



Loan Disclosure Statement

Risk Factors You Should Consider Before Using Margin or Other Loans Secured by Your Securities Accounts

This brochure is only a summary of certain risk factors you should consider prior to participating in any of UBS Financial Services Inc.'s lending programs. You should understand the risks of borrowing funds secured by your securities accounts thoroughly before using leverage as a liquidity source or as part of your investment strategy. You should understand your loan agreement, the initial margin and maintenance requirements for the specific program in which you enroll, and the procedures for issuing margin calls and liquidating securities and other assets in your accounts.

UBS Financial Services Inc. does not provide legal or tax advice. Please consult your legal and tax advisors regarding the tax implications of borrowing on margin. You should speak to your Financial Advisor if you have additional questions about borrowing on margin.

UBS Financial Services Inc. serves as the clearing firm for its affiliate UBS International Inc., therefore clients of UBS International Inc. are referred to this Loan Disclosure Statement provided by UBS Financial Services Inc.

UBS Financial Services Inc.

Addendum to Loan Disclosure Statement — Statement of Credit Practices Section

Important Changes to the Interest Charged on Certain Loans

What is changing?

Effective February 22, 2005, changes will be made to the pricing grid in our Statement of Credit Practices to:

- The dollar levels at which your loan pricing is determined, and
- The spread which is added to our subtracted from our Base Loan Rate

As a result, if you are charged interest according to our standard sliding-scale grid, the interest rate that you are charged on outstanding daily net loan (debit) balances may either increase or decrease depending on the dollar amount of your outstanding debit balance. Our standard rates for outstanding loans less than \$250,000 will increase, while our standard rates for outstanding loans greater than \$500,000 will decrease. The standard rates for any outstanding loans that are \$250,000 to \$499,999 will remain the same.

Who is affected by this change?

This change may affect you if you have a daily net loan (debit) balance in your account(s) and are currently charged interest according to the standard sliding scale. The following loan (debit) transactions will be affected by this change:

- Margin loans (debits),
- Interest on late payments,
- Interest on prepayments,
- Interest on "When issued"
- transactions, when interest is charged, and
- Credit Lines with UBS Financial Services Inc.

What are the changes to the pricing grid?

The new pricing grid in our Statement of Credit Practices is as follows:

Net loan (debit) balance	Spread Over/Under Base Loan Rate* Effective February 22, 2005, On Outstanding Loan Balances
Under \$25,000	3.500%
\$25,000 - \$49,999	3.125%
\$50,000 - \$74,999	2.750%
\$75,000 - \$99,999	2.125%
\$100,000 - \$249,999	1.125%
\$250,000 - \$499,999	0.750%
\$500,000 - \$999,999	0.375%
\$1 million - \$4,999,999	0.000%
\$5 million - \$9,999,999	-0.375%
\$10 million +	-0.750%

*The UBS Financial Services Inc. Base Loan Rate is 5.875% as of December 10, 2004, and is subject to change from time to time in the lender's sole discretion.

How will my interest rate be determined?

Our Statement of Credit Practices sets forth the manner in which we determine the interest rate you are charged on your daily net loan (debit) balance. We will continue to charge you in accordance with our Statement of Credit Practices, except that the grid found in the Statement of Credit Practices is replaced with the grid found above, effective February 22, 2005.

Will this change affect the interest rate on my Premier or Prime Credit Line?

No. The interest rates charged on Premier or Prime Credit Lines will not be affected by this change.

Loan Disclosure Statement

Introduction/Executive Summary

UBS Financial Services Inc. is furnishing this brochure to you to provide some basic facts about purchasing securities on margin or otherwise borrowing funds secured by your securities accounts, and to alert you to the risks involved with such activities. Before trading securities in a margin account or otherwise using leverage, you should carefully review your loan agreement and speak to your Financial Advisor regarding any questions or concerns you may have with your margin accounts or loan agreement.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from UBS Financial Services Inc. If you choose to borrow funds from UBS Financial Services Inc. or one of its affiliates, you will open a margin account with UBS Financial Services Inc. The securities purchased (together with the other securities and assets held in your UBS Financial Services Inc. accounts) are UBS Financial Services Inc.'s collateral for the loan to you.¹ If the securities in your margin account decline in value, so does the value of the collateral supporting your loan and, as a result, UBS Financial Services Inc. can take action, such as issuing a margin call and/or selling securities or other assets in any of your accounts held at UBS Financial Services Inc., in order to maintain the required equity in the account.²

It is important that you fully understand the risks involved in trading securities on margin, using leverage as a liquidity source or as part of your investment strategy, or otherwise pledging your securities in order to obtain credit. These risks (described more fully below) include the following:

