



Important account-related information

UBS Financial Services Inc. ("the Firm") serves as the clearing firm for UBS International Inc., therefore, most of the information in this material provided by UBS Financial Services Inc. is also applicable to clients of UBS International Inc. For example, Order Flow is conducted through UBS Financial Services Inc., therefore, the information regarding Best Execution and Order Flow applies to UBS International Inc. Additionally, the sections describing Routing of Customer Orders, Statement of Financial Condition, BrokerCheck Notification and Proxy Voting also apply to UBS International Inc.

UBS Financial Services Inc.

As a full-service financial firm, UBS Financial Services Inc. is committed to helping you make informed investment decisions. Please take some time to review the enclosed information about the following topics:

- Our approach to Best Execution
- Information regarding payment for Order Flow
- Information available on Routing of Customer Orders
- Statement of Financial Condition
- BrokerCheck Notification from FINRA
- Policy on Proxy Voting
- Important information about regulatory matters

Best execution of equity securities

An understanding of how we seek to obtain Best Execution when you place an order to buy or sell stock is a key to being an informed investor. What follows is a look at the Firm's approach to Best Execution, the factors that can affect an execution's timing and the role market volatility plays in handling your order. Finally, we describe additional information that is made available by the Firm to you on a quarterly basis to help you evaluate the Firm's Best Execution practices.

Our approach to Best Execution

UBS Financial Services Inc. seeks to obtain the most favorable terms reasonably available when executing your buy or sell order. To do this, we:

- Carefully consider the elements of order execution
- Employ sophisticated technology for routing, monitoring and executing orders
- Regularly and rigorously examine overall execution quality

I. The elements of Best Execution

UBS Financial Services Inc. evaluates three principal criteria to determine the best way to execute an order for a client:

1. Speed and certainty of execution. Speed and certainty of execution are particularly important in volatile markets. The impact of volatile markets on order execution is discussed in Section II. The Firm seeks to provide customer orders with the fastest execution reasonably possible under the existing market conditions.
2. Price and size improvement. In equity markets in the United States and many other countries, firm quotations for stocks are published

on a regular and continuous basis. The quotations consist of the prices and quantities at which market participants are willing to buy (bid) and sell (offer) stocks. The National Best Bid or Offer (NBBO) is the highest published bid and the lowest published offer for the quoted size (generally under 1,000 shares). UBS Financial Services Inc. seeks price and size improvement for its customers' orders by routing orders to execution venues that may execute trades at prices or sizes better than the NBBO.

3. Overall execution quality. When determining how and where to route or execute an order, the Firm draws on extensive experience with various markets, market makers and electronic communications networks (ECNs), focusing on prompt, reliable execution. UBS Financial Services Inc. uses automated systems to route and execute most customer orders. When a customer order is received, it is usually automatically routed to an execution center that UBS Financial Services Inc. believes will provide the best execution, including UBS Securities LLC, an affiliate of UBS Financial Services Inc. Certain larger orders that require special handling may be routed to a market center for execution via the telephone.

UBS Financial Services Inc. regularly monitors other potential execution venues and may route orders in exchange-listed or over-the-counter (OTC) securities to these other venues if it believes that such routing is consistent with Best Execution principles.

II. Review of execution quality

UBS Financial Services Inc. regularly and rigorously evaluates the overall quality of the executions received on its customers' orders. The Firm studies the quality of executions for listed and OTC retail market orders through the use of an independent outside service. The Firm bases its decisions for its order routing practices on this regular evaluation of execution quality.

Price volatility

One factor that can affect order execution is volatility. When investors place a high volume of orders with brokers, order imbalances and backlogs can occur, requiring more time to execute orders. This is because of delays caused by the number and size of orders processed, the speed at which current quotations or last-sale information is provided to UBS Financial Services Inc. and other brokerage firms and system capacity constraints applicable to NASDAQ and the exchanges, as well as UBS Financial Services Inc. and other firms to which UBS Financial Services Inc. routes orders. Keep in mind that even electronic orders may not be executed instantaneously upon receipt and, thus, are also affected by volatility. This occurs because online trading systems are not directly connected to the exchanges, but rather send orders over the Internet to a broker, who then determines where to send them for execution. In addition, a higher-than-normal volume of electronic orders may cause backlogs. When these backlogs occur, brokers may need to discontinue their usual automatic execution procedures and execute orders on a manual basis, leading to further delay.

