effected for customer accounts to the extent permitted by law. Agency cross transactions are transactions in which we or our affiliates act as broker for the party or parties on both sides of the transactions. In these circumstances, we will receive compensation from parties on both sides of these transactions (the amount of which may vary) and, consequently, we will have a potentially

conflicting division of loyalties and responsibilities. Client consent to "agency cross" transactions may be revoked at any time by written notice to us.

#### **Advice/Services to Other Clients and Activities in our Proprietary Accounts**

We and our affiliates provide investment banking, research, brokerage, investment advisory and other services for different types of clients. In providing those services, we and our affiliates may:

- give advice to, or take actions for, those clients or for our or our affiliates own accounts that differs from advice given to, or the timing and nature of actions taken for you.
- buy and sell securities for our own or other accounts,
- act as a market maker or an underwriter for securities recommended, purchased or sold.

UBS and our affiliates occasionally may not be free to divulge or act upon certain information in their possession on behalf of investment advisory or other clients. We are not obligated to execute any transaction for your account that we believe to be improper under applicable law or rules or contrary to our own policies. In particular, you should note that some of our programs may recommend asset allocations or analyze markets and the economy in a different way than would be recommended by some of our research, trading or other departments.

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

#### **Trading Activity**

The vast majority of our exchange-listed securities and over-the-counter (OTC) orders are executed through our affiliate, UBS Securities LLC—which executes orders as either principal or as agent, depending on the circumstances and type of program involved and receives compensation for those services.

#### **Item 12. Brokerage Practices**

Our UBS Institutional Consulting Program services do not include the review or recommendation of broker-dealers for client transactions. Clients may choose to implement our advice through UBS or through other financial institutions. However, we will not review or otherwise make recommendations on broker-dealers.

### Item 13. Review of Accounts

We have various policies and procedures applicable to the review and supervision of consulting services provided through the IC Program. Those policies are designed to comply with the requirements of the Investment Advisers Act of 1940, and where applicable, ERISA and other applicable rules and regulations.

IC Program clients meet with the Institutional Consultants periodically (usually, quarterly). Items generally reviewed include, but are not limited to the following:

- portfolio evaluation, review and analysis of your investment holdings
- review of performance and style drift of investments
- consistency of the client's investments with the Investment Policy Statement
- determination whether a portfolio adjustment should be made

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

### Item 14. Client Referrals and Other Compensation

- Arrangements with Affiliates: We have referral agreements with our affiliates that outline:
  - how we refer clients to them
  - how they refer clients to us
  - how we act as solicitor for their advisory services and/or wrap fee programs
  - how we refer clients to them for services other than advisory services.
  - In certain cases, the advisory and consulting services available in our Programs may be provided by Financial Advisors registered with companies affiliated with us through a solicitation agreement with us or we may serve as a clearing broker for those affiliated entities.

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

- Third Party Arrangements: We also have a referral program that allows UBS to enter into solicitation arrangements with third parties that we compensate for referring or soliciting clients to participate in our advisory or trust services programs. Solicitors receive a portion of the advisory fees we receive.
  - We also have solicitation arrangements under which either we and/or our Financial Advisor may receive compensation for referring clients to a third party who will provide investment Advisory or other services to the client. The compensation we receive is usually a portion of the advisory fee the third party receives from its clients. In certain circumstances we may also receive commission revenue for transactions those third parties execute through our firm.

It is our practice to disclose to the client being referred the terms of the arrangement, including the maximum compensation payable to us and/or our Financial Advisors or a third party, as the case may be.

We and our affiliates also have arrangements with some third party investment managers under which we and/or certain of our Financial Advisors provide research (within the meaning of Section 28(e) of the Securities Exchange Act of 1934), and in return, the investment manager places brokerage transactions with us for execution, subject to best execution practices and requirements. The research services provided generally may be in the form of written reports or telephone contacts or personal meetings with security analysts, economists, or meetings hosted by our Financial Advisors with corporate or industry spokespersons. UBS or our Financial Advisors also may recommend or refer clients to third-party investment managers that place brokerage transactions with us. The differences in the form or amount of compensation paid to us by different investment managers for client referrals or research products create a conflict between our interests and the interests of the clients referred because of the incentive to make referrals to those investment managers that offer us greater compensation than others.

#### Referral arrangements for financing business

We have certain agreements whereby we refer our customers to certain lenders, on a non-exclusive basis, for specific financing opportunities not available at UBS or its affiliates. These lenders may be able to assist clients in securing financing for specialized borrowing needs. It is our practice to disclose to the client being referred the roles of UBS and the lender in connection with such referral and that we receive a referral fee from the

lender. Upon the successful completion of a transaction, the lender will pay us a referral fee, which will vary depending upon the lender and/or the amount of the financing. A portion of the fee we receive is paid to the Financial Advisor.

### **Item 15. Custody**

UBS Financial Services Inc. is a qualified custodian and has custody of client funds and securities.

Clients electing to utilize the IC Account are required to custody their account assets with UBS.

For assets custodied at another financial institution subject to an IC Agreement, you understand that you will be incurring additional costs in excess of any program fees (for example, custody and trading costs). Also, billing for any of your accounts, including the accurate processing of rebates if applicable, is the responsibility of your custodian.

If you do not custody your advisory account assets with us, you agree to use only a qualified custodian that is a bank, a U.S. registered broker-dealer, a futures commission merchant or a foreign financial institution. This custodian must meet the definition of a "qualified custodian" that is established in Rule 206(4)-3(c)(3) under the Investment Advisers Act of 1940.

We will send you periodic account statements for IC Accounts custodied at UBS you set up at our firm reflecting the transactions in your account.

### **Item 16. Investment Discretion**

Our Institutional Consulting Program does not typically include the exercise of discretion on our part over your assets. On an exception basis, however, the IC Program Agreement may also provide for discretionary services (through a power of attorney) whereby your Institutional Consultant will implement an investment strategy comprised of IC Eligible investments utilizing IC Accounts. The power of attorney will include the authority to hire investment managers and to grant each investment manager retained discretionary trading authorization. Reasonable investment restrictions may be imposed. The information contained in this Disclosure Brochure, including fee description, is also applicable when discretionary services are provided.

Apart from the Institutional Consulting Program, we also offer discretionary portfolio management services which are described in a separate brochure. Please contact your Financial Advisor with questions.

### **Item 17. Voting Client Securities**

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

By executing the IC Agreement, you designate any investment manager(s) retained to receive and vote all proxy and related materials for securities held in the IC Account they manage on your behalf. Your investment manager will also vote on corporate actions, like tender offers. You may change or cancel these instructions at any time by giving us prior written notice. UBS and its Financial Advisors do not have any responsibility for taking action or rendering advice with respect to the voting of proxies or corporate actions related to securities held in an IC Account managed on your behalf by an investment manager. Our obligations with respect to any such proxy or corporate action solicitation are limited exclusively to forwarding, within a reasonable period of time, to your investment manager any materials or other information received by us with respect to such solicitation.

Neither UBS, your investment manager nor your Financial Advisor will vote proxies concerning, provide advice with respect to, or respond to correspondence relating to, legal proceedings, including bankruptcies and class actions, involving an issuer whose equity or debt securities are held in your IC Account, even if you delegated proxy voting authority to your investment manager.

Except for ERISA Plans and Individual Retirement Accounts, if we forward proxy materials to you or your investment manager, as applicable, but we do not receive voting instructions from you (or from your investment manager) within the designated time frame, we will, in our capacity as a broker-dealer and as permitted under the rules of the New York Stock Exchange, vote those securities in proportion to the voting instructions we have received from our brokerage retail clients.

## **Item 18. Financial Information**

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

- As of the date of this Brochure, there is no financial condition that is reasonably likely to impair our ability to meet our contractual commitment to our clients.
- Our firm has not been the subject of a bankruptcy petition at any time during the last 10 years



## Exhibit A. Summary of Material Changes

### **UBS Financial Services Inc.**

1000 Harbor Boulevard  
Weehawken, NJ 07086  
201-352-3000  
ubs.com/fs

**SEC File Number 801-7163**

**April 8, 2013**

## Summary of Material Changes to Form ADV Disclosure Brochure

**This Summary of Material Changes applies to the Form ADV Disclosure Brochure for the UBS Institutional Consulting Program.**

**If you have any questions about the content of this brochure, please contact us at 888-526-7454. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about UBS Financial Services Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Please note that registration as an investment adviser does not imply a certain level of skill or training.**

**Your may obtain a copy of our updated Form ADV Disclosure Brochure by contacting us at the number listed above to make your request. The Brochure is available to you free of charge. You may also access the document at our website:**

**<http://www.ubs.com/us/en/wealth/misc/AccountDisclosures.html>**

**Please retain these documents for future reference as they contain important information if you decide to add services or open new advisory accounts with our Firm.**

## Item 2. Material Changes

This section describes the material changes to the UBS Institutional Consulting Program Form ADV Disclosure Brochure since the amendment of our Form ADV on August 15, 2012

### Fees and Compensation

Item 5–Fees and Compensation has been updated. The description of our program fees and how our fees may be paid have been changed. An updated fee schedule and minimum fee have been added. We have eliminated the ability to use brokerage commissions to offset our consulting fees.

For assets custodied at another financial institution fee may be a specific dollar amount fee or an asset-based fee (expressed as a percentage of the market value of the assets under advisement). For assets custodied at UBS in an IC Account: an asset-based fee which includes the cost of custody and trading for trades executed at UBS.

Following rates are the maximum annual program fees:

<b>Assets</b>	<b>Maximum Program Fee</b>
\$10 – 25 million	1.50%
\$25 – 50 million	1.30%
\$50 – 100 million	1.10%
\$100 – 250 million	0.90%
\$250 – 500 million	0.70%
\$500 – 1 billion	0.50%
>\$1 billion	0.30%

Individual projects may be provided for a negotiated fee.

Minimum Annual Fee: A minimum annual program fee of \$20,000 may be imposed. If your assets decline, imposing the minimum fee may result in you paying a higher fee than your contractual fee rate.

### Paying your IC Program Fees Through Mutual Fund and/or Alternative Investment Compensation Offsets.

As of December 31, 2012, we no longer accept brokerage commissions to offset our institutional consulting fee. Previously generated commission credits will be applied as an offset to the Program Fee until such time as the credit is fully utilized.

### Disciplinary History

Item 9–Disciplinary History has been updated to include the matters listed below.

