



# UBS Financial Services Inc. Deposit Account Sweep Program Disclosure Statement

On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor in the aggregate (including principal and interest combined) for accounts other than certain retirement accounts (which were already FDIC-insured up to \$250,000). The FDIC insurance coverage changes will apply to funds sweeping into UBS Bank USA under the program offered through the Resource Management Account<sup>®</sup> (RMA<sup>®</sup>), Business Services Account BSA<sup>®</sup> and Basic Investment Accounts. This temporary increase will expire on December 31, 2013, and FDIC deposit insurance will revert back to \$100,000 for all depositors (other than certain retirement accounts), if not extended by legislation

# Summary

Under the UBS Deposit Account Sweep Program (the "Program"), free cash balances in eligible securities accounts at UBS Financial Services Inc., UBS Financial Services Incorporated of Puerto Rico and UBS International Inc. (collectively "UBS") are automatically deposited into interest bearing deposit accounts (the "Deposit Accounts") at UBS Bank USA (Member FDIC) (the "Bank"). Funds on deposit in the Deposit Accounts are referred to below as "Deposited Funds."

## **FDIC Deposit Insurance, No SIPC Protection and Cap Election**

Deposited Funds will be eligible for federal deposit insurance from the Federal Deposit Insurance Corporation (the "FDIC") up to \$250,000 per depositor (including principal and accrued interest) in most insurable capacities (for example, individual, joint, etc.). Deposits held through an Individual Retirement Account ("IRA"), self-directed Keogh account, "457 Plan" account for state government employees and employer-sponsored "defined contribution plan" accounts that are self-directed (primarily 401k accounts) will be eligible for FDIC deposit insurance up to a total of \$250,000 (including principal and accrued interest). In general, "self-directed" means that the individual chooses where the money is deposited.

For example, non-retirement account deposits held by one individual will have an FDIC insurance limit of \$250,000, and a joint account owned by two individuals will have an FDIC insurance limit of \$500,000, in accordance with FDIC rules. For deposit insurance purposes, deposit accounts (including certificates of deposit ("CDs") issued by the Bank) that you may establish in the same insurable capacity directly with the Bank or through an intermediary, such as UBS, will be aggregated with the Deposit Accounts you establish through the Program in the same insurable capacity. The extent of, and limitations on, federal deposit insurance are discussed below in the section titled "FDIC Deposit Insurance." Neither UBS, the Bank nor their affiliates will monitor the amount of your Deposited Funds to determine whether those amounts exceed your FDIC insurance limits. **You are responsible for monitoring the total amount of your funds on deposit with the Bank in order to determine the extent of deposit insurance coverage available to you on those deposits, including deposits in the Deposit Accounts.**

Unlike your UBS securities account, the Deposit Accounts are not protected by the Securities Investor Protection Corporation ("SIPC"). SIPC provides protection for your securities account(s) at UBS for up to \$500,000 per customer, including a maximum of \$100,000 for free cash balances at UBS in the unlikely event that UBS fails financially. The SIPC insurance limits apply to all accounts that you hold in a particular capacity. For more information on SIPC coverage please contact your Financial Advisor.

You may elect to place a limit or "cap" on the amount of cash that will be swept into the Deposit Accounts. The limit you may elect is \$100,000 or more for an individual UBS account, and \$200,000 or more for a joint UBS account. If you have multiple accounts in the same insurable capacity (for purposes of the FDIC insurance rules) at UBS, or if you hold other deposits (including certificates of deposit) at the Bank, you may exceed the applicable FDIC insurance limits even if you have placed a limit on the amount of cash that will be swept from those accounts into Deposit Accounts.

For more detailed information on the items covered in this summary section, see "Introduction", "How the Program Works", and "FDIC Deposit Insurance."

## **Interest Rates**

Interest rates paid on your Deposited Funds are determined by the Bank in its discretion based upon a variety of factors, including economic and business conditions. The Bank sets different interest rates for different "tiers" of UBS clients. These interest tiers are based upon the total amount of eligible assets by Marketing Relationship that a client holds with the Bank and UBS. Clients with higher total eligible Marketing Relationship assets will generally receive higher interest rates on Deposited Funds than clients with lower total eligible Marketing Relationship assets. **Based on a historical comparison of interest rates paid by the Bank and yields on alternative cash sweep options, clients with total eligible Marketing Relationship assets of less than \$500,000 should expect to receive interest rates on their Deposited Funds which are substantially lower than the prevailing rate of return of alternative cash sweep options for their UBS accounts.** Interest rates paid on the Deposited Funds may change daily. Information regarding current interest rates on the Deposit Accounts and available

alternative sweep options is available on line at [www.ubs.com/sweepyields](http://www.ubs.com/sweepyields) or by calling your Financial Advisor. For more detailed information on the items covered in this summary section, see "Interest Rates" and "Alternatives to the Deposit Account Sweep Program."

