



# Disclosure statement for Certificates of Deposit held at UBS



UBS and your Financial Advisor appreciate the opportunity to service your wealth management needs. As part of this commitment, we make it a priority to provide you with important information regarding the types of investments you hold. This disclosure outlines the specific terms and conditions for brokered Certificates of Deposit and includes among other information:

- Terms of CDs
- Important Investment considerations
- Deposit insurance
- Revocable trusts
- Questions about FDIC deposit insurance coverage
- Payments under adverse circumstances
- Additions or withdrawals
- Fees
- Federal income tax consequences

Please take the time to consider this disclosure carefully. If you have questions, please reach out to your Financial Advisor.

### **Additional important information**

The information contained in this Disclosure statement for Certificates of Deposit held at UBS ("Disclosure Statement") may not be modified by any oral representation made prior or subsequent to the purchase of your certificate of deposit ("CD").

### **Certificate of Deposit disclosure statement**

The CDs described below are made available through UBS Financial Services Inc. ("UBS") to its customers. Each CD is a deposit obligation of a depository institution domiciled in the United States or one of its territories (an "Issuer"), the deposits and accounts of which are insured by the Federal Deposit Insurance Corporation (the "FDIC") within the limits described below. Each CD constitutes a direct obligation of the Issuer and is not, either directly or indirectly, an obligation of UBS. CDs may be purchased both upon issuance (the "primary market") and in the secondary market. The CDs described below are issued in (i) \$100,000 denominations ("jumbo CDs"), or (ii) \$1,000 denominations ("small denomination CDs"). Unless otherwise indicated, references to "CD" and "CDs" in this Disclosure Statement apply to both jumbo CDs and small denomination CDs.

UBS will advise you of the names of Issuers currently making CDs available and, if your CD is purchased in the primary market, the date on which your CD will be established with the Issuer (the "Settlement Date"). Upon request, you will be provided with financial information concerning the Issuer of a CD that you would receive upon request if you established a deposit account directly with the Issuer. UBS does not guarantee in any way the financial condition of any Issuer or the accuracy of any financial information provided by the Issuer.

An Issuer may use proceeds from the sale of the CDs for any purpose permitted by law and its charter, including making loans to eligible borrowers and investing in permissible financial products. UBS or one of its affiliates may from time to time act as a broker or dealer in the sale of permissible financial products to an Issuer.

The CDs of any one Issuer that you may purchase will be eligible for FDIC insurance up to \$250,000 (including principal and accrued interest) for each insurable capacity (e.g., individual, joint, IRA, etc.). For purposes of the \$250,000 federal deposit insurance limit, you must aggregate all deposits that you maintain with the Issuer in the same insurable capacity, including deposits you hold directly with an Issuer and deposits you hold through UBS and other intermediaries.

**The extent of, and limitations on, federal deposit insurance are discussed below in the sections headed "Deposit insurance" and "Deposit insurance for CDs purchased by retirement plans and accounts." A CD may not be held at another broker/dealer and jumbo CDs may not be resold in denominations of less than \$100,000.**

### **Terms of CDs**

The maturities, rates of interest and interest payment terms of CDs available through UBS will vary. Both interest-bearing and zero-coupon CDs may be available. You should review carefully the trade confirmation and any supplement to this Disclosure Statement for a description of the terms of the CDs. You should also review the investment considerations discussed below in the section headed "Important investment considerations."

The CDs will mature on the date indicated on the trade confirmation. The CDs will not be automatically renewed or rolled over, and interest on the CDs will not continue to accrue or (in the case of zero-coupon CDs) accrete after maturity. At maturity the CD balances will be remitted by the Issuer to UBS and credited to your account with UBS. If the maturity date is not a business day, the CD balances will be paid on the next succeeding business day. A "business day" shall be a day on which UBS and banks in both the Issuer's domicile and New York are open for business.

*Interest-bearing CDs.* Interest-bearing CDs pay interest at either a fixed rate or at a variable rate. A fixed rate CD will pay the same interest rate throughout the life of the CD. The interest rate on variable rate CDs may increase or decrease from the initial rate at predetermined time periods ("step rates") or may be reset at specified times based upon the change in a specific index or indices ("floating rates"). The dates on which the rates on step rate CDs will change or the rates on floating rate CDs will reset, as well as a description of the basis on which the rate will be reset, will be set forth on the trade confirmation or a supplement to this Disclosure Statement.

Some interest-bearing CDs may be subject to redemption on a specified date or dates at the discretion of the Issuer (a "call"). If the CD is called, you will be paid all principal and interest accrued up to, but not including, the call date. The dates on which the CD may be called will be specified on the trade confirmation or a supplement to this Disclosure Statement. Interest-bearing CDs are offered in a wide range of maturities and are made available in (i) minimum denominations and increments of \$1,000 for small denomination CDs or (ii) minimum denominations and increments of \$100,000 for jumbo CDs.

