

Best Execution of Equity Securities:

This document provides information on how UBS Financial Services Inc. ("UBS FSI", "the Firm", or "we") seeks to obtain best execution for its clients when handling orders in equity securities.

When you, as a client of UBS FSI, place an order to buy or sell an equity security, we seek to obtain the most favorable terms reasonably available under prevailing market conditions at the time of execution. This is known as Best Execution. The Capital Markets trading desk has the primary responsibility of helping provide client orders with best execution by;

- Carefully considering the elements of order execution
- Employing sophisticated technology for route monitoring and order execution
- Regularly and rigorously reviewing overall execution quality

The elements of Best Execution

Among the factors that will be considered in determining whether a member has used "reasonable diligence" are:

1. The character of the market for the security (e.g., price volatility, relative liquidity and pressure on available communications);
2. The size and type of transaction;
3. The number of markets checked;
4. The accessibility of the quotation; and
5. The terms and conditions of the order as communicated to the firm.

I. The execution process

In order to help reasonably determine the best method to execute a client order, UBS FSI. will take into account all aspects of the Firm's best execution obligations, including, but not limited to

1. *Execution speed.* This is particularly important in volatile markets. The impact of volatile markets on order execution is discussed in Section II below. 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 (which indicate to other dealers and investors the price is not negotiable) 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.
3. *Overall execution quality.* When determining how and where to route or execute an order, the firm draws upon numerous electronic linkages with a number of market participants ,focusing on prompt, reliable execution.

UBS FSI uses automated systems to route and execute most customer orders. When an order is received, it will generally be routed to a market center. These market centers (including UBS Securities LLC, an affiliate of UBS Financial Services Inc.) are ones the firm believes will provide best execution.

UBS FSI 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. conducts regular and rigorous reviews of the overall quality of the executions received on clients' orders. Decisions for order routing practices are based on the firm's regular and rigorous reviews of execution quality.

Order execution risks during volatile markets

Investors should be aware that market and price volatility can affect order execution.

We encourage you to review the following risks associated with volatility, especially at or near the open or close of the standard trading session.

- An order may be fully or partially executed in several transactions at a substantially different price from the quoted bid or offer, or the last reported sale price at the time of order entry. Opening prices may differ substantially from the previous day's close.
- Locked markets (where the bid and offer are equal) and crossed markets (where the bid is higher than the offer, or conversely where the offer is lower than the bid) could prevent the immediate execution of customer trades.
- Increased price volatility may result from imbalances between buy and sell orders during initial public offerings (IPOs).
- When investors place a high volume of orders in the marketplace, order imbalances and backlogs may occur requiring more time to execute orders. Delays are sometimes caused by the number and size of orders processed and the speed at which current quotations or last-sale information can be updated.
- Order delays can create system capacity challenges for UBS FSI and other market participants to which UBS FSI routes orders.
- When volatility is extreme, electronic orders may not be executed instantaneously upon receipt and may, therefore, be affected by price movements. Additionally, market participants may need to discontinue their usual automatic execution procedures and execute orders manually, leading to further delays.

Routing and handling orders in volatile markets

Clients may want to consider using different types of orders to limit risk and manage investment strategies, particularly when trading in volatile markets. You should consult with your Financial Advisor to review how different types of orders may benefit you.

Our execution process is designed to obtain the best overall result for the execution of orders on a consistent basis. If a client provides specific order instructions to route an order to a particular market for execution, the Firm is required to comply with the order instructions without regard to whether it is the best available market for the security.

Market availability for certain securities

Market availability for certain securities can vary substantially. There are situations where quotes or pricing information are limited, which includes jurisdictions outside of the US markets. Under these circumstances UBS FSI will strive to determine the most favorable venue when routing order for executions.

Prohibition against trading ahead of customer orders

FINRA Rule 5320 generally provides that a firm handling a customer order in an equity security is prohibited from trading that security on the same side of the market for its own account at a price that would satisfy the customer order, unless the firm immediately executes the customer order up to the size of its own order at the same or better price. While the Rule applies broadly to all types of clients and order sizes, it provides exceptions that permit a broker-dealer to trade on its behalf, provided certain conditions are met. One exception permitted by the Rule is known as the "No-Knowledge Exception."

No-Knowledge Exception

UBS maintains several trading units that operate independently from each other, with internal controls known as information barriers between its trading units. The information barriers are designed to prevent one trading unit from having knowledge of a customer order held by a different trading unit.

As a result of these barriers, one trading unit may hold a client order for a security while another trading unit executes an order for the same security on behalf of the firm or a different client account that would satisfy (i.e., fill) the initial client order.

For example, UBS Financial Services Inc.'s Taxable Fixed Income (TFI) desk facilitates the execution of client orders as well as certain principal trading activities. As a result, there may be instances in which the TFI desk executes taxable preferred securities on a principal basis at prices that may differ from those received on a client order executed on another market venue on an agency basis.

Types of orders and conditions

Market order. This is the simplest type of order. A market order is an order to buy or sell as soon as possible at the best price reasonably available. 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 order, the order will most likely be exposed to the risks outlined under the volatile markets section discussed above, including execution at a price substantially different from the price when the order was entered.

Limit order. A limit order is one where the client 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 client may not receive an execution of the order or may receive a partial execution

Stop limit order. A stop limit order can only be executed at a specific price (or better) after a given stop price has been triggered. When the stop price is reached by the market, the stop limit order becomes a limit order to buy or sell at the limit price or better. However, in a declining market, there is risk your order may not get executed if the market moves past your limit price.

Depending on the market center where your order is presented, a stop limit order can be activated as a limit order using a transaction or quotation as the triggering event. The stop price is used as the triggering event, depending on the marketplace to which the order is presented. Because we cannot sell for a price that is lower (or buy for a price that is higher) than the limit price selected, there is a possibility that the order will not be executed at all.

Not Held or Working order. A "not held" order is one in which a client gives us discretion as to the time and price at which to execute your orders. When handling a "Not Held" order, we use professional judgment to seek the best possible overall quality of execution under the circumstances in accordance with the order's instructions. The Firm continues to adhere to principles of Best Execution but will be given greater latitude to exercise its professional judgment in handling these orders. Accordingly, this may affect the time and price of executions of such an order.

Day and Good-Till-Cancelled orders.

A Day Order-Is an order that is valid until executed or the next market close .

A Good-Till-Cancelled (GTC) Order. An order that exists until the order is completed or cancelled by the client.

UBS FSI will automatically cancel all open equity GTC orders that are in effect for a six month duration (good for six months). Upon the opening of the next business day these orders will be cancelled with immediate notification via confirmation to the client. This does not include any orders placed for Equity Plan Advisory Services (EPAS) clients or as 10b5-1 trading plan.

In summary

Before placing any order, the firm encourages you to give careful thought and consideration to risks described in this document and how they may affect an investment in volatile markets. You should also consider how different types of orders might help manage some of these risks.

You should discuss any questions you have about any of the topics concerning our principles of Best Execution with your Financial Advisor.

Participants of companies that use UBS for their employee equity plans should call the phone numbers listed on their statement.

Additional resources

There are several 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 (www.finra.org)



