



*More than Just a
Pricing Alternative*

*Western Division
InsightOne Focus
Meeting
Houston TX*

UBS PaineWebber

Regional Director

Opening Remarks

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Today's Agenda

- Opening remark
- The Advisor
- Model Portfolios
- Panel Discussion
- Pricing your Value
- Your Value Proposition

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Instruction Box:

Say:

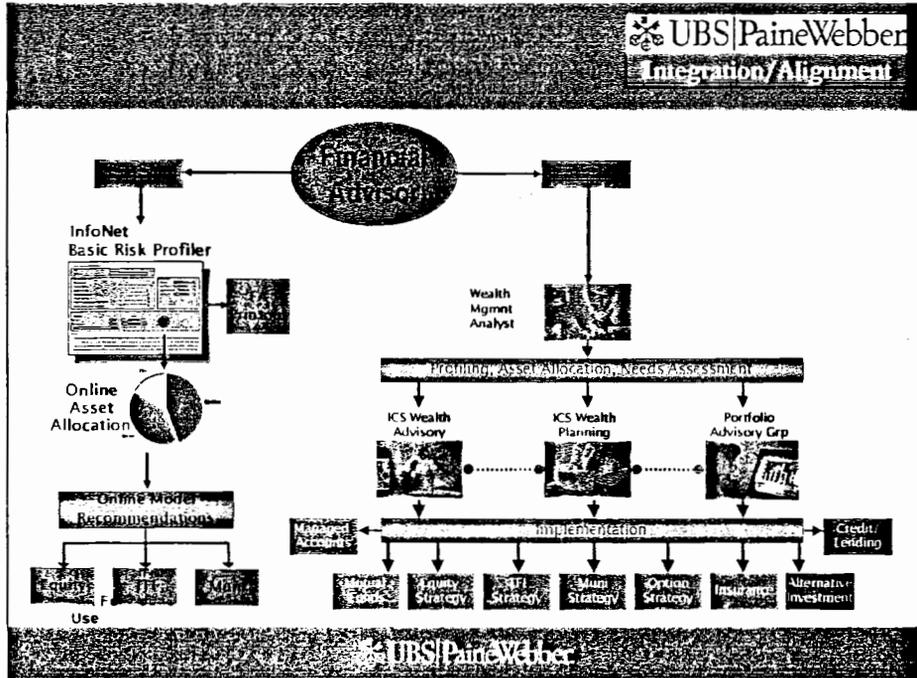
The Advisor

Redacted

Presentation to be supplied by Redacted

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Model Portfolio's

Equities

Fixed Income

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UBS PrimeBroker

Adding Value Through Asset Allocation

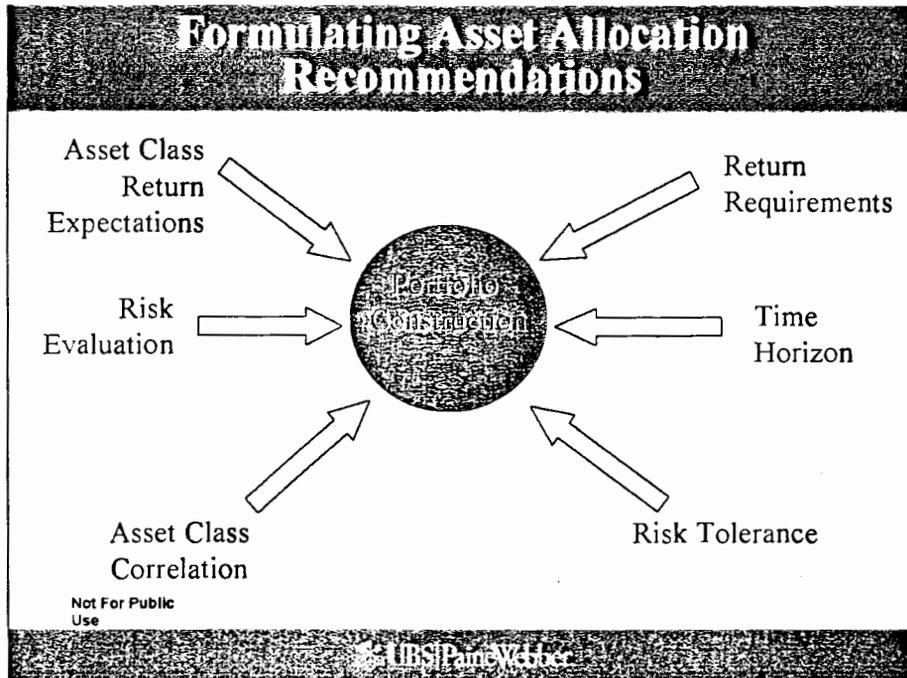
- Educate the client on the risks associated with different asset classes
- Review their capital market expectations
- Determine the most appropriate blend of stocks, bonds, cash
- Provide the client with the historical risks associated with your recommendation

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If your client doesn't have a diversified investment plan--he has a bet. A bet on a stock, an industry, a sector, or whatever.

As we all know --sometimes bets pay off, but most often they don't. You can add value by making sure your client places a lot of small bets through diversification rather than one big bet. This is what asset allocation is all about.



When it comes to asset allocation, the goal should be to build a diversified portfolio, taking into account a number of important considerations, such as:

- Client goals (return requirements)
 - Time horizon
 - Risk tolerance
 - Asset class correlations
 - Risk evaluation
 - Asset class return expectations
- Profiling your clients and recommending an asset allocation plan helps you add value and stand out from the crowd. These are conversations that you should be having with clients and prospects to help you compete effectively in today's crowded marketplace.

Equity Models
Supported by Proprietary Research

Three reliable sources of research and portfolio building expertise have come together:

- The UBS Warburg Equity Valuation Model
- UBS Warburg Equity Research
- ICS Portfolio Management Programs Expertise

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Model Equity

UBS PaineWebber has developed a series of equity models that capitalize on both the prowess of UBS Warburg's renowned research and investment strategy, and the investment portfolio discipline of Investment Consulting Services (ICS). The Models combine:

Quantitative Analysis using UBS Warburg's Equity Valuation Model;

Fundamental Research focusing on stocks rated favorably by UBS Warburg; and the

Portfolio Structuring Discipline of ICS Portfolio Management Programs Group.

By applying our modeling to historical data, backtesting of the concept showed consistent outperformance of our benchmark, the S&P 500.

The Fixed Income Model Portfolio already exists through Mike Ryan's area. The new solutions are the Equity Models. These Models can be used within an InsightOne account.

Why Equity Models?

The Need for Models

- Provide FAs with a proprietary method to provide diversification in domestic equity or balanced accounts
- Provide an efficient way to leverage and benefit from expanded research capabilities
- Provide a more disciplined approach - particularly relevant to today's market conditions
- Compete effectively for market share of core affluent clients

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These equity models can be used as stand-alone recommendations or as a basis from which to customize recommendations to address specific client objectives.

Our models are not another "list." They are evaluated as a Group not Individually

We have a Process and Discipline in place. It will be expanded.

The process is Logical, Tested and it Makes Sense

We have the Infrastructure to deliver and manage the process

By making these models available to our FAs, we position the firm competitively in the marketplace for share of the core affluent investors' wallet . Key players are:

Prudential's Quantum -similar concept and process

SSB's Guided Portfolio Management (GPM) provides several portfolios for FA use

MorganStanley's STEPs -in their non-discretionary Choice program

Merrill Lynch -management through its Strategy Power program

Equity Models
Methodology

A "Universe of Names" is created

- Start with the S&P 500
- Screen for recommendations from the **Equity Valuation Model**
- Screen for **Strong Buys & Buys**
- All models have **30 stocks**
- All models include **all S&P 500 sectors and sector weights**
 - Neutral sector weightings help to capture index-like returns and Beta

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Start with the S&P 500

Company Name Recognition/Liquidity/Significant Street Research Coverage

Screen for **Equity Valuation Model** names with positive potential return

EVM provides an "order of relative attraction" or ranking

Screen for **Strong Buys & Buys**

A market weight of our Strong Buys and Buys has provided historical outperformance

The result is a universe of names that will go into the the model building process.

Equity Models
Primary Research Sources

The EVM ranking of stocks has been an effective predictor of future relative price performance for stocks.

A market weight review of our "Strong Buys" and "Buys" has provided historical outperformance.



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The Equity Valuation Model is an earnings-driven quantitative tool that ranks all S&P 500 stocks by greatest excess potential return as determined by the model.

This produces a list of stocks in order of relative attraction. The most attractive stocks have the highest excess potential return, and the least attractive the lowest excess potential return.

Ranking stocks by excess potential return has been, based up on actual experience, an effective predictor of future relative price performance for stocks.

For a more detailed explanation of the Equity Valuation Model, see [Global Investment Strategy "Asset Allocation/Equity Selection" report dated August 2001](#). It can be found on the Research system

Equity Models Management

- New models are created monthly
- Models are intended to be bought and held
- Models are not intended to be adjusted on a continual basis to reflect the holdings of the most recently released model
- Low turnover process
- Sell discipline based on changes in fundamental research recommendations

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Equity Models Tools

Tools

- Model and Asset Allocation Profiler on Infonet
- Equity Advisory Group/DMACs/BSMs/BOMs
- FA Guide to Portfolio Management
- Marketing Materials

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Why Equity Models With InsightOne?

- Greater diversification may help equity investors meet the challenge of today's more volatile markets.
- Clients can own 30 names versus just a few.
- InsightOne offers a cost efficient approach versus commissions.

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Our pilot session for Bridge Builders indicated that FAs did not see the connection between the equity models and InsightOne. This slide spells it out for them.

SAY: Earlier today we talked about the introduction of the equity models and the benefit they provide to you and your clients.

First, they do offer greater diversification for equity investors. If a client brings you \$100,000 tomorrow to invest in equities. Chances are, you wouldn't suggest 30 different stocks. But with today's market volatility 30 stocks is probably a smarter way to go than the 5-10 names you would normally have recommended.