#### **Financial Benefits to UBS Financial Services Inc. and Conflicts of Interest**

UBS Financial Services Inc. will receive a fee from the Bank in connection with the Program. This fee will either be an amount of up to (a) one-half of one percent (0.50%) of the average daily deposits held by the Bank in the Deposit Accounts established through the Program or (b) \$25 annual fee for each UBS securities account that sweeps into a Deposit Account at the Bank. In addition, UBS Financial Services Inc. and certain of its affiliates provide operational, investment advisory, sales and marketing, loan servicing, technology and other support services to the Bank, and receive compensation for those services. Like other depository institutions, the profitability of the Bank is determined in large part by the difference between the interest paid and other costs incurred by it on its deposits, and the interest or other income earned by the Bank on its loans, investments and other assets. Like other depository institutions, the Bank improves its profitability to the extent that it can lower the interest rates and fees paid on its deposits, including the Deposit Accounts. The Bank has no obligation to pay interest based upon the Bank's profitability or the income earned on Bank loans, investments or other assets. For more detailed information on the items covered in this summary section, see "Your Relationship With UBS and UBS Bank USA" and "Benefits to UBS and its Affiliates."

#### **Your Alternatives**

If you are eligible to participate in the Program but do not wish to have your available cash deposited with the Bank through the Program, you may elect at any time to have your available cash automatically swept without limit into a tax-exempt UBS Money Market Fund or, for Puerto Rico residents only, into the Puerto Rico Short Term Investment Fund, Inc. Please note that clients with Basic Investment Accounts, IRAs and IRA Resource Management Account (RMA) are not eligible to select a tax-exempt sweep fund.

UBS also offers a number of investment products that you may wish to consider as alternatives to maintaining cash deposits at the Bank through the Program. Your investment objectives, liquidity needs and risk tolerance should be considered in reviewing these alternatives. Some of these alternatives may pay an interest rate or dividend that is higher than the rate you receive on the Deposit Accounts. While deposits in the Deposit Accounts, certificates of deposit and any other available deposit products offered by FDIC-insured depository institutions are covered by FDIC insurance up to the applicable FDIC insurance limits, other investment alternatives, such as money market mutual funds, are not FDIC-insured, are not guaranteed by a bank, and may lose value. For more detailed information on the items covered in this summary section, see "Alternatives to the Deposit Account Sweep Program."

## Introduction

Resource Management Accounts (RMAs), IRA RMA Accounts, Business Services Account BSA Accounts, Coverdell Education Savings Accounts, and Individual Retirement Accounts of Eligible Participants are **automatically** enrolled in the Program unless you have selected one of the other sweep options available. The other options are discussed in the section titled "Alternatives to the Deposit Account Sweep Program" below. Under the Program, free cash balances in eligible securities accounts at UBS are automatically deposited into interest-bearing deposit accounts at the Bank. The Program will make the Deposit Accounts (a transaction account (TA) and a money market deposit account (MMDA)) available to you at the Bank. Each business day, as long as all debits and charges to your Account have been satisfied, the free cash balances in your Account will automatically be transferred ("swept") to your Deposit Accounts at the Bank, where they will be covered by FDIC insurance within applicable limits (see "FDIC Deposit Insurance" section below). We will sweep free cash balances of \$1.00 or more from RMAs, or balances of \$.01 or more from IRA Accounts, into your Deposit Accounts at the Bank each business day **without limit**. "Business days" are Monday through Friday. Any day that is a bank holiday in the State of New York and/or a New York Stock Exchange holiday is not a business day.

The Deposit Accounts will constitute direct obligations of the Bank and will not be direct or indirect obligations of UBS or UBS AG. You may obtain publicly available financial information concerning the Bank at [www.fdic.gov](http://www.fdic.gov) by clicking on the "Call and Thrift Financial Report" link on the first page of that website and entering the "UBS Bank USA" name where requested or by contacting the FDIC Public Information Center by mail at 801 17th Street, N.W., Room 100, Washington, DC, 20434, or by phone at 877-275-3342 or by contacting your Financial Advisor. Neither UBS nor UBS AG guarantees the financial condition of the Bank or the accuracy of any publicly available financial information concerning the Bank. As required by federal banking regulations, the Bank reserves the right to require seven days' prior notice before approving a transfer of funds out of the Deposit Accounts. The Bank has no intention of exercising this right at the present time.

