

Conducting Business with UBS

Understanding the Differences Between Investment Advisory and Broker-Dealer Services

As a firm that provides wealth management services to clients in the U.S., UBS Financial Services Inc. is registered with the U.S. Securities and Exchange Commission (SEC) as a broker-dealer and an investment adviser, offering both brokerage and investment advisory services.

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 a broker-dealer, as an investment adviser, or as both. Most of our Financial Advisors are qualified and licensed to provide both brokerage and advisory services depending on the services their clients need.

In addition, some of our Financial Advisors hold educational or professional 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, a Financial Advisor's professional designation does not change UBS's or the Financial Advisor's obligation to you in either the advisory or brokerage services offered to you.

It is important to understand that brokerage and investment advisory services are separate and distinct and each is governed by different laws and separate contracts with you. While there are similarities between 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.

This document is intended to inform you about the key distinctions between brokerage and investment advisory services and our respective duties and obligations. We encourage you to review it carefully and discuss it with your Financial Advisor.

Our Services as a Broker-Dealer and Relationship With You

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

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

Our Responsibilities to You as a Broker-Dealer

When we act as your broker, we are subject to the Securities Exchange Act of 1934, the Securities Act of 1933, the rules of self-regulatory organizations such as the Financial Industry Regulatory Authority (FINRA) and applicable state laws. The standards for broker-dealers include the following:

- As your broker-dealer, we have a duty to deal fairly with you. Consistent with our duty of fairness, we are

obligated to make sure that the prices you receive when we execute transactions for you are reasonable and fair in light of prevailing market conditions and that the commissions and other fees we charge you are not excessive.

- We must have a reasonable basis for believing that any securities recommendations we make to you are suitable and appropriate for you, given your individual financial circumstances, needs and goals.
- We are permitted to trade with you for our own account ("principal trading") or for an affiliate or another client and may earn a profit on those trades. When we engage in these trades, we disclose the capacity in which we acted on your confirmation, though we are not required to communicate this or obtain your consent in advance or to inform you of the profit earned on the trades.
- **When we act as 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 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 are providing investment advisory services to you.

Our Services as an Investment Adviser and Relationship With You

In our capacity as an investment adviser, we offer client a number of investment advisory programs, including comprehensive financial planning, discretionary account management, non-discretionary investment advisory programs, and advice on the selection of investment managers and mutual funds offered through our investment advisory programs. These services are offered in programs where fees are calculated as a percentage of assets in the account or a flat or annual fee.

When we act as your investment adviser, we generally 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, which provides detailed information about the program(s) you select; the advisory services we provide; our fees, personnel, other business activities and financial industry affiliations; and conflicts between our interests and your interests.

Our Fiduciary Responsibilities as an Investment Adviser

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

- Disclose all material conflicts between our interests and your interests.
- Inform you if we or our affiliates receive additional compensation from you or a third-party as a result of our relationship with you.
- 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.
- Treat you and our other advisory clients fairly and equitably, without unfairly favoring one client to the disadvantage of another.

"You," "your" and "yours" refer to you as Client(s) of UBS.

"UBS," "we," "us," "our" and "ours" refer to UBS Financial Services Inc. and unless we indicate otherwise, its successor firms, subsidiaries, correspondents and Affiliates, including its parent company, UBS AG.

"Affiliates" refers to UBS Financial Services Incorporated of Puerto Rico (which clears through UBS Financial Services Inc.), UBS Bank USA, UBS Credit Corp., UBS Trust Company, N.A. and their insurance agency affiliates and subsidiaries and all other subsidiaries and affiliates.

Examples of our advisory programs and services include our financial planning services and our ACCESS, Portfolio Management Program (PMP), Managed Accounts Consulting, Strategic Advisor SELECTIONS, Strategic Wealth Portfolio, and PACE programs. An example of our brokerage accounts is our Resource Management Account.

Examples of our advisory programs and services include our financial planning services and our ACCESS, Portfolio Management Program (PMP), Managed Accounts Consulting, Strategic Advisor SELECTIONS, Strategic Wealth Portfolio, and PACE programs. An example of our brokerage accounts is our Resource Management Account.

- Make investment decisions or recommendations that:
 - Are suitable and appropriate for you.
 - Are consistent with your investment objectives and goals.
 - Reflect any restrictions you have placed on us.
- Act in what we reasonably believe to be your best interests, and in the event of a conflict of interest, place your interests before our own.

Our contractual agreements with you will specify whether we are acting as a “fiduciary” to a retirement plan account for purposes of the Employee Retirement Security Act of 1974 or the Internal Revenue Code.