

Unknown

From: [REDACTED]
Sent: Friday, December 14, 2001 9:09 AM
To: [REDACTED]
Subject: Important InsightOne communications

Two "hot items" that I need your input / assistance with:

1. How the new compensation changes effect InsightOne- although word is getting around that InsightOne fee will be at Grid +4%, we need to clarify that not all activity in InsightOne account will be paid at Grid+4%. The following items will continue to be paid at Grid+1%:

- Ineligible purchases or sales
- Block charges (paid monthly along with other trades)
- 12b-1 trailers
- syndicate purchases

How / When should we communicate this? Should it be a part of an overall ICS announcement? We met and discussed in Novemeber, I gave a write-up to Ian - but have not seen any plans or progress.

2. QC Policy changes in InsightOne - still have not received final sign-off from Bruce [REDACTED] and Legal - this has been an open issue for a year now. We have been policing the worst items but do not have final approval on the others. We are getting alot of FAs converting or planning on converting accounts that may violate these policies. Ian has not had much luck pushing this along, I was hoping you may be able to get Bruce's ear on this. Attached is the latest proposal and the latest stats on accounts in violation.



ICsupervisory-
Dec01.doc (22 K...



QC trading details-
10-01.xls ...



2%- 10- 2001.xls
(20 KB)



trading -
relationship- final ...

Thanks,

[REDACTED]



UBS PaineWebber

Client Information and Competitive Landscape

Background for Management Committee Offsite

October 14-15, 2002

UBS PaineWebber Client Base and Asset Flows

UBS PaineWebber

Definitions and Sources

Definitions	Household Investable Assets
Core Affluent	\$500,000 - <\$5MM
High Net Worth	\$5MM - <\$50MM
Ultra High Net Worth	\$50MM+

Sources used for the following client and investor data:

- CIS Database Analysis (August 2002 Month-End Data and September 2002 Month-End Data).
- 2002 Nationwide High Liquid Assets Investor Survey
 - 631 respondents with \$1MM+ investable assets (Data collected May - June 2002).
- 2002 NFO Affluent Market Research Program (formerly known as Spectrem)
 - 711 respondents with \$1MM+ investable assets (Data collected May - June 2002).
- 2001 Spectrem Ultra High Net Worth Study
 - 282 respondents with \$5MM+ investable assets (Data collected September - November 2001).

UBS PaineWebber Client Segments

- Clients with \$250,000 or more in assets at UBS PaineWebber account for 17% of relationships, 81% of assets and 71% of revenues.
 - \$2MM+ relationships account for 1.47% of the client base, but control 35% of the assets and contribute 21% of revenues.
 - \$250,000 to <\$2MM relationships represent 15.6% of the client base, 47% of assets and 49% of revenues.
 - Over half of the client base with greater than \$100 has less than \$50,000, controls only 3.7% of assets and less than 8% of revenues.

UBS PaineWebber Accounts, Assets Under Control and Revenues¹
(Includes Only Personal Relationships, As of August 31, 2002)

Subtotal	22,830	1.47%	97,705	3.09%	\$111	34.47%	\$424	21.44%	0.38%
Subtotal	241,926	15.57%	728,901	23.02%	150	46.58%	975	49.29%	0.65%
Subtotal	411,079	26.48%	925,918	29.25%	349	15.22%	\$429	21.63%	0.88%
\$101-449,999	877,780	56.50%	1,413,061	44.64%	\$12	3.73%	\$150	7.58%	1.25%
Total ²	1,553,535	100%	3,165,485	100%	\$322	100%	\$1,978	100%	0.81%
Total	2,882,486	100%	4,864,843	100%	\$322	100%	\$2,069	100%	0.84%

¹ Excludes PW Trust and 401(k) Source

² Excludes relationships with <\$100 in assets

³ Includes all accounts on UBS PaineWebber systems belonging to these relationships, even if a particular account has no assets or revenues

⁴ Training 12 month revenues, Compensable revenue and RMA Fees only (examples of non-compensable revenues are margin interest, IRA and other account fees, Wrap and Mitchell Hutchins retention, etc.)

UBS PaineWebber

UBS PaineWebber Client Facts

- Utilization of UBS PaineWebber "value added" services is associated with higher assets and stronger relationships.

	<u>Aug. 31, 2002</u>
House holds (Personal Relationships)	1,553,535
Avg Assets per Household	\$207,857
Core Affluent House holds (Personal)	487,062*
Core Affluent Wallet Share	33.6%*
% of Total HHs that are Core Affluent	31.4%*
% of House holds that are \$1MM+	3.9%
% of Total Relationships that are PCS	1.3%
RMA/BSA Relationships	557,127
% of Total Relationships	33.7%
Average Assets of RMA/BSA	\$560,889
Relationships with Any Wrap Account	178,205
% of Total Relationships	10.8%*
Average Assets of Wrap Account	\$561,167*
Relationships with at least 1 Retirement Account	831,938
% of Total Relationships	50.3%
Average Assets of 1+ Retirement Account	\$230,878
OLS Activated Relationships	271,963
% of Total Relationships	16.4%
Average Assets in OLS Activated Relationships	\$606,138

Source: Marketing Strategy & Analysis Client Facts

Note: All data based on households with at least \$100 in assets.

* estimate

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Preferred Client Services

There is growing evidence that enrollment in Preferred Client Services (PCS) is associated with deeper, longer lasting client relationships.

Retention Rates

- PCS clients with \$2MM or more, measured December '01 through July '02, realized a 93.8% retention rate vs. 89.1% retention rate for non- PCS clients with \$2MM or more, a 4.7 point difference.
- 4.7% retention rate equates to 1,335 client households representing \$6.9 billion in assets.¹

Assets at UBS PaineWebber

- PCS clients with over \$2MM in assets average \$5.6 MM with the Firm.
- Non-PCS clients with more than \$2MM average \$4.5MM with the Firm.

Rewards Program Utilization

- PCS relationships represent 15% of the Rewards account base and 24% of total spending.
- Average PCS rewards spending is 2x Non-Rewards, generating \$165,500/month interchange revenue.

Online Services Relationship Trends

	Total Households (% Change June '02 vs. June '01)	PCS Relationships (% Change June '02 vs. June '01)
- Frequent User Relationship Activations	-9.3	+27.0
- Unique User Relationships	+2.1	+39.5
- Total Activated Relationships	+5.4	+7.7
- Total Enrolled Relationships	+2.7	+5.6

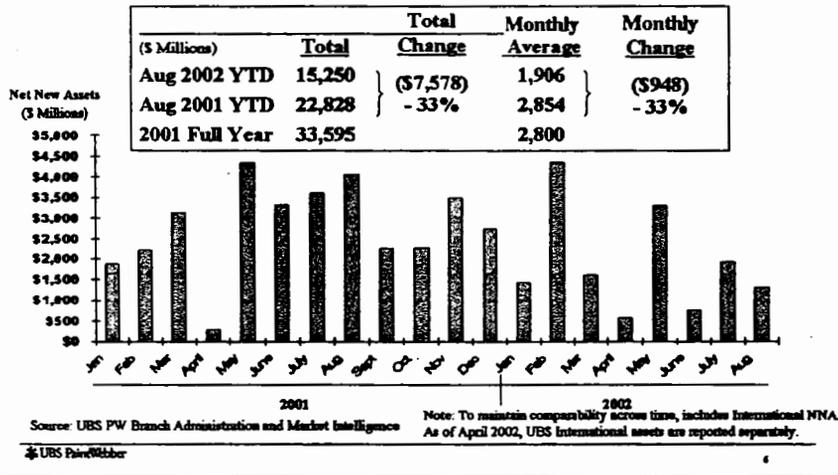
¹ According to Frederick Reichfeld, author of *The Loyalty Effect* (1996), increasing customer retention by 5% results in an 85% aggregate increase in the net present value of bank deposits.

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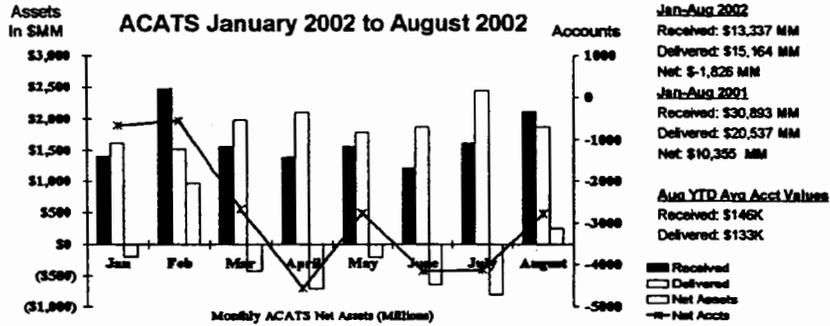
UBS PaineWebber Net New Asset Flows

- Although consistently positive, Net New Assets show considerable variation month to month.
- August 2002 YTD has seen a 33% decrease, compared to the same period last year.



