An Agreement Among the Attorneys General of the States and Commonwealths of Alabama, California, Colorado, Connecticut, District of Columbia, Florida, Idaho, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Tennessee and Wisconsin and UBS AG dated May 4, 2011.

This Settlement Agreement is made and entered into this fourth day of May, 2011 (hereinafter, "Effective Date"), by and between the Attorneys General of the States and Commonwealths of Alabama, California, Colorado, Connecticut, District of Columbia, Florida, Idaho, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Tennessee and Wisconsin (hereinafter, "Attorneys General") and UBS AG (hereinafter, "UBS").

WHEREAS, the Attorneys General have been conducting an investigation of violations of state and federal antitrust laws, state consumer protection laws and false claims statutes in the marketing, sale and placement of Municipal Bond Derivatives (the "Attorneys General's Investigation");

WHEREAS, the Attorneys General are prepared to make the following allegations based upon the Attorneys General's Investigation, which allegations UBS neither admits nor denies:

Allegations

The Market for Tax-Exempt Securities

1. Bonds issued by governmental, quasi-governmental and not-for-profit entities in the United States ("Municipal Bonds") represent an important source of funds for those entities ("Issuers"). They are used by state agencies, municipalities, towns and other qualified Issuers to finance a variety of projects such as mass transit, repair of streets and roads, and construction of buildings, low-income housing, schools and power plants as well as satisfying ongoing cash flow and debt service requirements.

2. While the proceeds from the issuance of Municipal Bonds are usually earmarked for specific purposes, it is often the case that Issuers do not need to spend all of the funds immediately. For instance, if the bond was issued to fund the construction of a stadium, the Issuer may only have an immediate need for a portion of the proceeds raised through the bond offering. The remainder typically is placed in an account that can be drawn upon as construction-related expenses are incurred. In such cases, the Issuer may seek a safe interest-bearing investment vehicle in order to earn interest on the funds until they are ready to use.

3. Investment agreements used to invest the proceeds from a Municipal Bond issue include forward purchase, supply or delivery agreements, repurchase

agreements, certificates of deposit on escrows and secured ("collateralized") and unsecured Guaranteed Investment Contracts (collectively, "Municipal Reinvestment Products").

4. Issuers also utilize various hedging instruments and strategies designed to manage or transfer the interest rate risk associated with the issuance of bonds, such as swaps, options, "swaptions," collars, caps, and floors (collectively, "Municipal Interest Rate Risk Management Products"). A Municipal Interest Rate Risk Management Product is often a contract under which each party agrees to make periodic payments to the other for an agreed period of time based upon a notional amount of principal.

5. Issuers invest in Municipal Reinvestment Products and enter into Municipal Interest Rate Risk Management Products (collectively, "Municipal Bond Derivatives") with counterparties. These counterparties, or "providers," are most often large financial institutions such as commercial or investment banks, insurance companies or other financial service companies. UBS was a provider.

The Safe Harbor Regulations

6. Tax arbitrage is an investment strategy that takes advantage of tax rate differences among assets. In the context of the Municipal Bond market, such a strategy may be accomplished by using low-cost tax-exempt bonds to finance the purchase of higher-yielding Municipal Bond Derivatives. In order to prevent tax arbitrage, the United States Department of the Treasury has promulgated regulations that limit tax arbitrage by restricting the yield on an Issuer's investments and sometimes requiring the rebate of certain excess earnings to the government.

7. To comply with the federal regulations, the yield on an investment such as a Guaranteed Investment Contract must be based on a purchase price that does not exceed the yield permitted by the regulations.

8. With respect to Municipal Reinvestment Products, the transaction will fall within the "safe harbor" regulations and the yield may be considered at fair market value if the bid specifications include, *inter alia:*

- All material terms of the bid, including all terms that may directly or indirectly affect the yield;
- A written statement that the potential providers did not consult with any other providers about the bid, that the bid was determined without regard to any agreement, and that the bid was not a "courtesy bid" (a bid submitted solely as a courtesy to the Issuer or any other person for purposes of satisfying the regulations);
- A written statement that no bidder received an unfair bidding advantage such as an opportunity to review other bids or to have a

"last look" (an opportunity to review other bids before providing a bid);

- A written statement that at least three (3) "reasonably competitive providers" were solicited; and

- At least three (3) written bids from disinterested providers were obtained.

9. In order for an Issuer to meet the fair market value "safe harbor" requirements, Municipal Reinvestment Products are handled through a competitive bidding process that is conducted by a bidding agent or broker retained by the Issuer or the Issuer's agent. In some transactions, UBS acted as a broker or bidding agent.