Effects of volatility on order execution

Investors should be aware of the following risks associated with volatile markets, especially at or near the open or close of the standard trading session:

- An order may be executed at a substantially different price from the quoted bid or offer, or the last reported sale price at the time of order entry, or an order may be only partially executed or may be executed in several transactions at different prices. Opening prices may differ substantially from the previous day's close.
- Locked (the bid equals the offer) and crossed (the bid is higher than the offer) markets may prevent the immediate execution of customer trades.
- Increased price volatility may result from imbalances between buy and sell orders during initial public offerings (IPOs).

Alternative types of orders

You may wish to consider using different types of orders to limit risk and manage investment strategies, particularly when trading in volatile markets. You should discuss with your Financial Advisor the costs and benefits of different types of orders.

Market order. This is the simplest type of order. Here, an investor tells a broker to execute a trade of a certain size as promptly as possible at the prevailing market price. Firms are required to execute market orders without regard to price changes. Therefore, if the market price moves significantly during the time it takes to fill an investor's order, the order will most likely be exposed to the risks outlined above, including execution at a price substantially different from the price when the order was entered.

Limit order. With a limit order, the investor sets the maximum purchase price, or minimum sale price, at which the trade is to be executed. If the market moves away from this price, the order will not be executed unless or until the market price returns to the limit price. Thus, the investor may not receive an execution of the order.

Stop order. This type of order has a unique identifier that instructs the market center to hold such orders for execution until such time the "stopped" price is touched at which point the market center handles the order as a market order. The prevailing market at the time the order is executed may not be the same as the stop price. Thus, for example, in a declining market, a sell stop order may be executed at a lower price than the stop price.

Not Held or Working order. "Not Held" is a special condition that a customer may place on a large order to provide the executing firm with greater discretion in handling that order. The firm must continue to adhere to principles of Best Execution, but will be given additional discretion in handling the order and not be held to its normal responsibilities with respect to the time of execution and the price or prices of execution of such an order. You should discuss with your Financial Advisor the potential costs and benefits of placing a not held order.

Conclusion

Before placing orders, the Firm encourages you to give careful thought to how the risks described in this document may affect an investment in volatile markets. There are several Internet resources available to help explain these and other risks in greater detail, including the websites of the Securities and Exchange Commission (www.sec.gov) and the Financial Industry Regulatory Authority, Inc. (www.finra.org). You should also consider how different types of orders might help manage some of these risks. Feel free to discuss these matters with your Financial Advisor.

Important information regarding payment for Order Flow

The Securities and Exchange Commission ("SEC") requires all brokerage firms, including UBS Financial Services Inc., to inform their clients as to whether they receive payment for Order Flow.

Order flow refers to the process by which your orders are executed. In seeking to obtain best execution for a client's order, a brokerage firm may execute the order as principal, or may route the order to an affiliated or nonaffiliated broker-dealer or exchange specialist for execution. UBS Financial Services Inc. would like its clients to be aware that the Firm does not currently receive any payments for Order Flow from any broker or dealer, national securities exchange, registered securities association or exchange member to which it routes its customers' orders for execution.

Information available on Routing of Customer Orders

The SEC has adopted rules (specifically, Rule 606) to improve public

disclosure of order execution and routing practices. As a result, our Firm and other broker-dealers are required to make available to clients quarterly reports that present a general overview of their order routing practices.

UBS Financial Services Inc.'s quarterly report is disclosed on its public website (www.ubs.com/financialservicesinc). UBS International Inc.'s quarterly report is disclosed on its public website (www.ubs.com/international).