Unless otherwise specified in the trade confirmation or any supplement to this Disclosure Statement, interest earned on interest-bearing CDs with original maturities of one year or less will be paid at the maturity of such CDs. Interest earned on interest-bearing CDs with original maturities of more than one

year will be paid monthly, quarterly, semiannually or annually and at maturity as specified on your trade confirmation or any supplement to this Disclosure Statement. The interest rate on variable rate CDs will be reset periodically and interest will be paid monthly, quarterly, semiannually or annually and at maturity as specified on your trade confirmation or any supplement to this Disclosure Statement.

Interest payments on interest-bearing CDs are automatically credited to your account with UBS. Interest will accrue up to, but not including, the interest payment date, the maturity date or any call date. If an interest payment date falls on a day that is not a business day, interest will be paid on the first business day following the interest payment date. For specific rate information for any interest period, please contact UBS.

Interest on CDs is not compounded. Interest on CDs in the primary market is calculated on the basis of the actual number of days elapsed over a 365-day year. However, the amount of interest on CDs that are purchased in the secondary market may be based on other interest rate calculations. Please contact UBS with questions concerning the interest rate calculation on a secondary market CD.

**Zero-coupon CDs.** Zero-coupon CDs do not bear interest but rather are issued at a substantial discount from the face or par amount, the minimum amount of which is (i) \$1,000 for small denomination CDs or (ii) \$100,000 for jumbo CDs. Interest on the CD will "accrue" at an established rate and the holder will be paid the par amount at maturity.

#### **Evidence of the CDs**

You will not receive a passbook, certificate or other evidence of ownership of the CD from the Issuer. The CDs are evidenced by one or more master certificates issued by the Issuer, each representing a number of individual CDs. These master certificates are held by UBS which, as custodian, keeps records of the ownership of each CD and will provide you with a written confirmation of your purchase. You will also be provided with a periodic account statement from UBS that will reflect your CD ownership. You should retain the trade confirmation and the account statement(s) for your records. The purchase of a CD through UBS is not recommended for persons who wish to take actual possession of a certificate. Your account statement from UBS may provide an estimate of the price you might receive on some or all of your CDs if you were able to sell them prior to maturity. Any prices on your statement are estimates and are not based on actual market prices. You should ask UBS to explain its statement pricing policies. Your deposit insurance coverage and, if your CD is callable, the amount you would receive if your CD is called will be determined based on the outstanding principal amount of your CD, or the accreted value in the case of a zero-coupon CD, not the estimated price. See the sections headed "Deposit insurance" and "Secondary market."

Each CD constitutes a direct obligation of the Issuer and is not, either directly or indirectly, an obligation of UBS. Your CD will be established on the Settlement Date. No deposit relationship shall be deemed to exist prior to the receipt and acceptance of your funds by the Issuer.

If you choose to remove UBS Financial Services Inc. as your agent with respect to your CD, you may have the ownership of your CD evidenced directly on the books of the Issuer.

Because UBS is holding the master certificate, you may not transfer your CD through another broker/dealer. Evidence of your ownership of the CD on the Issuer's books will be subject to applicable law and the Issuer's terms and conditions, including those related to the manner of evidencing CD ownership. If you choose to remove UBS as your agent, we will have no further responsibility for payments made with respect to your CD. If you establish your CD directly on the books of the Issuer you will have the ability to enforce your rights in the CD directly against the Issuer.

#### **Important Investment considerations**

CDs are most suitable for purchasing and holding to maturity and you should be prepared to hold them to maturity. UBS, though not obligated to do so, may maintain a secondary market in the CDs after their Settlement Date. If you are able to sell your CD, the price you receive will reflect prevailing market conditions and your sales proceeds may be less than the amount you paid for your CD. If you wish to dispose of your CD prior to maturity, you should read with special care the sections headed "Additions or withdrawals" and "Secondary market."

You should be aware that jumbo CDs may be less liquid than small denomination CDs and CDs held at UBS may be less liquid than CDs that may be transferred to other broker/dealers. Your jumbo CD may not be resold in denominations less than \$100,000.