10. In addition to its responsibilities for conducting the bidding on a Municipal Reinvestment Product, at the conclusion of the bidding and prior to the award of the Municipal Reinvestment Product, the broker must certify in writing to the Issuer compliance with a number of requirements, principal among them being:

- At least three (3) disinterested bidders with an established industry reputation as "reasonably competitive providers" of the types of Municipal Reinvestment Products being purchased were solicited for bids;

- All potential bidders had "an equal opportunity to bid"; and

- At least one of the three bids was obtained from a "reasonably competitive provider."

11. Unlike Municipal Reinvestment Products, Municipal Interest Rate Risk Management Products are not subject to the fair market value safe harbor. Although Issuers are not required by the federal regulations to engage in competitive bidding for the Municipal Interest Rate Risk Management Products, in some instances they choose, or are required by local procurement regulations, to do so.

12. The Issuer will often retain the services of a broker or financial or swap advisor whose responsibility it is to assist the Issuer in evaluating and selecting the most appropriate provider and in obtaining a fair and reasonable price on the execution of the Municipal Interest Rate Risk Management Products.

13. A swap advisor, presumably acting on behalf of the Issuer, would analyze such factors as the structure of the transaction, credit, cash flow payments, current benchmark pricing and the date and time of the transaction. Swap advisors are usually paid a fee for this service by the Issuer.

14. During the period 1999 through at least 2004, Issuers involved in negotiated transactions often instructed their brokers and swap advisors to obtain an

independent third party opinion to gauge whether the price offered by the putative provider was a fair and reasonable price. At times, the advisors would obtain valuations to get a better sense of what a fair and reasonable market price would be. These valuations were usually accomplished through what were referred to in the industry as "market pricing letters" or "fairness opinions" or through a process known as "check away pricing" or "shadow pricing," and were intended to be independent, market-based, valuations of the fairness of the provider's pricing for, e.g., a swap.

15. To compile such valuations, the broker or swap advisor would identify several providers not involved in the negotiated transaction who were then asked to provide an "on-market rate" or "shadow rate" at or around the time that the transaction is set to take place. These rates would be compared to the rate offered by the Issuer's designated provider to assess the fairness of the rate offered. Providers are usually not compensated for providing the Issuer with the check-away price.

UBS's Municipal Reinvestment and Interest Rate Risk Management Group

16. UBS is a multi-national financial services company formed by the 1998 merger of Union Bank of Switzerland and the Swiss Bank Corporation. UBS is the parent company of the UBS Group ("Group"). The operational structure of the Group currently comprises the Corporate center and four business divisions: Wealth Management & Swiss Bank, Wealth Management Americas, Global Asset Management and the Investment Bank.

17. In November 2000, Paine Webber, a brokerage business, merged with UBS. The merged entity changed its name to UBS Paine Webber in or around March 2001.

18. Prior to its merger with UBS, Paine Webber had a municipal reinvestment desk ("MRD") that was part of PaineWebber's municipal securities group. Following the merger in 2000, the municipal securities group continued to exist within UBS PaineWebber. Ultimately, the subsidiary changed its name to UBS Financial Services, Inc. in or around June 2003.

19. At least as early as 1999, UBS had its own Municipal Derivatives Group ("MDG"), which generally handled competitive and negotiated derivative transactions with government and non-government Issuers (i.e., not-for-profit and for-profit entities). As of April 1999, the MDG was co-led by Peter Ghavami, who came to UBS from J.P. Morgan Securities' municipal derivatives desk.

20. In early 2001, the Paine Webber MRD was merged with UBS's MDG forming Derivatives and Reinvestment Services. Ghavami continued in his role as a

co-lead manager of UBS's reinvestment and derivatives operation.[1] In June 2008, UBS closed the MRD and its institutional municipal securities business.

21. The MRD was primarily involved with the sale, marketing and placement of Municipal Bond Derivatives and was located in New York City. In February and March 2001, UBS recruited two additional hires: Gary Heinz, who came to the company from J.P. Morgan Securities and took over direct supervisory responsibility for the MRD, and Mark Zaino, who came to UBS from CDR Financial Products, Inc. ("CDR"), a California-based financial products and services firm that provided broker and advisory support to various municipalities throughout the United States.

22. UBS's MRD included marketers who maintained client and broker relationships, and who structured and sold Municipal Bond Derivative products to its Issuer clients. They bid on behalf of the desk for competitively bid derivative transactions or negotiated for Municipal Interest Rate Risk Management Products that were not bid out competitively. MRD also marketed its services as a broker or bidding agent for such products to government agencies, municipalities, and not-for-profit Issuers.