Clients may also request a written copy of the report. The report provides information on the routing of nondirected orders, which are defined as orders that the customer has not specifically instructed the Firm to route to a particular venue for execution. Venues include stock exchanges (such as the New York Stock Exchange or ARCA Stock Exchange), listed options exchanges (Chicago Board Options Exchange), over-the-counter market makers and Electronic Communications Networks (ECNs). The reports provide information on our Firm's routing of: 1) securities listed on the New York Stock Exchange, Inc.; 2) securities listed on the American Stock Exchange or Regional Exchanges; 3) securities listed on the NASDAQ Stock Market; and 4) exchange-listed options. In connection with each of these four categories, the report identifies the venues where our Firm routes a significant percentage of customer orders, along with other relevant information. Additionally, the report discloses the nature of any relationship that UBS Financial Services Inc. may have with the venues identified in the report, including any arrangement (if applicable) where UBS Financial Services Inc. is paid by a venue in exchange for routing orders to that venue.

In addition to the information available on UBS Financial Services Inc.'s website, clients may request from the Firm the identity of the venue where their orders were routed for execution, the time that the orders were executed and whether the orders were routed to the particular venue at their direction or by UBS Financial Services Inc. This information will be provided only for orders routed for execution during the prior six months. Clients may request this information from their Financial Advisor.

Statement of Financial Condition

In accordance with requirements of the Securities and Exchange Commission ("SEC"), we are making available the UBS Financial Services Inc. Consolidated Statement of Financial Condition on our website at: <http://www.ubs.com/financials>.

Clients may also request a free copy of such financial statement by calling 866-805-9848, toll-free.

UBS Financial Services Inc. is subject to the SEC Uniform Net Capital Rule and the New York Stock Exchange Growth and Business Reduction capital requirements. Under the method of computing capital requirements adopted by UBS Financial Services Inc., minimum net capital shall not be less than 2% of combined aggregate debit items arising from client transactions, plus excess margin collected on resale agreements, as defined. A reduction of business is required if net capital is less than 4% of such aggregate debit items. Business may not be expanded if net capital is less than 5% of such aggregate debit items. At December 31, 2008, UBS Financial Services Inc.'s net capital of \$945,847,000 was 24% of its December 31, 2008 aggregate debit items and its net capital in excess of the minimum required was \$847,448,000.

UBS Financial Services Inc.'s most recent annual audit report is available for examination at its Headquarters, 1200 Harbor Boulevard, Weehawken, NJ 07086, and at the Northeast Regional Office of the SEC.

For clients of UBS International Inc., please note that UBS Financial Services Inc. serves as the clearing firm for UBS International Inc. As such, clients of

UBS International Inc. are referred to UBS Financial Services Inc.'s Statement of Financial Condition.

Account Protection

The Firm is a member of the Securities Investor Protection Corporation (SIPC). SIPC provides protection for your account(s) at the Firm for up to \$500,000 per customer, including a maximum of \$100,000 for free cash balances at the Firm in the unlikely event that the Firm fails financially. The SIPC asset protection limits apply to all accounts that you hold in a particular capacity. For example, if you have two accounts at the Firm where you are the sole account holder and a third account where you are a joint account holder, the two accounts are protected under SIPC up to a combined \$500,000 (not \$500,000 each), and the joint account is protected under SIPC separately for \$500,000. The Firm, together with certain affiliates, has also purchased supplemental protection. The maximum amount payable, to all clients collectively, under the supplemental policy is \$500 million as of March 23, 2009. Subject to the policy conditions and limitations, cash at the Firm is further protected up to \$1.9 million in the aggregate for all your accounts held in a particular capacity at UBS Financial Services Inc. A full copy of the policy wording is available upon request. The SIPC protection and the supplemental protection both do not apply to (a) certain financial assets controlled by (and included in your account value) but held away from UBS Financial Services Inc., (e.g., certain (i) cash on deposit at UBS Bank USA, (ii) insurance products, including variable annuities, and (iii) shares of mutual funds where such shares are registered directly in the name of the account holder on the books and records of the applicable issuer or transfer agent); (b) certain investment contracts or investment interests (e.g., limited partnerships and private placements) that are not registered under the Securities Act of 1933; and (c) commodities contracts (e.g., foreign exchange and precious metal contracts), including futures contracts and commodity option contracts. The SIPC protection and the supplemental protection do not apply to these assets even if they otherwise appear on your statements. The SIPC protection and the supplemental protection do not protect against changes in the market value of your investments (whether as a result of market movement, issuer bankruptcy or otherwise). More information is available upon request. You may obtain more information about SIPC, including the SIPC brochure, by contacting SIPC at 202-371-8300, or by visiting the SIPC website at www.sipc.org. UBS Financial Services Inc. is not a bank. Unless otherwise disclosed, securities and other investments held through UBS Financial Services Inc. ARE NOT FDIC-INSURED, ARE NOT BANK GUARANTEED, AND MAY LOSE VALUE.

