

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

-----X

THE PEOPLE OF THE STATE OF NEW YORK :
by ELIOT SPITZER, Attorney General of :
the State of New York, :

Plaintiff, :

Index No.

-against- :

UBS FINANCIAL SERVICES, INC., :

Defendant. :

-----X

EXHIBITS TO COMPLAINT

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June 5, 2003 Thursday 9:45 PM GMT

LENGTH: 323 words

HEADLINE: UBS Brokerage Unit Plans Hires, More Fee-Based Business

BYLINE: By Lynn Cowan

BODY:

Of DOW JONES NEWSWIRES

WASHINGTON -(Dow Jones)- Over the next several years, UBS AG's (UBS) brokerage unit plans to hire more brokers and increase the amount of fee-based business it handles, the unit's head said Thursday.

UBS envisions employing 10,000 brokers in three years, up from the about 8,500 it has now, private client services president Mark Sutton told Dow Jones Newswires.

Sutton said the firm also wants to grow its fee-based brokerage program, in which clients are charged a percentage of their assets per year, rather than by individual trade commissions.

Such fee-based accounts are seen as steady revenue sources that alleviate client concerns about brokers generating fees through excessive trades. Sutton said the firm would like to see fee-based business rise from its current level of one-third of broker-generated revenue to about 50% of revenue in the next four to five years.

On Monday, the Zurich-based banking giant will rebrand all its units, including UBS PaineWebber, with the parent name.

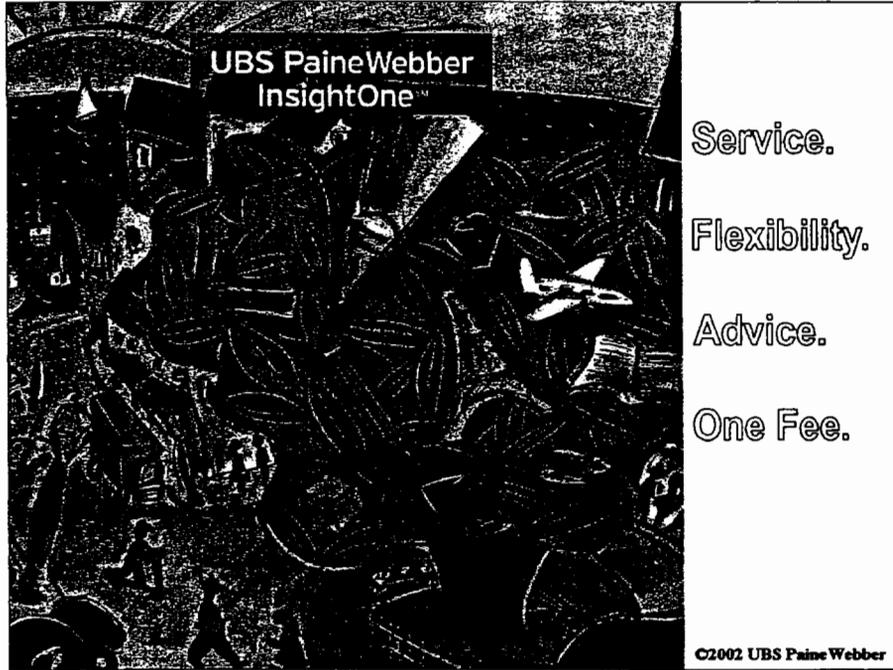
As part of the rebranding, the brokerage unit developed a client-contact campaign earlier this year designed to prod brokers into talking to clients about the broader level of products and services available through UBS. The "Contact Matters" program, combined with a recent upturn in the market, has helped make business better for stockbrokers in recent weeks, said Sutton.

The rise in stocks plus the contact campaign has meant "clients are more receptive to talking about their portfolios," he said.

Longer term, Sutton said the industry must continue to work on regaining investor trust in order to grow. The past year has been full of scandal on Wall Street, ranging from analyst conflicts of interest to charges of unfair initial public offering allocation processes.

"The biggest issue we face is rebuilding public trust and confidence," Sutton said.

-By Lynn Cowan, Dow Jones Newswires; 202-628-9783; lynn.cowan@dowjones.com

The advertisement features a dark, high-contrast background with a complex, abstract pattern of overlapping shapes and lines, resembling a dense forest or a complex network. In the upper left corner, the text "UBS PaineWebber InsightOne™" is displayed in a white, sans-serif font. To the right of the graphic, the following text is listed vertically in a white, serif font: "Service.", "Flexibility.", "Advice.", and "One Fee.". At the bottom right corner of the graphic area, the text "©2002 UBS PaineWebber" is printed in a small, white, sans-serif font.

UBS PaineWebber
InsightOne™

Service.
Flexibility.
Advice.
One Fee.