So the models provide clients with greater diversification while providing you with the discipline and a process for selecting 30 stocks.

Naturally a portfolio of 30 stocks could be cost intensive to manage under a commission approach. That is why we suggest InsightOne as a good place to implement the models.

Also keep in mind tax sales. If your client decides to take some losses, InsightOne allows him to do so without paying another commission.

You can also use a other fee-based accounts such as PMP and Selections to offer the equity models.

Conclusion

- These are Equity Models - not another "list"
 - They are matched to a benchmark
 - They were designed to work as a Group
 - They will be evaluated as a Group
- We have a logical, tested process and discipline
- The result is a simple, proprietary, value added approach to equity diversification

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TFI Models *Strategic Portfolios*

- CMRV Model Portfolio
- Conservative Income Portfolio
- Moderate Income Portfolio
- Moderate Income Portfolio No Mortgages
- Aggressive Income Portfolio

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TEI Models *Laddered Portfolios*

- Used to provide income with a steady flow of returning principal.
- The different versions should be used based on credit risk tolerance:
 - Treasury Ladder
 - Agency Ladder
 - Treasury & Agency Ladder
 - CD Ladder
 - Corporate Ladder

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TFI Models *Check-A-Month*

- Diversified Check-A-Month
- Corporate Check-A-Month
- Preferred Stock Check-A-Month
- Corporate Bond and Preferred Stock Check-A-Month

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Municipal Bond Models

- Conservative Model
- Moderate Model
- Long Model

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Conservative Model

This model is structured to generate tax-free income from high credit quality, relatively short duration municipals. The securities selected are either high grade credits, insured bonds, pre-refunded or escrowed to maturity issues. Maturity dates will range from 1 to 10 years producing an average duration of approximately 3 to 5 years.

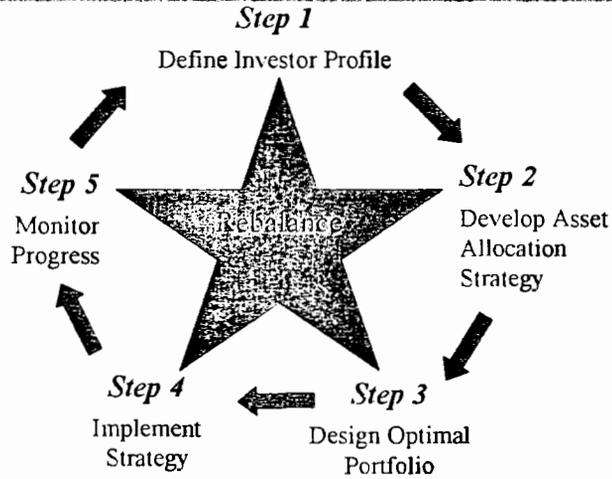
Moderate Model

This model is structured to generate tax-free income as well as provide for capital gains opportunities. Credit quality ranges from single A to triple A rated issues. The focus is on the intermediate sector of the yield curve with securities maturing from 6 to 15 years producing an average maturity date of 10 years, and average duration of approximately 6 to 7 years for the model.

Long Model

This model is structured to seek maximum yield opportunities. The model is comprised of investment grade or higher rated bonds. The focus is on the long sector of the curve with securities maturing in 16 years or longer.

Portfolio Management Process



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UBS PaineWebber InsightOne -

A comprehensive investment platform

The affluent client perceives you on the “same side of the table”

- Viewed as partnership – compensation tied to portfolio’s growth
- Enables you to better service clients
 - Easier to assist clients in building personalized portfolios -- mutual funds, bond swaps, exchange-traded funds
 - No additional cost to restructure portfolio in response to market conditions, changes in investors’ goals & implementation of tax-loss strategies

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UBS PaineWebber InsightOne

Allows the FA to offer all the services of
UBS PaineWebber... for one simple fee

- Personalized Financial Consultation
- Customized Planning Strategies
- Award Winning Global Research
- Comprehensive Investment Solutions with No Transaction Fees*
- Cash Management Services
- Reporting and Reviews*

*Not available in commission-based account

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A Comprehensive Menu of Investment Solutions

■ Equities

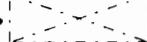
- Clients can focus on building diversified portfolios - not on the cost to build
- Purchase an equity model (30 stocks) with one order
- Utilize Exchange-Traded Funds (ETFs) for sector exposures and market indexes at a lower expense than mutual funds (over 100 available)
- Diversify a portfolio that is highly concentrated
- Cost-effective re-balancing
- Provides additional tax-loss opportunities

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A Comprehensive Menu of Investment Solutions

■ Bonds

-  s models become economic to employ
- Cost-effective method to purchase one of the PAG Models
- Clients can rebalance portfolios to maintain ladder or bullet
- In times of uncertainty, clients can easily move to safe fixed income investments
- Additional tax swaps opportunities
- The \$35 charge on Treasuries and Agencies is waived

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A Comprehensive Menu of Investment Solutions

- **Participating UITs - *many UITs just added***
 - Helpful tool to build and maintain quality portfolios and sector exposure
 - Clients can switch eligible UITs at no cost
 - Fixed portfolio
 - No risk of manager style drift
 - Easy to monitor underlying stocks
 - Client knows in advance what they are holding
 - Tax Advantages over Mutual Funds
 - Lower capital gains taxes
 - Longer-term UITs allow investors to defer gains

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A Comprehensive Menu of Investment Solutions

■ Participating Annuities

- Tax-deferred investment allows account value to grow quicker
- Provides diversification through many fund options
- Additional death benefits
- No surrender charge allows client to switch between eligible annuities
- Lower expenses than ineligible annuities
- Easier to explain to clients (less features) than ineligible
- Dollar-cost averaging option

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A Comprehensive Menu of Investment Solutions

▶ Participating Managed Future Funds

- Lower expense costs for eligible funds
- Provides Diversification
 - Opportunity to easily participate in global markets and invest in asset classes beyond stocks and bonds
- Non-correlation
 - Price (NAV) tends to move independently of stock and bond markets

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Reporting & Review

- Periodic Portfolio Reviews
 - Account Monitoring
 - Customized Statement functions
 - Performance Reporting (for InsightOne relationships >\$1mm)
 - Portfolio Management Reporting tool
 - Client online access to account information
 - Online e-let capabilities
 - Client online access to research and market information
 - Tax Worksheet - allocates fee to eligible trades
- *Not available in commission-based account

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UBS | InVestor

Lunch

11:30:12:00

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Insightone Objections Clinic

DMAC will go over any objections not addressed previously through an open format.

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UBSipm v. H. -

InsightOne Products & Services

Non-discretionary Brokerage Services

Personalized Financial Consultation

PaineWebber Research

Asset Allocation

Retirement Planning

Education Planning

Estate Planning Strategies

Stock Option Planning

Resource Management Account® or BSA/Business Services® Account

PaineWebber EDGE®

Online Account Access, Trading Research and Portfolio Tracking

Equities

Participating Mutual Funds

Mortgage-backed Securities

Corporate Bonds

Municipal Bonds

Other Fixed Income Securities

Options

Rights and Warrants

Variable Annuities

UITs

Cash/Money Market Funds

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InsightOne: Recent Enhancements

- Enhanced InsightOne system (new functions and links to InsightOne reports and information)
- Business Intelligence reports (sales & opportunity reports)
- Online Mutual Fund trading
- Additional Eligible Assets
 - Over 2,000 mutual funds and continuing to add
 - Managed Future Fund (CAAT)
- Additional Billing screens for Branch use
- New brochure and account opening kit

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SAY:

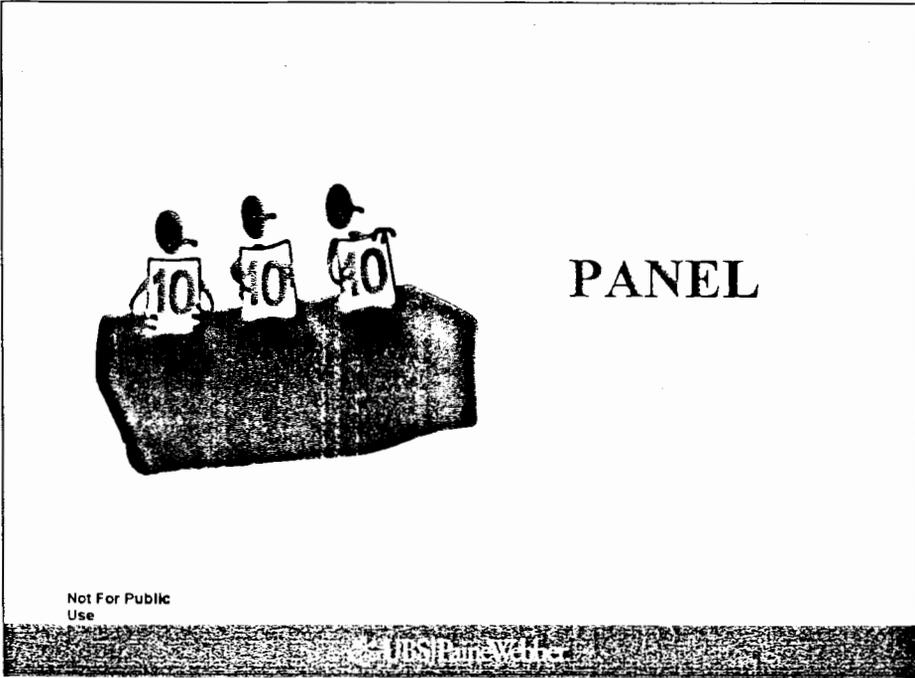
Read slide and point out that other ineligible assets include

- Non-participating UITs
- Commodities, Futures and non-participating futures funds
- Non-participating offshore mutual funds

SAY:

The point is that we don't assess a fee on these assets because in most cases the client has already paid an upfront fee to invest. To avoid double dipping, we hold the assets in Insight One but do not bill on them.

If your client already has an Insight One account and is considering investing in an annuity, UIT or a futures fund, there are new products available in these areas that were expressly designed for Insight One so that these assets can be covered by the Insight fee.