## Eligibility

The Program is available only to individuals, trusts (so long as all beneficiaries of the trust accounts are natural persons or nonprofit organizations), sole proprietors and governmental entities (each an "Eligible Participant"). Custodial accounts are eligible for the Program if each beneficiary is an Eligible Participant. Note, however, that an Eligible Participant will be considered by UBS (at its discretion) to be a non-Eligible Participant if UBS becomes aware that the entity is prohibited as a matter of law from holding funds at the Bank. Other entities organized or operated to make a profit, such as corporations, partnerships, limited liability companies, associations, business trusts or other organizations are not eligible for the Program. In addition, the Program is not currently available to certain specified types of clients (such as clients that are (a) nonprofit organizations, including organizations described in sections 501(c)(3) through (13) and (19) of the Internal Revenue Code of 1986, as amended (the "Code"), (b) estates, (c) enrolled in Investment Solutions programs (other than PACE<sup>SM</sup><sup>1</sup> and Employee Self-Directed Accounts), (d) Private Wealth Solutions Clients, (e) not resident in the United States or (f) retirement plans qualified under Section 401(a) (other than IRAs established under the Code) or Section 403(b)(7) of the Code or under any other employee retirement or welfare plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Please ask your Financial Advisor for additional details concerning eligibility.

## Cap election

You may place a limit, or "cap" on the amount of cash balances that will be swept into the Deposit Accounts by contacting your Financial Advisor. The cap may be set at \$100,000 or more for individual accounts and at \$200,000 or more for joint accounts (in each case, on a **per-account basis**). Should you choose a cap, amounts in excess of the cap will be swept into the UBS money market or other fund that you select from those offered by UBS for such purpose (the Sweep Funds<sup>SM</sup>) without limit. For accounts that exceed the cap amount at the time the cap is elected, UBS will rebalance your Deposit Account to the cap level on the following business day. Please be aware that interest accrued on the Deposit Accounts, as of the fourth business day of

<sup>1</sup> Only free cash balances that are non-PACE assets are eligible to be swept under the Program.

each month will be credited on the fifth business day of each month and will not be subject to the cap. In this case, UBS will rebalance your Deposit Account to the cap level on the day following the interest posting. During the intervening time your Deposit Accounts may exceed your cap level. Following the establishment of your cap, your election of a cap and your cap level will appear on your UBS periodic account statement. Prospectuses for the available Sweep Funds are included in this booklet; may be obtained by contacting your Financial Advisor or online at [www.ubs.com/sweepyields/](http://www.ubs.com/sweepyields/). *An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although each money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the money market funds. Money Market funds are sold by prospectus. Investors should consider the investment objectives, charges, and expenses and risk factors carefully before investing. The prospectus contains this and other information. Read it carefully before you invest.* **Please note that you will be responsible for monitoring the total amount of deposits that you have with the Bank in order to determine the extent of deposit insurance coverage available to you. Neither UBS nor UBS AG will be responsible for any insured or uninsured portion of the Deposit Accounts. Please be aware that since UBS' offer of a "cap" is on a per-account basis, if you have multiple accounts at UBS held in the same insurable capacity that sweep into the Bank, or if you hold other deposits at the Bank (including CDs), you may exceed the applicable FDIC insurance limits notwithstanding the fact that you have elected to cap the amount of cash balances that will be swept into the Deposit Accounts. In this case, once cash in your accounts exceeds the applicable FDIC insurance limit (including principal and accrued interest), then your aggregate funds on deposit with the Bank will exceed FDIC insurance coverage limits. Although deposits placed at the Bank in connection with the Program will be covered by FDIC insurance as, and to the extent, described below, interests in the Sweep Funds are not bank accounts and are not protected by the FDIC. Balances in the Sweep Funds are covered by SIPC and excess SIPC insurance obtained by UBS for your benefit.**

**For more information on SIPC coverage, please contact your Financial Advisor.**

### **Alternatives to the Deposit Account Sweep Program**

If you are eligible to participate in the Program but do not wish to have the free cash balances in your Account(s) deposited with the Bank through the Program, you may elect to have your available free cash balances automatically swept into a tax-exempt Sweep Fund. The following tax-exempt Sweep Funds are currently available for free cash balances from an RMA: UBS RMA Tax-Free Fund Inc., UBS RMA California Municipal Money Fund, UBS RMA New Jersey Municipal Money Fund, UBS RMA New York Municipal Money Fund and the Puerto Rico Short Term Investment Fund, Inc. **State-specific municipal funds are intended for residents of those states only.** The Puerto Rico Short Term Investment Fund, Inc. is offered exclusively to Puerto Rico residents as defined in the Fund's prospectus. The Fund is not a money market fund registered under the U.S. Investment Company Act of 1940, does not comply with rules applicable to U.S. registered funds and presents a higher degree of risk than those funds. The Fund is sold by prospectus only, is NOT FDIC-INSURED, NOT BANK GUARANTEED, AND MAY LOSE VALUE.