You should compare the rates of return and other features of the CDs to other available investments before deciding to purchase a CD. The rates paid with respect to the CDs may be higher or lower than the rates on deposits or other instruments available directly from the Issuer or through UBS. Variable rate CDs present different investment considerations than fixed rate CDs and may not be appropriate for every investor. Depending upon the type of variable rate CD (step rate or floating rate) and the interest rate environment, the CD may pay substantially more or substantially less interest over the term of the CD than would be paid on a fixed rate CD of the same maturity. Furthermore, if the CD is subject to call by the Issuer, you may not receive the benefits of any anticipated increase in rates paid on a variable rate CD. You should carefully review any supplement to this Disclosure Statement that describes the step rate or the basis for resetting a floating rate and, if the CD is subject to call by the Issuer, the time periods at which the Issuer may call the CD.

In the event the Issuer approaches insolvency or becomes insolvent, the Issuer may be placed in regulatory conservatorship or receivership with the FDIC typically appointed the conservator or receiver. The FDIC may thereafter pay off the CDs prior to maturity or transfer the CDs to another depository institution. If the CDs are transferred to another institution, the new institution may offer you a choice of retaining the CD at a lower interest rate or having the CD paid off. See the sections headed "Deposit insurance" and "Payments under adverse circumstances."

If your CD is paid off prior to maturity as a result of the Issuer's insolvency, exercise by the Issuer of any right to call the CD or a voluntary early withdrawal (see the section headed "Additions or withdrawals"), you may be unable to reinvest your funds at the same rate as the original CD. UBS is not responsible to you for any losses you may incur as a result of a lower interest rate on an investment replacing your CD.

The Securities and Exchange Commission (SEC) periodically publishes tips for investors in various financial products, including CDs, on its website. You can access these investor tips at [sec.gov](http://sec.gov).

### Deposit insurance

Your CDs are insured by the FDIC, an independent agency of the U.S. government, up to \$250,000 (including principal and accrued interest) for all deposits held in the same insurable capacity at any one Issuer. Generally, any accounts or deposits that you may maintain directly with a particular Issuer, or through any other intermediary in the same insurable capacity in which the CDs are maintained, would be aggregated with the CDs for purposes of the \$250,000 federal deposit insurance limit. In the event an Issuer fails, interest-bearing CDs are insured, up to \$250,000, for principal and interest accrued to the date the Issuer is closed. Zero-coupon CDs are insured to the extent of the original offering price plus interest at the rate quoted to the depositor on the original offering, accreted to the date of the closing of the Issuer. Interest is determined for insurance purposes in accordance with federal law and regulations. The original offering price of a zero-coupon CD plus accreted interest is hereafter called the "accreted value." Under certain circumstances, if you become the owner of CDs or other deposits at an Issuer because another depositor dies, beginning six months after the death of the depositor, the FDIC will aggregate those deposits for purposes of the \$250,000 federal deposit insurance limit with any other CDs or deposits that you own in the same insurable capacity at the Issuer. Examples of accounts that may be subject to this FDIC policy include joint accounts, "payable on death" accounts and certain trust accounts. The FDIC provides a six-month "grace period" to permit you to restructure your deposits to obtain the maximum amount of deposit insurance for which you are eligible.

You are responsible for monitoring the total amount of deposits that you hold with any one Issuer, directly or through an intermediary, in order for you to determine the extent of deposit insurance coverage available to you on your deposits, including the CDs. UBS is not responsible for any insured or uninsured portion of the CDs or any other deposits.

**BY YOUR PURCHASE OF A CD YOU ARE DEEMED TO REPRESENT TO THE ISSUER AND UBS THAT YOUR DEPOSITS WITH THE ISSUER (OR IF YOU ARE ACTING AS A CUSTODIAN, THE DEPOSITS OF THE BENEFICIARIES), INCLUDING THE CD, WHEN AGGREGATED IN ACCORDANCE WITH FDIC REGULATIONS, ARE WITHIN THE \$250,000 FEDERAL DEPOSIT INSURANCE LIMIT.**

If your CDs or other deposits at the Issuer are assumed by another depository institution pursuant to a merger or consolidation, such CDs or deposits will continue to be separately insured from the deposits that you might have established with the acquiror until (i) the maturity date of the CDs or other time deposits that were assumed, or (ii) with respect to deposits that are not time deposits, the expiration of a six-month period from the date of the acquisition.

Thereafter, any assumed deposits will be aggregated with your existing deposits with the acquiror held in the same insurable capacity for purposes of federal deposit insurance. Any deposit opened at the Issuer after the acquisition will be aggregated

with deposits established with the acquiror for purposes of federal deposit insurance.