23. UBS's marketers' annual compensation was a combination of salary plus performance incentives that were related in part to the volume and profitability of the transactions a marketer brought to the desk.

24. The Municipal Bond Derivative industry is a relationship-driven business. Marketers know that their level of personal success - - opportunities for promotion and increased compensation - - may be affected by the number of profitable transactions they bring to their financial institution. Access to these transactions is controlled, in significant part, by brokers, bidding agents and swap advisors, for it is these individuals who often decide which providers to solicit for a particular competitively bid transaction or which provider to recommend to an Issuer for a negotiated transaction. Simply put, not every provider gets an opportunity to "see" and bid on a transaction. Therefore, a marketer has reasons to gain favor with the brokers, bidding agents and swap advisors who often influence the ultimate selection of a provider.

25. But it works both ways. Providers often have established relationships with Issuers. Many times a provider was the Issuer's underwriter on a municipal bond, such that the investment banker who advised and led the bond underwriting may have an established relationship with the Issuer's finance director, bond counsel or advisor. Thus, it was fairly common for an Issuer to seek a recommendation from providers for a broker, bidding agent or swap advisor to assist the Issuer with handling the Municipal Bond Derivative transaction. Bidding agents, brokers and swap advisors, therefore, have an incentive to ingratiate themselves with marketers,

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[1] For simplicity, hereinafter UBS's reinvestment and derivatives operations will be referred to as the MRD.

not only as additional sources of business but also because, as discussed above, for competitive deals, bidding agents and brokers need to obtain a minimum of three quotes to meet the fair market value safe harbor.

The Conduct of the UBS Marketers

26. UBS's MRD business was conducted in part by Ghavami, Heinz, Zaino, Mike Welty and two other individuals (collectively, the "UBS Marketers").

27. The UBS Marketers engaged in a variety of illegal activities on certain transactions primarily during the period 2001 through at least 2004. Sometimes their activities involved a broker orchestrating bids for a Municipal Reinvestment Product, including courtesy or "cover" bids to foster the illusion of competition. In other instances, a provider communicated directly with other providers to fix the price, rate, or key terms of a particular transaction. In a number of other instances, despite the brokers' and winning providers' certification to the Issuer that no bidders had reviewed a competitor's bid, submitted a courtesy bid, or received a "last look," that was precisely what had occurred.

28. UBS participated in these transactions through one or more of the UBS Marketers and obtained unjust profits as a result. The UBS Marketers' unlawful activities caused certain Issuers throughout the country to receive less favorable terms on Municipal Bond Derivatives that were the subject of those activities than they would have received otherwise.

UBS Rigged Bids on Certain Municipal Bond Derivative Transactions

29. By and large the bid-rigging was directed by CDR and several other powerful Municipal Bond Derivative brokers and carried out with the assistance of a number of co-conspirator marketers employed by participating providers. At UBS, these activities were carried out by the UBS Marketers. The UBS Marketers who were engaged in those activities are no longer employed by UBS, and the MRD has been closed.

30. The bid-rigging, which occurred on certain transactions, differed from transaction to transaction. For example, in a "competitively bid" transaction, a broker might identify in advance the provider it determined should win the bid and then arrange or "set up" the necessary additional bids to be less competitive than the winning provider's bid. If the transaction was one UBS sought to win, the broker might either inform the other bidders where their intentionally losing bid, known as a "cover" quote needed to be, or it might inform the participating UBS Marketer of the other provider's bids so that UBS could adjust its own bid to ensure it was the successful bidder. UBS marketers understood that sometimes the broker might decide that UBS would be the winning bidder and sometimes UBS might need to provide the courtesy bid to protect another competitor's bid. All of this conduct, however, was obscured from the Issuer, who believed that its broker was obtaining "competitive" bids.

31. In return for the UBS Marketers steering business to CDR and other brokers, the brokers would sometimes arrange to provide the UBS Marketers with confidential information on competitors' bids. This "last look" opportunity which might be given on the very deal referred to the broker, or might be afforded in the future, enabled UBS to be less aggressive with its bidding on a given transaction and hence, change its bid just enough to win. In some cases, the "last look" enabled UBS to win a deal it might otherwise have lost to a more competitive provider. While in some instances the last look resulted in a benefit to the Issuer, in other instances the last look resulted in UBS adjusting its bid to the detriment of the Issuer on a specific transaction. The long term effect of last looks is to artificially impact the market level of bids.