You may elect a tax-exempt Sweep Fund when you open your Account or by contacting your Financial Advisor at any time. Please note that Basic Investment Accounts, IRAs, and IRA RMAs are not eligible to select a tax-exempt Sweep Fund.

UBS also offers a number of investment products that you may wish to consider as alternatives to maintaining cash deposits at the Bank through the Program. Your investment objectives, liquidity needs and risk tolerance should be considered in reviewing these alternatives. Some of these alternatives may pay an interest rate or dividend that is higher than the rate you receive on the Deposit Accounts. While deposits in the Deposit Accounts, certificates of deposit and any other available deposit products offered by FDIC-insured depository institutions are covered by FDIC insurance up to applicable limits, other investment alternatives, such as money market mutual funds, are not FDIC-insured, are not guaranteed by a bank, and may lose value.

## How the Program Works

### *Deposit Procedures*

When cash balances in your UBS securities account are first available for deposit (as described in the Important Information About Your New Account booklet), UBS, acting as your agent, will open a TA and an MMDA on your behalf at the Bank. Acting as your agent, UBS will deposit available cash balances into your MMDA at the Bank (so long as all debits and charges to your UBS securities account are satisfied). Periodically, UBS will transfer funds from your MMDA to your TA as necessary to satisfy debits received in your UBS securities account (for example, for securities purchases, checking and debit card activity, etc.). Transfers from the MMDA to the TA and withdrawals from the TA are discussed below under "Withdrawal Procedures."

At any time, you may withdraw your funds from the Bank, close your Account with the Bank and designate the Bank as ineligible to receive future deposits by contacting your Financial Advisor and, if eligible, choosing a tax-exempt Sweep Fund.<sup>2</sup>

Additional depository institutions may be added to the Program in the future. You will receive notification in advance of any such addition and will be given the opportunity to designate a new depository institution as ineligible to receive your deposits, before any funds are deposited into a new depository institution.

If the Bank no longer makes the Deposit Accounts available through the Program, you will be notified by UBS and subject to the policies of the Bank, given an opportunity to establish a direct depository relationship with the Bank outside of the Program. The consequences of maintaining a direct depository relationship with the Bank are discussed below under "Your Relationship with UBS and UBS Bank USA."

### *Withdrawal Procedures*

As your agent, UBS Financial Services Inc. will make the necessary withdrawals from your Deposit Account to satisfy debits or charges in your Account. Debits are amounts due to UBS on settlement date for securities

purchases as well as other debits and fees from your Account, including, without limitation, margin loans and fees. Charges are amounts due to UBS for checks, bill payments and electronic funds transfers, UBS American Express Card purchases and cash withdrawals. No debits or charges, including, without limitation, charges resulting from check writing, will be drawn directly against your Deposit Account.

As required by federal banking regulations, the Bank reserves the right to require seven days' prior notice before transferring funds out of the Deposit Accounts. The Bank has no intention of exercising this right at the present time.

**Subject to the terms set forth in the section titled "Withdrawal Limit" under the General Terms and Conditions described in the Account Information booklet, the funds necessary to satisfy the debits or charges in your Account will be obtained first from available cash balances in your Account and then by liquidating any Taxable Fund holdings you may have.** If you own shares in more than one

Taxable Fund, shares of your current Taxable Fund will be sold first. Shares in any other Taxable Funds will be sold, if necessary, in the following order: first, UBS RMA Money Market Portfolio; second, UBS RMA U.S. Government Portfolio; third, UBS Cashfund Inc.; and fourth, UBS Retirement Money Fund.

If funds from these sources are insufficient, withdrawals will be made from your TA maintained through the Program. If funds in your TA are insufficient, funds in your MMDA will be transferred to your TA to satisfy the debit or charge. If funds are still insufficient, withdrawals will be made from your Tax-Exempt Sweep Funds. If you should own shares in more than one Tax-Exempt Sweep Fund, shares of your current Tax-Exempt Sweep Fund will be sold first. Shares in any other Tax-Exempt Sweep Funds will be sold, if necessary, in the following order: first, UBS RMA Tax-Free Fund Inc.; second, UBS RMA California Municipal Money Fund, UBS RMA New Jersey Municipal Money Fund, UBS RMA New York Municipal Money Fund and Puerto Rico Short Term

<sup>2</sup> Please note that clients with Basic Investment Accounts, IRA and IRA RMAs are not eligible to select a tax-exempt Sweep Fund. This does not constitute a solicitation offer or recommendation to purchase any securities. *Money market funds are sold by prospectus. Investors should consider the investment objectives, charges, expenses and risk factors carefully before investing. The prospectus contains this and other information. Read it carefully before you invest.* If your account is an RMA or Business Services Account BSA®, you may obtain a prospectus online through UBS's Online Services.