Profiling: Earning Trust

Builds a solid personal relationship between you and your clients

Benefits of a successful profiling interview:

- Clients see that you listen
- That you want to discover their needs, concerns and goals.
- That you offer a service with potential value to them.

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Profiling can help build a strong personal relationship between you and your prospects because:

- They see that you listen
- That you want to discover all of their needs, concerns, dreams before offering them any specific advice
- That you offer a service with potential value to them--you are going to look at their big picture and eventually offer them a tailored solution to their needs.

Profiling: Earning Trust

- What is the goal of this pool of assets--retirement, education, ???
- Identify the client's risk tolerance --in real numbers!
- Determine their time horizon--will it change dramatically in a bear market???

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UBS Financial Group

The main objectives of investor profiling are pretty simple. You want to:

- Identify the client's primary goals.
- Identify the client's risk tolerance, paying special attention to how they quantify risk. For most investors it is more impactful to give risk examples in dollars rather than returns. Some clients might not seem alarmed if you talk about a worst case return of -50% for a recommended portfolio. But if you told them they could lose \$3000 on a \$10,000 investment, it can cause a completely different reaction. So testing for risk tolerance in dollar terms is always recommended.
- Lastly, you want to ascertain the prospect's time horizon. How long do we have to work with their money toward meeting the specified goals. And if the markets become volatile in the meantime--do they understand they need to stay invested? Sometimes this conversation will lead you to the conclusion that the prospect has unreasonable expectations or doesn't understand the capital markets. Later today we will be working with some education tools you can use to help clients develop reasonable expectations about risk and return.

What's important about money to you?

Objectives of the "Values" conversation:

- Discover clients' core values and get them emotionally involved in looking at their financial future.
- To inspire your clients' trust in you
- "I don't make recommendations until I really know what's important to you about money."

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When you want to profile prospects, you have to break the ice a bit before they are going to feel comfortable answering a lot of questions about their financial picture. You have to start with an ice breaker such as the "values conversation".

The purpose of this conversation is to discover the prospect's emotional feelings about money and why financial success would be important to them. Acknowledging that you understand their feelings and want to help them with their financial goals is the first step to gaining their trust. As we all know from experience, a client who trusts you will usually accept your recommendation without hesitation. We think that the Values conversation can help you gain trust quickly when you work with prospects.

Team Activity *Presenting Models to Clients*

Total Time: 30 minutes

15 minutes

- Each team will be assigned a completed Advisory Capabilities Worksheet.
- Based on the pie chart at the bottom of the completed worksheet, teams are to select the equity model that best suites the client's needs.
- Create a 2-3 minute client presentation explaining the portfolio your team selected. Be sure to include:
 - The concept behind the portfolio
 - Why the portfolio makes sense for the client at this time. – Client Benefits

On a flipchart, teams are to record:

- The client scenario your team was assigned
- Which portfolio your team selected
- Client presentation points

15 minutes

- Team Presentations

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UBS | *Partners*

BREAK
15 minutes



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UBS IP - 11/11/11

To Fee... Or Not To Fee

• Is it a question???

InsightOne = GRID + 4

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INSIGHTONE WATER

InsightOne Pricing

- One Flat Fee on Long Mkt. Value of Eligible Assets
 - Balanced Accounts .75% ----->2.0%
 - Active Accounts 2.0% ----->2.5%
 - Fixed Income Accounts or
Large Relationships .30% -----> .75%
- Minimum Fee = \$1,250 for InsightOne relationship
- InsightOne relationship:
 - Spouse, children (all ages), children's spouse, parents, grandparents, grandchildren, grandchildren's spouse, siblings

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Say:

The Insight One fee can be customized to the client's specific needs. In pricing the account you will need to look at considerations such as account asset size, asset mix, services required and expected transaction activity.

The PaineWebber InsightOne fee was not designed to cause clients to pay more or less than what they paid in a traditional commission-based account. Instead, it is intended to remove commissions from the relationship and allow you to provide a method of payment which recognizes and rewards your services in helping clients grow their assets.

Balanced Accounts with a mix of equities and bonds should be priced in the range of .75% to 2%

For more active equity accounts a range of 2 - 2.5% might be appropriate depending on how much activity you are looking at. Over 2% your manager must approve the fee however.

For Fixed income accounts and very large relationships you might consider a fee in the range of .30% - .75%.

There is a minimum fee of \$1250 per annum but this is assessed on a household minimum not at the account level. As you can see the household relationships we consider for Insight fee purposes include spouse, children, parents, grandparents, grandchildren and siblings. So by relating all of these accounts you should be able to meet the minimum fee requirement.

When you price equity accounts below .75% there are some pricing issues that prevail. We are going to look at those in a moment.

Discount Sharing – FA Transaction Charge

- Fixed Income Accounts or Large Relationships
 - .30% -----> .75%
- Account priced below .75% and less than \$2,500 in quarterly relationship revenue
- \$12 charged to FA net per non-fixed income trade

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SAY:

By now, you should be able to see that clients get a lot for their money with the flexible pricing structure of Insight One. But UBS PaineWebber also wants to make sure that we don't give a way the store with this pricing strategy.

As I mentioned earlier there are some issues you face when you price an account below .75%, particularly equity accounts. If you price an equity account below .75% it needs to be large enough to generate a quarterly fee of \$2500 per quarter or you will be hit with a \$14 transaction charge every time the client makes a non-fixed income trade. If it is purely a fixed income account you aren't subject to a \$14 transaction charge. You can price a bond account as low as .30% with no issues --just make sure the asset size of the relationship meets the \$1250 annual fee requirement we discussed earlier.

Let's move on to an example of some large equity accounts we've priced below .75%

Pricing/Compensation Example

- Example #1: Large equity account with \$2,000,000 in eligible assets
 - Account priced at 0.40% per annum
 - $\$2,000,000 \times .40\% = \$8,000$ client annual fee
 - Fee is less than \$2,500 per quarter
 - FA's net production charged \$12 per non-fixed income trade
 - FA's gross production credited for \$7,500
($\$1.5\text{mm} \times .40\% + \$.5\text{mm} \times .30\%$)
 - FA's net production credited for \$3,300
($\$7,500 \times \text{Grid } (40\%) + 4\%$)

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Say:

In this example, we have a client with \$2 million who mostly trades all equities. I am considering pricing the account below .75% because the client rarely trades and calls his own shots.

At a fee of 40 bips per annum this account is going to generate \$8000 in fees. That works out to less than the \$2500 per quarter needed if I want to avoid getting hit with the \$14 transaction fee each quarter. I can either raise the fee or decide that since the client makes ten trades a year--the \$140 I get charged will be more than offset by my payout on the \$8000 fee. (May want to point out that \$8000 is a lot to charge for a self directed client doing 10 trades a year and you wouldn't recommend it unless you were doing a lot of financial planning or other work for the client -- this is just a pricing exercise.

Let's look at a larger equity account of \$4 million, also priced at 40 bips. This account will generate \$16,000 in fee income each year, well over the \$2500 quarterly hurdle. So no matter how many equity trades this client makes--I don't have to worry about the \$14 transaction charge.

Pricing/Compensation Example

- Example #2: Large Relationship with \$4,000,000
 - Priced at 0.40% per annum
 - $\$4,000,000 \times .40\% = \$16,000$ client annual fee
 - Fee is more than \$2,500 per quarter
 - FA is not charged \$12 transaction fee per non-fixed income trade
 - FA's gross production credited for \$15,500
($\$3.5\text{mm} \times .40\% + \$5\text{mm} \times .30\%$)
 - FA's net production credited for \$6,820
($\$15,500 \times \text{Grid } (40\%) + 4\%$)

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Say:

In this example, we have a client with \$2 million who mostly trades all equities. I am considering pricing the account below .75% because the client rarely trades and calls his own shots.

At a fee of 40 bips per annum this account is going to generate \$8000 in fees. That works out to less than the \$2500 per quarter needed if I want to avoid getting hit with the \$14 transaction fee each quarter. I can either raise the fee or decide that since the client makes ten trades a year--the \$140 I get charged will be more than offset by my payout on the \$8000 fee. (May want to point out that \$8000 is a lot to charge for a self directed client doing 10 trades a year and you wouldn't recommend it unless you were doing a lot of financial planning or other work for the client -- this is just a pricing exercise.

Let's look at a larger equity account of \$4 million, also priced at 40 bips. This account will generate \$16,000 in fee income each year, well over the \$2500 quarterly hurdle. So no matter how many equity trades this client makes--I don't have to worry about the \$14 transaction charge.

Characteristics of Successful Fee-based Advisors

- Articulate a strong belief in their value-added process
- Provide their clients with a plan and a strategy
- Educate their clients and manage expectations
- Don't let their clients invest with emotion
- Focus on long-term investment goals
- Have a service-based platform in place to monitor progress toward goals.

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Myths About Fees

Myths about fee-based accounts:

- The fees are too high and not justified
- Clients will eventually get fed up with paying these fees, especially in down markets
- No value-added benefits are received or offset by these fees.

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UBS in North America

BREAK
15 minutes



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Competing on Value

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Competing On Value

Best Practices

- **Top FAs focus their efforts on a target market**
- **Establishing the needs of that target market**
- **Create a brand identity that states who they are and with whom they deal**

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As discussed earlier, competing on price is futile. Today, we have to compete on value in order to survive. Value means different things to different people. Accordingly, it makes sense to segment your market and become a specialist. This is what top producers have done to prove their value. Top producers:

- **Focus their efforts on a specific market niche**
- **Establish the needs of that market**
- **Create a brand identity that states who they are and with whom they deal.**

Establishing Your Target Market

- Who do you want to be doing business with 5 years from now?
- What do you want to be known for?
- Typical versus target client.
- What are you prepared to do for your target population?

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To compete on value, you have to begin by thinking about the market niche in which you would like to work.