BrokerCheck Notification from FINRA

In accordance with the Financial Industry Regulatory Authority, Conduct Rule 2280, Investor Education and Protection, we are providing our clients with the following information:

- The FINRA BrokerCheck Hotline telephone number is 800-289-9999
- The mailing address is FINRA BrokerCheck, P.O. Box 9495 Gaithersburg, MD 20898-9495 or FAX 240-386-4750
- The FINRA Internet website address is www.finra.org

For a copy of a brochure that includes important information concerning the FINRA BrokerCheck Program, call the BrokerCheck Hotline or visit FINRA's website.

Client complaints may be directed to the UBS Financial Services Inc. Client Relations Department, either by calling 800-354-9103, 8:00 a.m. to 6:00 p.m., ET, Monday through Friday, or by writing to UBS Financial Services Inc., Client Relations Department, P.O. Box 766, Union City, NJ 07087. UBS International client complaints may be directed to the UBS International Inc. Compliance Department, by calling 212-916-2106, 9:00 a.m. to 5:00 p.m., ET, Monday through Friday, or by writing to UBS International Inc. Compliance Department, 101 Park Avenue, New York, NY 10178.

Policy on Proxy Voting

If you hold securities in street name with our Firm, we forward proxy materials to you on behalf of the issuer whose securities you own. It is your right as a shareholder to participate in the voting process. The following details our Firm's policies regarding proxy voting.

Except for advisory accounts, ERISA plans and individual retirement accounts, if we have forwarded proxy materials to but have not received voting instructions from you within the designated timeframe, we will exercise our discretionary vote in proportion to the voting instructions we have received from our clients for routine matters, where permitted by the rules of FINRA.

Important information about significant regulatory matters.

1. On January 9, 2009, the Commodity Futures Trading Commission ("CFTC") entered an Order ("Order") Instituting Proceedings Pursuant to Sections 6(c) and 6(d) of the Commodity Exchange Act, Making Findings and Imposing Remedial Sanctions against UBS Fund Advisor, LLC ("UBSFA"). UBSFA consented to the entry of the Order without admitting or denying any of the CFTC's findings. The CFTC found that UBSFA did not, in its capacity as a registered commodity pool operator, distribute to pool participants and file with the National Futures Association one or more of its commodity pools' annual reports in a timely manner, in violation of Regulation 4.7(b)(3)(i), 17 C.F.R. § 4.7(b)(3)(i)(2008). The CFTC ordered UBSFA to cease and desist from violating Regulation 4.7(b)(3)(i), 17 C.F.R. § 4.7(b)(3)(i)(2008) and pay civil penalty in the amount of \$50,000.
2. On February 26, 2009, the Firm settled with FINRA for violations of NASD Rules 2110, 2320, 3010, 3110, 3360, 3370, 6130, 6955(A) in that for certain transactions for or with customers, the Firm did not use reasonable diligence to ascertain the best inter-dealer market and did not buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions; the Firm executed short sale orders and did not properly mark the order tickets as short for the orders; the Firm accepted customer short sale orders in certain securities and, for each order, did not make/annotate an affirmative determination that the Firm would receive delivery of the security on behalf of the customer or that the Firm could borrow the security on behalf of the customer for delivery by settlement date; the Firm executed short sale transactions and did not report each of the transactions to the trade reporting facility with a short sale modifier. The Firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning short sales and short interest reporting. The Firm submitted incorrect short interest reports to NASD nka FINRA. The Firm transmitted reports to OATS (Order Audit Trail System) which contained inaccurate, incomplete or improperly formatted data in that the reports erroneously reported, or did not report, display flags to OATS. Without admitting or denying the findings, the Firm consented to the described sanctions and to the entry of findings; therefore, the Firm was censured, fined \$110,000, ordered to pay \$2,719.65, plus interest, in restitution to certain public customers and required to revise its written supervisory procedures regarding short sales and short interest reporting within 30 business days of acceptance of this AWC by the NAC.
3. On February 28, 2008, FINRA accepted a Letter of Acceptance, Waiver, and Consent ("AWC") in which the Firm, without admitting or denying the allegations or findings consented to the finding that from January 1, 2002 through May 31, 2003, the Firm effected transactions in Class B share mutual funds to certain customers, where an equal investment in Class A share mutual funds would have been more advantageous to these customers. The Firm also consented to the finding that, from January 1, 2002 through September 30, 2003, the Firm effected transactions in Class C share mutual funds to