Investment Fund, Inc., as applicable. Finally, to the extent possible, the debit or charge will be satisfied out of your Account's available margin, if your Account has margin.

To reduce the number of transfers between your MMDA and TA, UBS Financial Services Inc. may, at some time in the future, elect to maintain a threshold balance in your TA based upon the amount of debit activity in your Account. You will earn the same rate of interest and receive the same level of FDIC insurance coverage regardless of the allocation of your funds between your MMDA and TA. Federal banking regulations generally limit the transfers from an MMDA to a total of six (6) during a monthly statement cycle. At any point during a month in which transfers from your MMDA have reached the applicable limit, all funds will be transferred from your MMDA to the related TA until the end of the month. At the beginning of the next month, funds on deposit in your TA will be transferred to your MMDA, less any threshold balance we elect to maintain. The limit on MMDA transfers will not limit the number of withdrawals you can make from funds on deposit at the Bank.

The order in which your debits and charges are satisfied will be applied regardless of any prevailing yield differential between the relevant sweep options (for example, your Sweep Fund and your Deposit Account). As a result, it is possible that a higher-yielding sweep option will be debited before a lower-yielding sweep option.

### Interest Rates

As discussed above, the Bank will pay the same rate of interest on your TA and MMDA. Interest rates will be established periodically based on prevailing business and economic conditions, as well as the nature and scope of your relationship with us. The Bank sets different interest rates for different "tiers" of Bank clients. The Bank's interest rates are tiered based upon the total amount of eligible assets by Marketing Relationship that a client holds with the Bank and UBS. Generally, clients in higher eligible asset tiers will receive higher interest rates than those in lower eligible asset tiers. The Bank's eligible asset tiers are:

Interest Rate Tiers Effective Prior to December 7, 2009	Interest Rate Tiers Effective December 7, 2009
\$2million and more	\$10 million and more
\$1million to \$1,999,999	\$2 million to \$9,999,999
\$500,000 to \$999,999	\$1 million to \$1,999,999
\$250,000 to \$499,999	\$500,000 to \$999,999
\$100,000 to \$249,999	\$250,000 to \$499,999
less than \$100,000	less than \$250,000

The Bank reserves the right to change its eligible asset tiers at any time without notice.

Depending upon the amount of eligible assets you hold with UBS on a Marketing Relationship basis, interest rates paid on your Deposit Accounts may exceed, meet or be lower than the prevailing rate of return of the Sweep Funds.

The interest rate will be set by the Bank each business day and will apply to balances in the Deposit Accounts for that day and on any successive non business days. The interest rate applicable to the Deposit Accounts will be made available on the next business day following the day when the interest rate is set. Interest will accrue on Deposit Account balances from the day funds are deposited at the Bank through the business day preceding the date of withdrawal from the Bank. Interest on account balances will be accrued daily, rounded up or down each day to the nearest \$0.01. **As a result, balances in the Deposit Accounts that earn daily total interest of less than half a cent will not accrue any interest.** Interest will be compounded daily and credited on the fifth business day of each month (as of the fourth business day of each month). Please note that due to year-end processes, in addition to the regular crediting of interest in January of each year, interest will also be credited on the first business day of January (as of the last business day in December). Information regarding current interest rates on the Deposit Accounts is available online at [www.ubs.com/sweeppyields](http://www.ubs.com/sweeppyields), or through UBS's Online Services. You may also call your Financial Advisor.

The rates of return paid with respect to the Deposit Accounts may be higher or lower than the rates of return available to depositors making deposits directly with the Bank or other depository institutions in comparable accounts. You should compare the terms, rates of return, required minimum amounts, charges and other features of the Program with other accounts and alternative investments.

#### *Marketing Relationship Assets and Householding Rules*

The eligible assets in a Marketing Relationship are derived by combining all of the assets held in eligible Accounts with monthly statements that are sent to the same address in a single envelope. These Accounts are referred to as having a "statement household" relationship. Please note, if you hold an account at UBS Financial Services Inc. or UBS Financial Services Incorporated of Puerto Rico and another account at UBS International Inc., these accounts are not eligible for inclusion in a single Marketing Relationship and cannot be combined into a "statement household" relationship. Unfortunately, assets cannot be combined across UBS Financial Services Inc. or UBS Financial Services Incorporated of Puerto Rico and UBS International Inc. for these purposes.