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InsightOne: The Value Challenge

- Technology has become the source for
 - Information
 - Research
 - Implementation
- Transaction has become commoditized
- Perception that investors can do it themselves
- FA challenged to prove they add value

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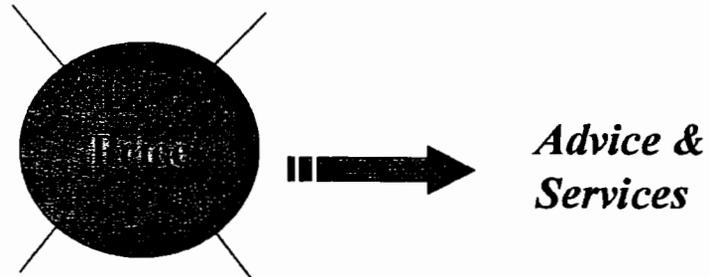
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Instruction Box

Review slide

InsightOne: The Value Challenge



CHANGE THE DIALOGUE

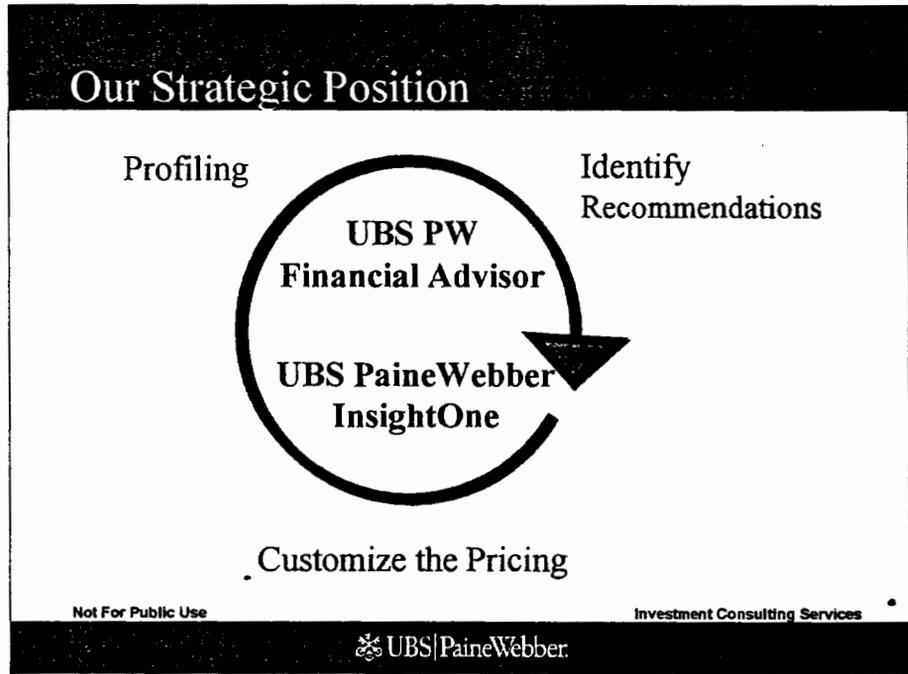
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Instruction Box

- Review slide
- Stress that the FA must move the conversation from price to the value that he/she brings to the table.



Instruction Box

- Review slide
- Stress the importance of positioning you, the FA in the center of the relationship and how you can leverage this position.

Say

The focus of the relationship moves from price to the value that you and PaineWebber bring to the table.

UBS PaineWebber InsightOne Review

- Non-discretionary brokerage account
- Open to all PW Financial Advisors
- Minimum Asset Size
 - 50K Primary Account
 - 10K Related Accounts
- Can hold eligible and ineligible assets in account
- Eligible trades - no commissions or handling charges
- Annual RMA and IRA fees are waived

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Instruction Box

- Review slide - briefly hit the bullets..
- A slide on ineligible assets is coming up so don't go into them here.

UBS PW InsightOne Products & Services

- Personalized Financial Consultation
- UBS Warburg Research
- Asset Allocation Assistance
- Model Portfolios
- Retirement Planning Strategies
- Education Planning Strategies
- Estate Planning Strategies
- Stock Option Planning Strategies
- Monthly Performance Reports (Only for IO Relationships >\$1mm)
- RMA® or Business Services Account BSA®
- UBS PaineWebber's online services:
 - Online Trading (Equities and Mutual Funds)
 - Research
 - Bill payment /EFT

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UBS PW InsightOne Products & Services

- Non discretionary Brokerage Services
- Equities (including ETFs, ADRs and Foreign Ordinaries)
- Over 2,000 Participating Mutual Funds
- Participating Annuities
- Participating Unit Investment Trusts
- Participating Managed Future Funds
- Corporate Bonds
- Municipal Bonds
- Other Fixed Income Securities (domestic and foreign)
- Options
- Rights and Warrants
- Cash/Money Market Funds

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Ineligible Assets

- Can be held in account
- But excluded from asset-based fee
 - Non-participating mutual funds
 - Insurance and non-participating annuities
 - Alternative investments
 - Load mutual funds purchased last 2 years
 - Other packaged products

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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.

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), parents, grandparents, grandchildren, siblings, children's spouse...

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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.