- What do you want to be known for?
- An easy way to establish this is to review your current book of clients, looking for a common theme of client needs that you have addressed. This will tell you what type of client you prefer to work with and have the skills to help. Maybe you find that you have the best success working with pre-retirees in their late 40s. Or maybe you have been doing your best work with corporate executives.
- You will want to dissect your current book trying to find a common theme you have been most successful addressing. Of course, most FAs begin their business by taking almost any client. But as time passes, you should be able to discern an area of expertise where you have strong counseling skills.

Defending Your Fee

- Fees only become an issue in the absence of value-added service
- You can't do fee based-business without articulating a value-added process
- You should be paid a fair fee for the work of protecting, preserving and growing client assets.
- Remind clients your fee is a budgetable expense, just like the fees of attorneys, accountants, doctors and other professionals

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InsightOne Pricing Worksheet

Non-discretionary Brokerage Services	Equities	
Personalized Financial Consultation	Participating Mutual Funds	
PaineWebber Research	Mortgage-backed Securities	
Asset Allocation	Corporate Bonds	
Retirement Planning	Municipal Bonds	
Education Planning	Other Fixed Income Securities	
Estate Planning Strategies	Options	
Stock Option Planning	Rights and Warrants	
Resource Management Account® or BSA/Business Services® Account	Cash/Money Market Funds	
PaineWebber EDGE®	Variable Annuities	
Online Account Access, Trading Research and Portfolio Tracking	UITs	
		TOTAL

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Price Yourself InsightOne Value Worksheet

<i>Custodial Services</i>	<i>10-25 bps</i>
<i>Research: Munis', Equities, TFI</i>	<i>50-75 bps</i>
<i>RMA, BSA, IRA Fees</i>	<i>5-10 bps</i>
<i>Mutual Fund Selection</i>	<i>35-75 bps</i>
<i>Education</i>	<i>35-75 bps</i>
<i>Retirement Analysis</i>	<i>35-75 bps</i>
<i>Asset Allocation</i>	<i>35-75 bps</i>
<i>Stock Option Planning</i>	<i>35-75 bps</i>
<i>You</i>	<i>15-25 bps</i>
<i>Annualized Fee</i>	<i>200 bps</i>
	<i>30-250 bps</i>

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UBSIP in NY, NY

Competing On Value: Target Populations

Retirement Plan Rollover

- at retirement
- job change

Corporate Retirement Plan

Senior Citizens

Pre-Retirees (age 45+)

Corporate Stock Option Plans

144/145 Stock Sales

Business Owners

Small Money Managers

Corporate Cash

Estate Planning/Wealth Transfer

Rising Stars

Corporate Executives

Niche Industry

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Here are some target populations that might be representative of the clients you prefer to work with. If you are a newer FA, you need to focus on a market that is less complex--one that you have the skills and knowledge to service.

Formulating Your Value Proposition

- Begin With Your Target population
- + What you will do for them?
 - + Why you and Why UBS PaineWebber
 - = Your Value Statement

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This is a formula you should use to structure your verbal “value proposition”. This is the formula for your “elevator speech” What you would say to someone who asked what you do for a living. Your value proposition should cover”

Who is your target market?

How will you add value to your target market?

What distinguishes you from other financial services professionals?

What distinguishes UBS PaineWebber from other financial services firms?

Activity

Articulating Your Value Statement

Total Time: 15 minutes

8 minutes

- Working independently, create a Value Statement that :
 - ⇒ Focuses on your target market
 - ⇒ Includes how you add value
 - ⇒ Includes how you are different from other financial advisors
- Record your Value Statement in your participant booklet.

7 minutes

- Presentations

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Review Activity

Total Time: 15 minutes

7 minutes

- Each team is to create 3 review questions with answers from the material you learned today.
- Pair up with another table team.

8 minutes

- Team 1 tries to answer Team 2's questions.
- When finished, switch and Team 2 tries to answer Team 1's questions.

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Wrap Up and Review

DMAC closes meeting by making sure all objections have been handled

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UBS PaineWebber
Thank you.

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UBS PaineWebber

Unknown

From: [Redacted]
Sent: Thursday, November 14, 2002 4:46 PM
To: [Redacted]
Subject: RE: insightone trading guidelines

[Redacted] re insight one.

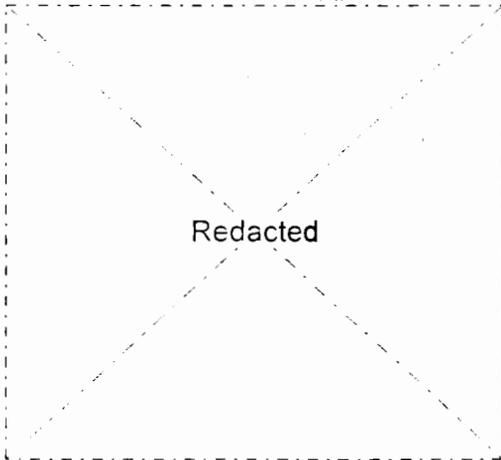
-----Original Message-----
From: [Redacted]
Sent: Thursday, November 14, 2002 4:46 PM
To: [Redacted]
Subject: RE: insightone trading guidelines

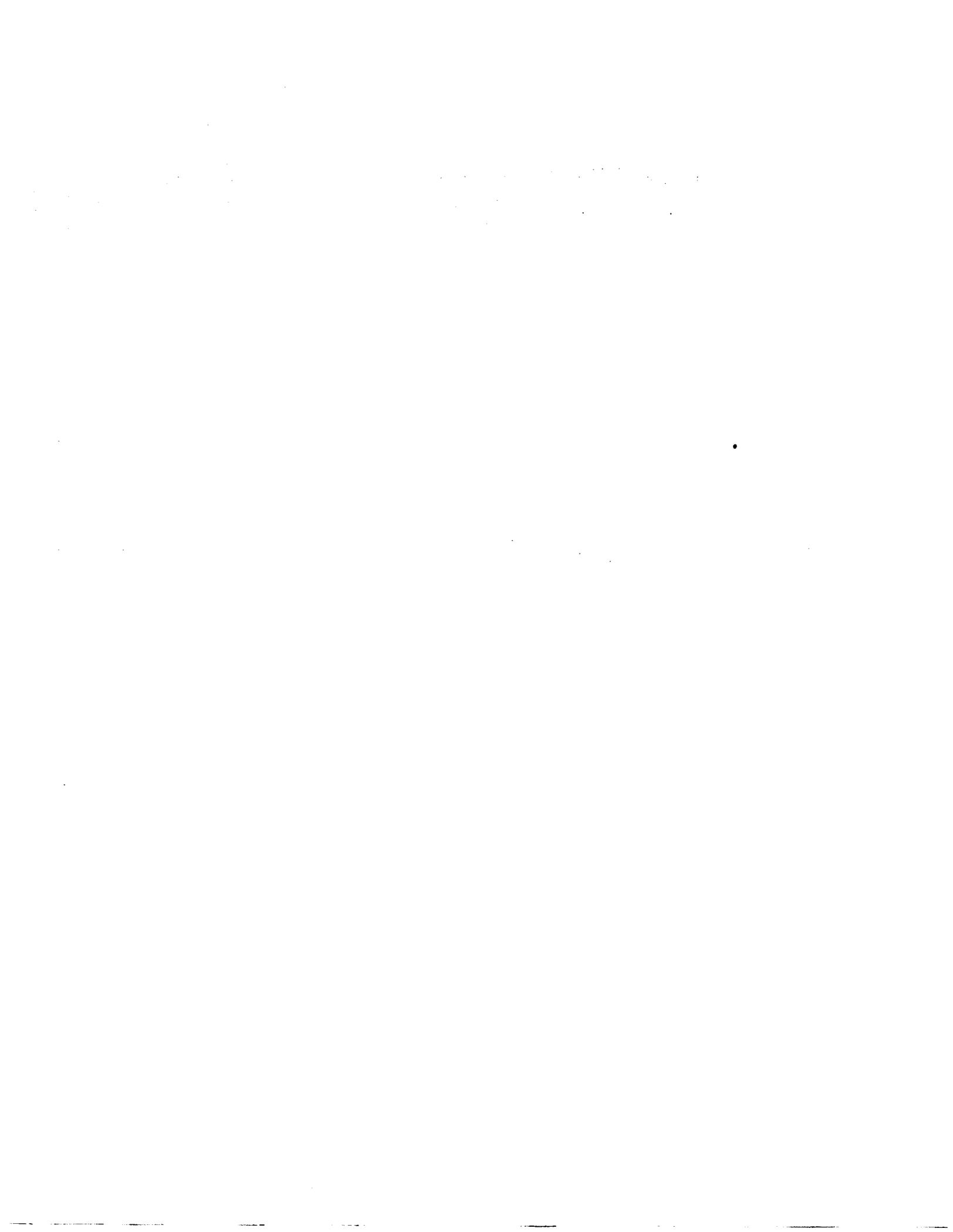
No. We have been instructed that each account must be treated seperately with regards to low trading or high cash. Example: You may have a wife that trades frequently and a husband that does not trade at all. The husband's single account is not suitable for InsightOne.

Regards,

-----Original Message-----
From: [Redacted]
Sent: Thursday, November 14, 2002 4:10 PM
To: [Redacted]
Subject: insightone trading guidelines

[Redacted] if we have a household will low trading for one account be offset.





InsightOne Resource Needs for 2002

With the upcoming compensation changes, InsightOne accounts and assets are expected to grow dramatically.