- Accounts that share the same name, address and Social Security or Tax ID Number are automatically placed in the same statement household.
- Accounts that share only the same address will be placed in the same statement household with the express consent of all of the Account holders.
- Accounts in one statement household can be combined with Accounts in a second statement household if:
  - The primary Social Security or Tax ID Number on an Account in the first statement household matches the primary Social Security or Tax ID Number on an Account in the second statement household.
  - Or, the primary Social Security or Tax Number on an Account in one statement household matches a secondary Social Security or Tax ID Number in the second statement household, and each Account in both statement households share the same nine-digit ZIP code.

In certain circumstances, additional householding criteria may be applied. We reserve the right, in our sole discretion, to grant exceptions to our

householding policy. If you have different Accounts that cannot be combined into a statement household for any reason, if you would like to determine the household status of your Accounts, or if you would like to add Accounts to your household, contact your Financial Advisor.

Treating Accounts as part of a single household relationship does not result in the commingling of any assets held in the Accounts. For more information please contact your Financial Advisor.

#### *The Value of Your Eligible Marketing Relationship Assets*

The value of your eligible Marketing Relationship assets will be calculated at each calendar month-end. This valuation will then be used to set your interest rate tier level for the interest period beginning on the fifth business day of the immediately following month. If you establish a new Account that is not part of an existing Marketing Relationship, in most cases your Account will be placed in the asset tier of \$500,000 to \$999,999 until the value of your eligible Marketing Relationship assets is calculated at the end of the following calendar month. However, if you have a pre-existing relationship with UBS, your account will be placed in the asset tier applicable to the amount of eligible assets actually held in your account as of the prior calendar month-end. Based on a historical comparison of interest rates paid by the Bank and yields on alternative cash sweep options, marketing relationships with less than \$500,000 in total eligible assets at UBS and the Bank can be expected to receive interest rates that are substantially lower than the prevailing rate of return of the Sweep Funds. Interest rates paid on Deposit Accounts may change daily.

#### **Information About Your Deposit Accounts**

All activity in your Deposit Accounts, including the initial deposit, opening and closing balances and any interest earned for the period, will appear on your periodic Account statement.

#### **Your Relationship With UBS and UBS Bank USA**

Under the Program, UBS Financial Services Inc. acts as your agent in establishing your Deposit Accounts at the Bank, depositing funds into them and withdrawing funds from them. No passbook, certificate or other evidence of ownership will be issued to you. Your ownership of the deposited funds

will be evidenced by a book entry on the Account records of the Bank and by the records UBS Financial Services Inc. maintains as your custodian. As discussed above, your periodic Account statement will reflect the balances in your Deposit Accounts at the Bank. You should retain the statements for your records.

**UBS Financial Services Inc. may, in its sole discretion and without notice, terminate your participation in the Program. If UBS Financial Services Inc. does terminate your participation in the Program, you may deal directly with the Bank subject to its rules with respect to maintaining Deposit Accounts. Similarly, if you terminate your participation in the Program, you may establish a direct relationship with the Bank, subject to the policies of the Bank, by requesting to have the Deposit Accounts established in your name. This will result in the separation of the Deposit Accounts from your UBS securities account.**

UBS Financial Services Inc. will receive a fee from the Bank in connection with the Program. This fee will either be an amount of up to (a) one-half of one percent (0.50%) of the average daily deposits held by the Bank in the Deposit Accounts established through the Program or (b) \$25 annual fee for each UBS securities account that sweeps into a Deposit Account at the Bank. UBS reserves the right to increase, decrease or waive all of part of this fee. You will receive notification in advance of any increase. Other than applicable fees and charges imposed by UBS on your securities accounts (such as for returned checks or stop-payments), which are described in the "Fees and Charges" section of the Important Information About Your New Accounts booklet, there will be no charge, fee or commission imposed on your securities account with respect to the Program.

#### **Benefits to UBS and its Affiliates**

Each of UBS, UBS Securities LLC and UBS AG provide operational and other services to the Bank and receive compensation for those services. The Bank uses the cash balances in the Deposit Accounts to fund new lending and investment activity. The Bank will seek to make a profit by achieving a positive "spread" between (a) the sum of the amount of interest that it pays for deposits and (b) the sum of the amount of interest that it charges for loans and the return on investments made with any deposits that it does not need to fund loans.