InsightOne Billing

- **Initial Billing -**
 - Asset snapshot taken on day account is approved
 - Client charged in advance at the end of the first month
 - Prorated for the number of days remaining in the quarter
- **Quarterly Billing -**
 - Asset snapshot taken on last day of the quarter
 - Client charged in advance - third week of the new quarter
 - Prorated for the number of days in the quarter
- **Contribution Billing -**
 - Asset snapshot(s) taken on day of eligible deposit(s)
 - Charged in arrears - second week of the new quarter
 - Prorated for the number of days remaining in the quarter
- **Termination Fee -**
 - Charged for remaining portion of first Fee Year

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FA Compensation

- Payout on Gross InsightOne Fee at Grid+4
- Branch Retention of .10% on the first \$500,000 of eligible assets in the relationship
 - \$100,000 account priced at 1.5% - client charged \$1,500
 - Credit to FA Gross is 1.4% on \$100,000—> \$1,400
 - \$500,000 account priced at 1.5% - client charged \$7,500
 - Credit to FA Gross is 1.4% on \$500,000—> \$7,000
 - \$1,000,000 account priced at 1.5% - client charged \$15,000
 - Credit to FAs Gross is 1.45% on \$1,000,000 —> \$14,500

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SAY:

Because there is a branch retention assessed on Insight One business I want to make sure everybody is clear on how your comp might be effected.

(Walk thru example in slide)

Note that there is a cap on the retention. It only applies on the first \$500,000 of eligible assets in the relationship. So for a \$1,000,000 relationship, you'd be hit with the 10bp retention (\$500) on half the assets, but earn the full fee on the remaining \$500,000. Or another way of looking at it – is that the retention on the relationship was only 5 bps (\$500) because it was a million dollar relationship. The point is that the more money you have working in the relationship, the less impact you really see from the branch retention.

FA Compensation

- FA trainees - Additional 50% credit for new account in first 24 months of production
 - Paid quarterly in advance
 - Accelerated Compensation - Paid for the full year up-front
 - Mutual Fund 12b-1 trailer payments credited to FA at Grid +1
 - FA Payout on ineligible trades at Grid +1
 - FA Payout on Block charges* at Grid +1:
 - \$.02 per share over 5,000 (equities)
 - \$2 per contract over 50 (options)
- *Can be waived with BOM approval

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Overcredit Policy: Example

- Account with \$200,000 in eligible assets - priced at 1.5%
- Account approved for InsightOne on March 1st
- Initial Client Billing = \$254.79
 - $(31 \text{ days}/365 \text{ days} \times \$200,000 \times 1.5\%)$
- Initial FA compensation = \$121.28
 - $(31 \text{ days}/365 \text{ days} \times \$300,000 \times 1.4\%) \times \text{Grid (30\%)} + 4$
- 2nd Quarter Billing (92 days) = \$756.16
- 2nd Quarter FA Compensation = \$359.93
- 1st Year Billing (306 days) = \$2,515.07
- 1st Year FA Compensation (306 days) = \$1,197.17

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Instructor Note:

This slide has transitions though each step of the calculation

Accelerated Compensation: Example

- Balanced account with \$200,000 in eligible assets - priced at 1.5% opened on March 1.
- ACP = initial billing + 3 quarters
- March ACP compensation (check received in April) = \$798.11
 - $200,000 \times 1.4\% \times (306/365) \times \text{Grid } (30) + 4$
- March ICS Overcredit (check received in April) = \$40.43
 - $100,000 \times 1.4\% \times (31/365) \times \text{Grid } (30) + 4$
- April ICS Overcredit (check received in May) = \$119.97
 - $100,000 \times 1.4\% \times (92/365) \times \text{Grid } (30) + 4$
- Paid the same but in advance
 - ACP check = \$798.11
 - Total ICS Overcredits = \$ 369.06
 - Total Net pay = 1,197.17

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Accelerated Compensation: Examples

1. Client withdraws \$50,000 on June 15th
 - FA debited \$58.68 in July for 3rd quarter ACP advance
 - $\$50,000 \times 1.4\% \times (90/365) \times \text{Grid } (30) + 4$
 - ICS Overcredit in July for account = \$89.00
 - $\$75,000 \times 1.4\% \times (90/365) \times \text{Grid } (30) + 4$
2. Client contributes additional \$50,000 on June 15 (assume assets remain in account on June 30)
 - FA credited \$58.58 in July - ACP adjustment
 - $\$50,000 \times 1.4\% \times (90/365) \times \text{Grid } (30) + 4$
 - ICS Overcredit in July for account = \$146.71
 - $\$125,000 \times 1.4\% \times (90/365) \times \text{Grid } (30) + 4$
 - FA also credited \$9.78 in July - Contribution fee
 - $\$50,000 \times 1.4\% \times (15/365) \times \text{Grid } (30) + 4$

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InsightOne FA Transaction Charge

- Fixed Income Accounts or Large Relationships
 - May be priced between .30% ----> .75%
- If account priced below .75% and less than \$2,500 in quarterly *relationship* revenue
- \$12 charged to FA net per non-fixed income eligible 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 away 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%

FA Transaction Charge Example

- Example #1: Large equity account with \$2,000,000 in eligible assets
 - priced at 0.40% per annum
 - $\$2,000,000 \times .40\% = \$8,000$ fee
 - Fee is less than \$2,500 per quarter
 - FA's net production charged \$12 per non-fixed income trade
- Example #2: Large Relationship with \$4,000,000
 - priced at 0.40% per annum
 - $\$4,000,000 \times .40\% = \$16,000$ fee
 - Fee is more than \$2,500 per quarter
 - FA is not charged \$12 transaction fee per non-fixed income trade

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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.