- **You can lose more funds than you deposit in your margin account.** A decline in the value of securities that are purchased on margin may require you to provide additional funds to UBS Financial Services Inc. to avoid the forced sale of those securities or other securities or assets in your account(s).
- **UBS Financial Services Inc. can force the sale of securities or other assets in your account(s).** If the equity in your account falls below the maintenance margin requirements or UBS Financial Services Inc.'s higher "house" requirements, UBS Financial Services Inc. can sell the securities or other assets in any of your accounts held at UBS Financial Services Inc. to cover the margin deficiency. You also will be responsible for any shortfall in the account after such a sale.
- **UBS Financial Services Inc. can sell your securities or other assets without contacting you.** Some investors mistakenly believe that UBS Financial Services Inc. must contact them for a margin call to be valid, and that UBS Financial Services Inc. cannot liquidate securities or other assets in their accounts to meet the call unless UBS Financial Services Inc. has contacted them first. This is not the case. UBS Financial Services Inc. will attempt to notify our clients of margin calls, but we are not required to do so. However, even if UBS Financial Services Inc. has contacted a client and provided a specific date by which the client can meet a margin call, UBS Financial Services Inc. can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to the client.

- **You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call.** Because the securities are collateral for the margin loan, UBS Financial Services Inc. has the right to decide which security to sell in order to protect its interests.
- **UBS Financial Services Inc. can increase its “house” maintenance margin requirements at any time and is not required to provide you with advance written notice.** These changes in UBS Financial Services Inc. policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause the member to liquidate or sell securities in your account(s).
- **You are not entitled to an extension of time on a margin call.** While an extension of time to meet margin requirements may be available to clients under certain conditions, a client does not have a right to the extension.

Borrowing on Margin

As discussed above, you borrow on “margin” when you borrow money from UBS Financial Services Inc.³ or one of its affiliates using securities in your UBS Financial Services Inc. accounts as collateral. Investors generally use margin as (1) a source of liquidity for purposes other than securities purchases, or (2) a means to increase their purchasing power of securities to gain increased exposure to the market. UBS Financial Services Inc. has a variety of margin lending programs which, depending on the specific program, allow you to use the funds to purchase, carry or trade securities, or for consumer or business purposes. Borrowing on margin can be a convenient and inexpensive source of liquidity and/or a successful trading technique for investors who understand the risks involved. Margin borrowing may not, however, be appropriate for everyone, particularly for someone living on a fixed income or nearing retirement.

Risk Factors Associated with Using Margin

Margin borrowing to purchase securities is a more aggressive, higher risk approach to achieving your investment objectives than non-margin investing. Borrowing on your portfolio to meet liquidity needs other than the purchase of securities also has risks. Before you decide to use margin, you must carefully consider whether you can afford to assume these additional risks, which include the following:

- **You can lose more funds than you deposit in your margin account.** Your collateral (which means your marginable securities in your eligible UBS Financial Services Inc. accounts) must maintain a particular value relative to the market value of your account.⁴ Your collateral, however, is subject to market movements and may decline in value. In the event that the value of the collateral falls below the margin maintenance requirements or UBS Financial Services Inc.’s higher “house” requirements, UBS Financial Services Inc. may make a “call” for you to deposit additional collateral into your margined account (your additional collateral may be in the form of cash or margin-eligible securities), require that you cover a short position, or require you to deposit cash to reduce your loan amount in order to avoid the forced sale of the securities or other assets in any of your accounts held at UBS Financial Services Inc. This is generally referred to as a “call” or “margin call.” If you do not have access to funds to meet a potential margin call, you should probably not be using a margin account. The following example illustrates how a margin call works:

You purchase \$16,000 worth of securities by borrowing \$8,000 and paying \$8,000 in cash or securities. If the market value of the securities drops to \$10,000, the equity in your account will

fall to \$2,000 (\$10,000 security value-\$8,000 owed to UBS Financial Services Inc.= \$2,000 equity value).

Assuming a maintenance requirement of 30% on this account, the equity in your account would not be sufficient to cover the maintenance requirement of \$3,000 (30% of \$10,000=\$3,000), resulting in a margin call for \$1,000 (\$3,000 maintenance requirement-\$2,000 equity value=\$1,000).

There are several ways to meet this margin call: (1) deposit \$1,000 in cash; (2) deposit additional marginable securities with a market value sufficient to meet the call (which will vary by type of security deposited); or (3) liquidate securities or other assets and repay a portion of the loan sufficient to bring the maintenance ratio back to 30%.

Both positive and negative performance of an account will be magnified if you use the account as collateral for borrowed money.

