



Unit Investment Trust Disclosure Statement

Before investing in a unit investment trust, it is important that you understand the sales charges and other fees and expenses that you will be charged on your investment, as well as the so-called "breakpoint" discounts to which you may be entitled depending on the amount of your purchase. Understanding these various costs and discounts will assist you in identifying investments for your particular needs and may help you reduce the cost of your investment. This disclosure document will give you general background information about these charges and discounts. However, sales charges, expenses, fees and breakpoint discounts vary from unit investment trust to unit investment trust. Therefore, you should discuss these issues with your Financial Advisor and review each unit investment trust's prospectus, which is available from your Financial Advisor, to get the specific information regarding the sales charges, other fees and expenses, and breakpoint discounts associated with a particular unit investment trust.

UBS Financial Services Inc. serves as the clearing firm for its affiliate UBS International Inc.; therefore UBS International Inc. clients with registered UITs are referred to the Unit Investment Trust Disclosure Statement provided by UBS Financial Services Inc.

Unit Investment Trust Overview

A unit investment trust, or UIT, is an investment company that offers redeemable shares, or units, of a generally fixed portfolio of securities in a one-time public offering, and terminates on a specified date. Unlike mutual funds, UITs are not actively managed and securities in the trust will not be sold to take advantage of various market conditions to improve the trust's net asset value. Each UIT has a specified investment strategy that is described in its prospectus. You need to consider whether the particular UIT and its investment strategy are compatible with your investment objectives.

Sales Charge

Breakpoints/Volume discounts. UITs typically impose an initial sales charge and a deferred sales charge on your investment. The initial sales charge is typically taken from the amount of your investment, thereby reducing the dollar amount used to purchase trust units. The deferred sales charge is typically taken out of the assets of the trust over a period of months during the life of the trust. An investor who redeems his/her investment before all of the deferred sales charge is deducted from the trust assets will generally have any unpaid amounts deducted from his/her redemption proceeds. For non-proprietary UITs, a small portion of these sales charges typically is retained by the UIT sponsor and the rest is paid to UBS Financial Services Inc. as compensation for the Firm's sales efforts. Of the amount received by UBS Financial Services Inc., a portion is paid to your Financial Advisor pursuant to the Firm's compensation formula. This formula treats all UITs equally, regardless of the sponsor.

Like most mutual funds, many UITs offer volume discounts, also called breakpoints, on the initial sales charge based on the dollar amount or number of units of the investment, depending on the terms of the prospectus. For example, a UIT may have an initial sales charge of 1.00 percent for purchases of less than 50,000 units; reduce the charge to 0.75 percent for purchases of between 50,000 and 100,000 units; reduce it again to 0.25 percent for purchases of between 100,000 and 250,000 units; and eliminate it entirely for purchases of more than 250,000 units. Unlike most mutual funds, UIT investors generally are eligible for discounts based only on transactions that take place on a single day through the same broker-dealer. Most UITs will allow investors to aggregate same-day, same-broker-dealer purchases made by the investor's spouse or minor child for purposes of achieving a breakpoint discount. In some cases, there may be additional, limited rights of accumulation. The terms and conditions of a UIT's breakpoint policies, including the availability of aggregation or householding opportunities, are set forth in the applicable prospectus.

Rollover option. If the sponsor of the UIT offers a new series of the trust available for rollover by unit holders of the original trust, unit holders, in lieu of redeeming their units or receiving liquidation proceeds upon termination of the trust, may elect, by informing the sponsor prior to a specific date and time, to exchange their units of the terminating trust series for units of the next series at no initial sales charge, although a deferred sales charge may still apply. Sponsors reserve

the right not to offer new series of the UITs and there is no guarantee that a new series will be available on or after the rollover date.

Exchange option. Most UIT sponsors allow unit holders to elect to exchange any or all of their units of a certain UIT for units of one or more of any series of UIT sponsored by the same sponsor at a reduced or waived initial sales charge. A deferred sales charge will generally still apply. There may be restrictions to the exchange option based upon the holding period and the availability of units in the primary or secondary market. Sponsors generally reserve the right to modify, suspend or terminate the exchange option at any time without further notice to unit holders. An exchange of units pursuant to an exchange option will normally constitute a “taxable event” and unit holders will recognize a tax gain or loss. Unit holders are advised to consult their own tax advisors as to the tax consequences of exchanging units in their particular case.

Conversion option. Some UIT sponsors permit owners of units of any registered UIT of another sponsor to elect to apply the cash proceeds of the sale or redemption of those units directly to acquire available units of their trusts at a reduced up-front sales charge as described in the prospectus. Units acquired through a conversion option will generally continue to be subject to the deferred sales charge installments remaining on those units. Such a transaction will normally constitute a “taxable event” and unit holders will recognize a tax gain or loss. Unit holders are advised to consult their own tax advisors as to the tax consequences of exchanging units in their particular case.

Other Fees and Expenses

Creation and Development Fee. Most UITs charge a Creation and Development, or C&D, fee. The C&D fee is intended to compensate the sponsor for costs associated with the creation and development of the trust and is computed based on the trust’s average daily net asset value through the date of collection, which is typically at the end of the trust’s initial offering period. The amount of the C&D fee is set forth in the UIT prospectus and is paid out of the trust’s assets.

Annual Operating Expenses. In addition to the fees and charges described above, UITs generally will have annual operating expenses that are paid out of the assets of the trust. Typical operating expenses include trustee fees, portfolio, bookkeeping, administrative and other expenses. The trust’s prospectus will typically set forth estimates of these expenses.

Amounts Paid by the UIT Sponsor to UBS

Most UIT sponsors make additional payments to the firms that sell their UITs, including UBS Financial Services Inc. These payments typically are 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 Financial Services Inc. 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.

In addition to the payments described above, from time to time, UIT sponsors will reimburse UBS Financial Services Inc. for expenses we incur in connection with certain training and educational meetings, conferences or seminars. Also, in the ordinary course of business, our Financial Advisors may receive promotional items, meals or entertainment, or other similar "non-cash" compensation from representatives of the UIT sponsors with whom we do business.

As you can see, understanding the cost structure of a UIT, including sales charges, fees and expenses, and the availability of breakpoint discounts, is important in helping determine which investment may be most appropriate for you, and it may allow you to purchase units at a lower price. The availability of breakpoint discounts may save you money and may also affect your decision regarding how much of a particular UIT you purchase. Therefore, you should discuss the availability of breakpoint discounts with your Financial Advisor and carefully review the UIT prospectus, which you can get from your Financial Advisor, when choosing among the various UITs offered. If you wish to learn more about UIT breakpoints, you may wish to review the investor alerts available on the NASD website www.nasd.com, including the NASD Notice to Members 04-26.

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