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

	<b>Date of Action</b>	<b>Brought By</b>	<b>Allegation</b>	<b>Disposition</b>	<b>Monetary Sanctions</b>
1	Dec. 12, 2012	FSA, FINMA, CFTC	On 19 December 2012, UBS AG entered into settlements with the US Department of Justice (DOJ), UK Financial Services Authority, and the Commodity Futures Trading Commission (CFTC) in connection with their investigations of manipulation of LIBOR and other benchmark interest rates. The Swiss Financial Market Supervisory Authority (FINMA) also issued an order concluding its formal proceedings with respect to UBS. UBS agreed to pay a total of approximately CHF 1.4 billion in fines and disgorgement. UBS will pay GBP 160 million in fines to the FSA and CHF 59 million as disgorgement of estimated profits to FINMA.		FINMA: Reprimand and disgorgement of estimated profits CHF 59 million  FSA: Fine GBP 160 million  CFTC: Fine, USD 700 million
2	Nov. 12, 2012	FSA, FINMA	The UBS AG London branch was fined by the FSA for (1) failure to establish and maintain systems and control appropriate to its business, and (2) failure to act with due skill, care and diligence in conducting its business. The penalties were levied in connection with an unauthorized trading incident.	FINMA: Reprimand; Additional measure re: business conduct and capital until effective remediation is demonstrated.	FSA Fine GBP £29.7 million
3	May 1, 2012	SEC	The SEC alleged that UBS Financial Services of Puerto Rico, a subsidiary of UBS Financial Services, made misrepresentations and omissions of material facts to numerous retail customers regarding the secondary market liquidity and pricing of UBS PR affiliated closed end funds. The firm is required to hire an independent consultant to review its sales and trading policies, procedures and practices in connection with such funds. The firm settled the matter with the SEC without admitting or denying the findings.		Disposition and Fines:  Censure \$14,000,000;  Disgorgement \$11,500,000;  Interest \$1,109,739

Please note that this document only provides a summary of material changes and is qualified by reference to the Form ADV Disclosure Brochure for the UBS Institutional Consulting Program.

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Resource Management Account and Business Service Account BSA are registered service marks of UBS Financial Services Inc.

UBS Financial Services Inc.  
[ubs.com/fs](http://ubs.com/fs)  
130402-0331



# UBS Institutional Consulting Group

## UBS Financial Services Inc

### CONSULTING SERVICES AGREEMENT

#### City of Troy

#### Client Type:

- Corporation  Municipality  Taft-Hartley  
 Foundation  Endowment  Nonprofit  
 University  Educational  Hospital  
 Religious Organization  Professional Organization  
 Native American Entity  Other\_\_\_\_\_

#### Plan Type:

- Defined Benefit  Health and Welfare  
 Deferred Compensation  Other\_\_\_\_\_

UBS Financial Services Inc. (the "Firm", "we" or "us") and **City of Troy Retiree Health Care Trust** ("the Plan") and **City of Troy** the named fiduciary of the Plan (together "Client" "Client" or "you") agree that the following terms and conditions apply to the services provided to the Plan through the UBS Institutional Consulting program ("UBS-IC") ("Agreement") and shall be effective as of the date the Firm executes this Agreement.

#### 1. Services

The Firm, through UBS-IC, will provide the following service(s) as reasonably requested by Client:

- (a) **Investment Policy Statement.** Assistance in the development and preparation of a document that describes your overall investment objectives and guidelines. We will review the investment policy statement with you on a periodic basis.
- (b) **Asset Allocation Analysis.** Periodic studies and analysis of your asset allocation strategy, based on, among other things, your liquidity requirements, performance goals and risk tolerance.
- (c) **Investment Searches.** As appropriate, we will recommend and present for your consideration investment manager(s), mutual funds, exchange traded investments, collective trusts, and/or alternative investments ("investments") that align with your investment policy statement and asset allocation strategy and which are offered by the Firm and/or for which the Firm has conducted due diligence or has otherwise reviewed. We cannot assure you that we will continue to offer or review any of the investments identified through our searches.
- (d) **Portfolio Review, Evaluation and Reporting.** We will provide quarterly portfolio evaluation, and review, including reviewing performance on an absolute and relative basis. Based on your overall objectives and performance of your investments, we will assist you in evaluating potential adjustments and if appropriate we will assist you in conducting a search for new investments as identified in paragraph 1(c). We can also provide reports which include performance information, comparisons and other information for a variety of investment strategies. For assets not custodied at the Firm, information provided by your custodian will be used to provide the performance of your investments and the firm does not guarantee the accuracy of the performance information.

# UBS Institutional Consulting Group

## UBS Financial Services Inc

- (e) **Trustee Education.** We will provide investment education seminars as requested by Client. Services may include providing general seminars focused on topics such as asset allocation, the definition of various asset classes, potential risks and rewards and similar subject matter.
- (f) **Additional Consulting Services.** On an ongoing basis, we will consult with you on matters related to financial news and developments regarding capital markets, sectors and industries based on information generally available from various UBS investment research groups, or more specifically prepared for Client based on publicly available information.

### 2. Fiduciary Representations

We represent that we are a registered investment adviser under the Investment Advisers Act of 1940 and that we will act as a fiduciary when providing the investment services described in Section 1 of the Agreement. We will not be a fiduciary with respect to any other functions, programs or services rendered to you including those provided by investment managers, other entities or persons. You acknowledge that we, in providing the services described in this Agreement, will not exercise any discretionary authority over the management or disposition of your assets.

We hereby represent that we will act as a fiduciary as the term is defined in Section 3(21) of ERISA with respect to any investment advice we provide under this Agreement. We further represent we will provide the services described in Section 1(b), 1(c) and 1(d) in accordance with applicable law and, to the extent applicable ERISA fiduciary standard of care.

You acknowledge that we will not (i) exercise any discretionary authority over the management or disposition of Plan assets or otherwise act as an 'investment manager' as such term is defined in Section 3(38) of ERISA; or (ii) have discretionary authority over the administration of the Plan.

### 3. Identification of Affiliated Money Managers/ Funds

We will not present for your consideration any investment or managers that are affiliated with us.

### 4. Limitations of Consulting Services

#### (a) Implementation

Institutional Consulting services do not include advice with respect to how to implement the results of the investment searches or whether to hold an account at the Firm. You may decide to implement the results of our investment searches through: (i) a UBS Institutional Consulting Account ("IC Account"); or (ii) an account held at another other financial institution.

**Implementation through an IC Account.** You may decide to implement the results of investment searches performed as part of Institutional Consulting through an asset-based fee arrangement that includes both the agreed upon Institutional Consulting services as well as custody and trade execution for managers who trade through UBS.

**Implementation Outside of an IC Account.** Alternatively, you may decide to implement the results of investment searches through an account held at another financial institution or through another investment advisory program offered by the Firm (i.e., ACCESS, Managed Account Consulting (MAC), Strategic Advisor, Portfolio Management Program (PMP), PACE, SWP, etc.) or through a brokerage account. It is important that you understand that these Firm programs are separate and distinct from Institutional Consulting and assets included in these programs will not be included in the assets upon which Institutional Consulting services will be performed or fees billed. You will be charged a separate fee for these other programs, which may be greater or lesser than the fee you pay for Institutional Consulting services, and the terms and conditions of the respective contracts and disclosure statements for these other programs will be applicable.

# UBS Institutional Consulting Group

## UBS Financial Services Inc

**Retaining Investment Managers.** This Agreement does not cover the asset management services provided by the manager(s) you elect to retain. You will need to execute separate agreements and you will incur additional fees for those services. You are responsible for negotiating the terms, fees and conditions of your agreement with such manager. When requested by the investment manager(s) and authorized by you, the investment manager(s) fee will be deducted directly from your account. Otherwise, the manager(s) will bill you directly.

Investment managers you retain through a Firm program may request that we provide them with an electronic data download of all transactions they effected on your behalf in order to reconcile your account. By executing this Agreement you authorize us to provide your investment manager(s) such requested data and copies of your account statements. You may revoke this authorization at any time by notifying us in writing. Where you have retained the services of an investment manager who elects to utilize the Firm to effect transactions in securities upon that manager's instructions, we and our affiliates will be acting solely as a broker or dealer in connection with such transactions and not as an investment adviser or fiduciary.

### (b) **Investment Policy Statements**

Institutional Consulting services identified in Section (1) include periodic meetings to review your investment policy statement (IPS) and asset allocation, as well as the alignment of your investment portfolio to the IPS and allocation. However, we will not monitor the accounts that comprise your Institutional Consulting portfolio and the transactions made in these accounts for compliance with your IPS. In addition, it is your responsibility to provide any investment manager you may retain with a copy of your IPS.

### (c) **Inclusion of other investments in asset allocation and portfolio review.**

For assets custodied at another financial firm and for assets custodied at UBS, our asset allocation studies and analysis and our portfolio review may include investments which are not offered, reviewed or diligenced by the Firm. We may include these investments at your specific request. Such inclusion does not constitute an endorsement that you continue to hold those investments and we will ask that you acknowledge, in writing, that the investment has not been offered, reviewed or diligenced by our Firm. . (See Exhibit A, Sample Client Acknowledgement for Non-Researched Investments).

For assets custodied at UBS, at your request we may also include in our asset allocation studies and our portfolio review, assets that are not subject to this Consulting Agreement including assets held in other UBS advisory or brokerage accounts or programs. These assets are included for informational purposes only and are not part of the assets for which Institutional Consulting services are provided.

### **Important Information About Certain Investments**

#### **Mutual Funds, Exchange Traded Investments, Collective Trusts and Alternative Investments.**

Mutual funds, exchange traded investments, collective trusts and alternative investments are subject to the fees, expenses, terms and conditions contained in the respective prospectus or offering document. You should carefully review the offering documents for these types of securities to ensure that they are suitable for your circumstances prior to investing. Where the Firm receives a 12b-1 fee or other similar compensation for mutual funds, or trail for alternative investments in connection with the purchase or sale of these investments where we perform institutional consulting services, for mutual funds held at UBS in an IC Account, such amounts received will be credited directly to this account and for mutual funds held at another financial institution, such amounts received will be credited to your UBS-IC fee. For mutual funds, in addition to the compensation described above, the Firm may receive other compensation in connection with the sale of mutual funds in an IC Account (e.g. processing fees) and these amounts will not be credited to your UBS-IC fee.

# UBS Institutional Consulting Group

## UBS Financial Services Inc

With respect to Class A shares of mutual funds purchased through the Firm on a no-load or load-waived basis, note that in the future we may also offer Institutional, Advisor or Fee-Based share classes for some or all of these funds. These share classes also do not impose a load or sales charge or a 12b-1 fee. If you hold such Class A shares at the time we convert to a new share class, you will have the option to convert your Class A shares on a tax-free basis into the Institutional, Advisor or Fee-Based share class. Subsequent to the conversion, any additional Class A shares that are transferred to your account will be automatically converted, on a tax-free exchange basis, to the new share class available for the relevant fund. You hereby authorize and direct us to conduct such tax free exchanges on your behalf.