**In the event that you purchase a CD in the secondary market at a premium over the par amount (or accreted value in the case of a zero-coupon CD), that premium is not insured. Similarly, you are not insured for any premium reflected in the estimated market value of your CD on your account statement. If deposit insurance payments become necessary for the Issuer, you can lose the premium paid for your CD and you will not receive any premium shown on your account statement. See the section headed "Secondary market."**

The application of the \$250,000 federal deposit insurance limit is illustrated by several common factual situations discussed below. Please review the section headed "Deposit insurance for CDs purchased by retirement plans and accounts" for the application of the \$250,000 federal deposit insurance limit to retirement plans and accounts.

*Individual customer accounts.* Deposits of any one Issuer held by an individual in an account in the name of an agent or nominee of such individual (such as the CDs held in a UBS account) are not treated as owned by the agent or nominee, but are added to other deposits of such individual held in the same capacity (including funds held in a sole proprietorship) and are insured up to \$250,000 in the aggregate. Deposits held through a qualified tuition savings program (529 Plan) will be insured as deposits of the participant and aggregated with other deposits of the participant if the arrangement and the name of the participant are identified on UBS's account records.

*Corporate, partnership and unincorporated association accounts.* Deposits of any one Issuer owned by corporations (including subchapter S corporations), partnerships and unincorporated associations, operated for a purpose other than to increase deposit insurance, are added together with other deposits owned by such corporation, partnership and unincorporated association, respectively, and are insured up to \$250,000 in the aggregate.

*Joint accounts.* An individual's interest in deposits of any one Issuer held under any form of joint ownership valid under applicable state law may be insured up to \$250,000 in the aggregate, separately and in addition to the \$250,000 allowed on other deposits individually owned by any of the co-owners of such accounts (hereinafter referred to as a "Joint Account"). For example, a Joint Account owned by two persons would be eligible for insurance coverage of up to \$500,000 (\$250,000 for each person), subject to aggregation with each owner's interests in other Joint Accounts at the same depository institution. Joint Accounts will be insured separately from individually owned accounts only if each of the co-owners is an individual person, has signed an account agreement with UBS and has a right of withdrawal on the same basis as the other co-owners.

*Revocable trust accounts.* Deposits of any one Issuer held in a "revocable trust" are generally insured up to \$250,000 per beneficiary if the beneficiary is a natural person, charity or other nonprofit organization. There are two types of revocable trusts recognized by the FDIC.

**Informal revocable trusts** include accounts in which the owner evidences an intent that at his or her death the funds shall belong to one or more specified beneficiaries. These trusts may be referred to as a “Totten trust” account, “payable upon death” account or “transfer on death” account. Each beneficiary must be included in UBS’s account records.

**Formal revocable trusts** are written trust arrangements in which the owner retains ownership and control of the assets and designation of beneficiaries during his or her lifetime. The trusts may be referred to as “living” or “family” trusts. The beneficiaries of a formal revocable trust do not need to be included in UBS’s account records.

Under FDIC rules, FDIC coverage will be \$250,000 per beneficiary, multiplied by the number of beneficiaries, regardless of the proportional interest of each beneficiary in the revocable trust. However, if the trust has more than \$1,250,000 in deposits at the Issuer and more than five beneficiaries, the funds will be insured for the greater of \$1,250,000 or the aggregate amount of all beneficiaries’ proportional interests, limited to \$250,000 per beneficiary.

Deposits in all revocable trusts of the same owner—informal and formal—at the same Issuer will be aggregated for insurance purposes. A revocable trust established by two owners where the owners are the sole beneficiaries will be treated as a Joint Account under applicable rules and will be aggregated with other Joint Accounts.

*Irrevocable trust accounts.* Deposits of any one Issuer held pursuant to one or more irrevocable trust agreements created by the same grantor (as determined under applicable state law) will be insured for up to \$250,000 for the interest of each beneficiary provided that the beneficiary’s interest in the account is non-contingent (i.e., capable of determination without evaluation of contingencies). According to the FDIC, Coverdell Education Savings Accounts will be treated as irrevocable trust accounts for deposit insurance purposes. The deposit insurance of each beneficiary’s interest is separate from the coverage provided for other accounts maintained by the beneficiary, the grantor, the trustee or other beneficiaries. The interest of a beneficiary in irrevocable trust accounts at an Issuer created by the same grantor will be aggregated and insured up to \$250,000.

*Medical savings accounts.* Deposits of any one Issuer held in a Medical Savings Account, sometimes referred to as an Archer Medical Savings Account, will be eligible for deposit insurance as either an individual account, a revocable trust account or an employee benefit plan. You may wish to consult with your attorney or the FDIC to determine the available deposit insurance coverage.

### **Deposit insurance for CDs purchased by retirement plans and accounts**

*General retirement plans and accounts.* The amount of deposit insurance for which CDs of any one Issuer held through one or more retirement plans or accounts will be eligible, including whether CDs held by each plan or account will be considered separately from or aggregated with deposits held by other plans or accounts, will vary depending on the type of plan or account. It is therefore important to understand the type of plan or account holding the CDs. The following sections generally

discuss the rules that apply to deposits held by retirement plans and accounts.

