Important account related information

Highlights
Each year, we are required to provide you with certain account related information. This information is outlined on the following pages.

• When you place an order to buy or sell a stock, we obtain the most favorable terms reasonably available at the time of the execution; this is known as Best Execution.
• As required by Securities and Exchange Commission (SEC) regulations, we are notifying you that we do not currently receive payment for Order Flow, which is the process by which your orders are executed.
• Quarterly reports regarding our order routing practices are available online.
• Our Consolidated Statement of Financial Condition is now available on our website at: http://www.ubs.com/financials; you may request a free copy of this statement by calling 866-805-9848.
• Information about our Financial Advisors is now available through the Financial Industry Regulatory Authority's (FINRAs) BrokerCheck program.
• Important information about recent regulatory matters affecting our firm is also provided in this disclosure.
Best execution of equity securities

A solid understanding of how we seek to obtain Best Execution when you place an order to buy or sell stock is key to being an informed investor. What follows is a look at the firm’s approach to Best Execution, the factors that can affect the timing of an execution 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. Execution speed is 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. (including UBS Securities LLC, an affiliate of UBS Financial Services Inc.) believes will provide the best execution. Certain larger orders that require special handling may be routed to a market center for execution by 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 can be updated 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. When volatility is
extreme, 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. We encourage you 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. 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 customer 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 quarterly reports available to clients that present a general overview of their order routing practices.

UBS Financial Services Inc.’s quarterly report is available at www.ubs.com/fs.

Clients may also request a written copy of the report. The report provides information on the routing of non-directed 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 NYSE AMEX 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 this 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, 2010 and January 31, 2011, UBS Financial Services Inc. had net capital of $1,364,195,427 and $1,339,189,523 respectively, which exceeded the minimum net capital requirements by $1,271,605,116 and 1,247,926,971 respectively.

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.

Account Protection

UBS Financial Services Inc. and its U.S. broker-dealer affiliates are members 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 $250,000 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 during the current policy period, which runs from December 10, 2010 through December 10, 2011. Subject to the policy conditions and limitations, cash 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 metals 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 (FINRA) Conduct Rule 2280, Investor Education and Protection, we are providing our clients with the following information:

- BrokerCheck provides investors with the ability to research the professional backgrounds of current and former FINRA-registered brokerage firms and brokers.
- The FINRA BrokerCheck Hotline telephone number is 800-289-9999.
- The mailing address is FINRA BrokerCheck, P.O. Box 9495 Gaithersburg, MD 20898-9495 and fax is 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.

Clients may address any concerns 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.
Important information about regulatory matters

1. On November 3, 2010, UBS, without admitting or denying the allegations, consented to the findings that it allowed 70 employees to act as principals without registration or adequate supervisory procedures. The firm was censured, fined $200,000 and was required to establish appropriate supervisory procedures within 120 days.

2. On September 29, 2010, UBS, without admitting or denying the allegations, consented to the findings that it violated NASD Rules 2110, 3010(a) and 3010(b) and FINRA Rule 2010 by lending customer securities to facilitate short selling without properly disclosing certain facts to these customers and failing to properly supervise the transactions. The firm was censured, fined $175,000 and was required to establish additional supervisory procedures.

3. On July 1, 2010, UBS, without admitting or denying the allegations, consented to the findings that in acting as an agent when purchasing and selling municipal securities, it charged two investors with a service charge that was in excess of what is considered a fair and reasonable amount according to the Municipal Securities Rule Making Board (MSRB). The firm was censured, fined $17,000 and was required to pay restitution to two investors.