FA Advantages

- *You're in control* — you customize pricing for each client based on advice and services utilized
- Compensation tied to asset growth - *same side of the table*
- A more predictable revenue stream
- Consultative foundation
 - Profiling
 - Asset Allocation

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Client Features

- Flexibility
- Orders entered through FA or online
- Research and account info online
- Fee-based program focuses on results, not transaction costs
- Customized pricing based on assets, size, product mix and service
- Predictable expenses

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Opening an Account

- Complete application with client signature
- Account setup on ConsultWorks
 - Start → Products & Services → InsightOne
 - Existing accounts same day
 - New accounts next day
- Set the fee
 - Additional BOM review for fees > 2%
- BOM approval
 - Can begin trading commission-free

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Additional Resources

- Help Desk 877-PW-SERVE
 - Option 3
 - then Option 9
- InfoNet
 - Products / Services
 - Select InsightOne
 - Who's Who - Field Support
 - Divisional Managed Account Consultant (DMAC)

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The Competition

Wells Fargo Unlimited Advantage 	1.50 - .75 Equities 1.0 - .50 Mutual Funds .30 - .20 Fixed Income ML Direct (no FA)
Prudential Advisor I 	1.5 - .75 Equities / MF .40 - .20 Fixed Income + 24.95 per trade
Prudential Advisor II 	2.5 - 1.6 Equities / MF 1.7 - 1.3 Fixed Income No per trade charges
Morgan Stanley Choice 	2.25 - .30 Equities 1.0 - .50 MF / Fixed Income Online without Advisor @ \$29.95 Online with Advisor @ \$39.95 <small>Investment Consulting Services</small>

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Instruction Box

Review slide

Exercise: Small Group Activity

Purpose: Prepare an engage statement followed by a discover question for InsightOne.

Step 1 Choose a spokesperson and recorder to take notes

Step 2 Prepare an engage statement, followed by an open-ended question for the assigned topic

Example: With InsightOne you'll have on-line access to UBS PaineWebber's highly regarded research. What resources do you currently use for equity research?

Step 3 Report results to the class

Timing: 25 Minutes

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Instruction Box:

- Explain the exercise instructions:
 - **Read** (have participants read the instructions in their workbooks)
 - **Review** (review the instructions as written on the slide)
 - **Test** (ask someone in the class to repeat back to you the exercise instructions)
- Make sure the participants are clear on the instructions.

Divide participants into small groups and assign one of the client features from the next slide. Using the client feature, let them brainstorm for 15 minutes and create an Engage statement followed by ONE open-ended discover question for InsightOne. You will debrief by asking spokesperson to give you feedback. Allow 10 minutes for the debrief. Record results on the flip chart or softboard.

Say:

- How did that feel?
- What ideas did you gather to engage your prospects and client?
- Did you discover new ways to engage your prospects and clients through your interaction with the other FAs in your group?

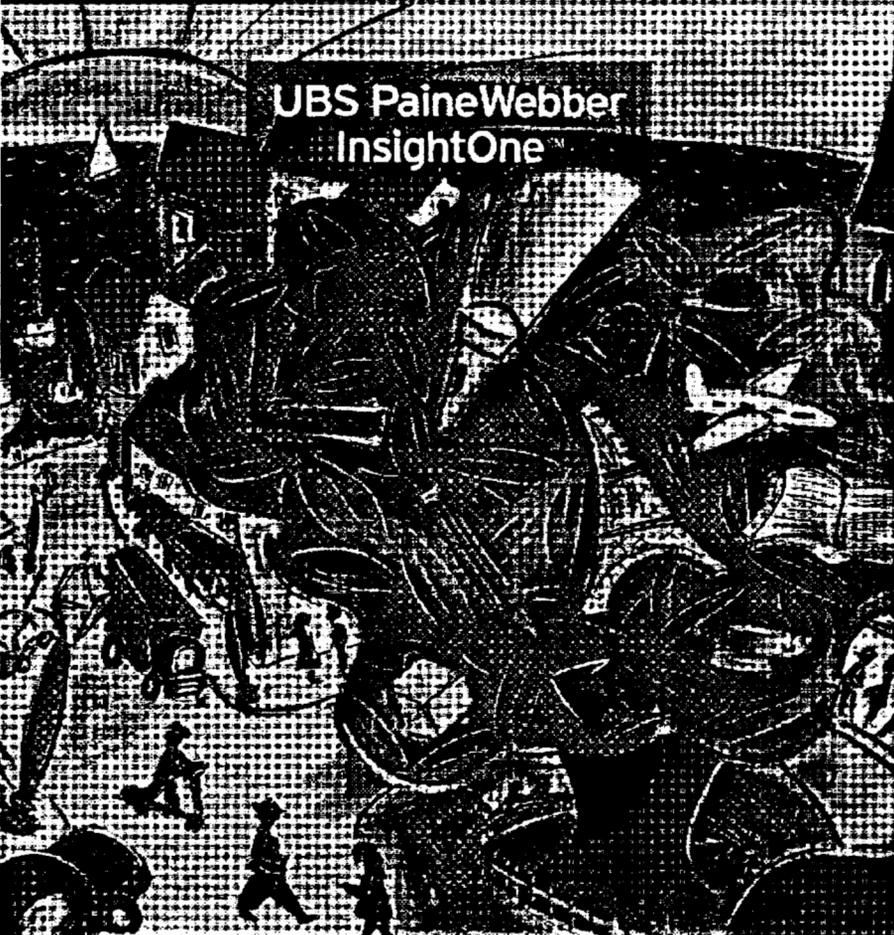
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UBS PaineWebber
InsightOne™