*Individual Retirement Accounts (“IRAs”).* Deposits of any one Issuer held in an IRA will be insured up to \$250,000 in the aggregate. However, as described below, the deposits of any one Issuer held by an IRA will be aggregated with the deposits of the same Issuer held by certain employee benefit plans in which the owner of the IRA has an interest. Thus, the owner of an IRA will only be eligible for insurance of \$250,000 for deposits at any one Issuer held in plans and accounts that are subject to aggregation. See the section below headed “Aggregation of retirement plan and account deposits.”

*Pass-through deposit insurance for employee benefit plan deposits.* Subject to the limitations discussed below, under FDIC regulations a participant’s non-contingent interests in the deposits of any one Issuer held by many types of employee benefit plans are eligible for insurance up to \$250,000 on a “pass-through” basis. This means that instead of the deposits of one Issuer held by an employee benefit plan being eligible for only \$250,000 of insurance in total, each employee benefit plan participant is eligible for insurance of his or her non-contingent interest in the employee benefit plan up to \$250,000, subject to the aggregation of the participant’s interests in different plans, as discussed below under “Aggregation of retirement plan and account deposits.” The pass-through insurance provided to an employee benefit plan participant is separate from the \$250,000 federal deposit insurance limit allowed on deposits held by the individual in different insurable capacities at the same Issuer (e.g., individual accounts, joint accounts, etc.).

The types of plans for which deposits may receive pass-through treatment are employee benefit plans, as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 (“ERISA”) (including Keogh plans, whether or not they are technically “employee benefit plans” under ERISA) and eligible deferred compensation plans described in Section 457 of the Internal Revenue Code of 1986 (the “Code”). For purposes of Section 3(3) of ERISA, employee benefit plans are broadly defined to include most employee benefit plans, including most defined benefit plans and most defined contribution plans.

*Defined benefit plans.* The value of an employee’s non-contingent interest in a defined benefit plan will be equal to the present value of the employee’s interest in the plan, evaluated in accordance with the calculation ordinarily used under such plan. Deposits of any one Issuer held by a defined benefit plan that is eligible for pass-through treatment are *not* insured for an amount equal to the number of plan participants multiplied by \$250,000. For example, a plan has on deposit \$500,000 of CDs of any one Issuer. The employee benefit plan has two participants, one with a non-contingent interest of \$425,000 and one with a non-contingent interest of \$75,000. In this case, the employee benefit plan’s deposits would be insured only up to \$325,000; the plan would be eligible for up to \$250,000 for the participant with the non-contingent \$425,000 interest and up to \$75,000 for the participant with the \$75,000 non-contingent interest.

Overfunded amounts, which are any portion of a plan’s deposits not attributable to the interests of beneficiaries under the plan, are insured, in the aggregate, up to \$250,000 separately from the insurance provided for any other funds owned by or attributable to the employer or a plan participant.

*Defined contribution plans.* The value of an employee's non-contingent interest in deposits of any one Issuer held through a defined contribution plan will be equal to the amount of funds on deposit attributable to the employee's account with the plan, regardless of whether the funds on deposit resulted from contributions made by the employee, the employer or both.

Portions of deposits of any one Issuer held by an employee benefit plan that are attributable to the contingent interests of employees in the plan are not insured on a pass-through basis. Contingent interests of employees in an employee benefit plan are interests that are not capable of evaluation in accordance with FDIC rules, and are insured up to \$250,000 per plan.

*Aggregation of retirement plan and account deposits.* Under FDIC regulations, an individual's interests in plans maintained by the same employer or employee organization (e.g., a union) that are holding deposits of the same Issuer will be insured for up to \$250,000 in the aggregate. In addition, under FDIC regulations, an individual's interest in the deposits of one Issuer held by (i) IRAs, (ii) deferred compensation plans for certain employees of state or local governments or tax-exempt organizations (i.e., Section 457 Plans), (iii) self-directed "Keogh Plans" of owner-employees described in Section 401(d) of the Code, and (iv) self-directed defined contribution plans will be insured for up to \$250,000 in the aggregate whether or not maintained by the same employer or employee organization.