ACATS Delivered and Received

- YTD August 2002 over \$28 Billion of client assets flowed between UBS PaineWebber and other firms through ACATS.
 - YTD August 2002, UBS PaineWebber received \$13,337 MM and delivered \$15,164 MM – a net loss of \$1.8 Billion through ACATS.
 - During the same period last year, UBS PaineWebber gained a net \$10.4 Billion through ACATS.
 - Each Month in 2002, UBS PaineWebber has had a net loss of accounts through ACATS.
 - Average account size received August YTD is larger than the average account size delivered.

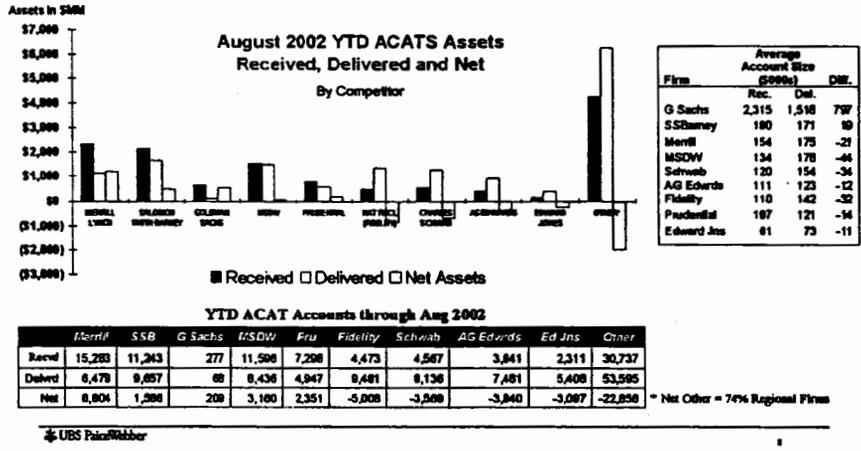


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ACATS 2002 YTD--Competitive Analysis

- UBS PaineWebber is gaining assets and accounts from our traditional full-service competitors
- Assets and accounts are being lost to discount brokers (Schwab and Fidelity), A G Edwards, Edward Jones, and smaller regional firms.
- Among Merrill, MSDW, Prudential, Schwab and Fidelity, the average account delivered is larger than the average account received.



Private Client Group Recruiting

- August YTD, UBS PaineWebber has been a net recruiter from each of the major competitors, with exception of AG Edwards.
- However, average production of terminated FAs are greater than the average production of new FAs from Morgan Stanley and AG Edwards.
 - Merrill terms include Paramus Market Timing team with \$8.5M in production.
 - Smith Barney terms include Boston Institutional team with \$7.7M in production.

Recruits vs. Terms to Competition > \$250K

	Recruits			Terms *			Net			Recruits			Terms *			Net				
	#	\$ 000s	Avg. Prod. \$	#	\$ 000s	Avg. Prod. \$	#	\$ 000s	Avg. Prod. \$	#	\$ 000s	Avg. Prod. \$	#	\$ 000s	Avg. Prod. \$	#	\$ 000s	Avg. Prod. \$		
Major Competitors																				
Merrill Lynch	149	69,784	461	7	3,871	433	142	65,913	464	16,120	388	5	18,318	2,084	39	5,881				
Prudential	68	49,894	734	43	19,889	463	44	28,888	657	17	5,889	348	4	1,271	318	19	4,818			
Steeves Smith Barney	61	36,435	591	20	13,257	668	41	22,078	538	13	15,888	825	11	11,533	1,058	8	4,885			
Morgan Stanley	181	47,778	473	24	12,882	534	77	35,688	463	18	13,588	463	18	6,488	648	28	7,412			
A.G. Edwards	23	18,387	452	4	4,883	1,287	18	6,388	3	943	381	2	3,728	414	(9)	(2,889)				
Total Majors	423	218,888	488	98	52,888	538	225	188,488	538	113	82,421	484	58	33,428	887	74	16,882			
Total Other McLagan	88	68,841	788	28	28,844	741	88	37,887	881	28	28,788	891	28	12,388	413	8	11,888			
All Others	511	588,218	691	71	31,887	488	88	77,132	38	38,888	1,684	88	38,778	487	(88)	8,728				
Total PCG in Other Firms	608	388,218	985	288	112,888	543	411	273,218	175	112,725	844	124	72,884	388	91	48,921				

* Terms reflects Financial Advisors who resigned to go to another firm. Source: UBS PW Branch Administration
 † UBS PaineWebber

Investor Needs, Behaviors and Attitudes

UBS Financial Group

U.S. Wealth is Growing

The U.S. has \$16.9 Trillion in investable assets and is growing at a compound annual growth rate of 5.5%.

- The HNWI represent 0.22% of U.S. households, but control 24% of investable assets.
- Core Affluent households account for less than 6% of households, but control 45% of assets.
- Core Affluent and HNWI assets are growing faster than the Mass Affluent and Non-Affluent segments.

U.S. Affluence (Based on Year-End 2001)

	HH	%	Assets (\$T)	%	4-Year CAGR (%)
HNWI	1,200,000	0.22	4.1	24.0	5.5
Core Affluent	5,000,000	0.9	8.2	45.0	5.5
Mass Affluent	14,200,000	13.52	3.2	18.93	4.9
Not Affluent	84,700,000	80.64	2.1	12.43	4.7
Total	105,838,000	100%	16.9	100%	5.9%

Source: WealthCAST, UBS Group Research and UBS Strategic Analysis, June 2002.
In this analysis Core Affluent is defined as \$50K to <\$5M; HNWI is \$5M+.

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U.S. Wealth is Concentrated in Five Market Areas

Geographically, Core Affluent and HNW assets are located primarily in five Market Areas: Northeast Corridor, Florida, Chicago, Houston and California.

- The top ten metropolitan areas comprise approximately \$534 billion -- 35% of all U.S. assets in \$1MM+ retail accounts at major full-service brokerage firms.

Top 10 MSAs¹ by Assets
in \$1MM+ Accounts



New York	108,466.10	13,629.50	12.6%
Los Angeles	75,507.30	5,312.70	7.0%
Chicago	72,969.50	9,589.50	13.1%
San Francisco	53,378.20	5,696.40	10.7%
Houston	40,809.30	3,880.10	9.5%
Atlanta	40,329.50	5,833.50	14.5%
Phoenix	38,659.90	6,182.40	16.0%
Philadelphia	35,312.90	5,580.00	15.8%
San Diego	34,820.40	3,347.90	9.6%
San Jose	33,242.40	3,406.00	10.2%
Total	533,685.50	62,460.00	11.7%

Source: DQ; UBS PW Market Development

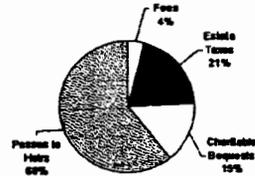
¹ Metropolitan Sampling Areas

Managing Wealth Transfer is Increasing in Importance

■ In the 1990s, it was estimated that \$10 Trillion in wealth would transfer by 2045 (including estate fees and taxes).¹ This figure was commonly reported by professionals, academics, and the media.

■ A new study by the Boston College Social Welfare Research Institute² suggests \$10 Trillion is an underestimate. Using a "conservative" scenario, over the 55-year time period from 1998 to 2052, they project a \$41 Trillion transfer of assets. Of this:

- \$1.6 Trillion will be used to pay estate fees
- \$8.5 Trillion will pay estate taxes
- \$6 Trillion will take the form of charitable bequests
- \$25 Trillion will be passed to heirs



■ This conservative estimate was prepared in 1999 and assumed 1998 U.S. household wealth of \$32 Trillion (there is roughly half that—about \$17 Trillion—as of June 2002³), an economy growing at 2%, and no significant recession or depression over the 55-year time period. While current economic conditions clearly challenge these assumptions, *even reducing the "conservative" projected transfer size by half would roughly double the "traditionally" accepted figure to around \$20 Trillion.*

¹ Avery, R. E., & Randall, M. S. "Estimating the Size and Distribution of the Baby Boomers' Prospective Inheritances." Department of Commerce, Economics and Housing, Cornell University, Ithaca, NY 14853.

² Havens, J. L., & Schervish, P. G. "Millennium and the Millennium: New Estimates of the Fortcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy." Boston College Social Welfare Research Institute, October 1999.

³ WealthCAST, UBS Group Research and UBS Strategic Analysis, June 2002.

Goals of the Core Affluent and High Net Worth

Core Affluent and HNW need for holistic advice stems from the complexity of their personal and financial lives.