**Alternative Investments.** If you have requested alternative investment searches, you acknowledge that you are an accredited investor as defined under Regulation D of the Securities Act of 1933. You also acknowledge that you understand the risks inherent with these investments. In general, alternative investments are speculative, subject to substantial risks (including the risks associated with limited liquidity, the use of leverage, short sales and concentrated investments), may involve complex tax structures and strategies, and may not be appropriate for all investors. You also understand that alternative investments may not provide periodic pricing or valuation information to investors, there may be delays in distributing tax information to investors, they are not subject to the same regulatory requirements as mutual funds, and they are subject to fees and expenses which will reduce profits. If you invest in an alternative investment that is not distributed by us, you must request offering documents, performance or other materials directly from the alternative investment managers.

### 5. Client Information

The services we provide to you are based on the information you have shared with us. You agree to provide us with all material and pertinent information regarding your investment objectives, risk tolerance, asset allocation, historical performance of investments, income and liquidity requirements, as well as any other relevant matters that we may request from time to time. You understand that we will rely on the information without further independent verification and represent that such information is true, accurate and complete as of the date provided. You agree to notify us promptly of any material changes in your financial condition, risk tolerance, financial needs or investment objectives.

### 6. Third Party Sources of Information

The services we provide to you may be based on and/or include information obtained from third-party sources. Any information we provide to you that has been obtained, computed, formatted or displayed by outside sources is believed accurate, but such third-party information, including information from your custodian, will not be independently verified by us and we cannot guarantee its accuracy or validity.

### 7. Fees

#### (a) Fees

In consideration of services provided under this Agreement, you agree to pay the Firm an annual fee as provided in Schedule A to this Agreement.

For assets held at UBS in an Institutional Consulting Account, this annual fee includes custody of securities and all brokerage and execution services for the purchase and sale of securities at our Firm with respect to those assets subject to this Agreement. (See Exhibit B, Sample Manager Letter of Direction for trading in an IC Account).

Our fees do not include: (i) the asset management fees charged by your investment manager(s); (ii) commission charges and mark-ups/mark-downs for transactions for your account that your manager(s) may effect through other broker-dealers; (iii) commission charges, mark-ups/mark-downs, sales credit or other compensation related to the purchase of securities not subject to this Agreement (i.e., alternative

# UBS Institutional Consulting Group

## UBS Financial Services Inc

investments and individual securities purchased outside of a Firm managed account program); (iv) custody fees imposed by other financial institutions if you chose to custody your assets at other financial institutions; (v) internal trust fees; (vi) charges imposed by law; (vii) costs relating to trading in foreign securities (other than commissions otherwise payable to us); (viii) internal administrative and management fees that may be imposed by collective investment vehicles such as open-end and closed-end mutual funds, UITs, exchange-traded funds or real estate investment trusts; (ix) redemption fees imposed by mutual funds for active trading; and (x) other specialized charges, such as transfer taxes, exchange and/or regulatory agency transaction fees.

### **(b) Fee payment methods**

**Assets held at another custodian.** We will invoice you in arrears on a quarterly basis as calculated in Schedule A to the Agreement. These fees shall be due 30 days from the date of the invoice. If your fees are asset based and you are using a custodian or record keeper not approved by our firm, you must direct them to provide us with copies of quarterly statements for purposes of calculating fees.

**Automatic Payment by Plan Provider.** In the event you direct that our fees be paid out of assets of or generated by the Plan, it shall be a representation that such payments are permissible under the Plans and applicable law. The fees shall be calculated and remitted by your custodian or record keeper in arrears no less frequently than quarterly. We will provide a quarterly statement to you detailing all fees we have received each quarter. We will not independently verify the fee calculation made by the custodian or record keeper.

**Assets Held in an IC Account.** You authorize us to deduct the fee from your IC Account, in arrears, in quarterly installments, as described in Schedule A to this Agreement. The initial fee will be payable in arrears and will be pro-rated to cover the period from the date the Agreement is approved through the end of the initial calendar quarter. The fee will be based on the value of your account on the last business day of each calendar quarter.

We will provide a statement to you detailing the fees that were deducted from your account. If there are insufficient funds in your IC Account to cover the fees, you must deposit additional funds or instruct the money manager to liquidate assets to cover the fees. To determine the value of eligible assets in your account we will generally rely on third party quotation services we believe to be reliable. If prices are unavailable or believed to be unreliable, we may determine values in good faith, based on the last recorded transactions.

### **(c) Fee Offsets**

**Mutual Fund Compensation.** For mutual funds that were included in an investment search, you may list the Firm as broker of record to receive 12b-1 fees paid in connection with such funds. For assets held at UBS in an IC account, 12-b1 fees earned and received by the Firm after the commencement date of this Agreement will be deposited directly into such account. For assets held at another custodian, 12b-1 fees received will be credited to satisfy your fee on a dollar-for-dollar basis.

**Alternative Investment Compensation.** For alternative investments that were included in an investment search, any trails received by the Firm after the commencement date of this Agreement will be credited to satisfy your fee on a dollar-for-dollar basis.

**Additional Credits.** If the annual fee identified above has been fully satisfied through Mutual Fund and/or Alternative Investment Compensation received by the Firm in the 12-month period covered by the annual fee, additional amounts received will be paid to **City of Troy Retiree Health Care Trust** plan as a credit against prior fees paid.

# UBS Institutional Consulting Group

## UBS Financial Services Inc

**Statement of Fee Offsets.** We will provide you at least annually with a statement showing the amounts of all Mutual Fund 12-b-1s and/or Alternative Investment trails received during the period covered by the statement, all amounts credited against your annual fee for consulting services provided and any additional credits which may be due.

If such Mutual Fund Compensation and/or Alternative Investment Compensation received by us does not satisfy your annual fee, we will provide you with an invoice for the amount outstanding. The balance will be payable within 30 days of receipt.

### 8. Representations

Client represents that it is authorized and empowered to enter into this Agreement. If this Agreement is being signed on behalf of a corporation, trust, partnership or other business or legal entity, it is represented that applicable law and/or governing documents both authorize and permit this Agreement and provide for the authority of the person signing this Agreement.

Client further represents and warrants that the retention of the Firm for the provision of consulting services is prudent and that Client has received sufficient information about the Program fees and the compensation that the Firm will receive to determine (and has determined) that the fees payable by the Plan hereunder are reasonable. Client also represents that any expenses that Client directs to be charged to the Plan are necessary for the operation of the Plan and properly payable from the Plan under the Plan documents and applicable law.

### 9. Termination

You may terminate this Agreement within five business days of its signing and receive a full refund of all fees paid to us. Thereafter, either party may terminate this Agreement by notifying the other in writing and termination will become effective upon the receipt of this notice. However, termination will not affect your responsibilities under this Agreement for fees owed as a result of services rendered prior to termination. For fees paid in advance, upon termination during a calendar quarter, you may receive a pro rata refund of the fee paid. Upon termination, we will have no further obligation under this Agreement. Such termination will not, however, affect the provisions regarding arbitration, which shall be deemed to survive any expiration or termination of the Agreement.

### 10. Additional Contractual Matters

You acknowledge that the Firm does not provide legal, tax or actuarial advice.

You further acknowledge that you have retained, and will exercise, final decision-making authority and responsibility both for the selection of any record keeper, custodian, trustee, investments or investment manager(s) as well as for the implementation of any investment plan or strategy resulting from the services provided under this Agreement.

This Agreement represents the entire understanding with regard to the matters specified herein, and any changes must be in writing. If any part of this Agreement is found to be invalid or unenforceable, it will not affect the validity or enforceability of the remainder of the Agreement. This Agreement is made and will be interpreted under the laws of the State of New York provided that there is no inconsistency with the federal securities laws. The Firm may not assign this Agreement or its rights and obligations hereunder without prior written Client consent.

Modifications to this Agreement by the Firm that affect your specific services or fees shall not be made without prior written consent by you. It is agreed, however, that where certain Firm-wide changes may affect the terms of this Agreement, the Firm may modify the Agreement subject to the mailing of prior

# UBS Institutional Consulting Group

## UBS Financial Services Inc

written notice to you at least 30 days prior to the change; your continued acceptance of services after the effective date of the change shall be deemed consent to the change.

All written communication from Client regarding the matters covered by this Agreement shall be sent to Client's Institutional Consultant unless Client is specifically directed otherwise. All such written communication to Client shall be sent to the address contained in the Firm's records.

This Agreement only governs the services and fees specified herein, and it shall not affect or be applicable to any other services provided to Client or any related person or entity by the Firm pursuant to separate Agreement or understanding. Any other services provided to Client outside of this Agreement will be subject to separate fees or charges.

### **11. Trade Confirmations, Proxies and Other Legal Notices for IC Account**

For assets held in an IC Account, you agree to have all trade confirmation information for trades placed by your investment manager(s) provided to you on your Firm account statement and also provided to your investment manager(s). Doing so will waive your right to receive immediate trade confirmations for transactions directed by your investment manager(s). You are not required to select this option in order to receive or continue to receive consulting services. In addition, you will not pay any additional fee for your election. You may change this instruction at any time by giving UBS Financial Services Inc. written notice.

By executing this agreement, you designate your investment manager(s) to receive and vote all proxy and related materials for securities held in your accounts. You may change or cancel these instructions at any time by giving us prior written notice. When you delegate proxy voting authority to your investment manager, they will vote on matters requiring a proxy vote for the securities held in accounts. Your manager will also vote on other corporate actions, like tender offers, which do not require a proxy or are not solicited via a proxy. The Firm will not be responsible for voting on proxies, tender offers or other corporate actions.

### **12. Arbitration**

**This Agreement contains a predispute arbitration clause. By signing an arbitration agreement the parties agree as follows:**

- **All parties to this Agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.**
- **Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.**
- **The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.**
- **The arbitrators do not have to explain the reason(s) for their award, unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.**
- **The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.**
- **The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.**

# UBS Institutional Consulting Group

## UBS Financial Services Inc

- The rules of the arbitration forum in which the claim is filed, and any amendments to them, shall be incorporated into this Agreement.

By providing Institutional Consulting services to you and/or by opening an account at UBS, and by UBS Financial Services Inc. accepting your application and carrying your account, you, and UBS Financial Services Inc. agree as follows:

- We agree to resolve any controversy, claim or issue in any controversy that may arise by arbitration, whether it happened before or after, or at the time this Agreement was executed, including but not limited to controversies, claims or issues in any controversy concerning any account, transaction, dispute or the construction, performance or breach of this Agreement or any other agreement
- Any arbitration under this Agreement shall be governed by the Federal Arbitration Act and shall be conducted before an arbitration panel convened by the Financial Industry Regulatory Authority (FINRA) or any other national securities exchange's arbitration forum, upon which UBS Financial Services Inc. is legally required to arbitrate the controversy with you, including, where applicable, the Municipal Securities Rulemaking Board.
- Such arbitration shall be governed by the rules of the organization convening the panel.
- All parties to this Agreement agree that the arbitrators shall resolve any controversy in accordance with applicable law.
- The arbitrators will apply state and federal statutes of limitation the same as if the claim were brought as a civil action in court.
- The award of the arbitration panel are generally final and binding; a party's ability to have a court to reverse and modify is very limited and judgment upon the award may be entered in any court of competent jurisdiction.
- No person shall bring a putative or certified class action to arbitration nor seek to enforce any pre-dispute arbitration Agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until:
  - the class certification is denied; or
  - the class is decertified; or
  - the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Agreement except to the extent stated herein.
- Parties expressly agree that service of process in any action shall be sufficient if served by certified mail, return receipt requested, at your last address known to UBS.
- Parties expressly waive any defense to service of process as set forth above.