#### **Questions about FDIC deposit insurance coverage**

If you have questions about basic FDIC insurance coverage, please contact UBS. You may wish to seek advice from your own attorney concerning FDIC insurance coverage of deposits held in more than one insurable capacity. You may also obtain information by contacting the FDIC, Deposit Insurance Outreach, Division of Depositor and Consumer Protection, by letter (550 17th Street, N.W., Washington, D.C. 20429), by phone (877-275-3342 or 800-925-4618 (TDD)), by visiting the FDIC website at [fdic.gov/deposit/index.html](http://fdic.gov/deposit/index.html), or by e-mail using the FDIC's On-line Customer Assistance Form available on its website.

#### **Payments under adverse circumstances**

As with all deposits, if it becomes necessary for federal deposit insurance payments to be made on the CDs, there is no specific time period during which the FDIC must make insurance payments available. Accordingly, you should be prepared for the possibility of an indeterminate delay in obtaining insurance payments.

As explained above, the \$250,000 federal deposit insurance limit applies to the principal and accrued interest on all CDs and other deposit accounts maintained by you at the Issuer in the same insurable capacity. The records maintained by the Issuer and UBS regarding ownership of CDs would be used to establish your eligibility for federal deposit insurance payments. In addition, you may be required to provide certain documentation to the FDIC and to UBS before insurance payments are released to you. For example, if you hold CDs as trustee for the benefit of trust participants, you may also be required to furnish an affidavit to that effect; you also may be required to furnish other affidavits and provide indemnities regarding an insurance payment.

In the event that deposit insurance payments become necessary for your CDs, the FDIC is required to pay the original par

amount plus accrued interest (or the accreted value in the case of zero-coupon CDs) to the date of the closing of the relevant Issuer, as prescribed by law, and subject to the \$250,000 federal deposit insurance limit. No interest or accreted value is earned on deposits from the time an Issuer is closed until insurance payments are received.

As an alternative to a direct deposit insurance payment from the FDIC, the FDIC may transfer the insured deposits of an insolvent institution to a healthy institution. Subject to insurance verification requirements and the limits on deposit insurance coverage, the healthy institution may assume the CDs under the original terms or offer you a choice between paying the CD off and maintaining the deposit at a different rate. There may be a delay in receiving notification from the healthy institution, and the healthy institution may lower the rate on the CDs prior to providing notice. UBS will advise you of your options in the event of a deposit transfer as information becomes available.

UBS will not be obligated to you for amounts not covered by deposit insurance nor will we be obligated to make any payments to you in satisfaction of a loss you might incur as a result of (i) a delay in insurance payouts applicable to your CD, (ii) your receipt of a decreased interest rate on an investment replacing your CD as a result of the payment of the principal and accrued interest or the accreted value of a CD prior to its scheduled maturity or (iii) payment in cash of the principal and accrued interest or the accreted value of your CDs prior to maturity in connection with the liquidation of an Issuer or the assumption of all or a portion of its deposit liabilities. In connection with the latter, the amount of a payment on a CD that had been purchased at a premium in the secondary market is based on the original par amount (or, in the case of a zero-coupon CD, its accreted value) and not on any premium amount. Therefore, you can lose up to the full amount of the premium as a result of such a payment. Also, UBS will not be obligated to credit your account with funds in advance of payments received from the FDIC.

#### **Additions or withdrawals**

No additions are permitted to be made to any CD. When you purchase a CD, you agree with the Issuer to keep your funds on deposit for the term of the CD. Accordingly, except as set forth below, no early withdrawals of interest-bearing CDs will be available. The early withdrawal provisions, if any, applicable to your CD may be more or less advantageous than the provisions applicable to other deposits available from the Issuer.

In the event of death or the adjudication of incompetence of the owner of a CD, early withdrawal of the entire CD will generally be permitted without penalty. Withdrawal of a portion of the owner's interest will not be permitted. Written verification acceptable to the Issuer will generally be required to permit early withdrawal under these circumstances. Pursuant to the Internal Revenue Code of 1986, as amended, the beneficiary of an IRA (but not a Roth IRA) must begin making withdrawals from the IRA after age 70½. CDs held in an IRA are not eligible for early withdrawal simply because the beneficiary must begin making mandatory withdrawals from the IRA. IRA beneficiaries should purchase CDs with maturities that correspond to the mandatory withdrawal requirements or look to the secondary market for liquidity. See the section headed "Secondary market."

In the event that a customer wishes to make an early withdrawal, and such withdrawal is permitted, UBS endeavors to obtain funds for the customer as soon as possible. However, we will not advance funds in connection with early withdrawals and can give no assurances that payment pursuant to early withdrawals will be made by a specified date.

### **Secondary market**

UBS, though not obligated to do so, may maintain a secondary market in the CDs after their Settlement Date. We cannot provide assurance that you will be able to sell your CDs prior to their maturity. In addition, the secondary market for the CDs may be discontinued at any time without notice. Therefore, you should not rely on any such ability to sell your CDs for any benefits, including achieving trading profits, limiting trading or other losses, realizing income prior to maturity or having access to proceeds prior to maturity.