In other words, any profits or losses in a leveraged account will be greater than would be the case with an unleveraged account. Further, for UBS Financial Services Inc.’s Premier Credit Line products, which are available for purposes other than to purchase, trade or carry securities, UBS Financial Services Inc. may extend you more credit on your collateral as compared to its margin loan program in which borrowed money is used to purchase, trade or carry securities. Specifically, under the Premier Credit Line program, UBS Financial Services Inc. may initially extend you a loan of up to 65% of the value of your collateral and you may be eligible to maintain loans of up to 75% of the value of your collateral. In contrast, under the margin loan program, UBS Financial Services Inc. may initially extend you a loan of up to 50% of the value of your collateral and you may be eligible to maintain loans of up to 70% of the value of your collateral. **Because of the possibility of higher advance ratios and lower equity maintenance requirements and the related increased leverage in accounts serving as collateral for Premier Credit Line loans, the risk of magnified losses is greater for Premier Credit Line loans than for UBS Financial Services Inc. margin loans.** In addition, Premier Fixed Credit Line loans, which feature a fixed rate of interest based upon the prevailing, same-term, London Interbank Offered Rate (LIBOR) plus a spread, may not be prepaid without the permission of UBS Financial Services Inc. and any permitted prepayments will result in the imposition of an administrative fee (“Breakage Fee”) and may result in a prepayment penalty (“Breakage Cost”). The Breakage Fee will be calculated by multiplying the outstanding principal amount of such fixed rate loan by two basis points (.02%). It is expected that Breakage Costs will usually be incurred in a falling interest rate environment and will be calculated by determining the differential between the fixed rate loan’s stated rate of interest and the prevailing LIBOR rate and multiplying such differential by the sum of the outstanding principal amount of such fixed rate loan multiplied by the actual number of days remaining in the Term for such fixed rate (based upon a 360-day year).

- **UBS Financial Services Inc. can force the sale of securities or other assets in your account(s).** If the equity in your account falls below the margin maintenance requirements or UBS Financial Services Inc.’s higher “house” requirements, UBS Financial Services Inc., at its discretion and in accordance with applicable rules and regulations, may sell your securities or other assets in any of your UBS Financial Services Inc. accounts to cover the margin deficiency. In this case, UBS Financial Services Inc. will sell a sufficient amount of your securities (or buy a sufficient amount of securities to cover a margined short position) or other assets in any of your UBS Financial Services Inc. accounts and use the proceeds of the sale (net of applicable commissions and fees) to bring your

account into compliance with required maintenance levels at then-prevailing market prices. Those prices may be disadvantageous to you. Please note that you will remain responsible for any difference between your loan and the proceeds UBS Financial Services Inc. obtains from selling your securities or other assets. Indeed, if your margin account is liquidated, you will remain responsible for any outstanding balance on the loan plus accrued interest. For example:

You purchase a security for \$50. Thereafter, the security declines in value to \$25. If you purchased the security in a cash account, the decline in value will result in a loss of 50% of your equity (\$50 original investment-\$25 decrease in price=\$25). If you purchased the security on margin (paying \$25 in cash and borrowing \$25 from UBS Financial Services Inc.), you will lose 100% of the equity in your investment. If you sell the security to satisfy your margin loan or UBS Financial Services Inc. liquidates your position to satisfy a margin call, you will remain liable for the payment of any accrued interest on the margin loan.

The sale of securities or other assets in your account(s) to satisfy a margin deficiency may negatively affect your ability to follow your asset allocation strategy and to achieve your investment objectives.

- **UBS Financial Services Inc. can sell your securities or other assets without contacting you.** Some investors mistakenly believe that their brokerage firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities or other assets in their accounts to meet the call unless the firm has contacted them first. This is not the case. As a general business practice, UBS Financial Services Inc. will attempt to notify you before initiating the sale of your securities or other assets to meet a margin call and will generally provide you with 48 to 72 hours to satisfy such call. However, such notice is not required and your specific authorization is not required for UBS Financial Services Inc. to liquidate securities or other assets in your UBS Financial Services Inc. accounts. **There may be certain circumstances, including highly volatile markets, where UBS Financial Services Inc. may sell your securities or other assets to offset a margin debt or bring a loan back into compliance with our margin lending requirements without issuing a call to you or contacting you, even in the case where UBS Financial Services Inc. previously issued a call to you and gave you a specific date by which to satisfy such call. UBS Financial Services Inc. will not be responsible for losses you incur when we sell your securities or other assets irrespective of whether or not we notify you of the margin call.** As such, you should monitor the status of your margined account by contacting your Financial Advisor and/or reviewing your account via UBS Financial Services Inc.’s online services. You should take prompt appropriate action, such as depositing additional collateral in your account, when necessary.
- **You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call.** Because the securities and other assets are collateral for the margin loan, UBS Financial Services Inc. has the right to choose which security or asset is liquidated or sold to protect its interests. As a result, the securities or assets that are liquidated may result in a greater loss and/or tax liability than if, in hindsight, other securities or other assets in your accounts had been liquidated.
- **UBS Financial Services Inc. can increase its “house” maintenance margin requirements at any time and is not required to provide you with advance written notice.** These changes in policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the

call may cause UBS Financial Services Inc. to liquidate or sell securities or other assets in your account(s).