Growth Projections:

Assumes return to Year 2000 run rates

Year end Total Accounts = 94,000 (38% increase)

Year end Total Assets = \$26.3 billion (100% increase)

Avg. # net new accounts per day = 108 (66% increase from current run rates)

Avg. newt new \$ assets per day = \$41mm (64% increase from current run rates)

InsightOne Product Group - Proposed for 2002

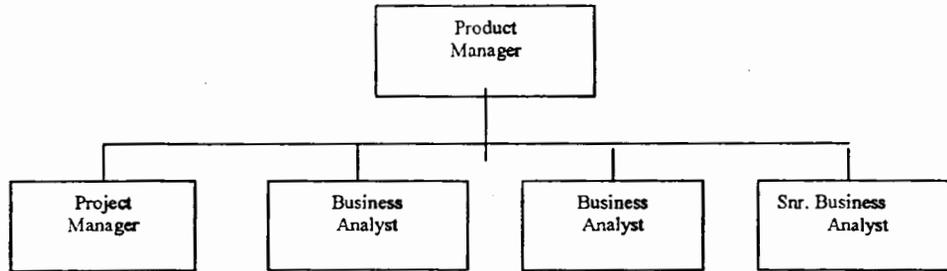
Total Headcount = 4 FTEs (2 new Reqs), 1 Part-Time Employee
(Would require 1 less FTE if the Quality Control responsibilities were reassigned to ICS Quality Assurance.)

Responsibilities & Project Focus:

Would be same as current organization chart (PG.3)

InsightOne Resource Requirements Rationale

InsightOne Product Group as of 6/30/00:



Total Headcount = 5 Full Time Employees
 Total Accounts = 38,600
 Total Assets = \$13.2 billion
 Avg. # net new accounts per day = 108
 Avg. net new \$ assets per day = \$41mm

Responsibilities:

Product Manager	Project Manager	Business Analyst
<input type="checkbox"/> BOM and FA Phone inquiries <input type="checkbox"/> Exception requests (pricing, policy, etc.) <input type="checkbox"/> Problem solving <input type="checkbox"/> Delegation / supervision <input type="checkbox"/> Quality Control items <input type="checkbox"/> Enhancements (Planning / business requirements) <input type="checkbox"/> Program Updates - marketing pieces <input type="checkbox"/> Recruit meetings <input type="checkbox"/> Employee reviews / training	<input type="checkbox"/> Branch inquiries <input type="checkbox"/> Support Group escalations <input type="checkbox"/> Support Group training <input type="checkbox"/> Support Group Quality Reviews <input type="checkbox"/> New FA training <input type="checkbox"/> Competitive review <input type="checkbox"/> FA transactions fee (\$14) exceptions <input type="checkbox"/> Systems testing (enhancements, upgrades) <input type="checkbox"/> Quality Control follow-up (hundreds of accounts) <input type="checkbox"/> Project Management: <ul style="list-style-type: none"> <input type="checkbox"/> Systems Enhancements <input type="checkbox"/> Product Enhancements <input type="checkbox"/> Process Improvements 	<input type="checkbox"/> Management Reporting <input type="checkbox"/> Branch inquiries <input type="checkbox"/> Quality Control follow-up (hundreds of accounts) <input type="checkbox"/> Systems testing (enhancements upgrades) <input type="checkbox"/> InfoNet Updates / Publishing

Projects Focus at that time:

<input type="checkbox"/> Minimum account size reduced to \$50,000 <input type="checkbox"/> Trading flexibility increased. <input type="checkbox"/> Fee-range increased to 2.5%. <input type="checkbox"/> Minimum fee decreased to \$1250. <input type="checkbox"/> Family relationship definition expanded.	<input type="checkbox"/> Block charges can be waived <input type="checkbox"/> Mutual fund portability. <input type="checkbox"/> Eligible UITs available. <input type="checkbox"/> Eligible variable annuities available <input type="checkbox"/> Relationship pricing and minimum fee. <input type="checkbox"/> Comp changes for 12-b1s and block charges	<input type="checkbox"/> JCB conversion. <input type="checkbox"/> PAA conversion <input type="checkbox"/> InsightOne statement insert. <input type="checkbox"/> Rewards program added. <input type="checkbox"/> Quarterly marketing Update <input type="checkbox"/> Online turnover report. <input type="checkbox"/> Account inquiry to display IQ for account identification.
---	--	--

InsightOne Product Group (as of 11/20/01)

Total Headcount = 2 FTs, 1 Part-Time Employee
 Total Accounts = 68,000 (75% increase from 6/00)
 Total Assets = \$16.5 billion (25% increase from 6/00)
 Avg. # accounts opened per day = 65 (40% decrease from 6/00)*
 Avg. \$. Assets added per day = \$25 mm (39% decrease from 6/00)
 ** Although account openings are down - the number of accounts to maintain are way up.

Responsibilities:

Product Manager	Project Manager	Business Analyst
<input type="checkbox"/> BOM and FA Phone inquiries <input type="checkbox"/> Exception requests (pricing, policy, etc.) <input type="checkbox"/> Problem solving <input type="checkbox"/> Delegation / supervision <input type="checkbox"/> Quality Control items <input type="checkbox"/> Enhancements (Planning / business requirements) <input type="checkbox"/> Program Updates - marketing pieces <input type="checkbox"/> Recruit meetings <input type="checkbox"/> Employee reviews / training <input type="checkbox"/> New FA training	<input type="checkbox"/> Branch inquiri <input type="checkbox"/> Competitive review <input type="checkbox"/> Systems testing (enhancements, upgrades) <input type="checkbox"/> Quality Control follow-up (hundreds of accounts) <input type="checkbox"/> Project Management: <input type="checkbox"/> Systems Enhancements <input type="checkbox"/> Product Enhancements <input type="checkbox"/> Process Improvements	<input type="checkbox"/> Management Reporting <input type="checkbox"/> Branch inquiries <input type="checkbox"/> Quality Control follow-up (hundreds of accounts) <input type="checkbox"/> Support Group escalations <input type="checkbox"/> Support Group trainins <input type="checkbox"/> Support Group Quality Reviews

*Support also includes the CSC One and Employee Self-directed programs (although currently minor)

Current Project Focus:

<input type="checkbox"/> Quality Control Policy Changes: <input type="checkbox"/> High Trading <input type="checkbox"/> Low Trading <input type="checkbox"/> High Cash Concentration <input type="checkbox"/> ICST <input type="checkbox"/> Model Portfolios <input type="checkbox"/> Performance reporting	<input type="checkbox"/> ACP <input type="checkbox"/> Additional Managed Future Fund <input type="checkbox"/> Additional UITs <input type="checkbox"/> Tax Worksheet <input type="checkbox"/> Billing screen enhancements <input type="checkbox"/> Front-end enhancements <input type="checkbox"/> InsightOne Field Re-education	<input type="checkbox"/> Quarterly marketing Update <input type="checkbox"/> Online QC reports <input type="checkbox"/> Asset Allocation Assumption changes <input type="checkbox"/> New Applications & Brochure <input type="checkbox"/> Online applications
---	--	---



UBS PaineWebber
InsightOne

*More Than Just a
Pricing
Alternative*

*It's a
Comprehensive
Investment
Platform for the
Affluent Investor*

UBS PaineWebber

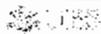
December 2001

Appealing to the Core Affluent

▶ **Core Affluent (\$500,000+) have common concerns...**

- ▶ Maintaining standard of living upon *retirement*
- ▶ Investing for children's and/or grandchildren's *education*
- ▶ *Preservation of wealth*
- ▶ Insuring their *estate* goes to heirs not to taxes

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Appealing to the Core Affluent

▶ Core Affluent want...

- Someone who will take the time to understand their *unique* needs
- *Personalized* solutions, not what will be offered to thousands of generic investors

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UBS Financial Services

UBS PaineWebber InsightOne Appeals to the Core Affluent

- ▶ Current Assets in InsightOne = \$17 billion
- ▶ Average InsightOne "Household" Size = \$609,000
- ▶ Average Account Size = \$249,000
- ▶ 38% of all UBS PW InsightOne Accounts are Retirement Accounts
- ▶ 33% of all UBS PW InsightOne Retirement Accounts are IRA Rollovers
- ▶ 48% of InsightOne assets are new to the firm
- ▶ 22% of InsightOne Households are new to the firm

Data as of 11/30/01

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UBS PaineWebber InsightOne An Innovative Prospecting Tool

The affluent client perceives you on the “same side of the table”

- ▶ Viewed as partnership -- compensation tied to portfolio's growth
- ▶ Enables you to better service clients
 - Easier to assist clients in building personalized portfolios -- mutual funds, bond swaps, exchange traded funds
 - No additional cost to restructure portfolio in response to market conditions, changes in investors' goals & harvesting losses

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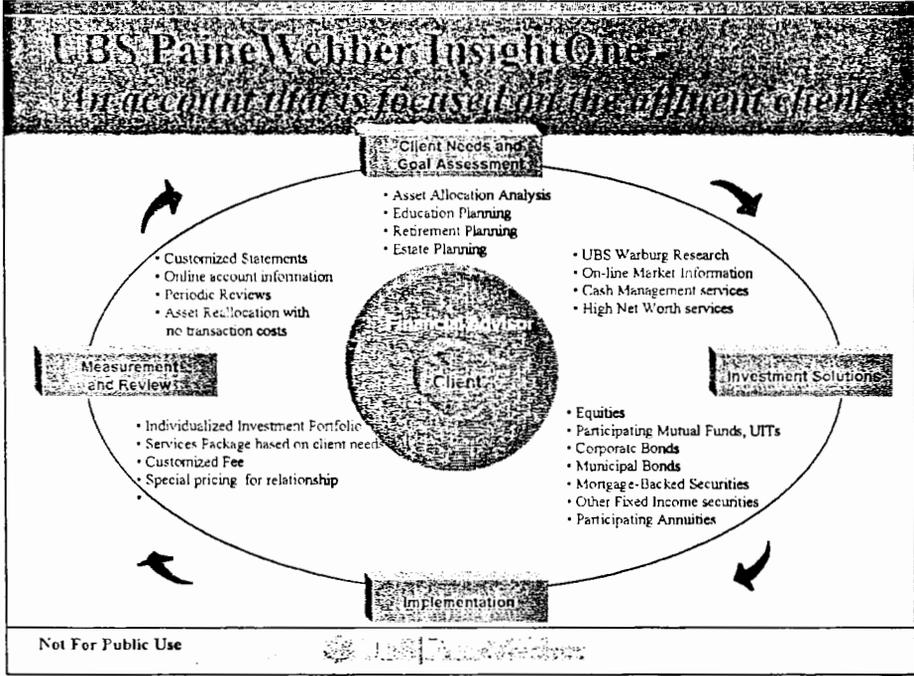
**UBS PaineWebber InsightOne -
An Innovative Prospecting Tool**