#### **FDIC Deposit Insurance**

##### *General Information*

The Deposit Accounts are insured by the FDIC, an independent agency of the U.S. government, to a maximum amount equal to \$250,000 per depositor (including principal and interest) when aggregated with all other deposits held by you in the same insurable capacity at the Bank. For individual retirement accounts ("IRAs") and other self-directed retirement accounts, the maximum insurance amount is \$250,000. Your funds become eligible for deposit insurance immediately upon placement in a Deposit Account. Generally, any accounts or deposits (including CDs issued by the Bank) that you maintain directly with the Bank, or through an intermediary (such as UBS) in the same insurable capacity in which the deposits in the Deposit Accounts are maintained, will be aggregated with the deposits in your Deposit Accounts, for purposes of calculating the maximum insurance amount. In the unlikely event that the Bank should fail, the Deposit Accounts are insured, up to the maximum insurance amount, for principal and interest accrued to the day the Bank is closed. Interest is determined for insurance purposes in accordance with federal law and regulations.

Note that if you hold multiple Accounts with UBS in the same insurable capacity that sweep to the Deposit Accounts, once cash in those Accounts exceeds, \$250,000 or \$500,000 (as applicable) in the aggregate, then your funds on deposit with the Bank will exceed FDIC insurance coverage limits.

**You will be responsible for monitoring the total amount of deposits that you have with the Bank in order to determine the extent of deposit insurance coverage available to you.**

None of UBS or UBS AG will be responsible for any insured or uninsured portion of the Deposit Accounts. In the unlikely event that federal deposit insurance payments become necessary, payments of principal plus unpaid and accrued interest will be made to you. There is no specific time period during which the FDIC must make insurance payments available. You may be required to provide documentation to the FDIC and UBS before insurance payments are made. For example, if you hold deposits as trustee for the benefit of trust participants, you may be required to furnish affidavits and provide indemnities regarding an insurance payment.

Under certain circumstances, if you become the owner of deposits at the Bank because another depositor dies, beginning six months after the death of the depositor, the FDIC will aggregate those deposits for purposes of calculating the maximum insurance amount with any other deposit that you own in the same insurable capacity at the Bank. Examples of accounts that may be subject to this FDIC policy include joint accounts, "payable on death" accounts and certain trust accounts. The FDIC provides the six-month "grace period" to permit you to restructure your deposits to obtain the maximum amount of deposit insurance for which you are eligible. If deposits in your Deposit Accounts, CDs or other deposits at the Bank are assumed by another FDIC-insured depository institution pursuant to a merger or consolidation, such deposits will continue to be separately insured from deposits that you might have established with the acquiring bank, until the expiration of a six-month period from the date of the acquisition. In the case of CDs or other time deposits that mature after the end of the six-month period, they will be separately insured until the earliest maturity date after the end of the six-month period. Following the expiration of the six-month period (or, if applicable, following the earliest maturity date after the end of the six-month period), any assumed deposits will be aggregated with your existing deposits with the acquiring bank held in the same insurable capacity for purposes of federal deposit insurance. Any deposit opened at the Bank after the acquisition will be aggregated with deposits established with the acquiring bank for purposes of federal deposit insurance as well.

The application of the maximum insurance amount is illustrated by several common factual situations discussed below.

**Individual Accounts.** Funds owned by an individual and held in an account in the name of an agent or nominee of such individual (such as the Deposit Accounts held through UBS) or held by a custodian (for example, under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act) are not treated as owned by the agent, nominee or custodian, but are added to other deposits of such individual held in the same insurable capacity (including funds held in a sole proprietorship) and are insured up to \$250,000 in the aggregate. Funds

held through a qualified tuition savings program (529 Plan) will be insured as deposits of the participant and aggregated with other deposits of the participant if the arrangement and the name of the participant are identified on the UBS account records.

**Joint Accounts.** An individual's interest in funds held under any form of joint ownership valid under applicable state law may be insured up to \$250,000 in the aggregate, separately and in addition to the \$250,000 allowed on other deposits individually owned by any of the co-owners of such accounts (hereinafter referred to as a "Joint Account"). For example, a Joint Account owned by two persons would be eligible for insurance coverage of up to \$500,000 (\$250,000 for each person), subject to aggregation with each owner's interests in other Joint Accounts at the bank. Joint Accounts will be insured separately from individually owned accounts only if each of the co-owners is an individual person, has signed a UBS Account agreement and has a right of withdrawal on the same basis as the other co-owners.