- **You are not entitled to an extension of time on a margin call.** While an extension of time to meet margin requirements may be available to clients under certain conditions, a client does not have a right to such an extension.
- **UBS Financial Services Inc. and its affiliates will act as creditor and, accordingly, their interests may be inconsistent with, and potentially adverse to, your interests.** UBS Financial Services Inc. is allowed to act, and will act, as a lender (i.e., creditor) in connection with your margin loan. This means that consistent with normal lending practices, UBS Financial Services Inc. may take any steps necessary to protect its interest in the margin loan, issue a call for additional collateral, force the sale of your securities or other assets, or demand payment of the margin loan in full at any time if your actions or inactions call your creditworthiness into question, if required by applicable law, rules or regulations, or UBS Financial Services Inc.'s internal policy. UBS Financial Services Inc. may at any time and in its sole discretion, and subject to applicable rules and regulations, amend the requirements applicable to your margin account, including changing the level of credit available to you. In most cases and subject to market conditions, UBS Financial Services Inc. will generally notify you of such changes. However, UBS Financial Services Inc. retains the right to sell your securities or other assets or change its collateral requirements without contacting you. Any obligation to UBS Financial Services Inc. arising in connection with a margin account should be taken as seriously as an obligation to a bank or other lender. Failure to meet any such obligations may result in legal action and UBS Financial Services Inc. may be required to report such failure to a credit data center.
- **The interest rate charged on the loan will reduce your overall rate of return.** As with any loan, UBS Financial Services Inc. will charge you interest on the amount of your margin loan. The interest is an added cost and will reduce your overall rate of return. This interest, however, in certain circumstances, may be deductible on your income tax return. UBS Financial Services Inc. is not a tax advisor and you should consult your tax advisor regarding your particular situation. You will benefit from margin if the return on the additional securities that you purchased with margin dollars exceeds the interest charged on the loan. If the purpose of the margin loan is to finance liquidity needs other than for the purchase of securities, you may benefit if the return on your portfolio used as collateral exceeds the interest charge. You will not benefit from margin if your return on investment does not exceed the interest charged on the loan. For example, see Table 1, on the right.

You should note that, generally, it is difficult to make a profit on small margin purchases in a commission-based account. This is because commissions on odd-lot purchases plus the loan interest can equal or even exceed appreciation in your investment plus dividend payments.

The Basics of Margin Borrowing, Initial Margin and Maintenance Requirements

The amount you are permitted to borrow and the value of securities you must maintain in your margin account are determined in accordance with the regulations of the Federal Reserve Board ("FRB"), the New York Stock Exchange ("NYSE") and UBS Financial Services Inc.'s internal policies. The FRB's current initial margin requirement for margin equity securities as of the date of this brochure is 50%. The NYSE rules place on-going maintenance requirements on client accounts. Generally, after you meet the initial margin requirements

and obtain the margin loan, the equity in your margin account must not fall below 25% of the value of the securities in the account. Brokerage firms, like UBS Financial Services Inc., are permitted to set their own "house rules" as long as they are higher than the margin requirements of the FRB and the NYSE (for example, although subject to change at any time in its sole discretion, as of the date of this brochure, UBS Financial Services Inc. makes the on-going loan to value margin requirements 30% rather than 25% in most margin accounts consisting of diversified equities). In addition, UBS Financial Services Inc., as a member firm of the NYSE, is subject to the NYSE's minimum initial equity requirement of a cash deposit of no less than \$2,000 or its equivalent in securities.⁵ For example, for a margin purchase of \$3,000 worth of securities, you have to deposit \$2,000 in accordance with NYSE's rules rather than \$1,500, the 50% required by the FRB's initial margin requirements. Not all securities are marginable. Generally, only those equity securities registered on a national securities exchange or NASDAQ are marginable. UBS Financial Services Inc. may also, in its discretion, require that certain securities have a minimum purchase price in order to accept them as marginable securities. Generally, UBS Financial Services Inc. will not permit margin loans in IRAs, 401(k) pension profit sharing plans, defined benefit plan accounts or custodian or guardian accounts.

You should note that the rules of the FRB, NYSE and UBS Financial Services Inc.'s internal policies are subject to change. Those changes may affect the status of your margin account. UBS Financial Services Inc. reserves the right to alter the terms of your margin loan at any time to comply with regulatory requirements and changes in Firm policies.