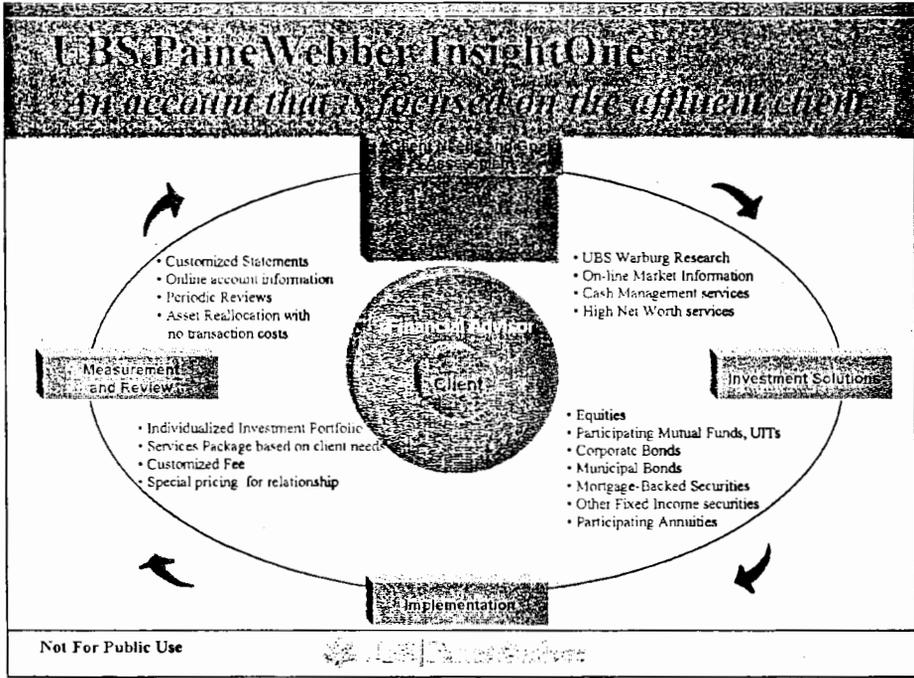
**Allows the FA to offer all the services of
UBS PaineWebber... for one simple fee**

- ▶ Personalized Financial Consultation
- ▶ Customized Planning Strategies
- ▶ Award Winning Global Research
- ▶ Comprehensive Investment Solutions with no
Transaction Fees
- ▶ Cash Management Services

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Assessing Your Clients Needs & Goals

Client Profiling

▶ Utilize the Investor Profile Questionnaire

- Available on the InsightOne system
- Provides Asset Allocation Analysis
- Can be printed for client review

Or

▶ Utilize the new Model and Asset Allocation Profiler

- Available on InfoNet
- Provides Asset Allocation Analysis

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 UBS | U.S. Branch

Assessing Your Clients Needs & Goals

Asset Allocation

- *Balancing the mix of investments in an attempt to:*
 - ▶ Maximize Return
 - ▶ Minimize Risk
- *Diversifying among asset classes to potentially:*
 - ▶ Decrease portfolio volatility - smooth returns
 - ▶ Enhance overall portfolio returns

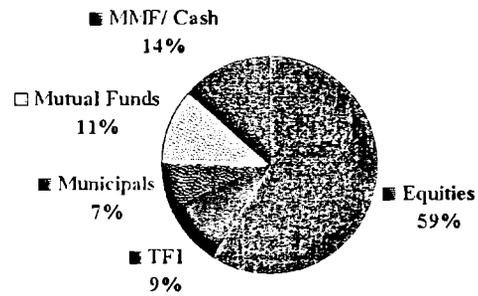
FA can utilize the InsightOne Asset Allocation Analysis to demonstrate these benefits

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UBS | Wealth Solutions

InsightOne Allocation of Assets

InsightOne - It's not only for Equity Accounts!



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UBS | Investment Solutions

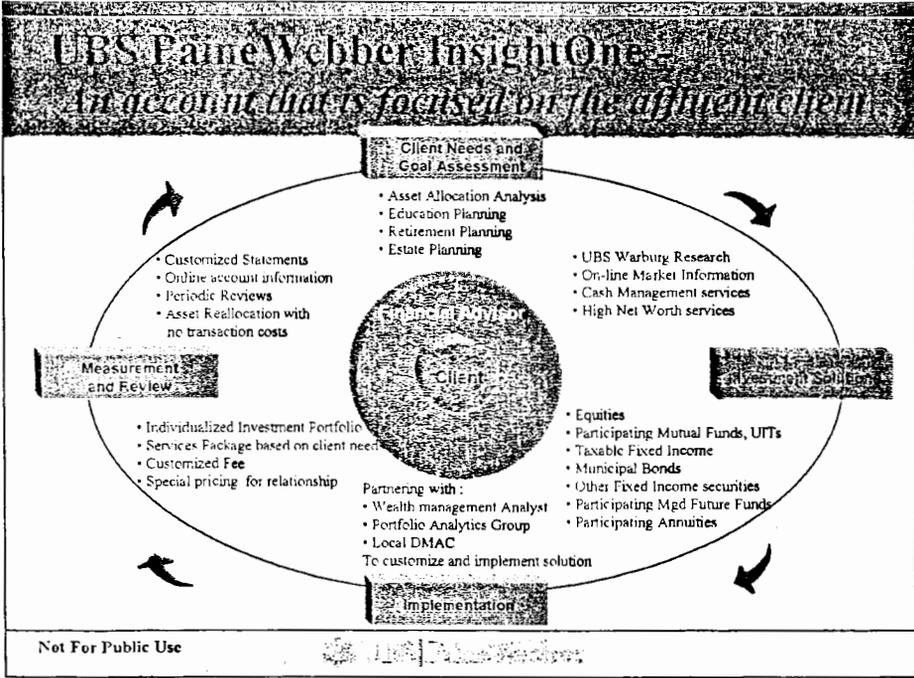
Assessing Your Clients Needs & Goals

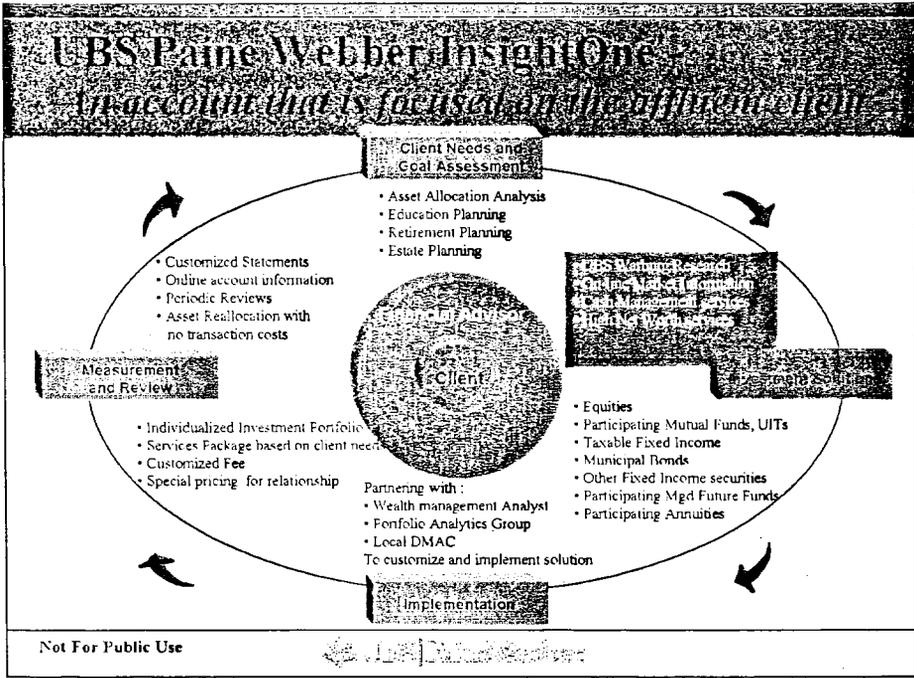
Financial Planning

- *Access to all Financial Planning modules*
 - ▶ Retirement Planning Analyses
 - ▶ Educational Funding Analysis
 - ▶ Stock Option Analysis
 - ▶ Estate Planning Analysis
 - ▶ Financial Framework Analysis (additional fee may apply)
- *Helps you to establish a deeper relationship*
 - ▶ Positions you as a key advisor
 - ▶ Uncovers additional assets and needs
 - ▶ Increases client retention and referral potential

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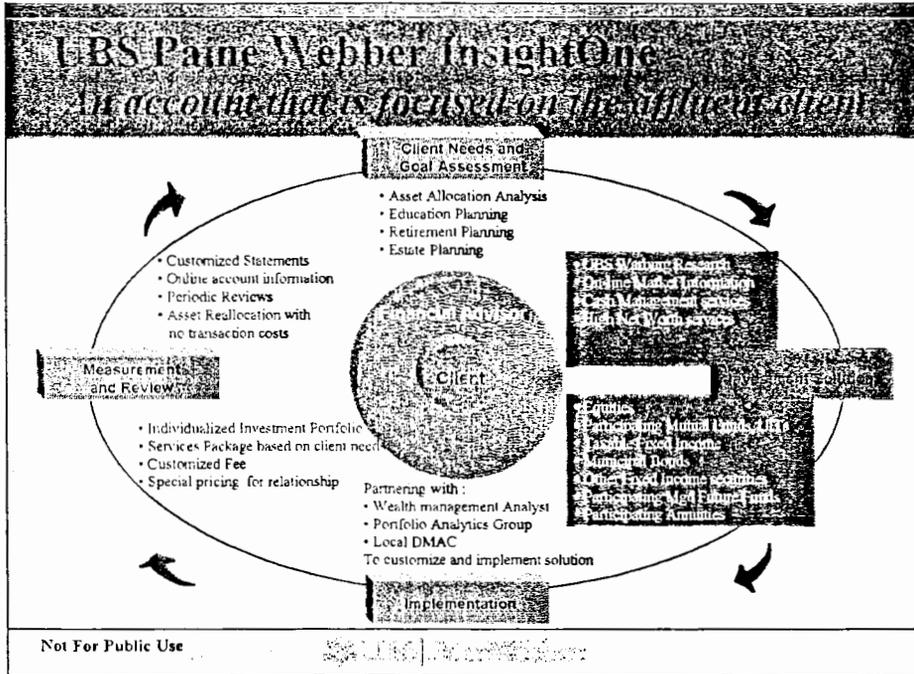