Your jumbo CD may not be resold in denominations less than \$100,000. You should be aware that jumbo CDs may be less liquid than small denomination CDs and CDs held at UBS may be less liquid than CDs that may be transferred to other broker/dealers.

In the event that a buyer is available at a time you attempt to sell your CD prior to its maturity, the price at which your CD is sold may result in a return to you that may differ from the yield that the CD would have earned had it been held to maturity, since the selling price for a CD in such circumstances will likely be based on a number of factors such as the denomination of the CD, interest rate movements, time remaining until maturity and other market conditions. Also, the price you may pay for any CD purchased in the secondary market will include a mark-up established by UBS. Similarly, the price at which a CD may be sold if a secondary market is available will reflect a mark-down retained by UBS. In the event you choose to sell a CD in the secondary market, you may receive less in sale proceeds than the original principal (par) amount of the CD.

In the event that a CD is purchased in the secondary market at a premium over the par amount (or accreted value in the case of a zero-coupon CD), the premium is not insured. Therefore, if deposit insurance payments become necessary for the Issuer, the owner of a CD purchased in the secondary market can incur a loss of up to the amount of the premium paid for the CD. (Also see the section headed "Deposit insurance.")

The uninsured premium being paid for an interest-bearing CD can be determined from the price set forth on your trade confirmation. Price on CDs is expressed in relation to par (100.00). Any amount over 100.00 represents the premium. For example, if your trade confirmation states that the price for a CD purchased in the secondary market is 100.25, there is a premium that will not be insured by the FDIC. A price of 99.75 would not include a premium. The trade confirmation will also inform you if the CD has accrued interest, which will be insured as long as the par amount of CDs held by you in one insurable capacity at the Issuer plus the accrued interest does not exceed the \$250,000 federal deposit insurance limit. In the case of a zero-coupon CD purchased in the secondary market, the uninsured premium can initially be calculated by subtracting the accreted value from the "Gross Amount" paid. This uninsured premium does, however, decline over time. The accreted value of a zero-coupon CD, which is based upon the original

issue yield and price, can be obtained at the time of purchase from UBS.

If you purchase a callable CD in the secondary market at a premium, you will receive only the par amount if the CD is called.

### **Fees**

In the case of a primary offering, under the arrangements established by UBS with the Issuer, UBS will receive a placement fee payable upfront from the Issuer of up to 30 basis points (0.30%) per annum of the principal amount of CDs purchased by you. A part of this fee is used to compensate your UBS Financial Advisor if you buy the CD through a Financial Advisor. If you buy a CD in the secondary market—except for the mark-up or mark-down discussed above in connection with secondary market transactions and a potential handling fee that is disclosed on your trade confirmation—you will not be charged any commissions in connection with your purchase.

### **Federal income tax consequences**

The following is a summary of the principal U.S. federal income tax consequences of the ownership of the CDs. The discussion below does not purport to deal with all of the federal income tax consequences applicable to all potential CD owners and does not deal with owners of CDs other than original purchasers. Persons considering the purchase of the CDs should consult their own tax advisors and federal, state, local and any other income and estate tax laws relevant to their particular situations as well as any other taxing jurisdiction. UBS will, if applicable, provide you with an annual statement containing certain information relevant to the determination of the amount of interest or discount income with respect to your CDs upon which you will be taxed for the preceding year.

Pursuant to Internal Revenue Service regulations, UBS and its tax advisors hereby inform you that: (i) any tax advice contained herein is not intended and was not written to be used, and cannot be used by any taxpayer, for the purposes of avoiding penalties that may be imposed on the taxpayer; (ii) any such advice was written to support the promotion or marketing of the CDs described in this Disclosure Statement; and (iii) each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

As used herein, the term "United States Holder" means a beneficial owner of a CD that is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, (iv) a trust if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and (B) one or more U.S. persons have the authority to control all substantial decisions of the trust, or (v) a person otherwise subject to U.S. federal income taxation on a net basis in respect of such holder's ownership of a CD.

### **United States holders**

#### **Zero-coupon CDs**

Zero-coupon CDs will be treated as having been issued with original issue discount ("OID"). A portion of the discount from face value of a zero-coupon CD may be taxable to the holder of the CD each year as ordinary interest income, even though the

cash attributable to this discount is not received by the holder until the maturity of the CD.

