

UBS Financial Services Inc.  
 (Acting as Solicitor/Distributor to a Third Party Private Investment Fund)  
 Disclosure Statement under Rule 506(d)

1. Date of Action: August 22, 2011  
 Entity: UBS Financial Services, Inc.  
 Brought By: New Hampshire Bureau of Securities Regulation  
  
 Allegations: UBS sold Lehman Structured Products to clients (specifically referencing three particular investors), who were not made aware of the risks of these products and failed to inform clients of Lehman's financial condition prior to Lehman's bankruptcy. It was also alleged that the firm's recommendations to a small number of New Hampshire residents to purchase Lehman Structured Products were unsuitable.  
  
 Disposition: Consent Order  
 Administrative fine of \$100,000; Investigation costs of \$200,000; Administrative payment of \$700,000

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2. Date of Action: May 4, 2011  
 Brought By: SEC, Internal Revenue Service (IRS), Dept. of Justice (DOJ), State Attorney General of 24 States  
  
 UBS AG and UBS Financial Services Inc. reached settlements with the SEC, the IRS, the DOJ and a group of State Attorneys General regarding investigations into the conduct of certain former employees in UBS Financial Services' former municipal reinvestment and derivatives group from 2001 to 2006. Allegations included violations of: Section 15(c)(1)(A) of the Securities Exchange Act of 1934, Section 1 of the Sherman Act, and IRS regulations in bidding practices and representations made involving the investment of proceeds of municipal securities transactions.  
  
 Disposition: SEC: Waiver and Consent to Final Judgment enjoining UBS from violating Section 15(c) of the Act, disgorgement of profits, interest and civil penalty; IRS: Closing Agreement; DOJ: Non-prosecution Agreement  
  
 SEC: Disgorgement of \$9,606,543 plus interest of \$5,100,637 and civil penalty of \$32,500,000; IRS: penalty of \$18 million and restitution of 4.3 million; States: \$70.8 million plus \$20 million credited from the SEC settlement

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3. Date of Action: Dec. 22, 2008  
 Brought By: Securities and Exchange Commission (SEC), Massachusetts Securities Division, New York State Attorney General (NYAG) and other members of the North American Securities Administrators Association.  
  
 Auction Rate Securities (ARS): UBS is permanently enjoined from violations of the broker/dealer anti-fraud provisions.  
  
 Allegations: Violations of 34 Act Section 15(c) regarding the marketing and sale of Auction Rate Securities.  
  
 Disposition: Cease & Desist Injunction; Civil Penalty; Consent Judgment  
 Cease & Desist, and Fines in varying amounts currently being paid to all 50 states. UBS Financial Services Inc. (together with UBS Securities LLC) agreed to pay a fine of \$150 million (\$75 million to the NYAG and \$75 million allocated to the remaining states).

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4. Date of Action: July 16, 2007  
 Entity: UBS Financial Services  
 Brought By: Attorney General State of NY  
  
 Allegations: Non-discretionary fee-based brokerage accounts offered by UBS were unsuitable for certain clients and fees/commissions were higher than non-fee based accounts  
  
 Disposition: Remediation to Customers & Penalty to State of NY  
 Remediation: \$21,300,000; Penalty: \$2,000,000