The actual amount you can borrow and the maintenance requirements may also vary depending on the individual guidelines of the lending program, UBS Financial Services Inc.'s internal margin lending policies, and the size, type, concentration and volatility of your investments. For example, you can generally borrow up to 50% of the value of marginable stock and convertible bonds, 75% of investment-grade corporate bonds and 90% or more of U.S. Treasuries (depending on their maturity dates). **These guidelines are provided for illustration purposes only and do not constitute UBS Financial Services Inc.'s margin lending policies with**

regard to all types of securities. The guidelines may differ substantially at the time you apply for, or obtain, a margin loan.

Pursuant to regulatory requirements, UBS Financial Services Inc. will aggregate all your UBS Financial Services Inc. margin accounts with the same name and same Social Security number for purposes of calculating your maintenance requirements. UBS Financial Services Inc. may at any time and in its sole discretion, reduce or eliminate the availability of margin credit available to you. Such changes may result in a margin call or liquidation of your account.

Margin, Short Selling, Day Trading and Option Trading

You cannot sell short equity securities unless you have a margin account. When you sell short, you sell stock you do not own. Therefore, in order to effect your sale, your Financial Advisor must make borrowing arrangements on your behalf. Generally, if the stock drops in price and you close out your sale, you will earn a profit. Whether you actually earn a profit or not on your short sale depends on whether the payment which you receive when you close out your sale exceeds the costs associated with putting on and closing the short position (e.g., commissions or fees). **Please note that short selling entails not only the general risks associated with margin, but also the additional risk that there is no limit on the potential price appreciation of the stock and your resulting loss before you purchase stock to cover your position.** Also, if the lender of the stock which is sold short recalls such securities and UBS Financial Services Inc. cannot replace the securities, UBS Financial Services Inc. may purchase such securities at then-prevailing market prices and close out your short position without issuing a call to you or contacting you. Your short position will also obligate you to substitute securities sold short or incur a charge to your account in connection with any corporate action, reorganization, tender or exchange offer, merger, stock split or dividend which affects the security sold short in your account. You can incur these costs without UBS Financial Services Inc. issuing a call to you or contacting you.

While UBS Financial Services Inc. is not a day trading firm and discourages the practice of day trading, we recognize that to the extent you choose to do so, margin accounts may be utilized for day

Table 1

Initial Value of Account	Margin Used	Annual Rate of Return*	Year-End Value of Account†	Annual Interest Payable (8%)*	Adjustment For Loan	Year-End Value of Account (Adjusted)‡	Total Gain/Loss	Rate of Return on Initial Value of Account
\$1,000,000	0	15%	\$1,150,000	0	0	\$1,150,000	\$150,000	15.0%
\$1,000,000	\$500,000	15%	\$1,725,000	\$40,000	\$500,000	\$1,185,000	\$185,000	18.5%
\$1,000,000	0	10%	\$1,100,000	0	0	\$1,100,000	\$100,000	10.0%
\$1,000,000	\$500,000	10%	\$1,650,000	\$40,000	\$500,000	\$1,110,000	\$110,000	11.0%
\$1,000,000	0	5%	\$1,050,000	0	0	\$1,050,000	\$50,000	5.0%
\$1,000,000	\$500,000	5%	\$1,575,000	\$40,000	\$500,000	\$1,035,000	\$35,000	3.5%
\$1,000,000	0	-5%	\$950,000	0	0	\$950,000	-\$50,000	-5.0%
\$1,000,000	\$500,000	-5%	\$1,425,000	\$40,000	\$500,000	\$885,000	-\$115,000	-11.5%
\$1,000,000	0	-10%	\$900,000	0	0	\$900,000	-\$100,000	-10.0%
\$1,000,000	\$500,000	-10%	\$1,350,000	\$40,000	\$500,000	\$810,000	-\$190,000	-19.0%
\$1,000,000	0	-15%	\$850,000	0	0	\$850,000	-\$150,000	-15.0%
\$1,000,000	\$500,000	-15%	\$1,275,000	\$40,000	\$500,000	\$735,000	-\$265,000	-26.5%

* The rates of return and interest rates presented are hypothetical and do not represent expected rates of return or rates of interest.

† Before interest and fees.

‡ The year-end adjusted values reflect net client equity and do not include deductions for applicable commissions and fees.