- Virtually all Core Affluent/HNW individuals have a comfortable standard of living in retirement as a goal.
- In addition, many identify educational goals.

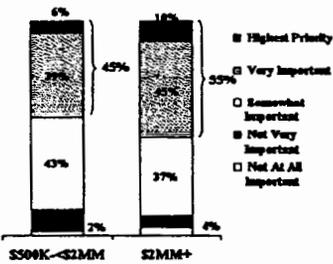
Beyond these objectives, there are important differences in the financial goals for the HNW vs. Core Affluent.

- HNW place greater emphasis on estate planning, tax management, and maintaining their standard of living.
- The HNW also place greater importance on minimizing taxes when investing.

Importance of Minimizing Taxes When Investing by Investable Assets

Goal (Multiple Responses Accepted)	% Extremely/Very Important	
	\$500k - <\$2MM	\$2MM+
Assure a comfortable standard of living during retirement	90%	91%
Finance my children's college education	81%	80%
Not fall below my current standard of living	74%	83%
Protect my estate from the impact of taxes	59%	77%
Minimize my income and capital gains taxes	56%	68%
Leave an estate for my heirs	48%	64%
Charitable giving	16%	21%

Source: NFO Affluent Market Research Program (2002)



Source: Nationwide High Liquid Asset Survey 2002

Attitudes of the Core Affluent and High Net Worth

Core Affluent and High Net Worth investors want a long-term relationship with a trusted advisor.

- Almost two-thirds (62%) agree with the statement "the most important thing is to find a broker or financial advisor I trust and have a long-term relationship."²
- Greater than half (56%) would follow their primary advisor if he/she switched firms.¹
- 84% of penta-millionaires say they would always want a personal relationship with a financial advisor, no matter how far the Internet advances.³

Core Affluent and HNW investors have a preference for consolidation.

- 44% of Core Affluent/HNW investors prefer to get most of their investment advice from one source.¹
- A majority feel there is too much information and find it difficult to make sense of it all.¹
- Only a quarter believe they need to go to different specialists because one company cannot do it all.¹

I would prefer to do most of my financial business at one institution that can bring together the specialists and services I need

Sometimes I feel that there is too much investment information and it is difficult to make sense of it

I need to go to different specialists for financial services because one company cannot do it all

% Agree Strongly/Somewhat

Core Affluent	High Net Worth
71%	73%
72%	65%
25%	27%

Source: NFO Affluent Market Research Program (2002)

- 1 NFO Affluent Market Research Program (2002)
 2 Nationwide Survey of High Liquid Asset Investors (2002)
 3 Spectrem UHNW Study 2001

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Paying for Advice and Service

The majority of Core Affluent/HNW investors are willing to pay for investment advice.

- 61% say they are willing to pay more for superior investment advice and service.

2MM+ investors are more willing to pay than \$500,000 to <\$2MM investors. Moreover, the dollar value they are willing to pay is greater.

- More than one-quarter of \$2MM+ households are willing to pay up to \$5,000 per year for advice, compared to only 8% of those with \$500,000 to <\$2MM.

	Investable Asset Level	
	\$500K-<\$2MM	\$2MM+
Not willing to pay for advice	41%	29%
Up to \$500	30%	18%
Up to \$1,000	19%	17%
Up to \$5,000	8%	27%
Up to \$10,000	1%	5%
\$10,000 or More	1%	4%

When given the choice, these investors choose paying for superior personal service over low commissions with bare bones service.

Level of Fees and Services Received (Select the statement that best represents your preference)	% Ranking First		Higher Fees Better Service ↑
	\$500K - <\$2MM	\$2MM+	
Pay a reasonable premium for a superior level of personal service	43%	51%	
Competitive fees, commissions, and rates with a normal level of service	38%	33%	
The absolute best fees, commissions, and rates with a "bare bones" level of service	19%	16%	

Source: NFO Affluent Market Research Program (2002)

Importance of Factors in Selecting Investment Management Firms

Two thirds or more of Core Affluent/HNW investors say Performance, Service, Reputation and the Advisor are very or extremely important when evaluating financial services firms.

- These conclusions do not differ significantly between \$500,000 to <\$2MM and \$2MM+ investors.

Importance of Factors in Selecting a Firm for Investments by Investable Assets

	% Agreeing Extremely or Very Important	
	\$500K- <\$2MM	\$2MM+
Reputation of Company	78	73
Performance/Track Record	75	77
Responsiveness of Customer Service	76	75
Advisor/Person You Work With	67	66
Offers Products from Several Institutions	62	46
Availability of Full Brokerage Services	60	55
Offers Full Financial Planning Services	44	32

Source: Nationwide High Liquid Asset Survey 2002

Short-Term Client Needs and Expectations

The previous data describe longer term needs motivations of affluent investors. However, it is also important to stay in touch with the current concerns and interests of affluent investors.

Eight focus groups with 59 respondents were conducted in July and August, 2002 in New York, Chicago, Dallas and San Francisco. All participants had \$1MM or more in investable assets. (Source: Millionaire Insight Focus Groups)

KEY OBSERVATIONS

- The "buy and hold" investment strategy for many millionaires has been undone – the focus is now on the short-term. While their strategies had previously been centered on investing in equities for the long-term, corporate misbehavior – more than terrorism – has undone this. Until economic growth occurs, these current concerns and behavior will continue. With this short-term focus comes an opportunity to provide holistic investment planning including selling strategies.
- Communications to clients and prospects need to provide tangible, specific and differentiating reasons to do business with the firm. Millionaire consumers are skeptical and cynical regarding investment providers' claims. Communications for providers about the market typically receive a 'so what' reaction from clients. The perception is that providers' predominant message is "stay the course" – it is ineffective not only because it rings hollow, but also because it is not specific enough for them to take any action.
- Corporate/institutional malfeasance has increased the appeal and potency of a relationship with a trusted advisor, who provides "small-firm" personalized service and attention. For those who have a long-term, successful relationship with an advisor, "their" advisor is seen to be an "exception" within the industry.
- Many report becoming more involved with their portfolios. The most salient lesson from the past year for these investors is that no one has their own interests as top of mind as they do. As such, they are realizing they must take more responsibility for their investments – not becoming online do-it-yourselfers, but, rather, making more studied decisions on money managers or doing more in-depth stock research.
- New stock rating systems do not appear to be effective "sources" of "meatier, more compelling communications. Very few research respondents report awareness of the systems recently introduced by Schwab and Merrill; among those aware, reaction is lukewarm and that they do not increase confidence.
- There has been minimal impact on millionaires' actions regarding estate planning, tax strategies, and charitable giving.

Unknown

From: [REDACTED]
Sent: Thursday, May 15, 2003 11:11 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: Bursey, Bruce A.;
RE: 05.14.03 in re Insight One accounts

Hi [REDACTED],

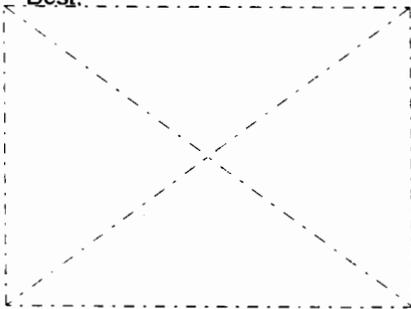
Thank you for your prompt reply.

I am happy that the firm embraces the professional services model, the question is: how can we bill for strategic services?

Currently, we view Access and PACE as product models to use against a given client strategy.

How is the firm approaching client compensation for FA's 'intellectual capital'?

Best,



-----Original Message-----

From: [REDACTED]
Sent: Wednesday, May 14, 2003 7:00 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: FW: 05.14.03 in re Insight One accounts

Bursey, Bruce A.; [REDACTED]

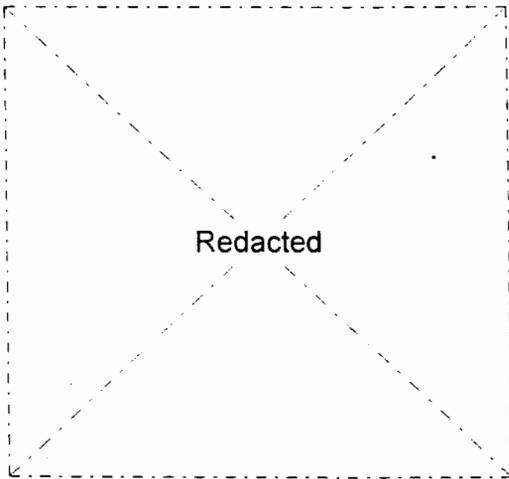
Bruce asked that I respond to your email since I am responsible the firm's managed accounts and fee-based brokerage business.