#### **Revocable Trust Accounts**

*Deposits of any one depository institution held in a "revocable trust" are generally insured up to \$250,000 per beneficiary if the beneficiary is a natural person, charity or other non-profit organization. There are two types of revocable trusts recognized by the FDIC. Informal revocable trusts include accounts in which the owner evidences an intent that at his or her death the funds shall belong to one or more specified beneficiaries. These trusts may be referred to as a "Totten trust" account, "payable upon death" account or a "transfer on death" account. Each beneficiary must be included in UBS's account records.*

*Formal revocable trusts are written trust arrangements in which the owner retains ownership and control of the assets and designation of beneficiaries during his or her lifetime. The trusts may be referred to as "living" or "family" trusts. The beneficiaries of a formal revocable trust do not need to be included in UBS's account records.*

*Under FDIC rules, if a revocable trust has five or fewer beneficiaries, FDIC coverage will be up to \$250,000 per beneficiary, multiplied by the number of beneficiaries, regardless of the proportional interests of each beneficiary in the revocable trust. If the trust*

*has six or more beneficiaries, the funds will be insured for the greater of \$1,250,000 or the aggregate amount of all beneficiaries' proportional interest, limited to \$250,000 per beneficiary.*

*Deposits in all revocable trusts of the same owner – informal and formal – at the same depository institution will be aggregated for insurance purposes. A revocable trust established by two owners where the owners are the sole beneficiaries will be treated as a Joint Account under applicable rules and will be aggregated with other Joint Accounts.*

### **Irrevocable Trust Accounts**

Funds held in an account established pursuant to an irrevocable trust agreement created by the same grantor (as determined under applicable state law) will be insured for up to \$250,000 per beneficiary provided that the beneficiary's interest in the account is non-contingent (in other words, capable of determination without evaluation of contingencies). According to the FDIC, Coverdell Education Savings Accounts should be treated as irrevocable trust accounts for deposit insurance purposes. The deposit insurance of each beneficiary's interest is separate from the coverage provided for other accounts maintained by the beneficiary, the grantor, the trustee or other beneficiaries. A beneficiary's interest in funds held in irrevocable trust accounts created by the same grantor at the same institution will be aggregated and insured up to \$250,000.

**Medical Savings Accounts.** Funds held in a Medical Savings Account, sometimes referred to as an Archer Medical Savings Account, will be eligible for deposit insurance as either an individual account, a revocable trust account or an employee benefit plan. You may wish to consult with your attorney or the FDIC to determine the available coverage.

**Individual Retirement Accounts.** Funds held in an IRA, including traditional, Roth, SEP and SIMPLE IRAs are insured up to \$250,000 in the aggregate. Funds held in an IRA will be aggregated with funds held in some other retirement plans in which the owner of the IRA has an interest. Under FDIC regulations an

individual's interest in deposits at the Bank held by (i) IRAs, (ii) deferred compensation plans for certain employees of state or local governments or tax-exempt organizations (i.e., Section 457 Plans), (iii) self-directed "Keogh Plans" of owner-employees described in section 401(d) of the Internal Revenue Code of 1986, as amended, and (iv) self-directed defined contribution plans, will be insured for up to \$250,000 in the aggregate whether or not maintained by the same employer or employee organization. Thus, the owner of an IRA will only be entitled to insurance up to \$250,000 for interests in retirement plans and accounts holding funds at the Bank that are subject to aggregation.

### **Questions about FDIC Deposit Insurance Coverage**

If you have questions about basic FDIC insurance coverage, please contact your Financial Advisor. You may wish to seek advice from your own attorney concerning FDIC insurance coverage of deposits held in more than one insurable capacity. You may also obtain information by contacting the FDIC, Office of Compliance and Consumer Affairs, by letter (550 17th Street, N.W., Washington, D.C. 20429), by phone (877-275-3342 or 800-925-4618 (TDD)) or by e-mail ([dcainternet@fdic.gov](mailto:dcainternet@fdic.gov)) or by accessing the FDIC website at [www.fdic.gov](http://www.fdic.gov).

### **SIPC Protection**

UBS Financial Services Inc., UBS Financial Services Incorporated of Puerto Rico and UBS International Inc. are members of the Securities Investor Protection Corporation ("SIPC"), which provides protection for your securities Account(s) with us up to \$500,000, including \$100,000 for free cash balances in the unlikely event that the Firm fails financially. SIPC asset protection limits apply, in aggregate, to all Accounts that you hold in a particular legal capacity. The Sweep Funds and other Sweep options are not bank deposits and are not protected by the FDIC. However, balances in the Sweep Funds and other Sweep options are covered by the SIPC and the supplemental insurance we have obtained for your benefit. For more information, see the General Terms and Conditions section of the Account Information booklet.

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