*More than Just a
Pricing
Alternative*

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

 UBS|PaineWebber

UBS FainoWebber 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 FainoWebber InsightOne



InsightOne
Central Division
Branch Managers
Meeting

Redacted

Senior Vice President
Investment Consulting Services

PaineWebber

Old Model
Price = Transaction



Today's Model
Price = Services + Value

13

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In 1987, ROA was 2.20 bps on \$100 million in assets, gross was 2.2 million
Today, ROA is 70 bps on \$100 million in assets, gross is \$700,000

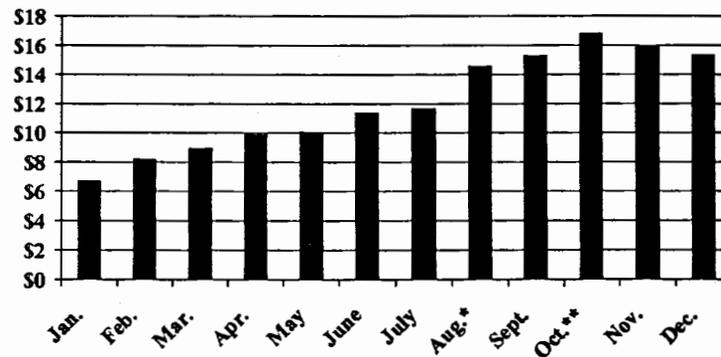
Which way is the trend for the next 10 years?

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PW InsightOne Assets

In \$ Billions



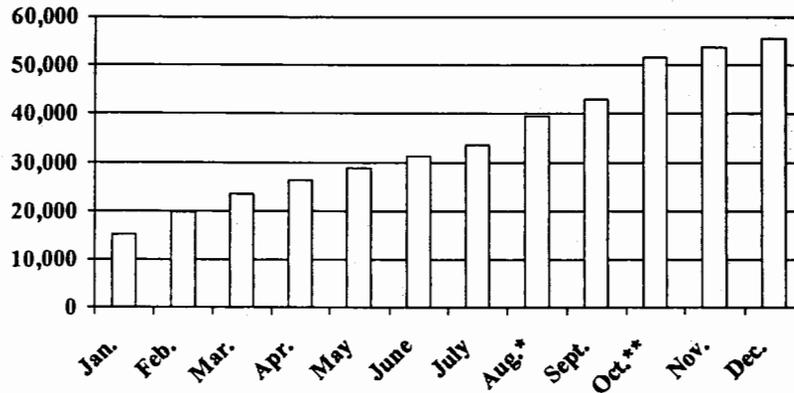
* Conversion of 2,100 JC Bradford Accounts with \$725 million in assets.
** Conversion of approx. 5,300 PAA Accounts with \$1.4 billion in assets.

WILMER CUTLER PICKERING HALE & DORR LLP

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- Address Bradford conversion
- Address PAA conversion
- Fall-off in assets in November and December is due to market action
- Central division assets as of 12-31-00=3,418,385,236

PW InsightOne Accounts



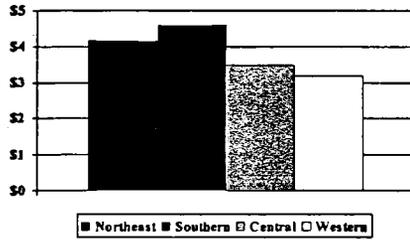
* Conversion of 2,100 JC Bradford Accounts with \$725 million in assets.
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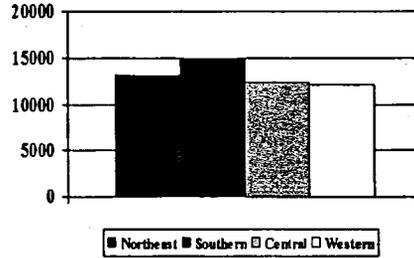
- Notice we continue to grow in number of accounts opened
- In January, approximately 1,975 net new accounts have been opened
- Central Division accounts as of 12-31-00=13,088