We understand and appreciate your "professional services model". Clearly, this is the most appropriate process for many clients, and one the Firm embraces and wishes to encourage. The InsightOne guidelines were never designed to undermine this model or to force "transactions". The Low trading, and consistent high cash guidelines were put into effect to address the suitability of the *pricing vehicle*, and not the investment strategy.

The low trading and high cash guidelines were established to address a real regulatory concern, requiring individual InsightOne fees to be earned for traditional *brokerage* services, and not primarily for investment advice. Since InsightOne is a fee-based *brokerage* account, not an *advisory* account we must periodically examine whether InsightOne clients are reasonably utilizing the services for which the fees are paid.

We are committed to delivering a platform that enables a consultative relationship with our clients. We are also committed to improving it.

Thank you for your feedback.



-----Original Message-----

From: [REDACTED]

Sent: Wednesday, May 14, 2003 12:33 PM

To: Bursey, Bruce A.

Cc: [REDACTED]

Subject: 05.14.03 in re Insight One accounts

Hi Bruce,

I'm writing in response to [REDACTED] email regarding low and high velocity "transaction" accounts. The firm's position is of great concern to us. Our group banded together as of May 1st 2002. We are all 'second career' guys, and we have managed to aggregate some \$120MM as a team. Our concern in brief:

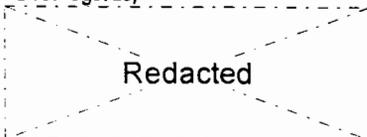
- from our point of hire [June - July 2001], through branch training and through firm training [through 12/02], we were encouraged to develop a 'non-commissioned based consultative platform,' and use InsightOne to value our services;
- our team developed a business plan, which has been reviewed by our training branch management, our present branch management and we personally presented to [REDACTED] - we stated we would charge a fee [IOne, PACE] rather than charge per transaction, as that aligns us with our client in considering risk and decision-making;
- we developed our own "4E" methodology, to design [financial] solutions to meet business/ personal goals, aligning ourselves with those client goals, as a market differentiator;
- the only means we have to be paid for our advice is through the InsightOne program

Our entire model is based on serving businesses and people, and providing proper financial advice to meet goals. We are not modeled to move product and transact with clients as traditional brokers - which this email would claim we are due to low or high velocity of transactions in accounts. As a matter of fact, it would appear the firm is reverting to encouraging transactions to generate income - isn't that the reason InsightOne came into existence?

We feel our "professional services" model is compromised, and it is a model that has had the support of management, and we have generated results from the model as well. Sometimes it will be the trade we talk a client out of, sometimes it will be how we help them manage their cash flow, or to 'stay in cash,' sometimes it will be how we coordinate legal and tax advisors in developing a plan, that the client values - and we have no fee system in place for - that makes InsightOne the only means of valuing our service.

Going forward if InsightOne is to be considered solely a 'transaction' account, is the firm developing a platform to allow us to charge for our advice?

Best regards,



Unknown

From: [REDACTED]
Sent: Thursday, October 02, 2003 11:44 AM
To: Bursey, Bruce A.
Subject: I-One changes issue

Mr. Bursey,

Just some thoughts for you to review....Many advisors have built their business based on no-load mutual funds through Insight One. Requiring a minimum number of transactions for these accounts is detrimental to the client, the advisor, and the relationship. This new policy will cause many headaches and damaged relationships for our Advisors. If this goes through, many Advisors will have to convert their book to PACE, and appear incompetent to their clients in the process. What benefit do the clients get? Nothing, but paperwork headaches and now they get to pay commissions on trades. Many brokers have an issue with this...it's definitely not just me.

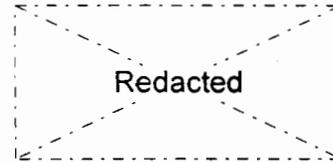
Insight-One is a fee based account, meaning we are paid an investment advisory fee. If we are paid to give advice, the number of transactions is irrelevant. In fact, increasing transactions in order to comply with this new policy could be detrimental to many clients, which is not something we want to do. Fee based or not, increasing transactions for the sake of increasing transactions (not for the benefit of the client) is called churning.

Sincerely,

[REDACTED]



UBS Financial Services Inc.
1200 Harbor Blvd., 3rd Floor
Weehawken, NJ 07086



Memo

April 24, 2004

to [Redacted]
Cc: [Redacted] Bruce Bursey, [Redacted]
from [Redacted]
subject InsightOne Proactive Calls Made by DMACs & Summary of Calls on Sales Center Hotline on Friday, April 23, 2004

To follow is a summary of outgoing, proactive calls made by the DMACs:

A total of 55 Branch Manager's were contacted.
The major topics were:

- This was sold as an advice account.
- If the "look back" period was longer, 13 – 15 months, many accounts would not be affected.
- CAAT – This was specifically designed for IO, how does a client now hold onto the fund outside of an IO account? How does the FA get paid?
- How does an FA have the conversation about going from IO to Advisory Insight if they provide the same advice after a client has been told they have been overcharged?
- Can a letter be sent from the BOM and the FA together?
- Can "significant" be removed from the letter?
- If a client wants remuneration, what is the procedure? Will the branch be responsible for the cost? Does it affect a FAs U-4?
- BOMs want a grid on the pricing of the bonds.
- BOMS want clarity on the mutual fund calculation.

The DMACs have cleared their calendars for Monday and Tuesday and will complete calling all of their Branch Managers.

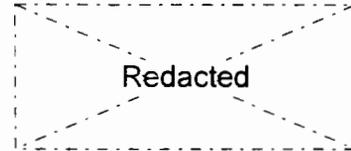
To follow is a summary of InsightOne calls into the IO Branch Manager Hotline:

The volume of calls received was 131, of which 115 were answered.
The major topics were:

- Relating Accounts - this is the topic receiving the most questions: define eligible accounts, how to complete the form to link.



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1200 Harbor Blvd., 3rd Floor
Weehawken, NJ 07086



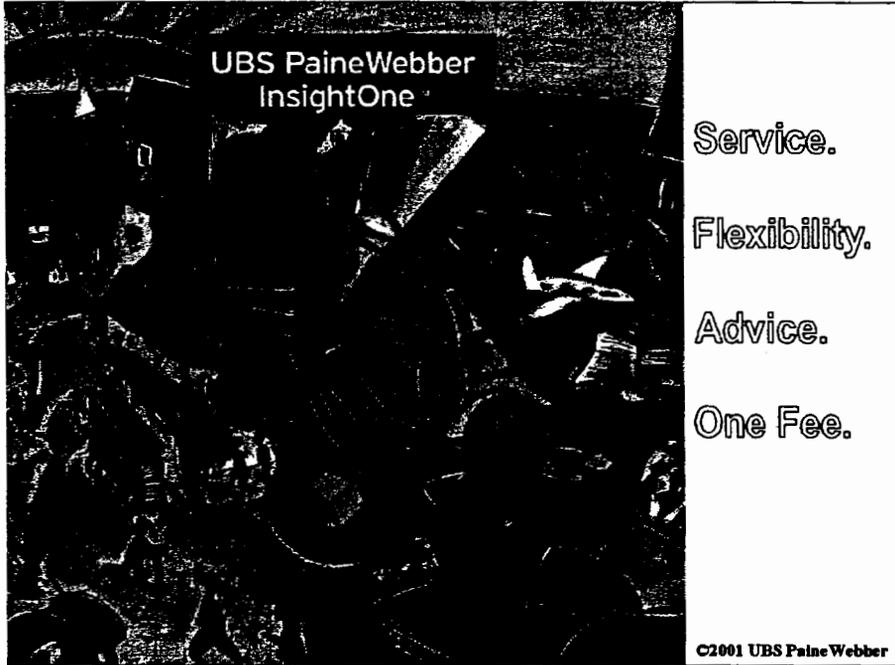
Memo

- Regarding the e-mail "InsightOne Client Mailing Immediate Action Required" there was no e-mail address to send the reply back to.
- Various funds are only eligible in IO, what happens to these funds when the a/c is terminated?
- FA did trades in early April and the BOM wants to now if the letter can be waived.
- BOMS are doing their own analysis of commissions and are challenging the math done by ICS.
- Can regular RMA accounts be linked with IO accounts for trading purposes?
- What are the Mutual Fund assumptions?
- When will FAs be receiving information?
- When is the Advisory version of this coming?

All of the Sales Center Liaisons have been trained on IO and, if necessary, we are prepared to put more people on the hotline on Monday.

We have also set up debrief calls for the sales team so they may discuss the questions they are receiving. [REDACTED] will also be on these calls. We have also invited the DSMs and RSMs to participate. The call-in number is [REDACTED], confirmation code: 751045.

Please call me if you have any questions. I can be reached over the weekend on my cell phone at [REDACTED]. Thank you.

