

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: UBS FINANCIAL SERVICES, INC.

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)
) File No. 0500612
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NOTICE OF HEARING

TO THE RESPONDENT: UBS Financial Services, Inc.
CRD Number 8174

C/o Ms. Ilene Marquardt
Managing Director
Deputy General Counsel
Legal and Compliance USA
UBS Financial Services, Inc.
1200 Harbor Boulevard, 10th Floor
Weehawken, NJ 07086-6791

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 300 W. Jefferson St., Suite 300A, Springfield, Illinois 62702, on the 17th day of September, 2008 at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before Jon K. Ellis, or such other duly designated Hearing Officer of the Secretary of State. A copy of the Rules under the Act pertaining to contested cases is attached to this Notice.

Said hearing will be held to determine whether an Order should be entered against UBS Financial Services, Inc. ("UBSFS") in the State of Illinois pursuant to Section 11 of the Act.

The grounds for such proposed action are as follows:

1. UBS Financial Services, Inc. is currently registered with the Illinois Securities Department as a Dealer and has made notification filings as a Federally Covered Investment Adviser.

2. During the time period of January 1, 2000 to the present (the "Relevant Period") UBS Funds were mutual funds registered under the Federal Investment Company Act.
3. The UBS Funds have been registered or have made notification filings in Illinois since 1992. Its most recent Notification Filing (Form NF) was filed with the Illinois Securities Department on August 11, 2007.
4. During the Relevant Period, UBSFS sold UBS Funds to Illinois resident purchasers.
5. UBS Funds prepared prospectuses and Statements of Additional Information (SAIs) for their mutual funds. During the Relevant Period both the prospectuses and the SAIs were updated to reflect new or modified information.
6. UBS Funds sold by UBSFS were generally held by clients of UBSFS in accounts at UBSFS.
7. UBS Funds during the Relevant Period had to be held in accounts with: (1) the UBS Funds' transfer agent; (2) UBSFS; or (3) a broker-dealer or other financial intermediary that had a sales/servicing agreement with the UBS Funds. As of January 6, 2006, UBS Funds could be transferred to approximately 150 broker dealers with which the UBS Funds had dealer sales agreements. Limited transferability was common in the mutual fund industry during the pertinent time period.
8. Illinois residents who wanted to transfer in-kind their UBS Funds could only do so to one of the account types described above in paragraph 7.
9. The UBS Funds' disclosure documents contained disclosures to investors regarding limited transferability of the UBS Funds. The SAI of October 28, 2005, as revised on May 31, 2006, stated: "If investors holding Class A, Class B, Class C, or Class Y shares of a Fund in a brokerage account transfer their brokerage accounts to another firm, the Fund shares will be moved to an account with PFPC. However, if the other firm has entered into a dealer agreement with the Underwriter relating to the Fund, the shareholder may be able to hold Fund shares in an account with the other firm."
10. Notwithstanding these disclosures, the Department alleged that UBSFS did not take sufficient measures to ensure that certain UBSFS Registered Representatives and Investment Adviser Representatives informed their mutual funds clients in Illinois regarding the transferability of UBS Funds during the relevant time period.

11. Based upon the foregoing, UBSFS has violated Section 12.A of the Act which provides that it is a violation:

To offer or sell any security except in accordance with the provision of the Act;

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer, special appearance or other responsive pleading to the allegations outlined above within thirty days of the receipt of this notice. A failure to file an answer, special appearance or other responsive pleading within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any respondent has upon due notice moved for and obtained a continuance.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated this 31 day of July, 2008.



JESSE WHITE
Secretary of State
State of Illinois

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