

BEFORE THE STATE AUDITOR;
EX-OFFICIO COMMISSIONER OF SECURITIES AND INSURANCE
HELENA, MONTANA

IN THE MATTER OF:

CONSENT AGREEMENT

UBS Financial Services, Inc.

Consent Agreement dated this 6th day of December, 2006, by the Montana Securities Department ("Department") of the Montana State Auditor's Office, acting pursuant to the authority of Securities Act of Montana, § 30-10-101 et seq. Montana Code Annotated (the "Act") and UBS Financial Services Inc. ("UBS") with a principal place of business located in Weehawken, New Jersey.

RECITALS

WHEREAS, the Department has investigated certain activities in the Billings, Montana branch office involving Patrick Davison, Nicholas Cladis, Troy Bruce and the Cladis Investment Group;

WHEREAS, UBS has cooperated fully with the Department's investigation;

WHEREAS, the Department, and UBS have agreed that the best interests of the public would be served by entering into this agreement.

NOW THEREFORE, in consideration of the mutual undertakings contained in this Agreement, the Department, and UBS hereby agree to settle this matter pursuant to the following terms and conditions:

AGREEMENT

A. Without UBS admitting any allegations, the parties agree to the following:

1. UBS shall offer to pay restitution in the amount of \$4,503,166. (“the Amount”).

The Amount shall be distributed by UBS in accordance with the following terms and conditions:

(a) The Amount shall be allocated to certain Davison Investors (“Investors”) pursuant to the calculations prepared by the Department. The Department shall provide a notice to each Investor specifying the final allocated amount available to the Investor by regular mail within 15 days after the date of this Agreement. Enclosed with the notice, the Department shall send a UBS claim and release form to each Investor describing how each Investor may claim their allocated Amounts.

(b) An Investor seeking to claim an allocable amount shall execute the claim and release form attached as **Exhibit A** acknowledging (i) his or her desire to claim their allocated Amount and (ii) that receipt of such Amount constitutes a release of any and all claims the Investor may have against UBS arising out of or relating to their relationship with Patrick Davison.

(c) All claims for an allocated Amount, if any, must be made and all documents required for distribution executed by Investors and returned to UBS within 10 days of receiving the notice from the Department of their allocated amount.

(d) Any amount not distributed shall be retained by UBS.

(e) Amounts payable by UBS pursuant to paragraph A(1) above shall be paid not later than 30 days following the receipt of properly executed claim and release forms from claiming Investors.

2. UBS will provide the Department a report of Investor claims and distributions 45 days after the Department's notice is sent to Investors. As part of the resolution, the Department reserves the right to conduct an onsite examination of the Billings, Montana branch, but solely for the purpose of assessing the current supervision and oversight of that branch, and any supervisory deficiencies noted for the activities regarding the activities of Patrick Davison, Nicholas Cladis, Troy Bruce or the Cladis Investment Group prompting this settlement through the date of this agreement shall not be the basis for an enforcement action.

3. The parties shall cooperate with each other regarding publicity, including any press releases or press conferences. In particular, the Department will provide advance notice to UBS of press releases or press conferences that may result from this Consent Agreement. It is understood that the Department and UBS will agree on language regarding any media releases.

4. This Consent Agreement (i) shall not constitute a final judgment or order (including without limitation, for purposes of Section 15(b)(4)(H) of the Securities Exchange Act of 1934, as amended) and shall not be deemed and shall not constitute a consent judgment or decree pursuant to § 30-10-305(2) of the Act; (ii) shall not subject UBS (including for this purpose any of its affiliate companies) under the law of Montana

or any other state to any disqualification, including disqualifications from relying upon state registration exemptions or state safe harbor provisions pursuant to the state securities laws, and any disqualifications based upon this Consent Agreement are hereby waived; (iii) shall not disqualify UBS (or its affiliates) from any business for which they are otherwise qualified, licensed or permitted to perform under the applicable law of any state; (iv) shall not constitute grounds to deny, suspend, or revoke the broker-dealer or investment adviser registration of UBS or its current employees or affiliates under the laws of Montana or any other state, (v) shall not be deemed or used as an admission or evidence of any alleged wrongdoing or liability of UBS (or its affiliates), and shall not be construed to have any collateral estoppel or other preclusive effect as to any issue of law or fact, in any civil, criminal, administrative, arbitration or other proceeding in any court, administrative agency, arbitration forum or other tribunal; (vi) shall not be admissible in any proceeding by a third party and shall not confer any rights upon any persons or entities who are not parties hereto except as to Investors' rights to participate in the above referenced restitution Amount; and (vii) shall not constitute a record, report, statement or data compilation within the meaning of Rule 803(8) of the Federal Rules of Evidence.

5. This Consent Agreement constitutes the entire agreement between the parties, there being no other promises or agreements, either express or implied. Under authority of the Act, the Office of the State Auditor and the Department hereby agree that they will not initiate, or cause to be initiated, any civil or administrative action against UBS or its supervisors regarding the activities of Patrick Davison, Nicholas Cladis, Troy Bruce or the Cladis Investment Group and/or the supervision or management of the Billings branch office relevant to the activities prompting this settlement. UBS fully and forever

releases and discharges the Office of the State Auditor, the elected State Auditor and all State Auditor employees from any and all actions, claims, causes of action, demands, or expenses for damages or injuries that may arise from the allegations underlying this Consent Agreement, whether asserted or unasserted, known or unknown, foreseen or unforeseen, arising out of the Action.

DATED this 12/6 day of 2006.

OFFICE OF THE STATE AUDITOR,
MONTANA SECURITIES DEPARTMENT

By: *Gordon Higgins*
Gordon Higgins
Deputy State Auditor

SUBSCRIBED AND SWORN to before me this 6th day of December, 2006.

Michelle Marie Shultz
Notary Public for the State of Montana
Residing at Helena, Montana
My commission expires March 29, 2008

DATED this _____ day of _____, 2006.

UBS Financial Services, Inc..

By: *Mark Shelton*
Its: _____

SUBSCRIBED AND SWORN to before me this 5 day of December, 2006.

Elin Vlachos
Notary Public for the State of New Jersey
Residing at Union City, NJ
My commission expires 8-12-09

ELINES VLACHOS
ID # 2228454
NOTARY PUBLIC OF NEW JERSEY
Commission Expires 8/12/2009