**UBS Institutional Consulting Group**  
**UBS Financial Services Inc**

**13. References**

If you would prefer not to have your name to be used on our client list, please circle "no" below: (we will not add you to our client list if you circle no)

no

If you would prefer not to have your name to be used as a reference, please circle "no" below: (no contact names or phones numbers will be given if you circle no)

no

*[Signature Page Follows]*

# UBS Institutional Consulting Group UBS Financial Services Inc

By signing below, you acknowledge receipt of a copy of this Agreement. You also acknowledge that you have received and reviewed a copy of UBS Financial Services Disclosure Brochure Form ADV for the UBS-IC program, which includes important information regarding the program, including Fees and Compensation (Item 5) and Participation or Interest in Client Transactions (Item 11B). These documents together with this Agreement fulfill the disclosure requirements under the Department of Labor's regulations under Section 408(b)(2) of ERISA.

You also acknowledge that you have received and reviewed a copy of the Form ADV Supplement Brochure which immediately follows the signature page of this Agreement. This Form ADV Supplement provides important information about your Institutional Consultant[s] and their Financial Advisor team members (if applicable) and includes information regarding their education, professional experience, disciplinary history, other business activities and also provides information how UBS supervises them.

You acknowledge that this Agreement contains a pre-dispute arbitration clause in Section 12 above

**AGREED TO:** City of Troy on behalf of the City of Troy Retiree Health Care Trust

BY:

<i>Plan Fiduciary Signature</i>	<i>Title</i>	<i>Date</i>
<i>Print Name</i>		

<i>Plan Fiduciary Signature</i>	<i>Title</i>	<i>Date</i>
<i>Print Name</i>		

<i>Plan Fiduciary Signature</i>	<i>Title</i>	<i>Date</i>
<i>Print Name</i>		

**AGREED TO:**

**UBS Institutional Consulting Group  
UBS Financial Services Inc.**

BY

<i>Institutional Consultant Signature</i>	<i>Institutional Consultant Print Name</i>	<i>Date</i>
---	--	-------------

<i>Branch Office Manager Signature</i>	<i>Branch Manager Print Name</i>	<i>Date</i>
--	----------------------------------	-------------

<i>IC Program Manager Signature/Print</i>	<i>Title</i>	<i>Date</i>
---	--------------	-------------

*[Schedule A Requiring Signatures Follows]*

**UBS Institutional Consulting Group  
UBS Financial Services Inc**

**Schedule A**

Client Name: City of Troy  
Full Plan Name: City of Troy Retiree Health Care Trust  
Client Address: 500 W. Big Beaver Rd., Troy, MI 48084  
Contact Name: Tom Darling  
Consultant(s) and FAID: Louise Emerson, Craig Brass, Rebecca Sorensen, John Grant, Darin McBride  
TZSE  
Contract Number: 2875  
Ongoing Services or One-Time Project: Ongoing Services

Billing information if different from above

Contact Name: \_\_\_\_\_  
Address: \_\_\_\_\_

**For the services described in the Consulting Services Agreement, Client agrees to pay the Firm an annual fee, payable in quarterly installments, as indicated below:**

**UBS Institutional Consulting Fee**

Tiered asset based fee: % of assets

	Asset value	Asset based fee %
On the first	\$50,000,000	0.20%
On assets over	\$50,000,000	0.16%

**Billing Period**

Arrears

**Method of Payment**

Direct Debit UBS IC Account

**AGREED TO Schedule A:**

**City of Troy** on behalf of the **City of Troy Retiree Health Care Trust**

BY:

\_\_\_\_\_  
*Plan Fiduciary Signature*  
*Print Name:*

\_\_\_\_\_  
*Title*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Plan Fiduciary Signature*  
*Print Name:*

\_\_\_\_\_  
*Title*

\_\_\_\_\_  
*Date*

**FOR BRANCH USE ONLY**

Client Name: City of Troy  
Full Plan Name: City of Troy Retiree Health Care Trust  
Tax ID Number: 38-6027333  
Client ID Number: \_\_\_\_\_

**For Plan assets held away: Recordkeeper on UBS Select Platform**

**Shadow Account Number:** \_\_\_\_\_

**AND**

**Non-Sweeping Tracking Account Number:** \_\_\_\_\_

**Other recordkeepers**

**Non-Sweeping Tracking Account Number:** \_\_\_\_\_

**For Plan assets held at UBS: UBS Account Number** \_\_\_\_\_

**Note: For FA partner relationships, the account must be opened in the IC branch.**

**Custody of Assets**

- Assets held at UBS
- Assets held away: Custodian(s) name \_\_\_\_\_

Excluded Assets: \_\_\_\_\_

Include: custodial statements

Include: send proof of 12b-1 credit information to [DL-WMA-UBS-IC-Billing](#)

\_\_\_\_\_  
*Institutional Consultant Signature*

\_\_\_\_\_  
*Institutional Consultant Print Name*     *Date*

\_\_\_\_\_  
*Branch Office Manager Signature*

\_\_\_\_\_  
*Branch Manager Print Name*     *Date*

\_\_\_\_\_  
*IC Program Manager Signature/Print*

\_\_\_\_\_  
*Title*     *Date*

**Exhibit A: Sample Client Acknowledgement for Non-Researched Investments**

Dear [Client Name],

UBS Financial Services Inc and UBS Institutional Consulting make recommendations or perform ongoing due diligence on an extensive list of managed investments included in our Firm-sponsored programs or otherwise reviewed or screened by us.

As one of our UBS Institutional Consulting clients, you have decided to purchase/retain managers, mutual funds, ETFs, alternative investments and/or other managed investments that were selected unassisted by UBS Institutional Consulting as follows:

- [Manager/Fund /ETF /AI /Other Managed Investment #1]
- [Manager/Fund /ETF /AI /Other Managed Investment #2]
- [Manager/Fund /ETF /AI /Other Managed Investment #3]

This letter is to confirm, with your signature below where indicated, that these managed investments will be/were engaged without the assistance or recommendation of UBS. This letter is also to confirm that if, in providing the services under your consulting services agreement, UBS Institutional Consulting provides reports that include an asset allocation or an evaluation of the performance of these managed investments, such reports will not constitute a recommendation by us that you continue to retain these strategies. UBS will neither perform ongoing review of these strategies nor offer recommendations in the future regarding them.

We appreciate the opportunity to serve as your investment consultant.  
Thank you for your assistance in this matter.

Sincerely,

[Consultant Name]  
[Firm Title]  
Institutional Consultant, UBS Institutional Consulting

With this understanding, I elect to retain the managed investments identified in this letter.

\_\_\_\_\_  
Client Signature

\_\_\_\_\_  
Client Name, Title and Date

**Exhibit B: Sample Manager Letter of Direction for IC Account**

Date

Investment Manager(s) Name(s)

Address

City, State Zip

Re: Letter of Direction

Our organization XXXXX has a consulting services agreement with the UBS Institutional Consulting Group (UBS-IC) of UBS Financial Services Inc. (UBS).

Under our agreement with UBS, our fees will include the costs of trade execution and custody. There are no separate or additional commission charges for transactions executed through UBS.

With that in mind, we request that you use UBS or its affiliate to execute transactions for our account, subject to best execution.

When placing trades for our account with UBS Wealth Management, you can place trades electronically or you can place trades through the UBS Wealth Management Block Trading Desk. Please also specify that the transaction is for a UBS-IC account relationship and that the transaction should be executed on an **agency** basis only.

If you instead place trades with another UBS affiliate, you must specify that it is a UBS-IC account that must be traded **agency without commission**.

To help facilitate these transactions, please use UBS's WM trading desks which can be contacted at the following numbers:

- WM Block Equity Trading Desk: (800) 537-2365 or (800) 627-3320
- WM Fixed Income Trading Desk: (201) 352-7190

This request is considered part of our investment management agreement with you unless you inform us otherwise. In addition, these instructions shall remain in effect until you are contacted by us in writing to modify or cancel.

Sincerely,

---

(Client)



**UBS Financial Services Inc.**

1200 Harbor Boulevard  
Weehawken, NJ 07086  
(201) 352-3000

SEC File Number: 801-7163

Date: August 26, 2013

**Form ADV Brochure Supplement for**

Rebecca S. Sorensen  
UBS Financial Services Inc.

325 N. Old Woodward Ave  
Suite 200  
Birmingham, MI 48009-5335

248-645-4945  
rebecca.sorensen@ubs.com

**This Form ADV Brochure Supplement provides information about Rebecca S. Sorensen that supplements the UBS Financial Services Inc. Form ADV Disclosure Brochure, which we previously provided to you. Please contact John Bush, at 248-645-7047 if you did not receive a copy of the UBS Financial Services Inc. Form ADV Disclosure Brochure, if you would like another copy of that Brochure, or if you have questions about the contents of this Supplement.**

**Additional information about Rebecca S. Sorensen is available on the Security and Exchange Commission's website, located at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), as well as the Financial Industry Regulatory Authority's website, [www.finra.org/brokercheck](http://www.finra.org/brokercheck).**

Please retain this Form ADV Brochure Supplement for future reference, as it contains important information if you decide to add services or establish additional advisory accounts at UBS. We will provide you an updated copy of this Brochure only if there are material changes to the information in Item 3 (Disciplinary Information).

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# Form ADV Brochure Supplement for Rebecca S. Sorensen

The information in this Brochure Supplement is as of August 26, 2013, and is subject to change.

## Item 2. Educational Background and Business Experience

The business background information provided below is for the last five years. **Please note:** Certain data displayed in this Brochure Supplement is supplied by third-party organizations. As a result, some information may seem unclear or inconsistent.

Your Financial Advisor	Rebecca S. Sorensen
Title	Sr Vice President--Wealth Mgmt
Year of Birth	1958
Education	Other, Bachelor of Arts
Business Background	Financial Advisor, UBS Financial Services Inc, since 2001

## Professional Designations

Rebecca S. Sorensen earned the following professional designations. Holding a professional designation typically indicates that an Financial Advisor has completed certain courses or continuing education. Additional information, including the required coursework and general length of time to complete them, follows for your reference.