PW InsightOne by Division

Assets in \$ Billions



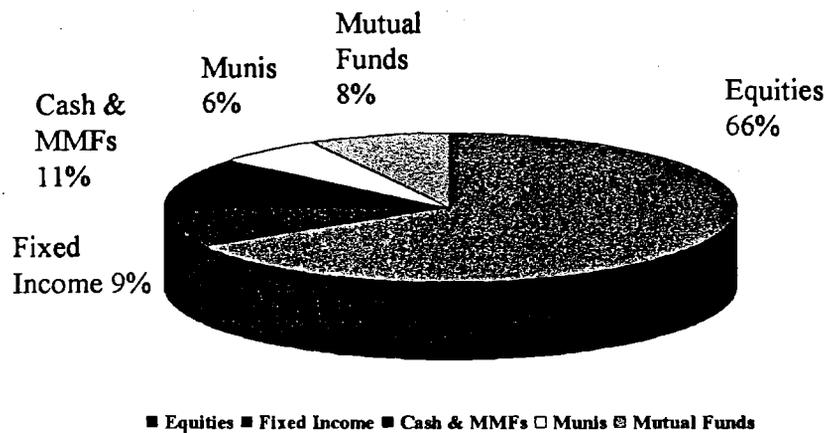
Number of Accounts



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PW InsightOne Allocation of Assets
Firm Total

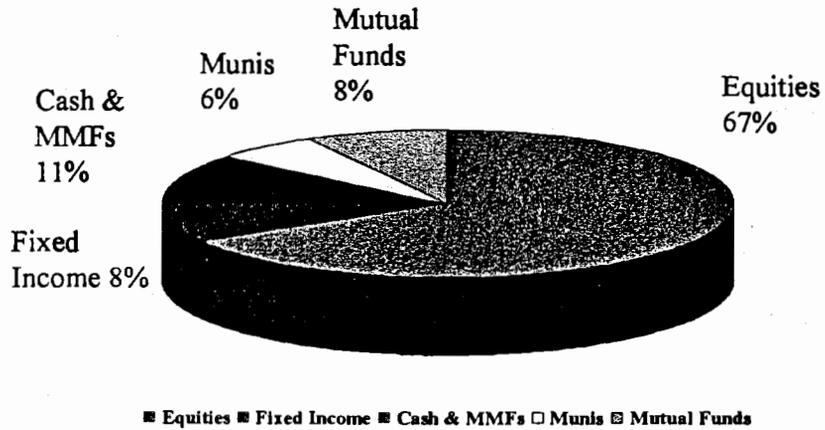


■ Equities ■ Fixed Income ■ Cash & MMFs □ Munis ▨ Mutual Funds

Source: PW

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PW InsightOne Allocation of Assets
Central Division



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Product Enhancements

For the Client

- ▶ Easier-to-fill-out Application/Agreement
- ▶ Automated OLT Enrollment
- ▶ Eligible Managed Futures Fund
- ▶ New Offshore Funds
- ▶ 15 New Countries to OLT

Confidential

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These enhancements have already been completed in December and January.

Product Enhancements

For the Financial Advisor

- ▶ Quality Control Account Review
 - Excessive day trading
 - Low Trading
 - High Cash Concentrations
 - Fees greater than 2%
 - High no-load mutual fund concentrations
 - Missing account agreements

Table 50101

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- Many of these quality control guidelines were implemented in January which increased our account terminations

Upcoming Product Enhancements -- First Quarter

For the Client

- ▶ Portfolio/Performance Reporting
- ▶ Tax Allocation Reporting
- ▶ Online Fixed Income and Mutual Fund Trading

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- Portfolio/Performance reporting - April
as of 3/31
- Tax allocation reporting - March
- Online fixed income March -Mutual
Fund April

Upcoming Product Enhancements -- First Quarter

For the Financial Advisor

- ▶ BOM Approval of 2-plus accounts in front-end application
- ▶ Enhanced pricing support for BOM & FA in front-end application
- ▶ Front end enhancements -- “look and feel” and navigation
- ▶ 24-months project (Phase II)

UBS

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- All front end applications should be completed by end of first quarter
- 24-month project - Mutual Fund data entered when bought or brought into account. Will automatically convert to InsightOne when 24 months is up.