A black and white advertisement for UBS PaineWebber InsightOne. The left side features a dark, high-contrast image of a person's hands holding a laptop, with the text "UBS PaineWebber InsightOne" overlaid. The right side is a white vertical panel with the text "Service.", "Flexibility.", "Advice.", and "One Fee." stacked vertically. At the bottom right of the panel is the copyright notice "©2001 UBS PaineWebber".

UBS PaineWebber
InsightOne

Service.
Flexibility.
Advice.
One Fee.

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UBS PaineWebber InsightOne Review

- *Non-discretionary* brokerage account
- Minimum Asset Size
 - 50K Primary Account
 - 10K Additional Related Accounts
- Can hold eligible and ineligible assets in account
- Eligible trades - no commissions or handling charges
- Annual RMA/BSA and IRA fees are waived
- Flat fee charged on eligible assets (from .30% to 2.5%)
- Fee charged quarterly in advance

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 UBS|PaineWebber

UBS PW InsightOne Products & Services

- Personalized Financial Consultation
- UBS Warburg Research
- Asset Allocation Assistance
- Retirement Planning Strategies
- Education Planning Strategies
- Estate Planning Strategies
- Stock Option Planning Strategies
- Resource Management Account® or Business Services Account BSA®
- UBS PaineWebber's online services:
 - Online Trading (Equities and Mutual Funds)
 - Research
 - Bill payment /EFT
 - Portfolio Tracking

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UBS PW InsightOne Products & Services

- Non discretionary Brokerage Services
- Equities
- Over 2,000 Participating Mutual Funds
- Participating Annuities
- Participating Unit Investment Trusts
- Participating Managed Future Funds
- Corporate Bonds
- Municipal Bonds
- Other Fixed Income Securities
- Options
- Rights and Warrants
- Cash/Money Market Funds

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InsightOne Pricing

- One Flat Fee on Long Mkt. Value of Eligible Assets
 - Negotiated Fee Range from .30% to 2.5%
 - Recommended Fees:

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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Benefits of InsightOne - Client Perspective

- Flexibility
 - Orders entered through FA or online
- Fee-based program focuses on results, not transaction costs
- Cost-effective way to create and maintain portfolio
- Client still has final investment decision
- Customized pricing based on assets, size, product mix and service
- Pay one price for all services - predictable expenses

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Benefits of InsightOne - FA perspective

- *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
- Open to all FAs (no additional licenses or tests)
- Provides a consultative foundation
 - Profiling Tool
 - Basic Asset Allocation

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FA Compensation

- Payout at Grid+4
 - Branch Retention of .10 bps on the first \$500,000 of eligible assets in the relationship
 - Paid quarterly in advance
 - Account priced below .75% and less than \$2,500 in quarterly relationship revenue, \$12 charged to FA net per non-fixed income trade
 - Accelerated Compensation option - Paid for the full year up-front
 - Mutual Fund 12b-1 trailer payments credited to FA
 - FA Payout on Block charges*:
 - \$.02 per share over 5,000 (equities)
 - \$2 per contract over 50 (options)
- *Can be waived with BOM approval

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Opening an Account

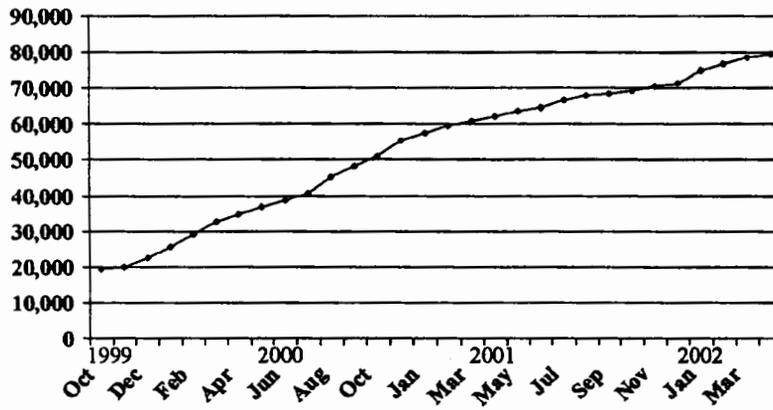
- InsightOne application signed by client and FA
 - Account Setup on Broker workstation
 - Profile the Client (optional but encouraged)
 - Set the fee
 - Additional BOM review for fees > 2%
 - BOM approval
 - Existing accounts can trade same day
 - New accounts can trade next day
- ⇒ Account can then begin trading commission-free
- ⇒ Account billed at the end of the first month

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Growth in InsightOne Accounts

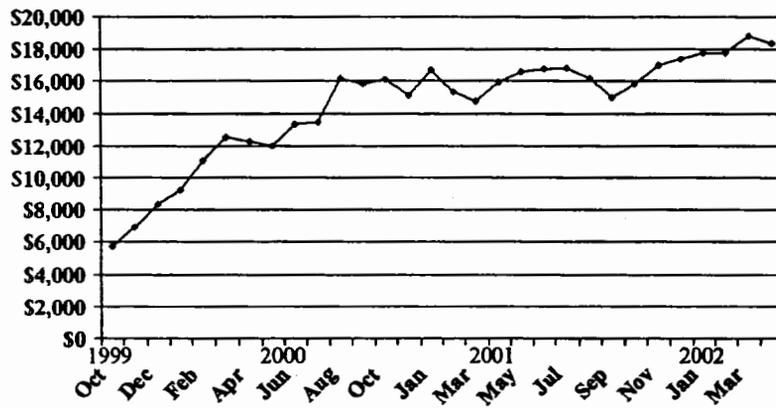


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Growth in InsightOne Assets (in millions)

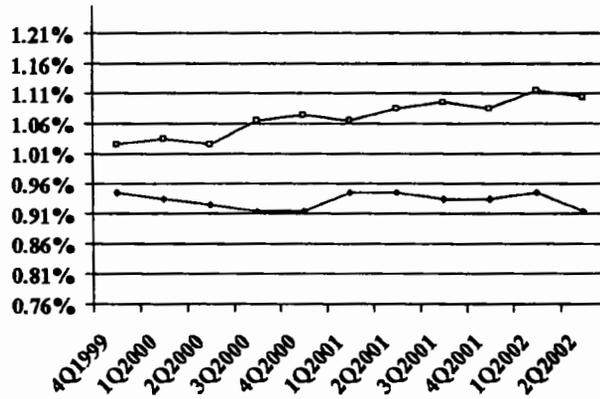


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ROA and Average Fees in InsightOne

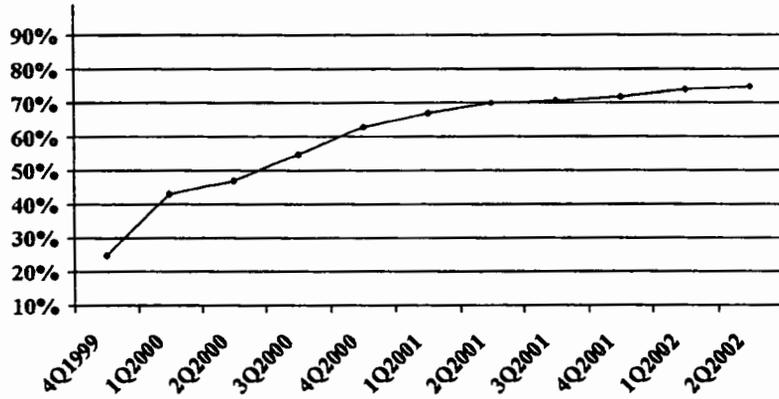


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FA Penetration of InsightOne

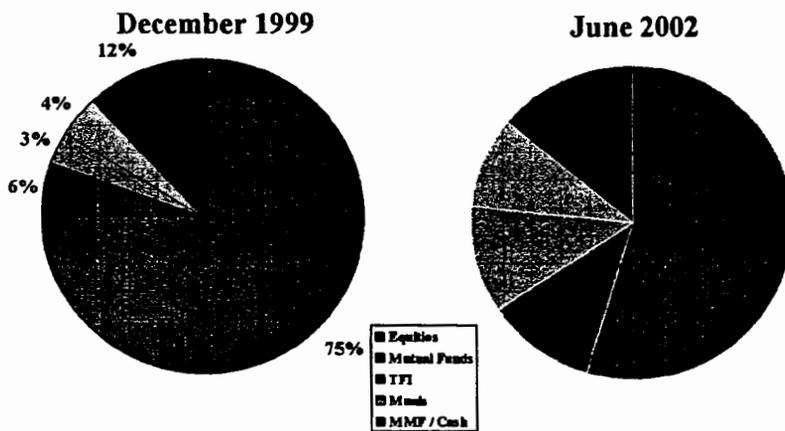


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Change in InsightOne Assets

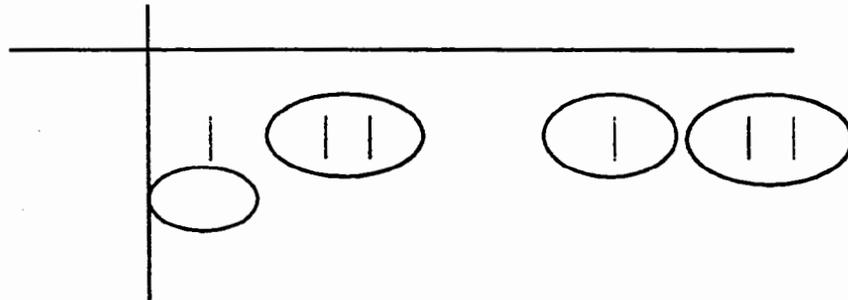


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The Competition



Source: Cerulli Associates 1Q2002

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Challenges Faced

- Changing the culture of the FA (transactions to fees)
- FAs properly valuing their insight and advice
- Program Positioning
- Dependencies on many systems (firm-wide changes)
- Getting FAs attention -many programs and products
- Distribution - shelf space
- Continuing to add more eligible assets
- Penetrating the last 25% of the branch force