<i>Designation Name</i>	<i>Designation Description</i>
Certified Investment Management Analyst	<p>Investment professionals who earn the Certified Investment Management Analyst<sup>SM</sup> (CIMA<sup>®</sup>) designation have received 320 hours of formal training that is focused on asset allocation, manager search and selection, investment policy and performance measurement.</p> <p>In addition to self-directed online education, CIMA designees attend a week-long certification course at either the Haas School of Business (University of California, Berkeley) or the Wharton School of Business (University of Pennsylvania), which culminates with the CIMA Qualification Examination.</p> <p>Designees are required to earn 40 continuing education credits every two years to maintain their CIMA designation, which is conferred by the Investment Management Consultants Association.</p>
Wealth Advisor	Investment professionals who hold the Wealth Advisor designation have completed over 150 hours of advanced training in a comprehensive blended learning program of instructor-led training, in-branch activities, online education and coaching

meetings with their managers to develop knowledge and skills that are essential for serving individuals with at least \$2 million in investable assets.

With online education modules and seven days of instructor-led workshop-style training, the program covers the following wealth management topics: investments, liabilities, insurance, executive compensation, protection strategies, qualified retirement plan and individual retirement account distributions, business succession planning, gifting to children and descendants, charitable gifting and distribution of wealth at death.

The Program concludes with a live Performance Assessment that tests designee skills in discovering client needs and articulating solutions. This designation is conferred by UBS; designees receive ongoing development through the firm's business university.

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Your Financial Advisor's use of these designations does not change UBS's obligations to you with respect to the advisory or brokerage products and services that we recommend or offer to you.

### **Item 3. Disciplinary Information**

This section includes details about certain legal and disciplinary events reported to the Securities and Exchange Commission and the Financial Industry Regulatory Authority (FINRA). Examples include final disciplinary actions taken by regulators, certain criminal charges and/or convictions and civil litigations.

#### **Rebecca S. Sorensen does not have any reportable legal or disciplinary events under the requirements applicable to investment advisers.**

The disciplinary reporting requirements for broker-dealers and investment advisers differ significantly, with FINRA requiring broker-dealers to report on matters that are not required to be reported by investment advisers. As a result, this brochure excludes matters that are not required to be reported by investment advisers, such as pending complaints and arbitrations, including those settled in our favor, as well as bankruptcies, judgments, liens, bonds, investigations and terminations. We also exclude complaints and arbitrations related to industry-wide matters as well as any complaint settled for less than \$15,000 if it is the only complaint settlement on the Financial Advisor's record within the last 10 years.

As our Financial Advisors operate as both broker-dealers and investment advisers, the legal and disciplinary information in this report is not the only resource you can consult. In addition to the information in this report, you can access information about Rebecca S. Sorensen on the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), as well as FINRA's website, [www.finra.org/brokercheck](http://www.finra.org/brokercheck), by entering Rebecca S. Sorensen's name into the corresponding search field.

### **Item 4. Other Business Activities**

This section describes investment-related businesses or occupations in which Rebecca S. Sorensen is engaged in addition to their activities as investment adviser, including potential conflicts of interest that arise as a result of these other activities. This section does not include non-investment related activity that is exclusively charitable, civic, religious or fraternal and is recognized as tax exempt.



## **A. Investment Related Activities and Occupations**

UBS Financial Services Inc. is one of the nation's leading securities firms, serving the investment and capital needs of individual, corporate and institutional clients. We are a member of all principal securities and commodities exchanges in the United States including the New York Stock Exchange (NYSE). Our parent company, UBS AG, is a global, integrated investment services firm and one of the world's leading banks. We are registered to act as a broker-dealer, investment adviser, and futures commission merchant. Currently, our principal business, in terms of its revenues and personnel, is that of a broker-dealer in securities.

As an employee of UBS, Rebecca S. Sorensen is licensed as an investment adviser representative and a broker-dealer representative, and may suggest or recommend that advisory clients use the firm's securities accounts, execution, banking and custody services, or those of UBS affiliates.

### **1. Financial Advisor Compensation**

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

The percentage of firm revenues credited to Financial Advisors in asset-based programs is higher than those for most other products and services, including the compensation they would receive if you paid separately for advice, brokerage and other services. For transactions-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. Generally, for stock and option transactions, the payout is adjusted downward to account for a \$12 per transactions fee. For asset-based fee programs and financial planning fees, the payout ranges from 20% to 48% of the commissions or sales charges paid to the firm.

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

Under certain circumstances (e.g., acquisitions and recruitment), some Financial Advisors or producing Branch Managers may be compensated differently. Financial Advisors also may receive certain revenue awards based on their production amount, business mix and net new assets. We reserve the right, at our discretion and without prior notice, to change the methods by which we compensate our Financial Advisors.

### **2. Compensation from the Sale of Investment Products**

In general, our Financial Advisors are compensated from the following sources of revenue:

- Commissions charged to clients in connection with the purchase, or sale, of equities, fixed income products and other investments such as structured products
- Markups (i.e., an increase) and markdowns (i.e., a reduction) on the price of purchases and sales of equities and fixed-income products, where the firm acts as principal, which means the securities were purchased for, or sold from, UBS's inventory
- Underwriting concessions in connection with products sold in initial offerings
- Asset-based fees and hard-dollar fees charged in connection with our investment advisory programs and financial planning services
- Interest on margin and loan accounts
- Sales loads, commissions and 12b-1 fees for various financial products, such as mutual funds, offshore funds, alternative investment funds, unit investment trusts, insurance and annuities
- Referral fees for referrals to affiliates, other employees and third parties

- A portion of the management and performance fees the Firm receives in connection with the distribution of alternative investments

### **Non-cash compensation**

Financial Advisors may receive non-cash compensation from mutual fund companies, investment managers, insurance vendors, and sponsors of products that we distribute. This compensation may include the following:

- Occasional gifts
- Occasional meals, tickets or other entertainment
- Sponsorship support of training events for our employees
- Various forms of marketing support
- Attendance at training events and due diligence meetings

The receipt of cash and non-cash compensation from sources other than clients, and the differences in which we compensate Financial Advisors for the products we offer, create an incentive for Financial Advisors to recommend certain products over others. We address these conflicts of interest by maintaining policies and procedures on the suitability and supervision of the advisory programs and services we offer to you, and by disclosing our practices to ensure you make a fully informed decision.

### **B. Outside Business Activities**

Rebecca S. Sorensen is not currently engaged in any investment-related business activities outside of his or her employment with UBS.

### **Item 5. Additional Compensation**

Financial Advisors are generally eligible to qualify for various awards. These awards and recognition programs are based on a variety of factors, including revenue, product mix, length of service and net new assets brought to the firm by the Financial Advisor, or for fulfilling other strategic goals determined by the firm. These awards are subject to various caps and deferrals.

This incentive compensation is paid in cash and long-term contingent awards in the form of restricted stock and investments in deferred compensation plans.

- **Recognition Councils**—At UBS, there are three Recognition Councils for top-performing Financial Advisors. They are Chairman's Council, President's Council and Pacesetter Council. Membership is based on a combination of production and net new asset rankings and other eligibility factors set by the firm, including disciplinary history and compliance with firm rules, standards and policies. Recognition Council members participate in training and education events that may involve travel paid for by the firm, and can participate in the UBS PartnerPlus Program (described below) and the Pacesetter Allowance Program, which provides an expense allowance for the purpose of promoting business.
- **Net New Asset Award**—Granted to a Financial Advisor based on his or her year-end result for net new assets, subject to minimum requirements and overall caps.
- **Productivity and Length of Service Awards**—These deferred awards are based on a Financial Advisor's current year production and length of service with UBS. They are subject to minimum production and length of service requirements.
- **Wealth Management Award**—This award gives Financial Advisors the potential to earn a deferred award based on eligible revenue, which includes asset-based fee revenue, credit lines, trails, financial planning fees, insurance commissions and mortgages.
- **UBS PartnerPlus/UBS Financial Advisor Deferred Award Plan/Restricted Equity program**—The deferred portion of the awards described above are credited to UBS PartnerPlus/UBS Financial Advisor deferred



award plan and/or a restricted stock program. Some Financial Advisors may also be eligible to make voluntary contributions into PartnerPlus, subject to certain caps. If a Financial Advisor does not qualify for the UBS PartnerPlus Plan, any deferred awards will be credited to the Deferred Award Plan. Both plans credit interest on a tax-deferred basis at a "turbo" rate for a certain period, then at a market rate. The plans are subject to certain vesting requirements.

- GrowthPlus program—Some Financial Advisors may be eligible to receive a lump sum based upon a percentage of their annual eligible production. Eligibility is based on length of service and production levels and is subject to certain minimum criteria. These Awards are given in the form of a loans. If the Financial Advisor leaves the Firm before the term of the loans ends, he or she must pay back a portion of the amount he or she received initially. The amount of the loan that must be paid back depends on how long the Financial Advisor remains employed by the firm. Each year he or she receives a bonus payment, which is offset against the outstanding loan balance.

#### **Item 6. Supervision**

Rebecca S. Sorensen is supervised by John Bush, whose contact information is listed below. Please contact us at any time if we can be of assistance.

John Bush  
UBS Financial Services Inc.

325 N. Old Woodward Ave  
Suite 200  
Birmingham, MI 48009-5335

248-645-7047  
john.bush@ubs.com

We have policies and procedures for the review and supervision of our investment advisory programs and services. Those policies are designed to comply with the requirements of the Investment Advisers Act of 1940, the Employee Retirement Income Security Act and other applicable rules and regulations.

There are general policies applicable to all advisory programs and services as well as individually tailored guidelines for each program and service. Because our advisory programs and services have different features, the guidelines for supervision vary.

**Advisory Programs:** Generally, advisory accounts in wrap fee programs are reviewed quarterly. Certain guidelines for specific programs, however, are reviewed daily, including principal trades and trading errors.

Items reviewed generally include, but are not limited to the following, based on the specific features and services of the program or service:

- Consistency of the client's investment profile with the selection of investment managers, asset allocation plans, and discretionary investment strategies
- Levels of security and cash concentration
- Compliance with principal trade restrictions where those trades are not permitted
- Compliance with principal trade requirements for programs that offer principal trade execution
- Levels of unsolicited trading and trading activity in certain programs
- Review of performance and style drift of researched investment managers

Branch Managers are responsible for the supervising and reviewing of these accounts. Reports are generated and provided to Financial Advisors and Branch Managers for follow-up and resolution.

The advice and services provided through the Institutional Consulting Program are subject to review twice a year by Branch Managers for consistency with parameters established by clients, such as compliance with investment policy statements.

**Financial Plans:** The level of review of a financial plan depends on the particular planning service selected.

Financial Goal Analysis (FGA)—Branch Managers or their delegates must review a certain percentage of the FGA plans prepared for clients on a monthly basis. The content of the plans is reviewed, and any variations from the standards are documented. When a fee is charged for an FGA, the Financial Planning Group reviews the completed table of contents for the plan to confirm that appropriate plan sections or modules are included, or that any exclusions are documented or explained.