*Zero-coupon CDs with a maturity of one year or less.* In general, an individual or other holder that uses the cash method of accounting is not required to accrue OID on a zero-coupon CD with a maturity of one year or less. Any gain realized upon the sale, maturity or other disposition of the zero-coupon CD will be treated as ordinary income to the extent of the holder's share of the OID inherent in such CD, calculated on a straight-line basis (or, if elected, under a constant yield method based on daily compounding). Holders that use the accrual method of accounting are required to accrue OID on a straight-line basis unless an election is made to accrue the OID under a constant yield method based on daily compounding.

*Zero-coupon CDs with a maturity of more than one year.* A holder of a zero-coupon CD with a maturity of more than one year will be required to include OID on the CD as interest income during each taxable year that the holder owns the CD, regardless of whether the holder uses the cash or accrual method of accounting. A holder will realize gain or loss on the sale, early withdrawal, maturity or other disposition of such CD equal to the difference between (i) the amount received by the holder on the disposition of the CD and (ii) the amount the holder paid to acquire the CD with such amount paid being increased by the amount of OID previously taxed to the holder with respect to the CD.

#### **Fixed rate interest-bearing CDs**

Interest paid on a fixed rate interest-bearing CD is generally taxable each year as ordinary income to the holder in accordance with the holder's method of accounting. A holder will realize gain or loss on the sale, early withdrawal, maturity or other disposition of a CD equal to the difference between (i) the amount received by the holder on the disposition of the CD and (ii) the amount the holder paid to acquire the CD. For this purpose, the amount received does not include any amount attributable to accrued and unpaid interest on the CD, which amount is treated as interest income. Gain or loss generally will be long-term capital gain or loss if the CD was held for more than one year.

#### **Variable rate CDs**

Variable rate CDs may be treated as issued with original issue discount (OID). Accordingly, a holder of a variable rate CD may be required to include OID on the CD as interest income during each taxable year that the holder owns the CD, regardless of whether the holder uses the cash or accrual method of accounting and whether the current receipt of cash from the CD equals the OID included in income for such year. Prospective holders of variable rate CDs will be provided with a supplemental disclosure statement describing the tax rules that apply to such CDs.

#### **IRAs and Keogh plans**

Notwithstanding the general rules set forth above, the tax liability on interest paid or discount accrued, as the case may be, on CDs held by traditional IRAs and Keogh plans generally is postponed until actual distribution of the interest or discount accrued, as the case may be, to the beneficiaries of these plans. Interest income generally accumulates in a Roth IRA tax-free, and if certain criteria are met, distributions from the Roth IRA will not be taxed.

#### **Backup withholding**

Certain non-corporate holders of the CDs may be subject to backup withholding or information reporting requirements on payments of principal and interest on, and the proceeds of disposition of, the CDs. Backup withholding will apply only if (i) under certain circumstances, the holder fails to certify (on an Internal Revenue Service Form W-9 or substantially similar form), under penalty of perjury, that it has furnished a correct Taxpayer Identification Number ("TIN") and has not been notified by the Internal Revenue Service that it is subject to backup withholding for failure to report dividend or interest payments, (ii) the holder has been notified by the Internal Revenue Service that it has failed to properly report payments of dividends and interest, (iii) the holder fails to furnish its TIN or (iv) the holder furnishes an incorrect TIN. Any amounts withheld from a payment to a holder under the backup withholding rules will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle such holder to a refund.

#### **Non-United States holders**

Interest or discount income, as the case may be, paid on CDs owned by a non-resident alien or foreign corporation is not subject to any U.S. federal income or withholding tax, provided that this income is not effectively connected with the conduct by such foreign purchaser of a CD of a trade or business within the United States. Such interest or discount income and payment of the proceeds on the disposition of a CD generally will also be exempt from any U.S. information reporting or backup withholding requirements if the foreign purchaser provides UBS (either directly or indirectly through a financial institution holding a CD as nominee for the foreign purchaser) with a Form W-8BEN (or a substitute statement in a form substantially similar to the Form W-8BEN) in which the foreign purchaser states his or its name and address and certifies, under penalty of perjury, that he or it is the beneficial owner of the CD and is not an individual citizen or resident of the United States or an entity formed in the United States, as the case may be.

Any gain or income realized by a non-resident alien or foreign corporation upon the sale, early withdrawal, maturity or other disposition of a CD will not be subject to U.S. federal income or withholding tax if (i) such gain or income is not effectively connected with a trade or business of the foreign purchaser in the United States and (ii) in the case of a foreign purchaser who is a non-resident alien, the non-resident alien is not present in the United States for 183 days or more in the taxable year of the disposition.

Special rules apply to CDs owned by foreign partnerships or foreign trusts. Prospective purchasers of the CDs should consult their own tax advisors concerning the tax consequences of ownership of a CD in their particular situations.





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