Access to the Full Services of the Firm

- ▶ **UBS Warburg Research**
 - Via online services or FA request
- ▶ **Online Market Data**
 - Customizable and real-time
- ▶ **Cash Management Services**
 - Free checking and debit cards
 - Free bill payment and ETF
 - Free Rewards Program
- ▶ **High net Worth Services**
 - \$2mm at UBS PaineWebber to qualify

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A Comprehensive Menu of Investment Solutions

► Equities

- Clients can focus on building diversified portfolios - not on cost to build it
- The ability to adhere to cost-effective rebalancing.
- The ability to efficiently use Exchange Traded Funds (ETFs) for sector exposures and market indexes at a lower expense than mutual funds
- Tax swaps are easier

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UBS | Investment Solutions

A Comprehensive Menu of Investment Solutions

► Bonds

- ▣ Models become economic to employ
- Clients can rebalance portfolios to maintain ladder or bullet
- In times of uncertainty, clients can easily move to safe fixed income investments with higher yields than money market funds
- Tax swaps are easier

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A Comprehensive Menu of Investment Solutions

► Mutual Funds

- Easy way to build and maintain quality, diversified portfolios
- Over 2,000 eligible funds and 90 fund families
- Can easily diversify among fund families
- Can be used in conjunction with ETFs
- Clients can rebalance portfolios to maintain asset allocation at no additional cost

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A Comprehensive Menu of Investment Solutions

- ▶ **Participating UITs** - *many UITs just added*
 - Helpful tool to build and maintain quality portfolios and sector exposure
 - Clients can rebalance portfolios without transaction fees
 - No risk of manager style drift
 - Tax Advantages over Mutual funds
 - Lower capital gains taxes
 - Longer term UITs allow investors to defer gains

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 UBS | Investment Solutions

A Comprehensive Menu of Investment Solutions

▶ Participating Annuities

- Tax-deferred investment allows account value to grow quicker
- Additional death benefits
- No surrender charge allows client to switch between eligible annuities
- Lower expenses than ineligible annuities
- Easier to explain to clients (less features)

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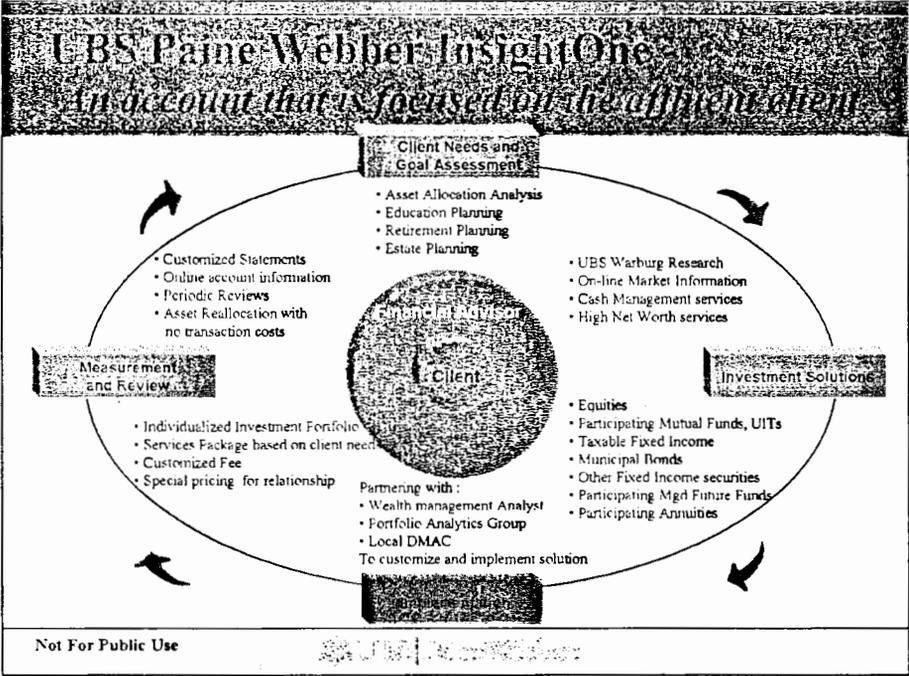
UBS Financial Services

A Comprehensive Menu of Investment Solutions

- ▶ **Participating Managed Future Funds**
 - ▶ Lower expense costs for eligible fund
 - ▶ Provides Diversification
 - Opportunity to easily participate in global markets and invest in asset classes beyond stocks and bonds
 - ▶ Non-correlation
 - Price (NAV) tends to move independently of stock and bond markets

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UBS | Private Bank



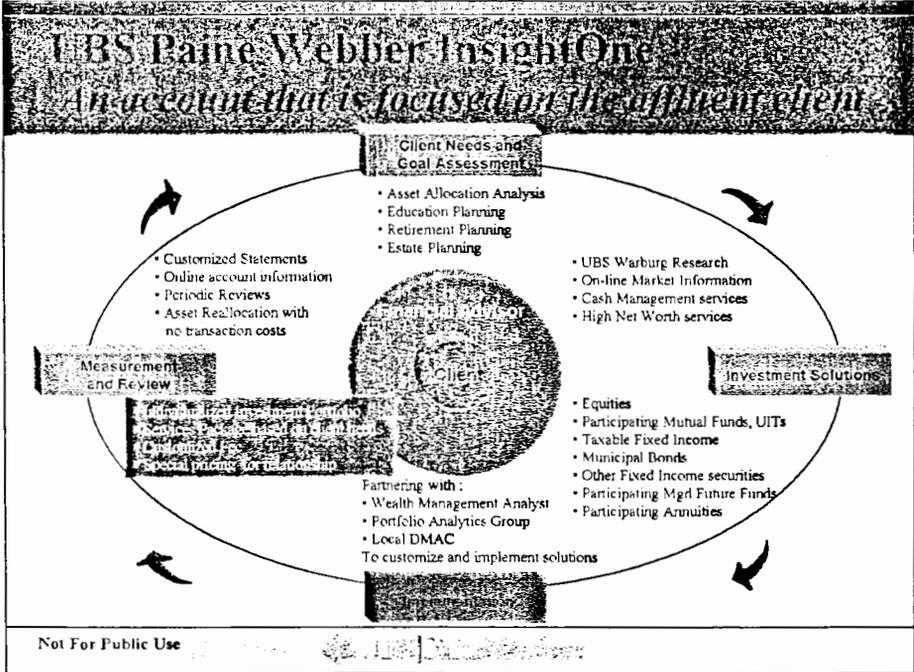
Implementation

Partnering with specialists to customize solution

- ▶ Wealth Management Analyst
 - Customized proposals and recommendations
 - Accessible for accounts >\$2mm
 - Works with various product groups to develop product neutral solution
- ▶ Divisional Managed Account Consultant (DMAC)
 - Assist in client seminars and meeting
 - Assist in customizing fees

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UBS | Wealth Management



Customized Portfolio Strategies

Equity Models

- ▶ 30 stocks
- ▶ Represent all S&P sectors
- ▶ Neutral sector weighted
- ▶ Choose from 3 models based on client profile
 - ▶ Growth
 - ▶ Core Growth
 - ▶ Growth & Income
- Use the Equity Basket functionality (function 9) on the Broker Order Entry System to purchase Equity Models
 - ▶ One purchase order - buys the whole model (30 stocks)

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UBS Global Wealth Management

Customized Portfolio Strategies

Taxable Fixed Income Models

- ▶ **Three models are designed to provide income**
 - ▶ Conservative Income
 - . Primarily treasury and agency bonds
 - ▶ Moderate Income
 - . Treasury, agency and high grade corporate bonds
 - ▶ Aggressive Income
 - . Corporate Bonds and preferred stocks
- ▶ **One model is designed for total return**
 - ▶ Credit Market Relative Value (CMRV)
 - . Treasury, agency, corporate and mortgage bonds

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Customized Portfolio Strategies

Municipal Models

- ▶ Nationwide tax-free bond portfolio available
- ▶ Municipal Group will help customize a portfolio based on client's resident state

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UBS | Global Wealth

Implementation

Customize UBS FainεWebber InsightOne Fee

- ▶ Fee range from .75% - 2.00% for most *balanced* accounts
- ▶ Can price from 2.1% to 2.5% on *active* accounts
 - FA and EOM must attest to activity on system
- ▶ Pricing from .30% to .74% for *large* relationships and *fixed income* accounts

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UBS FainεWebber InsightOne Fee