32. The instances of illegal manipulation and steering of business to UBS for competitive Municipal Reinvestment Products were concealed from individual Issuers by means of false representations that the broker and UBS (as well as the other participating providers) would make on the respective certifications mandated by the federal safe harbor regulations (respectively, the "Certificate of the Provider" and "Certificate of Bidding Agent") and to which the broker and the UBS Marketers attested. Moreover, both the Certificate of the Provider and the Certificate of the Bidding Agent expressly state that the Issuer can rely on the representations made in the certificates.

UBS Deceived Issuers on Certain Negotiated Municipal Interest Rate Risk Management Products

33. Throughout the relevant time period, 2001 through 2004, UBS was well-positioned to provide certain types of Municipal Interest Rate Risk Management Products, particularly index-based swaps. These offerings are among the most profitable in the derivatives market, a fact that should have resulted in significant competition among the providers, including UBS.

34. As alleged in paragraph 11, above, Municipal Interest Rate Risk Management Products are not subject to the federal safe harbor regulations concerning the fair market value of an investment and, as a result, many times Issuers entered into these financial derivatives by negotiating directly with a provider through a financial advisor or swap advisor. To protect itself against providers seeking to take advantage of the lack of competitive bidding and thus ensure it received "on market" rates, the Issuer sometimes required its advisor to obtain "market pricing letters" or "check-away prices."

35. At various times, UBS marketing materials intended for prospective clients contained a section specifically touting the advantages Issuers could obtain by engaging in a negotiated process for Municipal Interest Rate Risk Management Products with one provider rather than engaging in a competitive bidding process. The wording of these materials varied from transaction to transaction. In an attempt to alleviate the concern that a negotiated process might result in the Issuer obtaining less than optimal terms and pricing by foregoing a competitive auction, UBS's marketing presentation might recommend that Issuers require their financial advisors

and swap experts to "act as a safeguard" by contacting other providers during the process to provide "shadow pricing" to "validate the fairness of our pricing."

36. In effect, UBS's marketing materials suggested to Issuers that shadow pricing could provide them with a competitive benchmark to assess the fairness of UBS's pricing. On a number of occasions, the UBS Marketers defeated the purpose of these market checks by agreeing with certain competitor providers, brokers, and swap advisors to arrange and procure non-competitive shadow or check-away prices.

37. The activities of the UBS Marketers differed from transaction to transaction. For instance, UBS might learn that the swap advisor planned to contact other providers and use the check-away process to measure the fairness of UBS's pricing. One or more UBS Marketers might then contact these other providers to ensure that they gave the advisor "shadow prices" that were higher (or lower, depending on the type of swap) than UBS's prices in order to make it appear as if UBS's pricing was competitive. It was either understood based on a prior course of dealing - - or expressly communicated - - that UBS would return the favor when necessary.

38. In other instances, the swap advisor engaged by the Issuer to handle the transaction and acting in concert with UBS might provide its own pricing fairness opinion to the Issuer. On a number of these occasions, the purportedly objective valuation was false and intended to cover UBS's inflated pricing on the Municipal Derivative.

39. As a result of these activities, UBS and other participating providers were able to fix their profit margins on affected negotiated derivative transactions at artificially high levels.

UBS Facilitated Improper, Undisclosed Payments to Brokers

40. In addition to the increased business and accompanying disclosed fees brokers receive for their role in competitive or negotiated Municipal Bond Derivative transactions, on some occasions UBS, through a subset of the UBS Marketers, facilitated improper, undisclosed payments to certain brokers in exchange for their assistance in ensuring that designated providers won certain Municipal Bond Derivative transactions.

41. Beginning at least as early as April 2001 and lasting until 2005, UBS facilitated improper, undisclosed payments to certain brokers that were identified as "swap fees" for inter-dealer or "back-to-back" swaps—i.e., swaps between UBS and another provider that did not require the services of a broker but would not unduly raise suspicions. On other occasions UBS independently made improper, undisclosed payments to certain brokers to reward past deals and encourage future business. In some instances, the payments reduced the amount of money the Issuers received and continue to receive pursuant to the affected transactions.

42. Issuers engage brokers, bidding agents and swap advisors to act for the benefit of the Issuer and assist them in executing Municipal Bond Derivative transactions. As a broker, UBS had a fiduciary duty to Issuers under certain state

laws to disclose to the Issuers all material information, including the fees and compensation it received pursuant to the transaction. The unlawful activities alleged herein compromised any such duty.