Upcoming Product Enhancements -- First Quarter

For the Financial Advisor

- ▶ Advanced Compensation Payments
- ▶ Enhanced Turnover Report
- ▶ Account details of eligible assets viewable by Branch
- ▶ FA Sales Reporting Online
- ▶ Automatic relationship linkage in front-end application
- ▶ Fee changes in front-end application

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- ACP enrollment online now, deadline 2-15-01
- Will have the ability to link accounts and change fees on the front end instead of using additional documentation

Redacted

- \$1,205,686 account
- \$11,151 commissions
- .92% ROA
- 40% discount
- 40% grid

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Example account

<u>Commission World</u>	<u>InsightOne World</u>
\$11,151 commissions	.75% fee charge
40% = 32% payout after discount sharing	\$9,042 fees
\$3,568 pre tax income	41% payout (grid plus 1%)
	\$3,707 pre tax income

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- **Mention InsightOne at every sales meeting. Focus on FA rankings within your branch and recognize those FA's who have recently opened accounts**
- **Target specific FA's for one-on-one discussions on how InsightOne can be incorporated into their businesses**
- **Invite successful FA's from other branches into your office to speak at a lunch meeting**
- **Sponsor games or contests within your office**
- **Appoint an InsightOne coordinator**
- **Ask "did you consider InsightOne for this account" when signing new account forms**
- **Since our program is structurally superior to most on the street, make it a focus when recruiting**

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Use this slide for BOM, not for FA's.

Would you invest in a company that

- ▶ has increased competition,
- ▶ eroding market share,
- ▶ lower margins year after year,
- ▶ has not adapted to a changing market,
- ▶ the CEO is doing nothing about it?

Does this sound like your business?

Are you that CEO?

When will you make the transition?

Source: [illegible]

For internal use only



Unknown

From: [REDACTED]
Sent: Monday, June 17, 2002 8:42 AM
To: [REDACTED]
Subject: FW: Commission Waived Rpt Update

FYI

-----Original Message-----
From: [REDACTED]
Sent: Monday, June 17, 2002 8:16 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Commission Waived Rpt Update



I am sorry we have not been able to review this yet.
We are now in the process of up-grading Business Intelligence so that we can pursue the integration of BI with Consultworks V2.
[REDACTED] and I believe this report is "doable" and we would be more than happy to put some energies into this report, but we cannot begin to think about it until mid-July when the basic infrastructure work is complete.

I apologize for not keeping you posted that this on the back-burner. We will attend to it as soon as we are able.



-----Original Message-----
From: [REDACTED]
Sent: Tuesday, June 11, 2002 12:06 PM
To: [REDACTED]
Subject: RE: Commission Waived Rpt Update

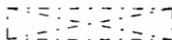
Hi [REDACTED] have you and [REDACTED] been able to review yet? [REDACTED]

-----Original Message-----
From: [REDACTED]
Sent: Thursday, May 23, 2002 3:33 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Commission Waived Rpt Update



We have not given this much thought since our meeting in February. After the March 4th problems our attention was turned elsewhere and we lost momentum.

[REDACTED] and I will review what needs to happen if we are going to make this report work and we will get back to later next week.



-----Original Message-----
From: [REDACTED]
Sent: Wednesday, May 22, 2002 5:01 PM
To: [REDACTED]
Subject: FW: Commission Waived Rpt Update

Hi [redacted] when you get the opportunity, can you tell me the status of the development of this report? Thanks,

-----Original Message-----
From: [redacted]
Sent: Wednesday, February 13, 2002 2:38 PM
To: [redacted]
Cc: [redacted]
Subject: Commission Waived Rpt Update

[redacted]

Thanks for meeting with me and [redacted] last week. I have revised the documents based on our discussions. Feel free to shorten the column headings if they are too long. You will notice that the commission ROA column has been removed. I have a call in to the InsightOne system developers to find out how you can access the IO fee. My last day before I begin maternity leave will be on Friday. In my absence please contact [redacted] if you need clarification on the data required.

Thanks for your help,

[redacted]

<< File: commission waived 2.12.02.xls >> -Report

<< File: Commission Wvd Rpt 2.12.02.doc >> -Descriptions

Coping With Market Volatility

- Topics
1. Importance of the Longer-Term Perspective
 2. Benefits of Asset Allocation and Diversification
 3. Value of Client / Consultative Relationship
 4. Helping Investors to Cope with their Emotions
 5. Take Advantage of this Asset Gathering Opportunity
-

1. Importance of the Longer-Term Perspective

In a post September 11 world where geopolitical, accounting, and earnings quality concerns abound, investors are now faced with even greater challenges. Today's marketplace reflects new concerns over national security, investment security, and as a result, market volatility.

The client approved presentation entitled "**Longer-Term Perspective**" (attached below) provides an overview of market volatility and builds the case for taking a longer-term investment perspective. History shows that investors who stay the course by expanding their time horizons are generally rewarded for their patience. The presentation also briefly touches on asset allocation and the importance of a portfolio review (covered more in the sections below).

The client approved letter entitled "**Client Letter - Market Volatility**" (attached below) can be a helpful tool in breaching this subject. As a follow-up you could arrange a meeting to review the presentation, conduct a portfolio review, and possibly reallocate the client's portfolio.

InsightOne makes it easy to reallocate a client's portfolio, as there are no transaction costs on eligible buys or sells.