trading activities. A day trade occurs when the same security is bought and sold or sold and bought on the same day in a margin account.⁶ If you execute four or more day trades within a five business-day period and the number of day trades exceeds 6% of your total trades during such period, you will be considered a “pattern day trader” as defined by NYSE Rule 431.7. When day trading, a margin account’s day trading buying power may not be exceeded. The day trading buying power is based upon a multiple (determined by UBS Financial Services Inc. from time-to-time in its sole discretion, subject to applicable rules and regulations) of the margin account’s previous day “house excess” (determined by UBS Financial Services Inc. from time-to-time in its sole discretion, subject to applicable rules and regulations). UBS Financial Services Inc. may make a margin call if a margin account’s day trading buying power is exceeded, if there is a loss on a day in respect of day trading, or if the account’s minimum equity or maintenance margin requirements are not met. If you are considered a pattern day trader, you will also become subject to certain additional requirements and restrictions. For example, pattern day traders are subject to the NYSE’s minimum equity requirement of a cash deposit of no less than \$25,000 or its equivalent in securities at all times and are not permitted to utilize cross guarantees in order to meet day trading margin calls or minimum equity requirements. Pattern day traders who exceed their day trading buying power will receive a day trading special maintenance margin call (which you must satisfy within five business days) and will have their day trading buying power reduced until the earlier of the date when the call is met or five business days. Pattern day traders who do not satisfy a day trading special maintenance margin call within five business days may only execute transactions on a cash-available basis for 90 days or until the special maintenance margin call is met. **Further, any funds deposited into a pattern day trader’s account to meet minimum equity margin requirements, UBS Financial Services Inc.’s higher “house” day trading maintenance margin requirements or day trading margin calls must remain in the account and may not be withdrawn for a minimum of two business days.** Day trading has its own associated risks which you should consider thoroughly before deciding to day trade in your margin account. You should consult your Financial Advisor for additional details.

Margin accounts are also used for certain option strategies. Other option transactions may also be carried in a margin account or, under special circumstances, in a cash account. Options trading has its own associated risks which you should consider thoroughly before deciding to trade options. You should consult your Financial Advisor for additional details and request and review a copy of the disclosure document entitled “Characteristics and Risks of Standardized Options.”

Margin loans may also be involved in certain lending strategies such as cashless or zero cost collars. Therefore, these strategies may involve certain of the margin risks described above. The use of cashless or zero cost collars has its own associated risks which you should consider thoroughly before deciding to participate in such lending strategies. You should consult your Financial Advisor for additional details.

There are specific requirements and restrictions applicable to short selling, day trading, options trading, and cashless or zero cost collars and each of the foregoing activities carries its own inherent set of risks in addition to the risks associated with the use of margin in conjunction with such activities.

Please consult your Financial Advisor for details and additional materials regarding the risks of short selling, day trading, option trading and cashless or zero cost collars.

**Statement of Credit Practices
Effective January 1, 2001 (SEC Rule 10b-16)**

The following discussion provides a description of UBS Financial Services Inc.’s interest charges and other matters relating to the extension or maintenance of credit in connection with your account. Since it is intended to be all-inclusive, some of the discussion may go beyond your own particular situation.

Applicability of Interest Charge

You will be charged interest on any credit extended to you by UBS Financial Services Inc.

Interest Rate

Unless a specific UBS Financial Services Inc. lending product provides otherwise, UBS Financial Services Inc. will charge you interest based upon the UBS Financial Services Inc. Base Loan Rate (“Base Loan Rate”). The Base Loan Rate is an internally computed rate established from time-to-time based on UBS Financial Services Inc.’s cost of funds as well as UBS Financial Services Inc.’s assessment of the rates charged in the financial markets. Such rates may include, but are not limited to, the prime rate, discount rate, broker call rate, Federal Funds rate, LIBOR and other regularly published lending rates. Since UBS Financial Services Inc. refers to the foregoing rates when establishing the Base Loan Rate, in an environment where such rates are rising, it is likely that the Base Loan Rate will also rise. Please note that the Base Loan Rate may change without notice. You may obtain the exact amount due and the prevailing Base Loan Rate from your Financial Advisor, the Branch Office Manager of the branch office servicing your account or, in the case of the prevailing Base Loan Rate only, by calling us at 800-798-6576 or by logging on to our website at “www.ubs.com/baselloanrate” 24 hours a day, 7 days a week. The agreements with our clients for the extensions of credit by UBS Financial Services Inc. are governed by the laws of the State of New York where UBS Financial Services Inc. maintains its principal place of business. Agreements between our clients and our affiliates for extensions of credit will be governed by the laws designated in the relevant agreements. The interest charge for each interest period is due and payable at the close of that interest period. Interest charges not paid at the close of the interest period will be added to the opening debit balance in your account for the next interest period.

Unless a specific UBS Financial Services Inc. lending product provides otherwise, the interest rate that you are charged will be determined by adding the prevailing Base Loan Rate and the applicable sliding scale percentage rate, determined by the level of your daily net loan (debit) balance. Certain accounts, however, may be assigned adjusted rates as warranted by overall business relationships in the sole discretion of UBS Financial Services Inc. Our standard sliding scale percentage rates are as follows:

Net Loan (Debit) Balance	Spread Over Base Loan Rate
Under \$25,000	2.50%
\$25,000 to \$49,999	2.00%
\$50,000 to \$74,999	1.50%
\$75,000 to \$99,999	1.00%
\$100,000 and up	0.75%

Change of Rate Without Prior Notice

Your stated interest rate is subject to change without notice during each period in accordance with fluctuations in your daily net loan (debit) balance and the Base Loan Rate. Each time your daily net loan (debit) balance crosses one of the balance thresholds indicated in the foregoing table or the Base Loan Rate changes, your interest rate will change accordingly. UBS Financial Services Inc. will provide you with at least 30 days’ prior written notice before increasing your stated interest rate for any other reason.