Preferred Plans—Preferred plan reports are generally reviewed and approved by the Preferred Planning Group or a Wealth Management Consultant before they are delivered to clients. Certain pre-approved Financial Advisors are not required to submit their plans to the Preferred Planning Group for review. However, the Preferred Planning Group reviews a sample of those plans periodically, usually monthly.

Private Plans—Private Plans are complex, highly customized reports that are generated only by members of the Private Planning Group. All private plans are subject to peer review by another member of the Private Planning Group before they are delivered to clients.

## Questions

If you have questions regarding your investment advisory accounts, advisory services or financial plans, please contact your Financial Advisor, Rebecca S. Sorensen, at 248-645-4945. If you have questions regarding the information in this Brochure Supplement, please contact your Financial Advisor or the Supervisor, John Bush, at 248-645-7047.



**UBS Financial Services Inc.**  
1200 Harbor Boulevard  
Weehawken, NJ 07086  
(201) 352-3000

SEC File Number: 801-7163  
Date: August 26, 2013

**Form ADV Brochure Supplement for**

Darin McBride  
UBS Financial Services Inc.

325 N. Old Woodward Ave  
Suite 200  
Birmingham, MI 48009-5335

248-645-8719  
darin.mcbride@ubs.com

**This Form ADV Brochure Supplement provides information about Darin McBride that supplements the UBS Financial Services Inc. Form ADV Disclosure Brochure, which we previously provided to you. Please contact John Bush, at 248-645-7047 if you did not receive a copy of the UBS Financial Services Inc. Form ADV Disclosure Brochure, if you would like another copy of that Brochure, or if you have questions about the contents of this Supplement.**

**Additional information about Darin McBride is available on the Security and Exchange Commission's website, located at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), as well as the Financial Industry Regulatory Authority's website, [www.finra.org/brokercheck](http://www.finra.org/brokercheck).**

Please retain this Form ADV Brochure Supplement for future reference, as it contains important information if you decide to add services or establish additional advisory accounts at UBS. We will provide you an updated copy of this Brochure only if there are material changes to the information in Item 3 (Disciplinary Information).

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## Form ADV Brochure Supplement for Darin McBride

The information in this Brochure Supplement is as of August 26, 2013, and is subject to change.

### Item 2. Educational Background and Business Experience

The business background information provided below is for the last five years. **Please note:** Certain data displayed in this Brochure Supplement is supplied by third-party organizations. As a result, some information may seem unclear or inconsistent.

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Your Financial Advisor	Darin McBride
Title	Vice President--Wealth Mgmt
Year of Birth	1966
Education	University Of Wisconsin, Master of Science Michigan State University, Bachelor of Science
Business Background	Account Vice President, Portfolio Manager, UBS Financial Services Inc, since 2005

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### Professional Designations

Darin McBride earned the following professional designation. Holding a professional designation typically indicates that an Financial Advisor has completed certain courses or continuing education. Additional information, including the required coursework and general length of time to complete it, follows for your reference.

<i>Designation Name</i>	<i>Designation Description</i>
Chartered Retirement Planning Counselor	<p>Investment professionals with the Chartered Retirement Planning Counselor (CRPC®) designation have completed a six-week, 60-hour course covering more than 10 key topics.</p> <p>The curriculum covers a variety of principles in retirement planning for individuals including: the retirement planning process; sources of retirement income; personal savings; employer-sponsored plans; individual deferred compensation; planning for incapacity, disability and long-term care; determining when to retire; retirement plan distributions; asset management; investment strategy; income taxes and estate planning.</p> <p>In addition to the formal coursework, designees are required to earn 16 continuing education credits every two years to maintain their CRPC designation, which is conferred by the College for Financial Planning.</p>

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Your Financial Advisor's use of this designation does not change UBS's obligations to you with respect to the advisory or brokerage products and services that we recommend or offer to you.

### **Item 3. Disciplinary Information**

This section includes details about certain legal and disciplinary events reported to the Securities and Exchange Commission and the Financial Industry Regulatory Authority (FINRA). Examples include final disciplinary actions taken by regulators, certain criminal charges and/or convictions and civil litigations.

**Darin McBride does not have any reportable legal or disciplinary events under the requirements applicable to investment advisers.**

The disciplinary reporting requirements for broker-dealers and investment advisers differ significantly, with FINRA requiring broker-dealers to report on matters that are not required to be reported by investment advisers. As a result, this brochure excludes matters that are not required to be reported by investment advisers, such as pending complaints and arbitrations, including those settled in our favor, as well as bankruptcies, judgments, liens, bonds, investigations and terminations. We also exclude complaints and arbitrations related to industry-wide matters as well as any complaint settled for less than \$15,000 if it is the only complaint settlement on the Financial Advisor's record within the last 10 years.

As our Financial Advisors operate as both broker-dealers and investment advisers, the legal and disciplinary information in this report is not the only resource you can consult. In addition to the information in this report, you can access information about Darin McBride on the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), as well as FINRA's website, [www.finra.org/brokercheck](http://www.finra.org/brokercheck), by entering Darin McBride's name into the corresponding search field.

### **Item 4. Other Business Activities**

This section describes investment-related businesses or occupations in which Darin McBride is engaged in addition to their activities as investment adviser, including potential conflicts of interest that arise as a result of these other activities. This section does not include non-investment related activity that is exclusively charitable, civic, religious or fraternal and is recognized as tax exempt.

#### **A. Investment Related Activities and Occupations**

UBS Financial Services Inc. is one of the nation's leading securities firms, serving the investment and capital needs of individual, corporate and institutional clients. We are a member of all principal securities and commodities exchanges in the United States including the New York Stock Exchange (NYSE). Our parent company, UBS AG, is a global, integrated investment services firm and one of the world's leading banks. We are registered to act as a broker-dealer, investment adviser, and futures commission merchant. Currently, our principal business, in terms of its revenues and personnel, is that of a broker-dealer in securities.

As an employee of UBS, Darin McBride is licensed as an investment adviser representative and a broker-dealer representative, and may suggest or recommend that advisory clients use the firm's securities accounts, execution, banking and custody services, or those of UBS affiliates.

#### **1. Financial Advisor Compensation**

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



The percentage of firm revenues credited to Financial Advisors in asset-based programs is higher than those for most other products and services, including the compensation they would receive if you paid separately for advice, brokerage and other services. For transactions-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. Generally, for stock and option transactions, the payout is adjusted downward to account for a \$12 per transactions fee. For asset-based fee programs and financial planning fees, the payout ranges from 20% to 48% of the commissions or sales charges paid to the firm.

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

Under certain circumstances (e.g., acquisitions and recruitment), some Financial Advisors or producing Branch Managers may be compensated differently. Financial Advisors also may receive certain revenue awards based on their production amount, business mix and net new assets. We reserve the right, at our discretion and without prior notice, to change the methods by which we compensate our Financial Advisors.

## **2. Compensation from the Sale of Investment Products**

In general, our Financial Advisors are compensated from the following sources of revenue:

- Commissions charged to clients in connection with the purchase, or sale, of equities, fixed income products and other investments such as structured products
- Markups (i.e., an increase) and markdowns (i.e., a reduction) on the price of purchases and sales of equities and fixed-income products, where the firm acts as principal, which means the securities were purchased for, or sold from, UBS's inventory
- Underwriting concessions in connection with products sold in initial offerings
- Asset-based fees and hard-dollar fees charged in connection with our investment advisory programs and financial planning services
- Interest on margin and loan accounts
- Sales loads, commissions and 12b-1 fees for various financial products, such as mutual funds, offshore funds, alternative investment funds, unit investment trusts, insurance and annuities
- Referral fees for referrals to affiliates, other employees and third parties
- A portion of the management and performance fees the Firm receives in connection with the distribution of alternative investments

### **Non-cash compensation**

Financial Advisors may receive non-cash compensation from mutual fund companies, investment managers, insurance vendors, and sponsors of products that we distribute. This compensation may include the following:

- Occasional gifts
- Occasional meals, tickets or other entertainment
- Sponsorship support of training events for our employees
- Various forms of marketing support
- Attendance at training events and due diligence meetings

The receipt of cash and non-cash compensation from sources other than clients, and the differences in which we compensate Financial Advisors for the products we offer, create an incentive for Financial Advisors to recommend certain products over others. We address these conflicts of interest by maintaining policies and procedures on the suitability and supervision of the advisory programs and services we offer to you, and by disclosing our practices to ensure you make a fully informed decision.

## **B. Outside Business Activities**

Darin McBride is not currently engaged in any investment-related business activities outside of his or her employment with UBS.

### **Item 5. Additional Compensation**

Financial Advisors are generally eligible to qualify for various awards. These awards and recognition programs are based on a variety of factors, including revenue, product mix, length of service and net new assets brought to the firm by the Financial Advisor, or for fulfilling other strategic goals determined by the firm. These awards are subject to various caps and deferrals.

This incentive compensation is paid in cash and long-term contingent awards in the form of restricted stock and investments in deferred compensation plans.

- **Recognition Councils**—At UBS, there are three Recognition Councils for top-performing Financial Advisors. They are Chairman's Council, President's Council and Pacesetter Council. Membership is based on a combination of production and net new asset rankings and other eligibility factors set by the firm, including disciplinary history and compliance with firm rules, standards and policies. Recognition Council members participate in training and education events that may involve travel paid for by the firm, and can participate in the UBS PartnerPlus Program (described below) and the Pacesetter Allowance Program, which provides an expense allowance for the purpose of promoting business.
- **Net New Asset Award**—Granted to a Financial Advisor based on his or her year-end result for net new assets, subject to minimum requirements and overall caps.
- **Productivity and Length of Service Awards**—These deferred awards are based on a Financial Advisor's current year production and length of service with UBS. They are subject to minimum production and length of service requirements.
- **Wealth Management Award**—This award gives Financial Advisors the potential to earn a deferred award based on eligible revenue, which includes asset-based fee revenue, credit lines, trails, financial planning fees, insurance commissions and mortgages.
- **UBS PartnerPlus/UBS Financial Advisor Deferred Award Plan/Restricted Equity program**—The deferred portion of the awards described above are credited to UBS PartnerPlus/UBS Financial Advisor deferred award plan and/or a restricted stock program. Some Financial Advisors may also be eligible to make voluntary contributions into PartnerPlus, subject to certain caps. If a Financial Advisor does not qualify for the UBS PartnerPlus Plan, any deferred awards will be credited to the Deferred Award Plan. Both plans credit interest on a tax-deferred basis at a "turbo" rate for a certain period, then at a market rate. The plans are subject to certain vesting requirements.
- **GrowthPlus program**—Some Financial Advisors may be eligible to receive a lump sum based upon a percentage of their annual eligible production. Eligibility is based on length of service and production levels and is subject to certain minimum criteria. These Awards are given in the form of a loans. If the Financial Advisor leaves the Firm before the term of the loans ends, he or she must pay back a portion of the amount he or she received initially. The amount of the loan that must be paid back depends on how long the Financial Advisor remains employed by the firm. Each year he or she receives a bonus payment, which is offset against the outstanding loan balance.