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InsightOne Positioning

Pricing Alternative vs. All Inclusive Program

- PAA (InsightOne predecessor) - counted trades – pricing alternative
- InsightOne – All services and advice for one fee
 - Converting existing clients – often positioned as pricing alternative
 - Attracting new clients – FA as a consultant (all inclusive)
- Our Goal is to move away from the pricing alternative
 - Maintain clients when trading declines
 - Add services to provide additional value
 - FA becomes a true advisor

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Unknown

From: [REDACTED]
Sent: Thursday, August 19, 2004 12:41 PM
To: [REDACTED]
Subject: RE: [REDACTED] Exception Request

Your statement, "I recognize the value of advice but that is not the basis of this program". [REDACTED], this was the basis of this program it was sold to me and my clients that way . Would you like to see the marketing materials. The fee is consistent with the services. You define services as commissions only. the marketing materials define service as flexibility, advice, research. Your below statement " benchmark is commissions" you are using a benchmark in a up market environment ,when the right thing to do for the client was to hold not sell. 2. [REDACTED] link. We talked about these accounts and you said their would be an exception... remember I did not want to turn in bonds before maturity to hit your June 30 guideline to reinvest.. hence putting them into CAT III. Better to let bonds mature in July then reinvest (done) . Same as [REDACTED] client wanted to wait for July to adjust portfolio. This has been completed her variance was 131 should be down, but again I have no tool to measure this.

and my clients will and are aware that no tools are available. Look hard @ insight-one and tell me this is right for the client.

> From: [REDACTED]
> Sent: Thursday, August 19, 2004 5:13 AM
> To: [REDACTED]
> Cc: [REDACTED]
> Subject: RE: [REDACTED] Exception Request

> A few follow points

> 1. For all the reasons previously stated, I can not consider an
> exception at 70 bp.

> On more then one occasion, you and I have discussed that InsightOne is
> a fee based brokerage program. I recognize the value of advice but
> that is not the basis of this program. There is no conflict
> associated with adjusting a fee because the benchmark is commissions -
> again InsightOne is fee based brokerage program. The guidelines are
> intended to identify where a fee is not consistent with the brokerage services being
> used.

> 2. Can you give me the account referred to in your statement
> "...other accounts who will not be sent a Cat II letter because they
> turned into Cat III 5 days after the cut-off (bonds were redeemed and re-invested)."
> I would like to confirm they were given an exception and by whom.

> 3. I do not agree with your recommendation to get rid of the InsightOne
> program.

> Thx.

> -----Original Message-----

> From: [REDACTED]
> Sent: Wednesday, August 18, 2004 9:04 PM
> To: [REDACTED]
> Subject: RE: [REDACTED] Exception Request

> hey, what are you still doing @ work. I can't thank you enough for

> working on this issue. I understand the 6821 vs. 1,112... but it is not
> about commission it is about ADVICE. The best advice for the client was
> to not trade as much last year.... this year that has changed due to
> needs for client. Why not put the fee @ @.65-1.00% and re-visit
> trading activity in 6 months. A .30 no one get's paid you do not work for free.
> We can not increase a fee by trades accordingly, that is wrong and
> puts a conflict of interest to the client. Why not place the [REDACTED] and
> [REDACTED] .70/.75 and re-visit in Jan.1-05 . In coming weeks we will
> be able to track this on a monthly basis. A little late now that my
> clients are thrown out into a commission world. I have other accounts
> who will not be sent a Cat II letter because they turned into Cat
> III 5 days after the cut-off (bonds were redeemed and
> re-invested). Remember, by allowing brokers to track variance on a
> monthly basis is also wrong (trade heavy, trade light)-CONFLICT is all
> over this. You guys need to rid insight-one after advisor is launched.
> This account has turned my clients sour. Place the fee back on until
> you replace this account correctly. My clients should not be forced
> to the commission world unless we have an account for them. These
> clients know other firms already have the proper accounts available. Why would you not
> make a 3-6 month exception ..

> ---Original Message-----
> From: [REDACTED]
> Sent: Wednesday, August 18, 2004 5:04 PM
> To: [REDACTED]
> Cc: [REDACTED]
> Subject: RE: [REDACTED] Exception Request

> [REDACTED]
> [REDACTED]
> We are trying to work with you on this issue. The objective is to
> identify accounts not consistent with the guidelines and determine if
> the program remains suitable. The exception process is intended to
> address those accounts in which additional factors need to be
> considered. Based on the information we received there was no
> compelling reason to grant the exception. An alternative would be to
> reduce the fee to 30 bp. I do not have all the data right now but I
> estimate the annualized InsightOne fee would be \$1,635 which is closer
> to the commissions waived of \$1,112. I have to discuss with [REDACTED]
> [REDACTED] and confirm the annualized IO fee. What is relevant and
> perhaps you may not be giving enough consideration to is that this client paid \$ 6,821
> in IO fees vs \$1,112 of commissions waived.
> Although the client would like to remain in the program, in light of
> the data we need to have a compelling reason to leave the account in
> the program, considering the difference. A decrease in the ROA is one
> way to do that. If the trading level increases, the IO fee can be
> increased accordingly. In coming weeks you will be able to track this
> on a monthly basis.

> -----Original Message-----
> From: [REDACTED]
> Sent: Wednesday, August 18, 2004 5:37 PM
> To: [REDACTED]
> Subject: RE: [REDACTED] Exception Request

> On the [REDACTED] account look at the activity last two months...
> it is APPARENT we are starting to sell stock. we need to raise 40k-60k
> every two months for home care.. Do they need to tell you that in the
> letter? [REDACTED] how do you "consider a clients INTENDED trading level"
> if you do not know their future needs or future market
> movements? Fee is to keep the conflict of interest out. [REDACTED] I am a
> fee broker keeping conflict away from the broker/client relationship.
> Charging commissions you might think is right for a client, but my
> clients do not want this.. Guidelines... there is no tool to measure
> guidelines in the accounts... now we have to trade heavy or light to
> stay within guidelines to keep insight -one alive.... how Wrong is

> that? You are not looking at the best interest of the client. You are
> absolutely right I am VERY frustrated with the situation at large...
> our clients(yours and mine) are livid, a commission driven account is
> not in the best interest of their relationship. Let me know what
> letter you need [REDACTED]

> From: [REDACTED]
> Sent: Tuesday, August 17, 2004 3:57 PM
> To: [REDACTED]
> Cc: [REDACTED]
> Subject: RE: [REDACTED] Exception Request

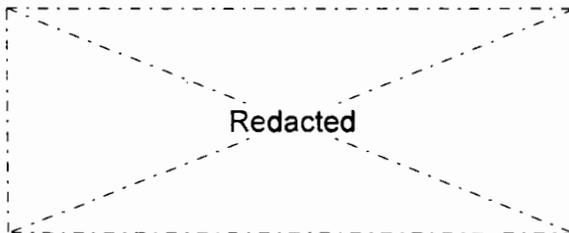
> [REDACTED]

> When we review the requests to remain in the program, we need to
> consider the clients intended trading level, which is based on their
> letter. In addition we need to recognize that the fee charged in the
> account was not consistent with the guideline for the trailing 12
> months. I do not think there is anything inconsistent in moving the
> account to a standard RMA account and charging commissions.
> The client has been using the brokerage services of the program,
> however, the InsightOne fee was considerably higher then the commissions waived.
> As a result if an account is granted an exception, we generally
> require a reduction in fees in an attempt to bring it in line.