Computation of Interest Charge

The following is set forth so that you can understand how interest charges are computed and so that you may verify interest charges shown on your statement.

UBS Financial Services Inc. calculates daily loan (debit)* or credit balances for your account by taking the balances as of the close of the previous interest period (or the opening balance on a new account) and calculates a new daily net loan (debit) balance** from the previous daily balance by taking into consideration both debits and credits which occurred that day. This daily net loan (debit) balance forms the basis for interest calculations. Any proceeds received from the sale of securities (net of transaction costs) which are not sold long or are not in good deliverable form will be deducted from the credit balance in your account for purposes of calculating your net loan (debit) balance. Any short market value resulting from a short sale is disregarded because this value is used to collateralize stock borrowed to make delivery against a short sale.

Please note that although the interest charge on your net loan (debit) balance will be computed on a daily basis, interest accrued on your account will be charged only once per month, at the end of the applicable interest period. The applicable interest period is from the 22nd day of each month to the 21st day of the following month, except for the months of December and January. In December the applicable interest period is November 22 to December 31; in January the applicable interest period is January 1 to January 21. Notwithstanding the foregoing, how-ever, if your account is a Prime Brokerage account, the applicable interest period is from the 1st calendar day of each month through the last calendar day of each month.

Your statement should be retained to assist you in verifying interest charges.

The “Loan Summary” section of your statement provides the interest charge for the current interest period as well as the average net loan (debit) balance and the average loan interest rate applicable to such period. You can verify your interest charge based on a 360-day year within a few cents by using the following formula:

$$\text{Average Net Loan (Debit) Balance} \times \text{Average Loan Interest Rate} \times \frac{\text{Loan (Debit) Days in Interest Period}}{360}$$

Table 2, set forth on page 12, provides the effective annual interest rate for your stated interest rate for 365 days for the above interest calculations.

*Daily Loan (Debit) Balance—This represents the amount of money owed to UBS Financial Services Inc. on any given day.

**Daily Net Loan (Debit) Balance—This is the debit balance minus credit balance (dn/(db=db-cb) for any given day.

Table 2: Effective Annual Interest Rates

Stated Interest Rate	Effective Annual Rate*	Stated Interest Rate	Effective Annual Rate*
4.00%	4.07%	12.25%	12.96%
4.25%	4.33%	12.50%	13.24%
4.50%	4.59%	12.75%	13.52%
4.75%	4.85%	13.00%	13.80%
5.00%	5.12%	13.25%	14.08%
5.25%	5.38%	13.50%	14.37%
5.50%	5.64%	13.75%	14.65%
5.75%	5.90%	14.00%	14.93%
6.00%	6.17%	14.25%	15.22%
6.25%	6.43%	14.50%	15.50%
6.50%	6.70%	14.75%	15.79%
6.75%	6.96%	15.00%	16.07%
7.00%	7.23%	15.25%	16.36%
7.25%	7.50%	15.50%	16.65%
7.50%	7.76%	15.75%	16.94%
7.75%	8.03%	16.00%	17.23%
8.00%	8.30%	16.25%	17.51%
8.25%	8.57%	16.50%	17.80%
8.50%	8.84%	16.75%	18.10%
8.75%	9.11%	17.00%	18.39%
9.00%	9.38%	17.25%	18.68%
9.25%	9.65%	17.50%	18.97%
9.50%	9.92%	17.75%	19.27%
9.75%	10.20%	18.00%	19.56%
10.00%	10.47%	18.25%	19.85%
10.25%	10.74%	18.50%	20.15%
10.50%	11.02%	18.75%	20.45%
10.75%	11.29%	19.00%	20.74%
11.00%	11.57%	19.25%	21.04%
11.25%	11.85%	19.50%	21.34%
11.50%	12.12%	19.75%	21.64%
11.75%	12.40%	20.00%	21.94%
12.00%	12.68%		

* Based on 365-day year compounded monthly.

Marking to the Market

If you sell short and the market value of the security you sold increases above your selling price, the debit balance in your account will increase and UBS Financial Services Inc. will charge you interest on the increase. Conversely, any decrease in market value will cause the credit balance in your account to increase and the interest charges will be accordingly reduced.

This practice of determining the change in current market value is commonly referred to as "marking to the market" and is done on a daily basis.