## Item 6. Supervision

Darin McBride is supervised by John Bush, whose contact information is listed below. Please contact us at any time if we can be of assistance.

John Bush  
UBS Financial Services Inc.

325 N. Old Woodward Ave  
Suite 200  
Birmingham, MI 48009-5335

248-645-7047  
john.bush@ubs.com

We have policies and procedures for the review and supervision of our investment advisory programs and services. Those policies are designed to comply with the requirements of the Investment Advisers Act of 1940, the Employee Retirement Income Security Act and other applicable rules and regulations.

There are general policies applicable to all advisory programs and services as well as individually tailored guidelines for each program and service. Because our advisory programs and services have different features, the guidelines for supervision vary.

**Advisory Programs:** Generally, advisory accounts in wrap fee programs are reviewed quarterly. Certain guidelines for specific programs, however, are reviewed daily, including principal trades and trading errors.

Items reviewed generally include, but are not limited to the following, based on the specific features and services of the program or service:

- Consistency of the client's investment profile with the selection of investment managers, asset allocation plans, and discretionary investment strategies
- Levels of security and cash concentration
- Compliance with principal trade restrictions where those trades are not permitted
- Compliance with principal trade requirements for programs that offer principal trade execution
- Levels of unsolicited trading and trading activity in certain programs
- Review of performance and style drift of researched investment managers

Branch Managers are responsible for the supervising and reviewing of these accounts. Reports are generated and provided to Financial Advisors and Branch Managers for follow-up and resolution.

The advice and services provided through the Institutional Consulting Program are subject to review twice a year by Branch Managers for consistency with parameters established by clients, such as compliance with investment policy statements.

**Financial Plans:** The level of review of a financial plan depends on the particular planning service selected.

Financial Goal Analysis (FGA)—Branch Managers or their delegates must review a certain percentage of the FGA plans prepared for clients on a monthly basis. The content of the plans is reviewed, and any variations

from the standards are documented. When a fee is charged for an FGA, the Financial Planning Group reviews the completed table of contents for the plan to confirm that appropriate plan sections or modules are included, or that any exclusions are documented or explained.

**Preferred Plans**—Preferred plan reports are generally reviewed and approved by the Preferred Planning Group or a Wealth Management Consultant before they are delivered to clients. Certain pre-approved Financial Advisors are not required to submit their plans to the Preferred Planning Group for review. However, the Preferred Planning Group reviews a sample of those plans periodically, usually monthly.

**Private Plans**—Private Plans are complex, highly customized reports that are generated only by members of the Private Planning Group. All private plans are subject to peer review by another member of the Private Planning Group before they are delivered to clients.

## **Questions**

If you have questions regarding your investment advisory accounts, advisory services or financial plans, please contact your Financial Advisor, Darin McBride, at 248-645-8719. If you have questions regarding the information in this Brochure Supplement, please contact your Financial Advisor or the Supervisor, John Bush, at 248-645-7047.



**UBS Financial Services Inc.**

1200 Harbor Boulevard  
Weehawken, NJ 07086  
(201) 352-3000

SEC File Number: 801-7163

Date: August 26, 2013

**Form ADV Brochure Supplement for**

Louise A. Emerson  
UBS Financial Services Inc.

325 N. Old Woodward Ave  
Suite 200  
Birmingham, MI 48009-5335

248-645-6400  
louise.emerson@ubs.com

**This Form ADV Brochure Supplement provides information about Louise A. Emerson that supplements the UBS Financial Services Inc. Form ADV Disclosure Brochure, which we previously provided to you. Please contact John Bush, at 248-645-7047 if you did not receive a copy of the UBS Financial Services Inc. Form ADV Disclosure Brochure, if you would like another copy of that Brochure, or if you have questions about the contents of this Supplement.**

**Additional information about Louise A. Emerson is available on the Security and Exchange Commission's website, located at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), as well as the Financial Industry Regulatory Authority's website, [www.finra.org/brokercheck](http://www.finra.org/brokercheck).**

Please retain this Form ADV Brochure Supplement for future reference, as it contains important information if you decide to add services or establish additional advisory accounts at UBS. We will provide you an updated copy of this Brochure only if there are material changes to the information in Item 3 (Disciplinary Information).

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## Form ADV Brochure Supplement for Louise A. Emerson

The information in this Brochure Supplement is as of August 26, 2013, and is subject to change.

### Item 2. Educational Background and Business Experience

The business background information provided below is for the last five years. **Please note:** Certain data displayed in this Brochure Supplement is supplied by third-party organizations. As a result, some information may seem unclear or inconsistent.

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Your Financial Advisor	Louise A. Emerson
Title	Sr Vice President--Investments
Year of Birth	1959
Education	Oakland University, Bachelor of Science
Business Background	Financial Advisor, UBS Financial Services Inc, since 2009 Mass Transfer, Morgan Stanley & Co., Incorporated, 2007 – 2009

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### Item 3. Disciplinary Information

This section includes details about certain legal and disciplinary events reported to the Securities and Exchange Commission and the Financial Industry Regulatory Authority (FINRA). Examples include final disciplinary actions taken by regulators, certain criminal charges and/or convictions and civil litigations.

**Louise A. Emerson does not have any reportable legal or disciplinary events under the requirements applicable to investment advisers.**

The disciplinary reporting requirements for broker-dealers and investment advisers differ significantly, with FINRA requiring broker-dealers to report on matters that are not required to be reported by investment advisers. As a result, this brochure excludes matters that are not required to be reported by investment advisers, such as pending complaints and arbitrations, including those settled in our favor, as well as bankruptcies, judgments, liens, bonds, investigations and terminations. We also exclude complaints and arbitrations related to industry-wide matters as well as any complaint settled for less than \$15,000 if it is the only complaint settlement on the Financial Advisor's record within the last 10 years.

As our Financial Advisors operate as both broker-dealers and investment advisers, the legal and disciplinary information in this report is not the only resource you can consult. In addition to the information in this report, you can access information about Louise A. Emerson on the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), as well as FINRA's website, [www.finra.org/brokercheck](http://www.finra.org/brokercheck), by entering Louise A. Emerson's name into the corresponding search field.

## **Item 4. Other Business Activities**

This section describes investment-related businesses or occupations in which Louise A. Emerson is engaged in addition to their activities as investment adviser, including potential conflicts of interest that arise as a result of these other activities. This section does not include non-investment related activity that is exclusively charitable, civic, religious or fraternal and is recognized as tax exempt.

### **A. Investment Related Activities and Occupations**

UBS Financial Services Inc. is one of the nation's leading securities firms, serving the investment and capital needs of individual, corporate and institutional clients. We are a member of all principal securities and commodities exchanges in the United States including the New York Stock Exchange (NYSE). Our parent company, UBS AG, is a global, integrated investment services firm and one of the world's leading banks. We are registered to act as a broker-dealer, investment adviser, and futures commission merchant. Currently, our principal business, in terms of its revenues and personnel, is that of a broker-dealer in securities.

As an employee of UBS, Louise A. Emerson is licensed as an investment adviser representative and a broker-dealer representative, and may suggest or recommend that advisory clients use the firm's securities accounts, execution, banking and custody services, or those of UBS affiliates.

#### **1. Financial Advisor Compensation**

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

The percentage of firm revenues credited to Financial Advisors in asset-based programs is higher than those for most other products and services, including the compensation they would receive if you paid separately for advice, brokerage and other services. For transactions-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. Generally, for stock and option transactions, the payout is adjusted downward to account for a \$12 per transactions fee. For asset-based fee programs and financial planning fees, the payout ranges from 20% to 48% of the commissions or sales charges paid to the firm.

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

Under certain circumstances (e.g., acquisitions and recruitment), some Financial Advisors or producing Branch Managers may be compensated differently. Financial Advisors also may receive certain revenue awards based on their production amount, business mix and net new assets. We reserve the right, at our discretion and without prior notice, to change the methods by which we compensate our Financial Advisors.

#### **2. Compensation from the Sale of Investment Products**

In general, our Financial Advisors are compensated from the following sources of revenue:

- Commissions charged to clients in connection with the purchase, or sale, of equities, fixed income products and other investments such as structured products

- Markups (i.e., an increase) and markdowns (i.e., a reduction) on the price of purchases and sales of equities and fixed-income products, where the firm acts as principal, which means the securities were purchased for, or sold from, UBS's inventory
- Underwriting concessions in connection with products sold in initial offerings
- Asset-based fees and hard-dollar fees charged in connection with our investment advisory programs and financial planning services
- Interest on margin and loan accounts
- Sales loads, commissions and 12b-1 fees for various financial products, such as mutual funds, offshore funds, alternative investment funds, unit investment trusts, insurance and annuities
- Referral fees for referrals to affiliates, other employees and third parties
- A portion of the management and performance fees the Firm receives in connection with the distribution of alternative investments

### **Non-cash compensation**

Financial Advisors may receive non-cash compensation from mutual fund companies, investment managers, insurance vendors, and sponsors of products that we distribute. This compensation may include the following:

- Occasional gifts
- Occasional meals, tickets or other entertainment
- Sponsorship support of training events for our employees
- Various forms of marketing support
- Attendance at training events and due diligence meetings

The receipt of cash and non-cash compensation from sources other than clients, and the differences in which we compensate Financial Advisors for the products we offer, create an incentive for Financial Advisors to recommend certain products over others. We address these conflicts of interest by maintaining policies and procedures on the suitability and supervision of the advisory programs and services we offer to you, and by disclosing our practices to ensure you make a fully informed decision.

### **B. Outside Business Activities**

Louise A. Emerson is not currently engaged in any investment-related business activities outside of his or her employment with UBS.

### **Item 5. Additional Compensation**

Financial Advisors are generally eligible to qualify for various awards. These awards and recognition programs are based on a variety of factors, including revenue, product mix, length of service and net new assets brought to the firm by the Financial Advisor, or for fulfilling other strategic goals determined by the firm. These awards are subject to various caps and deferrals.

This incentive compensation is paid in cash and long-term contingent awards in the form of restricted stock and investments in deferred compensation plans.

- Recognition Councils—At UBS, there are three Recognition Councils for top-performing Financial Advisors. They are Chairman's Council, President's Council and Pacesetter Council. Membership is based on a combination of production and net new asset rankings and other eligibility factors set by the firm, including disciplinary history and compliance with firm rules, standards and policies. Recognition Council members participate in training and education events that may involve travel paid for by the firm, and can participate in the UBS PartnerPlus Program (described below) and the Pacesetter Allowance Program, which provides an expense allowance for the purpose of promoting business.