> -----Original Message-----

> From: [REDACTED]
> Sent: Tuesday, August 17, 2004 6:06 PM
> To: [REDACTED]
> Cc: [REDACTED]
> Subject: RE: [REDACTED] Exception Request

> [REDACTED] - I understand your frustration with the InsightOne situation
> at large - however that doesn't impact the committee review on these
> exception requests. "Much more activity" isn't apparent
> from the [REDACTED] letter.



> -----Original Message-----

> From: [REDACTED]
> Sent: Tuesday, August 17, 2004 5:26 PM
> To: [REDACTED]
> Subject: RE: [REDACTED] Exception Request

> First of all, nothing has ever been conveyed to me re any exception
> requests. That is why 2nd letters were written. The [REDACTED] accounts
> do not need to be re-priced because there is going to
> be much more activity given their current needs. Hence, we charge a
> fee for last year and the right thing for the client was to hold and get
> [REDACTED] current needs into place. Once completed, and activity to
> commence, now we are going to charge a commission? The [REDACTED] 2nd
> letter wants the advise and fee not the commission. Insight-one
> package in front of me was presented and sold to me during recruitment
> and sold to my clients as "service,flexibility,advice, One Fee.Now , I stand to lose
> 3.5 million in assets because we will not put them back into fee
> account.

> From: [REDACTED]
> Sent: Tuesday, August 17, 2004 1:20 PM

To: [redacted]
Cc: [redacted]
Subject: RE: [redacted] Exception Request

We have reviewed the [redacted] situation as well...
> even if we repriced the account at 30BPs - the account would only move
> to Cat. II. Given that it is paying 125 BPs - there is no way we can
> grant this exception.

[redacted]

-----Original Message-----
From: [redacted]
Sent: Tuesday, August 17, 2004 2:38 PM
To: [redacted]
Cc: [redacted]
Subject: RE: Ales Exception Request

[redacted] and I will take another look at the [redacted]
> situation. I reviewed the [redacted] additional letter - however - the
> commission to fee disparity is simply too wide. There just isn't
> enough evidence that this account will ever be cost-effective for them.
> Finally - as was earlier conveyed, the [redacted] exception request
> was denied. Please let me know if you have any further questions.

[redacted]

-----Original Message-----
From: [redacted]
Sent: Tuesday, August 17, 2004 12:37 PM
To: [redacted]
Subject: RE: [redacted] Exception Request

> Also faxing [redacted] letter. All trustees are now
> in place [redacted] on the account and activity can now take place.
> We have to raise 60k every 2months in the account. Activity last month
> shows funds being sold and checks paid for the care of [redacted]
> Three other accounts that are here 1.6 mill need to go on fee also...
> I'm just waiting for the new advisor acct. for those accts. many thanks [redacted]

-----Original Message-----
From: [redacted]
Sent: Tuesday, August 17, 2004 9:01 AM
To: [redacted]
Subject: RE: [redacted] Exception Request

> I am not sure we saw a second letter from the [redacted]
> - i know we reviewed one letter received 6/14. Can you fax me another
> copy?

Unknown

From: [Redacted]
Sent: Friday, December 19, 2003 3:26 PM
To: [Redacted]
Cc: [Redacted]
Subject: RE: InsightOne Manual

I think we have to review this carefully, and soon. Just based on the first section I glanced at, it suggests we're getting paid for advice not as a broker.

-----Original Message-----
From: [Redacted]
Sent: Friday, December 19, 2003 2:45 PM
To: [Redacted]
Cc: [Redacted]
Subject: FW: InsightOne Manual

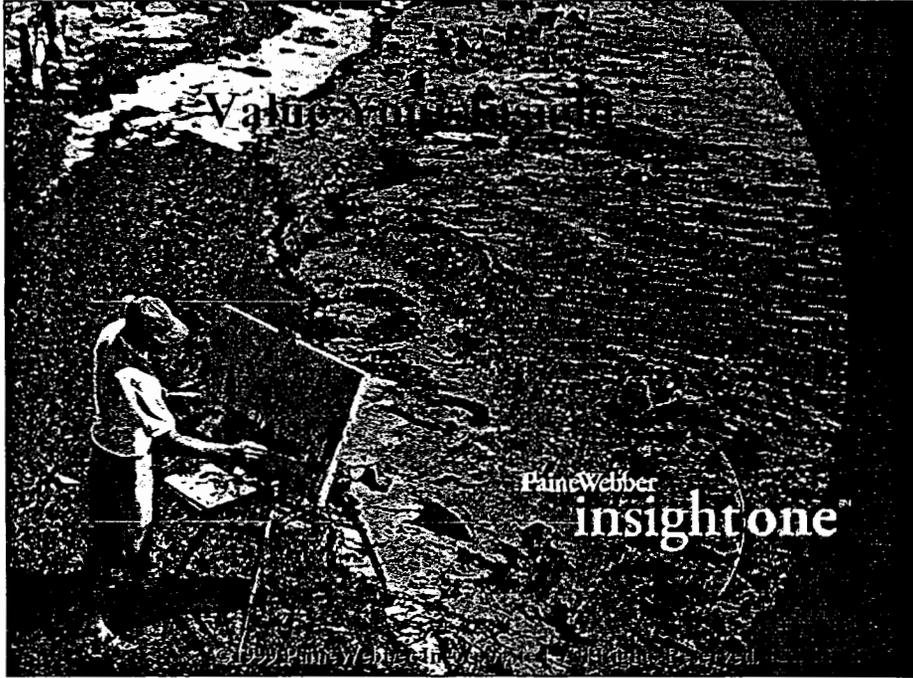
We use the attached manual for training new service reps. I thought you may want to review for edits/ comments -- in the past we have talked about a "Procedures Manual". There is another InsightOne Procedures manual that is maintained and updated by [Redacted] and [Redacted] -- which covers more of the Admin functions indepth.

Regards,
[Redacted]

-----Original Message-----
From: [Redacted]
Sent: Friday, December 19, 2003 2:37 PM
To: [Redacted]
Cc: [Redacted]
Subject: InsightOne Manual

[Redacted] attached is most recent manual. I try to update as soon as any aspect of the product changes. Let me know if you have questions. [Redacted]
<< File: Training Manual Dec03.12.3.03.doc >>





Why Are We Here?

	<u>1995</u>	<u>% of Revenue from Wrap</u>	<u>1999</u>	<u>% of Revenue from Wrap</u>	<u>Total Revenue Increase</u>
Top 100 Non-Wrap Fas	\$785,790	-	\$944,713	-	20%
Top 100 Wrap Fas	\$783,941	44%	\$1,444,256	56%	84%

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Why Are We Here?

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Top 100 Non-Wrap Fas	\$785,790	-	\$94,000	-	20%
Top 100 Wrap Fas	\$783,941	44%	\$1,444,256	56%	84%

84%

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Insight)one The Early Results

- > **\$16.6 billion total firm assets - 52,068 accounts**
\$3.7 billion total Central Division - 13,144 accounts
 - **25.2% New Assets to PaineWebber**

- > **\$747,307 average size relationship**
\$1,474,299 Central Division average assets per FA
 - **\$425,966 average firm account size**
 - **\$350,454 average Central Division account size**

- > **1.00% Average Fee Central Division 1.10%**
(.81% average fee in Merrill Lynch's Unlimited Advantage)
 - **35% accounts being charged 1.5%**
 - **75% accounts being charged from 1-1.5%**

- > **65% Financial Advisor Participation//Central Division 67%**
 - **23% Insight)one Only**

TRAINEE

Redacted

Year	Production
1998	\$24,562
1999	\$143,725
2000	\$280,928

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\$230,000 ADVISOR

Year	Production
1997	\$237,364
1998	\$355,369
1999	\$563,786
2000	\$671,270

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\$400,000 ADVISOR

Redacted

Year	Production
1998	\$400,000
1999	\$548,516
2000	\$781,858

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\$600,000 ADVISOR

Year	Production
1996	\$618,408
1997	\$1,171,214
1998	\$1,480,542
1999	\$1,871,684
2000	\$2,290,306

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\$1,000,000 ADVISOR

Redacted

Year	Production
1996	\$1,009,690
1997	\$1,362,379
1998	\$1,892,707
1999	\$2,675,454
2000	\$3,268,486

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Get Paid More for Less

- AB-12345
- \$1,205,686 account
- \$11,151 commissions
- .92% ROA
- 40% discount
- 40% grid

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Get Paid More for Less

- | | |
|--|--------------------------------|
| ■ <u>Commission World</u> | ■ <u>Insight)one 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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Handling Concerns About Insight)one

Objective: Learn to handle common investor concerns

- *What are some concerns an investor might have about Insight)one?*
- *What are your concerns as a Financial Advisor?*

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Where Did We Begin?

On October 4, 1999 Insight)one Began... What Did it Look Like?