Other Charges

Separate interest charges may be made in the account in connection with:

- prepayments—payments to a client of the proceeds of a security sale before the regular settlement date;
- "when issued" transactions—when the market price of the "when issued" security changes from the contract price by an amount that exceeds the cash deposit, interest may be charged on such difference; and
- late payments—payments for securities purchased which are received past settlement date.

Liens and Additional Collateral

For all securities or other assets which UBS Financial Services Inc.¹ has or at any time may hold or carry for you in any of your accounts (either individually or jointly with others), or which may be deposited with UBS Financial Services Inc. for any purposes, including safe-keeping, UBS Financial Services Inc. as a pledgee has a general lien for the discharge of all your obligations to UBS Financial Services Inc., however arising and irrespective of the number of accounts you have with UBS Financial Services Inc. UBS Financial Services Inc. may require you to deposit additional collateral in accordance with the rules and regulations of the Federal Reserve Board, the New York Stock Exchange and UBS Financial Services Inc.'s internal policies. In addition, UBS Financial Services Inc. may require you to deposit such additional collateral as UBS Financial Services Inc., in its sole discretion, determines is needed as security for your obligation to UBS Financial Services Inc. Ordinarily, a request for additional margin will be made when the equity in the account falls below 30 percent of the market value of all marginable securities in the account (the equity is the excess market value of the securities in the account over the loan or debit balance). If you fail to promptly meet a margin call or under certain other circumstances, UBS Financial Services Inc., in its sole discretion and in accordance with applicable rules and regulations, may sell your pledged securities and other securities and assets held at UBS Financial Services Inc. to meet the call or otherwise satisfy your margin maintenance deficiency. As a general business practice, UBS Financial Services Inc. will attempt to notify you before initiating the sale of your securities and other assets to meet a margin call and will generally provide you with 48 to 72 hours to satisfy such call. However, such notice is not required and your specific authorization is not required for UBS Financial Services Inc. to liquidate securities and other assets held in your UBS Financial Services Inc. accounts.

Although UBS Financial Services Inc. does not limit the factors which may cause it to require additional margin, factors such as market fluctuation, high concentration or the overall credit standing of the account will be considered. These margin calls may be met by delivery of either additional marginable securities (generally, only those equity securities registered on a national securities exchange or NASDAQ are marginable) or cash. For information on UBS Financial Services Inc.'s right to demand additional collateral, as well as other rights of UBS Financial Services Inc. and other risk factors involved in using your UBS Financial Services Inc. securities accounts as collateral for any of UBS Financial Services Inc.'s lending programs, please review this brochure carefully.

If you have additional questions about borrowing on margin or if you would like information on UBS Financial Services Inc.'s margin lending products, please contact your Financial Advisor.

- Please note that pursuant to the terms of the Master Account Agreement governing your UBS Financial Services Inc. account, any securities or other assets that you hold (either individually or jointly with others) at (a) UBS Financial Services Inc. or (b) any successor firms, subsidiaries, correspondents and/or affiliates of UBS Financial Services Inc. (collectively, "Affiliated Parties") also collateralize your obligations to UBS Financial Services Inc. or any of its Affiliated Parties.
- Although your margin loan is collateralized by all of the securities and assets which you hold at UBS Financial Services Inc., only those margin-eligible securities held in your UBS Financial Services Inc. margin account will qualify for purposes of satisfying initial and maintenance margin equity requirements.
- Besides offering loans where it is the lender, UBS Financial Services Inc. also offers lending products of certain of its Affiliated Parties which may use securities in your UBS Financial Services Inc. accounts as collateral. Consequently, as applicable, the term "UBS Financial Services Inc." used in this brochure shall mean UBS Financial Services Inc. together with such Affiliated Parties.
- There are specific maintenance levels required and restrictions applicable to margin accounts. Please consult your Financial Advisor for details regarding such requirements and restrictions (for example, although UBS Financial Services Inc. may at any time and in its sole discretion change its policies (including increasing margin maintenance requirements), the required maintenance ratio on margin accounts as of the date of this brochure in respect of most equity securities is the greater of 30% of the market value of such securities or \$2.00 per share [shares with a market value of less than \$2.00 per share are non-marginable and thus would require a maintenance ratio of 100%]).
- As discussed on page 10, "pattern day traders" are required to maintain no less than \$25,000 in equity at all times.
- Long security positions held overnight and sold the next day prior to any new purchases of the same security and short security positions held overnight and purchased the next day prior to any new sales of the same security do not constitute day trading.
- You will also be considered to be a pattern day trader if UBS Financial Services Inc. knows, or has a reasonable basis to believe, that you seek to open an account, or seek to resume day trading in an existing account, in order to engage in pattern day trading. In this case, UBS Financial Services Inc. will not wait five business days in order to make the determination that you are a pattern day trader.



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