certain customers, where an equal investment in Class A share mutual funds would have been more advantageous to these customers. Also included within this AWC, yet unrelated to the Class B and Class C share matter, the Firm consented to the finding that, from January 1, 2002 through June 30, 2004, the Firm did not provide certain investors the opportunity to purchase Class A shares of certain mutual funds at Net Asset Value ("NAV") where the relevant mutual funds had a NAV transfer program applicable to those particular transactions. In addition, the Firm consented to the finding that, from January 1, 2002 through June 30, 2004, the Firm did not establish, maintain and enforce supervisory systems and procedures reasonably designed to identify NAV transfer programs offered by the mutual funds that the Firm sold to its customers, and provide, on a consistent basis, consideration to the benefits of the various mutual fund share classes as they applied to individual customers. The Firm consented to a censure, fine of \$1,000,000, and an undertaking to provide remediation to certain customers who either purchased Class B or Class C shares of mutual funds, or who did not receive the benefit of the NAV transfer program. The Firm further agreed to augment its training relative to the receipt and handling of customer inquiries concerning the NAV transfer program, or Class B/C share mutual fund purchases. The Firm also consented to engage a third-party to review the Firm's compliance with these remediation efforts.

4. On July 30, 2008, a Final Consent Judgment was entered against the Firm, pursuant to its consent and without admitting any liability or findings of fact, in an action brought by the Massachusetts Attorney General relating to the permissibility of the sale of auction rate securities to Massachusetts public entities. Pursuant to the Final Consent Judgment, the Firm offered to repurchase at par value auction rate securities that were impermissible investments for public entities under Massachusetts state law, paid Massachusetts \$750,000 and contributed \$250,000 for education and training of public entity treasurers and other financial officials.
5. On or about October 31, 2008, the Firm, without admitting or denying the allegations or findings, agreed to a Consent Judgment with the United States Securities and Exchange Commission regarding allegations related to UBS's sale and marketing of auction rate securities. The Consent Judgment permanently restrains and enjoins the Firm from violations of Section 15(c) of the Securities and Exchange Act of 1934 [15 U.S.C. §78o(c)] and, upon motion by the Commission and order by the Court, orders the payment of a civil penalty pursuant to SEC 21(d) (3) of the Exchange ACT [15 U.S.C. §78u(d)(3)]. Under the Consent Order the Firm undertook to buy back at par value auction rate securities ("ARS") from UBS investors who (1) held those ARS at UBS or in DVP accounts in which UBS had bidding rights as of February 13, 2008 or (2) purchased the ARS at UBS between October 1, 2007 and February 12, 2008 and transferred the ARS out of UBS prior to February 12, 2008. Individual investors and IRS 501(c)3 qualified charities, endowments and foundations with less than \$1 million in funds on deposit at UBS were eligible for repurchase of their ARS on October 31, 2008. Individual investors and IRS 501(c)3 qualified charities, endowments and foundations with more than \$1 million in funds on deposit at UBS, as well as entities with less than \$10 million in assets at UBS as of August 8, 2008 (excluding clients with \$50 million in total assets) were eligible for repurchase of their ARS on January 2, 2009. For the remaining non-bank and non-broker-dealer institutional investors that (1) held ARS at UBS or in DVP accounts in which UBS had bidding rights as of February 13, 2008 or (2) purchased the ARS at UBS between October 1, 2007 and February 12, 2008 and transferred the ARS out of UBS prior to February 12, 2008, the Firm has until June 30, 2010 at the latest to repurchase the ARS. Additional requirements under the Consent Order required the Firm to: proceed with its announced plans for the repurchase of tax-exempt auction rate securities held by certain UBS investors; refund refinancing fees to municipal issuers of auction rate securities where

