UBS

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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.

To do this, we:

- Carefully consider the elements of order execution;
- Employ sophisticated technology to route, monitor, and execute orders; and
- Conduct regular and rigorous reviews of overall execution quality.

Duty of best execution

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. Best Execution requires that we use reasonable diligence to ascertain the best market for the subject security. Among the factors used to determine whether reasonable diligence has been exercised 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.

The execution process

In order to fulfill our Best Execution obligation and help reasonably determine the best market for a security, we consider several factors, 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 below. The Firm seeks to provide customer orders with the fastest execution reasonably possible under existing market conditions.

2. *Potential for 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. Price improvement occurs when you receive an execution at a price lower than the best offer for a buy order, or a price higher than the best bid for a sell order (i.e., better than the NBBO). The Firm seeks to route client orders to market centers 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 upon numerous electronic linkages with a number of market participants, focusing on prompt and 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 reasonably 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.

Review of execution quality

UBS FSI regularly and rigorously evaluates the overall quality of the executions received on clients' orders, taking into consideration the factors referenced above. UBS FSI makes decisions for order routing practices 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 the potential benefits and risks of different order types.

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 to which the Firm has access, we are 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 U.S. Under these circumstances, UBS FSI will seek to determine the most favorable venue when routing orders for execution.

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, it provides certain exceptions that permit a broker-dealer to trade on its behalf, provided certain conditions are met. One such exception 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 trades certain preferred securities on a principal basis. Separately, Financial Advisors may route client orders in preferred securities to our affiliate for execution, without the TFI desk having knowledge of the order. As a result, there may be instances in which the TFI desk executes preferred securities on a principal basis at prices that may differ from those received on a client order executed through our affiliate on an agency basis.

Payment for Order Flow

UBS FSI does not base equities or options order routing decisions on the receipt of any order routing inducements. To the extent that any market center on their own volition, provides the Firm with a rebate or similar payment, such payments: (i) are not actively sought after by the Firm; (ii) if received, are de minimus; and (iii) are not taken into consideration, nor do they influence the Firm's order routing practices which remain solely guided by the Firm's duty of best execution. The Firm effectively manages any potential conflict of interest by: (i) not seeking out or negotiating payments for order flow; and (ii) making order routing determinations independent from any de minimus or incidental rebates or similar payments that the Firm may receive.

Types of orders and conditions

Market 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 the risk of receiving an 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. The Firm does not accept stop orders for equity securities. The Firm does, however, accept stop limit orders. 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. 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.

In a declining market, there is a risk that your order may not get executed if the market moves past your limit price. Further, 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 you give 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 orders.

Day Orders. A day order is one that is valid until executed or until the next market close.

Good-Till-Cancelled (GTC) Orders. A GTC order remains open until the order is executed, cancelled by the client that placed the order, or cancelled by us.

UBS FSI will automatically cancel all equity GTC orders that have been open for six months (good for six months). Upon the opening of the next business day, these orders will be cancelled with immediate notification to the client. This does not include any orders placed for Equity Plan Advisory Services (EPAS) clients or under10b5-1 trading plans.

Business Continuity Planning:

The Firm is responsible for maintaining and carrying out business continuity plans in the event of disruptions. These plans enable the Firm to continue performing critical business functions, such as the routing and handling of customer orders in the event of localized or industry-wide crises, emergencies, pandemics or other events that result in adverse market conditions. Examples of actions the Firm may undertake include, but are not limited to, the following:

- Relocating personnel to designated recovery locations and/or permitting certain personnel to work remotely from home;
- Implementation of bespoke controls and supervisory protocols reasonably designed to ensure compliance with applicable rules and regulations; and
- Deployment and reallocation of personnel and resources depending on the nature of the event and its impact to the Firm's various business lines.

While the Firm has taken significant steps to carefully develop and implement these plans, we cannot guarantee that the Firm's systems will function at normal capacity during a disruption, or that the Firm will be capable of processing the volume of activity during the then-existing market conditions. As a result, increased latency and other factors may negatively impact execution quality, but the Firm will continue to use reasonable diligence to satisfy its regulatory obligations, including its duty of best execution.

In summary

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

Please contact your Financial Advisor for any questions you have regarding our Best Execution practices and principles.

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*).

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