- Net New Asset Award—Granted to a Financial Advisor based on his or her year-end result for net new assets, subject to minimum requirements and overall caps.
- Productivity and Length of Service Awards—These deferred awards are based on a Financial Advisor's current year production and length of service with UBS. They are subject to minimum production and length of service requirements.
- Wealth Management Award—This award gives Financial Advisors the potential to earn a deferred award based on eligible revenue, which includes asset-based fee revenue, credit lines, trails, financial planning fees, insurance commissions and mortgages.
- UBS PartnerPlus/UBS Financial Advisor Deferred Award Plan/Restricted Equity program—The deferred portion of the awards described above are credited to UBS PartnerPlus/UBS Financial Advisor deferred award plan and/or a restricted stock program. Some Financial Advisors may also be eligible to make voluntary contributions into PartnerPlus, subject to certain caps. If a Financial Advisor does not qualify for the UBS PartnerPlus Plan, any deferred awards will be credited to the Deferred Award Plan. Both plans credit interest on a tax-deferred basis at a “turbo” rate for a certain period, then at a market rate. The plans are subject to certain vesting requirements.
- GrowthPlus program—Some Financial Advisors may be eligible to receive a lump sum based upon a percentage of their annual eligible production. Eligibility is based on length of service and production levels and is subject to certain minimum criteria. These Awards are given in the form of a loans. If the Financial Advisor leaves the Firm before the term of the loans ends, he or she must pay back a portion of the amount he or she received initially. The amount of the loan that must be paid back depends on how long the Financial Advisor remains employed by the firm. Each year he or she receives a bonus payment, which is offset against the outstanding loan balance.

## **Item 6. Supervision**

Louise A. Emerson is supervised by John Bush, whose contact information is listed below. Please contact us at any time if we can be of assistance.

John Bush  
UBS Financial Services Inc.

325 N. Old Woodward Ave  
Suite 200  
Birmingham, MI 48009-5335

248-645-7047  
john.bush@ubs.com

We have policies and procedures for the review and supervision of our investment advisory programs and services. Those policies are designed to comply with the requirements of the Investment Advisers Act of 1940, the Employee Retirement Income Security Act and other applicable rules and regulations.

There are general policies applicable to all advisory programs and services as well as individually tailored guidelines for each program and service. Because our advisory programs and services have different features, the guidelines for supervision vary.



**Advisory Programs:** Generally, advisory accounts in wrap fee programs are reviewed quarterly. Certain guidelines for specific programs, however, are reviewed daily, including principal trades and trading errors.

Items reviewed generally include, but are not limited to the following, based on the specific features and services of the program or service:

- Consistency of the client's investment profile with the selection of investment managers, asset allocation plans, and discretionary investment strategies
- Levels of security and cash concentration
- Compliance with principal trade restrictions where those trades are not permitted
- Compliance with principal trade requirements for programs that offer principal trade execution
- Levels of unsolicited trading and trading activity in certain programs
- Review of performance and style drift of researched investment managers

Branch Managers are responsible for the supervising and reviewing of these accounts. Reports are generated and provided to Financial Advisors and Branch Managers for follow-up and resolution.

The advice and services provided through the Institutional Consulting Program are subject to review twice a year by Branch Managers for consistency with parameters established by clients, such as compliance with investment policy statements.

**Financial Plans:** The level of review of a financial plan depends on the particular planning service selected.

Financial Goal Analysis (FGA)—Branch Managers or their delegates must review a certain percentage of the FGA plans prepared for clients on a monthly basis. The content of the plans is reviewed, and any variations from the standards are documented. When a fee is charged for an FGA, the Financial Planning Group reviews the completed table of contents for the plan to confirm that appropriate plan sections or modules are included, or that any exclusions are documented or explained.

Preferred Plans—Preferred plan reports are generally reviewed and approved by the Preferred Planning Group or a Wealth Management Consultant before they are delivered to clients. Certain pre-approved Financial Advisors are not required to submit their plans to the Preferred Planning Group for review. However, the Preferred Planning Group reviews a sample of those plans periodically, usually monthly.

Private Plans—Private Plans are complex, highly customized reports that are generated only by members of the Private Planning Group. All private plans are subject to peer review by another member of the Private Planning Group before they are delivered to clients.

## Questions

If you have questions regarding your investment advisory accounts, advisory services or financial plans, please contact your Financial Advisor, Louise A. Emerson, at 248-645-6400. If you have questions regarding the information in this Brochure Supplement, please contact your Financial Advisor or the Supervisor, John Bush, at 248-645-7047.





**UBS Financial Services Inc.**

1200 Harbor Boulevard  
Weehawken, NJ 07086  
(201) 352-3000

SEC File Number: 801-7163

Date: August 26, 2013

**Form ADV Brochure Supplement for**

Craig A. Brass  
UBS Financial Services Inc.

325 N. Old Woodward Ave  
Suite 200  
Birmingham, MI 48009-5335

248-645-6400  
craig.brass@ubs.com

**This Form ADV Brochure Supplement provides information about Craig A. Brass that supplements the UBS Financial Services Inc. Form ADV Disclosure Brochure, which we previously provided to you. Please contact John Bush, at 248-645-7047 if you did not receive a copy of the UBS Financial Services Inc. Form ADV Disclosure Brochure, if you would like another copy of that Brochure, or if you have questions about the contents of this Supplement.**

**Additional information about Craig A. Brass is available on the Security and Exchange Commission's website, located at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), as well as the Financial Industry Regulatory Authority's website, [www.finra.org/brokercheck](http://www.finra.org/brokercheck).**

Please retain this Form ADV Brochure Supplement for future reference, as it contains important information if you decide to add services or establish additional advisory accounts at UBS. We will provide you an updated copy of this Brochure only if there are material changes to the information in Item 3 (Disciplinary Information).

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## Form ADV Brochure Supplement for Craig A. Brass

The information in this Brochure Supplement is as of August 26, 2013, and is subject to change.

### Item 2. Educational Background and Business Experience

The business background information provided below is for the last five years. **Please note:** Certain data displayed in this Brochure Supplement is supplied by third-party organizations. As a result, some information may seem unclear or inconsistent.

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Your Financial Advisor	Craig A. Brass
Title	First Vice Pres--Investments
Year of Birth	1959
Education	Michigan State University, Master of Arts Bowling Green State U, Bachelor of Science
Business Background	Financial Advisor, UBS Financial Services Inc, since 2009 Mass Transfer, Morgan Stanley & Co., Incorporated, 2000 – 2009

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### Item 3. Disciplinary Information

This section includes details about certain legal and disciplinary events reported to the Securities and Exchange Commission and the Financial Industry Regulatory Authority (FINRA). Examples include final disciplinary actions taken by regulators, certain criminal charges and/or convictions and civil litigations.

**Craig A. Brass does not have any reportable legal or disciplinary events under the requirements applicable to investment advisers.**

The disciplinary reporting requirements for broker-dealers and investment advisers differ significantly, with FINRA requiring broker-dealers to report on matters that are not required to be reported by investment advisers. As a result, this brochure excludes matters that are not required to be reported by investment advisers, such as pending complaints and arbitrations, including those settled in our favor, as well as bankruptcies, judgments, liens, bonds, investigations and terminations. We also exclude complaints and arbitrations related to industry-wide matters as well as any complaint settled for less than \$15,000 if it is the only complaint settlement on the Financial Advisor's record within the last 10 years.

As our Financial Advisors operate as both broker-dealers and investment advisers, the legal and disciplinary information in this report is not the only resource you can consult. In addition to the information in this report, you can access information about Craig A. Brass on the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), as well as FINRA's website, [www.finra.org/brokercheck](http://www.finra.org/brokercheck), by entering Craig A. Brass's name into the corresponding search field.

## **Item 4. Other Business Activities**

This section describes investment-related businesses or occupations in which Craig A. Brass is engaged in addition to their activities as investment adviser, including potential conflicts of interest that arise as a result of these other activities. This section does not include non-investment related activity that is exclusively charitable, civic, religious or fraternal and is recognized as tax exempt.

### **A. Investment Related Activities and Occupations**

UBS Financial Services Inc. is one of the nation's leading securities firms, serving the investment and capital needs of individual, corporate and institutional clients. We are a member of all principal securities and commodities exchanges in the United States including the New York Stock Exchange (NYSE). Our parent company, UBS AG, is a global, integrated investment services firm and one of the world's leading banks. We are registered to act as a broker-dealer, investment adviser, and futures commission merchant. Currently, our principal business, in terms of its revenues and personnel, is that of a broker-dealer in securities.

As an employee of UBS, Craig A. Brass is licensed as an investment adviser representative and a broker-dealer representative, and may suggest or recommend that advisory clients use the firm's securities accounts, execution, banking and custody services, or those of UBS affiliates.

#### **1. Financial Advisor Compensation**

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

The percentage of firm revenues credited to Financial Advisors in asset-based programs is higher than those for most other products and services, including the compensation they would receive if you paid separately for advice, brokerage and other services. For transactions-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. Generally, for stock and option transactions, the payout is adjusted downward to account for a \$12 per transactions fee. For asset-based fee programs and financial planning fees, the payout ranges from 20% to 48% of the commissions or sales charges paid to the firm.

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

Under certain circumstances (e.g., acquisitions and recruitment), some Financial Advisors or producing Branch Managers may be compensated differently. Financial Advisors also may receive certain revenue awards based on their production amount, business mix and net new assets. We reserve the right, at our discretion and without prior notice, to change the methods by which we compensate our Financial Advisors.

#### **2. Compensation from the Sale of Investment Products**

In general, our Financial Advisors are compensated from the following sources of revenue:

- Commissions charged to clients in connection with the purchase, or sale, of equities, fixed income products and other investments such as structured products

- Markups (i.e., an increase) and markdowns (i.e., a reduction) on the price of purchases and sales of equities and fixed-income products, where the firm acts as principal, which means the securities were purchased for, or sold from, UBS's inventory
- Underwriting concessions in connection with products sold in initial offerings
- Asset-based fees and hard-dollar fees charged in connection with our investment advisory programs and financial planning services
- Interest on margin and loan accounts
- Sales loads, commissions and 12b-1 fees for various financial products, such as mutual funds, offshore funds, alternative investment funds, unit investment trusts, insurance and annuities
- Referral fees for referrals to affiliates, other employees and third parties
- A portion of the management and performance fees the Firm receives in connection with the distribution of alternative investments

### **Non-cash compensation**

Financial Advisors may receive non-cash compensation from mutual fund companies, investment managers, insurance vendors, and sponsors of products that we distribute. This compensation may include the following:

- Occasional gifts
- Occasional meals, tickets or other entertainment
- Sponsorship support of training events for our employees
- Various forms of marketing support
- Attendance at training events and due diligence meetings

The receipt of cash and non-cash compensation from sources other than clients, and the differences in which we compensate Financial Advisors for the products we offer, create an incentive for Financial Advisors to recommend certain products over others. We address these conflicts of interest by maintaining policies and procedures on the suitability and supervision of the advisory programs and services we offer to you, and by disclosing our practices to ensure you make a fully informed decision.

### **B. Outside Business Activities**

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### **Item 5. Additional Compensation**

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