■ Fee in lieu of commission "Brokerage" account

- \$100k minimum
- \$1,500 minimum annual fee
- Fee range from .30 - 1.50%
- 200% turnover guideline
- Related Accounts = Spouse and Minor Children
 - 10k minimum with min. annual fee of \$750
- Termination fee applied each year
- MF's required liquidation upon leaving the account
- 12b-1's to the House!
- No American Funds or Janus Funds
- No Variable Annuities
- No UIT's
- No Turnover Reporting

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Insight)one 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
- Cash/Money Market Funds

Since the beginning, Confidential - Not for Public Use... *What have we changed?*

Where Are We Today?

■ Fee in lieu of commission "Brokerage" account

- \$100k minimum
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Where Are We Today?

■ Fee in lieu of commission “Brokerage” account

- \$50k minimum
- \$1,500 minimum annual fee
- Fee range from .30 - 1.50%
- 200% turnover guideline
- Related Accounts = Spouse and Minor Children
 - 10k minimum with min. annual fee of \$750
- Termination fee applied each year
- MF's required liquidation upon leaving the account
- 12b-1's to the House!
- No American Funds
- No Variable Annuities
- No UIT's
- No Turnover Reporting

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Where Are We Today?

■ Fee in lieu of commission "Brokerage" account

- \$50k minimum
- \$1,250 minimum annual fee
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Where Are We Today?

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- \$50k minimum
- \$1,250 minimum annual fee
- Fee range from .30 - 2.50%
- 200% turnover guideline
- Related Accounts = Spouse and Minor Children
 - 10k minimum with min. annual fee of \$750
- Termination fee applied each year
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■ Fee in lieu of commission "Brokerage" account

- \$50k minimum
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- **Turnover Guideline Has Been Eliminated**
- Related Accounts = Spouse and Minor Children
 - 10k minimum with min. annual fee of \$750
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 - 10k minimum with no min. annual fee
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- MF’s no longer require liquidation upon leaving the account
- 12b-1’s to the Financial Advisor!
- **American Funds and Janus Funds are Now Available!**
- No Variable Annuities
- No UIT’s
- No Turnover Reporting

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Where Are We Today?

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 - MF's no longer require liquidation upon leaving the account
 - 12b-1's to the Financial Advisor!
 - American Funds are Now Available!
 - **Variable Annuities available starting with Manulife. More firms to come**
 - No UIT's
 - No Turnover Reporting

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- American Funds are Now Available!
- Variable Annuities available starting with Manulife. More firms to come
- UIT's available
- **Turnover Reporting available on the MAS Billing system**

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Insight)one 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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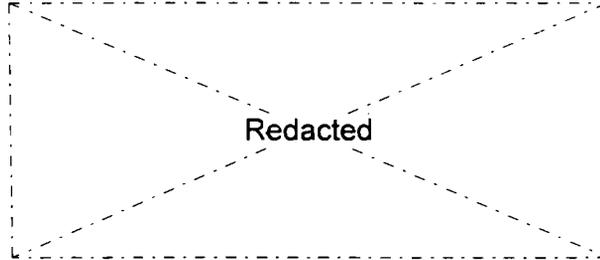
What's in Store for the Future?

- ***Relationship Pricing*** - The combination of accounts to allow meeting of the minimum annual fee. For example: Three \$50k accounts where the combination of the three meet \$1,250 and not one has to meet the min. Fourth Quarter of 2000
- ***Ability to tag concentrated positions*** - Second Quarter of 2001
- ***Additional Investment Products, example Futures!***
- ***Quarterly Monitor*** - First Quarter of 2001 we will have portfolio reporting for Insight)one
- ***Tax Reporting*** - Allocation of fee according to trades for year

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FA Panel Session



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How Do You Compete Value Proposition

Old Model

Price = Transaction



Today's Model

Price = Services + Value

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How To Customize Insight)one Pricing

3-Step Process:

- Use Householding Report to identify Insight)one candidates
- Identify the Insight)one services that would appeal to your client
- Prepare itemized value worksheet to highlight Insight)one benefits.

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Insight)one Householding Report

SAMPLE

PaineWebber InsightOne Projecting Report
 Households With At Least One \$20,000+ Account And Accounts \$10,000+
 In Eligible Assets (1)
 High to Low By Eligible Household Assets Within FA Number

For Month End 3/29/2003

FA Redacted

ACCT NUMBER	SHORT NAME	FAA	YTD ELOC REV	ELIGIBLE ASSETS (\$M) (1)	YTD ROA (%)	YTD ELOC TRADES (%)	EST. TURNOVER (%) (2)	TOTAL ASSETS (\$M)	'02 ELOC REV	'02 ELOC ASSETS (\$M) (1)	'02 ROA (%)	'99 EST. TURNOVER (%) (2)	'00 ELOC REV	'00 ELOC ASSETS (\$M)	'00 ROA (%)	'98 EST. TURNOVER (%) (2)
Redacted			1,580	381	7%	18	36	380	1,880	380	9%	45	380	130	35	35
			1,280	361	8%	21	48	1,880	1,580	380	8%	28	1,880	380	20	48
			3,200	1,110	3%	30	40	1,120	1,180	1,180	10%	41	1,180	200	17	40

(1) Eligible Assets exclude mutual funds, which may or may not be eligible
 (2) Estimated Turnover is the sum of YTD principal trades, divided by 2 and then divided by eligible assets. Credit-line debit availability for InsightOne to exclude accounts where turnover is expected to be less than 200% or 4 times account size annually

For answers to questions regarding PW InsightOne, please see Info@Products and Services/ InsightOne or call the PW Service Group at 1-877-PWSEEKYE, Option 1

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Insight)one Pricing Worksheet

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

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Price Yourself Insight)one Value Workshop

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

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Objections Review

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Your Insight)one Plan

- ***Identify ways to incorporate Insight)one into your business plan through:***

- Prospecting:
 - Who/Why?
 - How to locate prospects
 - Your marketing approach
- Converting Existing Clients:
 - Your pricing strategy

Top 10 Reasons NOT to use InsightOne

- You believe it's wise to ignore major business trends in the financial services industry.
- You Prefer to follow rather than lead your clients and chose to make major changes in your business by reacting rather than initiating.
- You don't care that wrap fee F.A.'s have the highest business growth rates over the past 5 years.
- You believe that your clients will NEVER hear about this concept from someone else.
- You look forward to discussing the commission on equity trades.

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Top 10 Reasons NOT to use InsightOne

- You firmly believe that executing a 500 share order for MSFT is worth \$535.
- You enjoy working through the discount sharing policy.
- You are looking forward to price transparency in the fixed income markets and the impact it could have on your revenue.
- It's efficient for you to constantly review TFI and MUNI inventory for bond swaps that enhance the client's position after the buy and sell SC.
- "A" shares at NAV are not an attractive way for you to sell mutual funds. Confidential - Not for Public Use

Top 10 Reasons NOT to use InsightOne

- You don't mind spending time on the 410 process everytime you or your staff put an incorrect discount on a ticket.
- Your clients are excited to see the RMA/BSA/IRA fees hit their accounts year after year.
- Your clients understand and appreciate the \$4.50 postage and handling fee on every trade.

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Unknown

From: [REDACTED]
Sent: Friday, January 16, 2004 4:31 PM
To: [REDACTED]
Subject: RE: InsightOne



Do we have any tools outside of managed money and PACE to price a relationship and get paid for advice, service, coordination w/ client advisors without generating a transaction (and perhaps a tax liability)? Sometimes advice not to trade (as a result of spending time monitoring clients assets) is more valuable than advice to trade. The firm is preaching asset allocation and overall wealth management but we are still serving as just brokers? Our titles are Financial Advisors, the firm has to give us tools so that we can act that way. Merrill Lynch has an MLUA account (similar to InsightOne) which I understand has different trading guidelines. If this is a regulatory matter then shouldn't they have the same guidelines?

Any comments about future alternatives that are currently being worked on would be helpful.

Thank you.

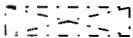
-----Original Message-----

From: [REDACTED]
Sent: Friday, January 16, 2004 3:56 PM
To: [REDACTED]
Subject: RE: InsightOne

[REDACTED] you are absolutely correct, and prescient to boot. We've just finished editing the brochure and we hope to have the new one out as soon as we can get the printing done. That usually takes a couple of weeks. don't ask why.

-----Original Message-----

From: [REDACTED]
Sent: Friday, January 16, 2004 3:20 PM
To: [REDACTED]
Subject: InsightOne



I wanted to encourage our firm to look at our InsightOne brochures and possibly take out the misleading marketing information on the cover.....(ie: Advice, Flexibility and Service.....One Fee). Apparently the regulators are only concerned with trading to justify the accounts.....not advice, service, etc. Therefore, perhaps our materials should reflect how these accounts should be used in conjunction with overall relationship pricing. Please provide your feedback and comments. Thanks,