the ARS was issued in an initial primary market between August 1, 2007 and February 12, 2008 and then refinanced after February 13, 2008; pay the difference between the sale price and par value to UBS investors of ARS that sold ARS positions below par value between February 13, 2008 and September 15, 2008, who would otherwise be eligible under the terms of the Consent Order; reimburse investors who participated in UBS ARS-related loan programs the amount of interest paid on such loans that was in excess of the interest paid to the investor on the ARS; agree to special arbitration procedures for ARS investors to seek consequential damages related to the illiquidity of their ARS; and agree that in cases brought by ARS investors for consequential damages the Firm will not argue against liability for ARS illiquidity and will not assert as a defense the investors' decision not to borrow from UBS prior to September 15, 2008.

6. On December 12, 2008 the Attorney General of the State of New York Investor Protection Bureau issued an Assurance of Discontinuance of its investigation concerning the Firm's marketing, sale and distribution of auction rate securities. UBS, without admitting or denying the findings set out in the Assurance of Discontinuance, agreed to buy back at par value auction rate securities ("ARS") from UBS investors who (1) held those ARS at UBS or in DVP accounts in which UBS had bidding rights as of February 13, 2008 or (2) purchased the ARS at UBS between October 1, 2007 and February 12, 2008 and transferred the ARS out of UBS prior to February 12, 2008. Individual investors and IRS 501(c)3 qualified charities, endowments and foundations with less than \$1 million in funds on deposit at UBS were eligible for repurchase of their ARS on October 31, 2008. Individual investors and IRS 501(c)3 qualified charities, endowments and foundations with more than \$1 million in funds on deposit at UBS, as well as entities with less than \$10 million in assets at UBS as of August 8, 2008 (excluding clients with \$50 million in total assets) were eligible for repurchase of their ARS on January 2, 2009. For the remaining non-bank and non-broker-dealer institutional investors that (1) held ARS at UBS or in DVP accounts in which UBS had bidding rights as of February 13, 2008 or (2) purchased the ARS at UBS between October 1, 2007 and February 12, 2008 and transferred the ARS out of UBS prior to February 12, 2008, the Firm has until June 30, 2010 at the latest to repurchase the ARS. In addition the New York Attorney General required the Firm to: proceed with its announced plans for the repurchase of tax-exempt auction rate securities held by certain UBS investors; refund refinancing fees to municipal issuers of auction rate securities where the ARS was issued in an initial primary market between August 1, 2007 and February 12, 2008 and then refinanced after February 13, 2008; pay the difference between the sale price and par value to UBS investors who sold ARS positions below par value between February 13, 2008 and September 15, 2008, who would otherwise be eligible under the terms of the Consent Order; reimburse investors who participated in UBS ARS-related loan programs the amount of interest paid on such loans that was in excess of the interest paid to the investor on the ARS; agree to special arbitration procedures for ARS investors to seek consequential damages related to the illiquidity of their ARS; agree that in cases brought by ARS investors for consequential damages the Firm will not argue against liability for ARS illiquidity and will not assert as a defense the investors' decision not to borrow from UBS prior to September 15, 2008; create a customer assistance line and an Internet page; and pay a penalty of \$75 million to the New York Attorney General by January 2, 2009.

UBS Financial Services Inc.
www.ubs.com/financialservicesinc
090227-0474

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