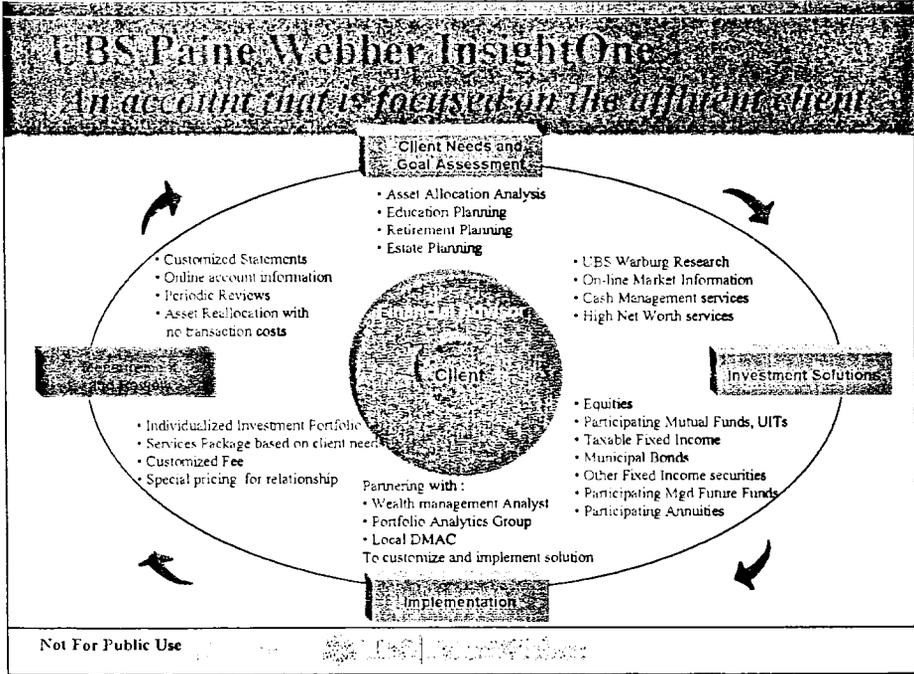
Implementation

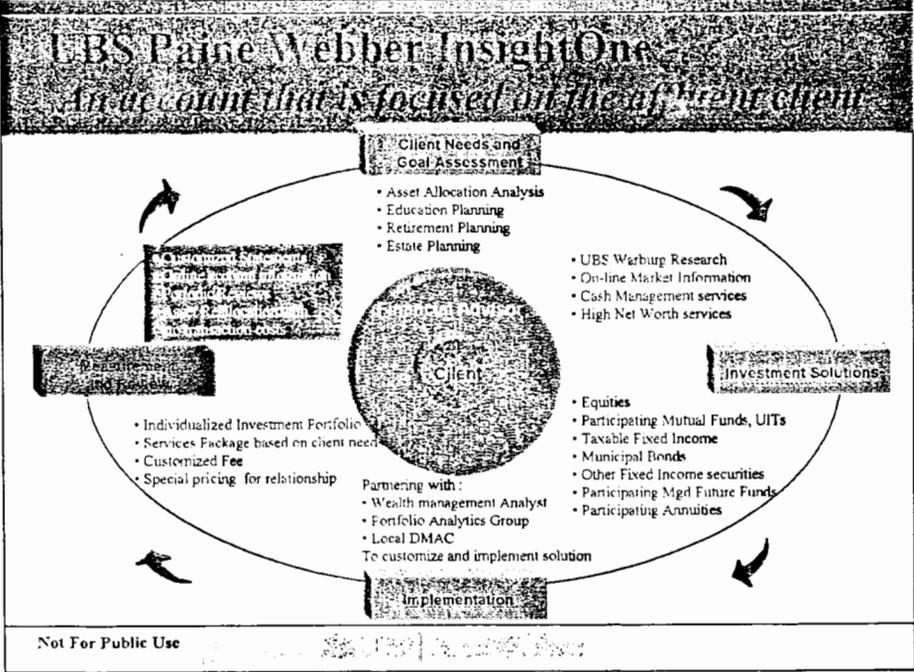
Special Family Relationship Pricing

- ▶ UBS PW InsightOne family relationship pricing
 - Spouse, parents, children (all ages), children's spouses, grandparents, grandchildren, grandchildren's spouses, siblings and siblings' spouses
 - \$1,250 minimum annual fee assessed as *household* minimum
 - Allocated across all linked accounts proportionately, based on the level of eligible assets in each account
- ▶ Encourages clients to bring in more assets to effectively lower their asset-based fee rate

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Measurement & Review

- ▶ Periodic Portfolio Reviews
- ▶ Account Monitoring
- ▶ Customized Statement functions
- ▶ Portfolio Management Reporting tool
- ▶ Client online access to account information
- ▶ Online e-let capabilities
- ▶ Client online access to research and market information
- ▶ Tax Worksheet - allocates fee to eligible trades

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How to Target the Core Affluent

Client Prospecting Tools

- ▶ UBS Paine Webber InsightOne Opportunity report
 - Accessible through Business Intelligence Portal
 - Targets existing client base
- ▶ FA Direct program
 - Turnkey program that provides prospect names, mails marketing material and consolidates leads
- ▶ Prospecting letters
 - Available on InsightOne InfoNet site
 - Various letters to appeal to different client needs

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How to Target the Core Affluent

Enhanced Marketing Materials

- ▶ New Client Brochure
- ▶ New Account Opening Kit
- ▶ New Client Presentations
- ▶ Online marketing material
 - Product Description on Public website
 - Updated UBS PaineWebber's online services page
 - Online Individual application/agreement
 - New online business application/agreement

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Enhanced InsightOne FA tools

FA Sales Reports

- ▶ Ability to view FA ranking by branch and division
- ▶ Ability to view branch penetration and ranking by division
- ▶ Allows you to track sales progress by branch or FA

New InsightOne System

- ▶ Easier to use
- ▶ More links to InsightOne information
- ▶ Additional functions (fee changes, block charge waivers)

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 UBS Global Wealth Services

InsightOne - Vision 2003

Vision:

InsightOne will be the "account of choice" for the core affluent household at UBS PaineWebber by 2003.

Where we are:

Total # of core affluent households = 324,382 (as of 11/30/01)

Total # of core affluent households with an InsightOne account = X

Total % of core affluent households with an InsightOne account = X%

Where we need to be:

To make the vision a reality we intend to increase the percentage of core affluent households to X for 2002 and exceed 50% by 2003.

Current Obstacles:

A. *InsightOne is not being presented as an integral part of the solution for the core affluent client*
Solution: Improve Sales Force Education and Increasing ICS Awareness

- ICS Field support (DMACs, Tech analysts, Wealth Management Analysts, Resource Center reps) will attend Placeware conference events (January 2002)
- InsightOne to become a standard topic on the weekly DMAC call (December 2001)
- InsightOne to become a standard topic on the weekly Wealth Management call (January 2002)
- Continue Monthly InsightOne product meeting with other PCG product areas (Ongoing)
- ICS Directors will rotate attendance at the monthly InsightOne product meeting (January 2002)
- Update proposal material to include InsightOne description (January 2002)
- Integrate InsightOne enrollment process into Advisory Capabilities system (3Q2002)

B. *The growth of InsightOne is not a consistent priority for branch management*

Solution: Raise PCG Management and PCG Field Personnel Awareness and Education

- Highlight sales ideas in next InsightOne Update (December)
- Highlight the upcoming compensation change in January Update
- Develop "drip campaign" for weekly education pieces in Investment Forum (1Q2002 - 2Q2002)
- Participate in upcoming ICS Network Call - 1Q2002
- Participate in an upcoming weekly Tech Call - 1Q2002
- Participate in an upcoming DM and RD calls - 1Q2002
- Update branch presentations available on InfoNet - December
- Partner with other PCG areas to include InsightOne in their marketing materials

C. *Much of the current marketing material is outdated or insufficient*

Solution: Provide Additional/Enhanced Client Marketing Tools

- Re-branding and Rewriting the InsightOne abbreviated brochure - January 2002
- Enhanced FA Direct program (with discounts for key players) - 1Q2002
- Additional prospecting letters to appeal to a variety of client special needs (focus on mutual funds, ETFs and other niche products) - 1Q2002
- Improved online marketing content (Public web site, PWOS) - 1Q2002

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D. There is little perceived added value for the InsightOne program (just a pricing alternative)

Solution: Introduce Value Added Portfolio Tools

- Promote the new model portfolios - December
- Provide ability to purchase models on BOE (planned for December)
- Promote the Portfolio Management Reporting tool (already available)
- Introduce new branch presentation demonstrating value (January 2002)
- Work this presentation into the education and awareness events (1Q2002)
- Implement a Portfolio Builder / Presentation Builder by 3Q2002
- Introduce the ICS Trading system to InsightOne FAs by 2Q2002
- Provide Performance Reporting (>\$1mm) (enrollment 1Q2002 & reports supplied in 2Q2002)
- Provide Financial Framework (financial planning) at no cost for relationships >\$1mm (1Q2002)
- Provide access to the Portfolio Analytics Group for relationships >\$1mm (1Q2002)

E. Current account opening process is paper intensive and takes too long

Solution: Automate the process and provide for real-time account opening and enrollment

- Work with Client & Account Services to automate the new accounts process (3Q2002)
- Integrate InsightOne enrollment with real-time CAI system (3Q2002)
- Integrate InsightOne enrollment with real-time bookkeeping system (4Q2002)

F. The growth of the InsightOne program will lead to an increase in unsuitable accounts and risk

Solution: Implement new policies and dedicate resources to review and control

- Create controls and policy to allow the growth of Third Party Manager referred accounts - 1Q2002
- Finalize Quality Control policies (High Trading, etc.) and announce (January 2002)
- Move Quality Control responsibilities to ICS Quality Control group (1Q2002)
- Implement reports to allow branch to monitor accounts in violation (1Q2002)

G. The current billing process and branch support will not adequately maintain the planned increase in the affluent client base

Solution: Enhancements to the billing system and continuous education and monitoring of service support personnel

- Implement requested billing enhancements:
 - Ability to exclude a specific security (3Q2002)
 - Online report that allows FA to view monthly fee-based revenue in advance (1Q2002)
 - Linking across all ICS programs for billing purposes - relationship billing (3Q2002)
 - Average daily or weekly balances (instead of quarterly) (not scheduled)
 - Reevaluate InsightOne retention policy (2Q2002)
 - Reevaluate the syndicate policy (2Q2002)
 - Provide account detail screen - branch view of eligible assets (1Q2002)
 - Update bookkeeping process to have only one entry per event (not scheduled)
 - Improvements to 24 month exclusion logic (not scheduled)
- Continue to provide periodic training to service group and admin group (ongoing)
- Continue to monitor calls and Vantive cases for quality and training issues (ongoing)
- Monitor for resource constraints and add resources where required (ongoing)

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