**2. Benefits of
Asset
Allocation
and
Diversificatio
n**

Asset allocation and diversification are tools to help offset volatility while positioning your portfolio for potential long-term capital appreciation and income. While these concepts may seem basic to you, they are often overlooked by today's investor.

The **client approved presentation** entitled "**Asset Allocation Presentation**" (attached below) provides an overview of asset allocation, the basics of risks and returns, and the benefits of re-balancing a portfolio. This presentation can be used in conjunction with the Longer-term Perspective presentation or as a stand-alone.

The **client approved report** entitled "**Asset Allocation Primer**" (attached below) goes into more details on asset allocation, investment risk and return expectations. This report (Item #O536) can be sent along with the client approved letter attached below, "Client Letter - Market Volatility".

InsightOne is a cost-effective method to create a truly diversified portfolio with Model Portfolios, ETFs, Mutual Funds, and/or UITs (to name a few investment choices). It also allows the investor to rebalance their new portfolio at no additional cost.



3. Value of Client / Consultative Relationship

Developing a consultative relationship with your clients allows you to communicate easily with your clients in bull and bear markets. The Investment Consulting Process provides a framework to profile your client, develop the portfolio and provide ongoing review. There are a number of tools to help in implementing this consultative relationship:

- **Model and Asset Allocation Profiler** (see link below) - provides seven questions to determine a client's risk profile and investment objectives. Based on your client's answers it will create an asset allocation and a recommended Model.
- **Model Portfolios** (see link below) - Utilizes UBS Warburg's research to create equity and fixed income model portfolios. The 30 stock equity model can be purchase with one order in InsightOne.
- **Performance Reports** - (available for clients >\$1mm) can be used in conjunction with PMR reports to provide ongoing reviews, discuss market conditions, and rebalance, if necessary.

The client approved presentation entitled "**The Consultative Relationship**" (attached below) provides an overview of the investment consulting process. This presentation can be used in conjunction with the other presentations in this chapter or as a stand-alone.



InsightOne is the fee-based investment platform that provides the foundation for developing a deeper, consultative relationship with your clients.

4. Helping Investors to Cope with their Emotions

- **The Calm Advisor** - Now, more than ever, you must show your clients that you are confident and calm. Clients know that the market is down and are reading all of the "bad news" in the press. They want to see that you are on top of things - so you should consider reviewing the:
 - Client's risk profile and investment objectives -- have they changed?
 - Client's current portfolio -- What is UBS Warburg's current rating on these holdings? Is the portfolio overweighted in a sector or stock? Does the portfolio align with the client's objective. Click on the link entitled "**PMR**" to see the many new reports that can help you analyze your client's current holdings
- **Personal Conversations** - It is important that you take the first step in calling your clients. It demonstrates that you care about the client's investment needs and can help to deepen (or repair) their trust in your relationship.
 - If you need help in how to start the conversation with the client see the attachment entitled "**Conversation Starters**".
 - Ensure that you listen to your clients, as each investor will handle investment stress differently. It is important that you understand their fears and anxiety so that you can help them to cope with these emotions.
 - You may encounter an irate client who may blame you for a bad investment choice. Click on the attachment entitled "**Top 10 Techniques for Handling Irate Callers**" to help you deal with this potential situation. Now is not the time to avoid the phone - you must help to reassure your client and develop a strategy that is a joint agreement.
 - If client is calling with a sell order, find out why they wish to sell. Is the investor selling on emotion, looking to raise cash, or just rebalancing? Your role as the level-headed advisor is to ensure your client does do something that they may regret later.
- **Seller's Remorse** - Many clients (and prospects) may have experienced a loss in an investment but refuse to sell it for a number of reasons. Tips to help overcome seller's remorse:
 - Use the **Total Return Calculator** attached to demonstrate how long it will take for the stock to return to the desired price.
 - The client may be able to take advantage of tax-loss opportunities that may only be economical in InsightOne.
 - Developing a financial plan (retirement, education, etc.) can also help the client focus on the future and forget about past investments.

InsightOne makes it easier to communicate with clients - if their portfolio needs to be adjusted there is no additional cost. InsightOne can help to change seller's remorse into investor's rejoice.

5. Take Advantage of this Asset Gathering Opportunity

-
- **Target the Affluent Self-Directed Investor** - Investors who thought they could do it on their own are searching for a professional to help with their investment future. They now realize the value of advice and planning but they need your help. There are a few tools available to help you target and capture those clients (see attachments below for more details):
 - **FA Direct** - Use this program to obtain names of affluent investors in your target area.
 - **InsightOne Pamphlet** - this marketing piece was developed to lower the branch's cost (mailing and fulfillment) in conducting direct marketing campaigns.
 - **Prospecting Letters** - there are 5 letters available on InfoNet.
 - **InsightOne Ads** - new ads coming soon!
 - **InsightOne Client Seminar** - Provides an overview of the program.

Self-directed investors perceive InsightOne as an innovative solution- as there are no transaction costs and they still have the ability to view their accounts, trade and pay bills online.