WHEREAS, based on this information, the Attorneys General are prepared to allege that UBS and other providers and brokers: (a) unreasonably restrained competition in the marketing, sale and placement of certain Municipal Bond Derivatives by rigging bids, and fixing prices and other terms and conditions with respect to specific Municipal Bond Derivatives transactions; (b) agreed not to bid for certain Municipal Bond Derivatives; or (c) engaged in other anticompetitive, deceptive, unfair or fraudulent conduct, including misrepresenting or omitting material facts, that deprived Issuers of Municipal Bonds of the benefits of competition among the Providers of Municipal Bond Derivatives;

WHEREAS, UBS AG has reached a resolution with the Securities Exchange Commission ("SEC Resolution"), whereby UBS has agreed, without admitting or denying any wrongdoing, to pay disgorgement to certain Municipal Bond Derivatives Counterparties identified by the SEC as being entitled to payment as a result of conduct by UBS alleged in the SEC Resolution to have violated Section 15(c)(1)(A) of the Securities Act, 15 U.S.C. section 78o(c)(l)(A);

WHEREAS, UBS has executed a Closing Agreement with the Internal Revenue Service ("IRS") pursuant to which UBS shall make payments to the Internal Revenue Service that satisfy any outstanding liability to the IRS that Eligible Counterparties and Additional Eligible Counterparties may have as a result of any of UBS's activities in connection with the Municipal Bond Derivatives that are the subject of this Settlement Agreement;

WHEREAS, UBS, without admitting or denying any of the allegations contained herein, is entering into this Settlement Agreement prior to any court making any findings of fact or conclusions of law relating to the Allegations of the Attorneys General;

WHEREAS, pursuant to this Settlement Agreement, UBS agrees to make payments to certain Eligible Counterparties to resolve the claims against it;

WHEREAS, UBS has agreed to continue to cooperate fully with the ongoing Attorneys General's Investigation; and

WHEREAS, the Attorneys General find that the relief and other provisions contained in this Settlement Agreement are appropriate and in the public interest.

NOW THEREFORE, in exchange for the mutual obligations described below, UBS and the Attorneys General hereby enter into this Settlement Agreement and agree as follows:

DEFINITIONS

A. "Attorneys General" shall mean the Attorneys General of Alabama, California, Colorado, Connecticut, District of Columbia, Florida, Idaho, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Tennessee and Wisconsin. Attorneys General as used in this Settlement Agreement shall include "Participating Attorneys General" as defined below.

B. "Participating Attorneys General" shall mean any Attorney General who elects to participate in this Settlement Agreement by completing the form attached hereto as Exhibit 2 pursuant to Paragraph 37 below.

C. "Municipal Bond Derivatives" shall mean (i) contracts involving the reinvestment of the proceeds of tax-exempt bond issues, Qualified Zone Academy Bonds, or bonds issued by or on behalf of any governmental or quasi-governmental or non-profit entity in the United States, including, but not limited to, states, cities, towns, counties, villages, parishes, school districts, clubs, or various economic development, redevelopment, financing, lottery, parking, housing, educational, medical, religious, public safety, building, water, sewer, hospital, transportation, public works, waste management, environmental, port, park, airport, telecommunications and power authorities, corporations or boards; and (ii) related transactions involving the management or transfer of the interest rate risk associated with those bond issues including, but not limited to, guaranteed investment contracts, forward supply, purchase, or delivery agreements, repurchase agreements, escrow agreements, security sales, swaps, caps, options, and swaptions. Notwithstanding the foregoing, Municipal Bond Derivatives does not include (i) contracts to underwrite the issuance of municipal bonds, (ii) credit default products, such as credit default swaps and credit default options, (iii) auction rate securities; (iv) swaps or other agreements between Providers to hedge, manage or otherwise share or transfer their risk on a Municipal Bond Derivative except to the extent used to facilitate any improper, undisclosed payments to Brokers or the rigging of bids for the reinvestment or management of bond proceeds.

D. "Covered Derivatives" are Municipal Bond Derivatives that meet the criteria set forth in Attachment A.

E. "Municipal Bond Derivatives Counterparties" shall mean the entities that entered into one or more Municipal Bond Derivatives, but shall not include Providers.

F. "Eligible Counterparties" shall mean Municipal Bond Derivatives Counterparties that entered into one or more Covered Derivatives with UBS or as to which UBS acted as a Broker on the transaction.

G. "Additional Eligible Counterparties" shall mean Eligible Counterparties identified within 90 days after the date the notice is sent to Eligible Counterparties.

H. "Participating Counterparties" shall mean Eligible Counterparties or Additional Eligible Counterparties that submit timely and complete claims pursuant to this Settlement Agreement.

I. . "Non-Participating Counterparties" shall mean Eligible Counterparties or Additional Eligible Counterparties that do not, or choose not to, submit timely and complete claims pursuant to this Settlement Agreement.

J. "Provider(s)" shall mean banks, insurance companies, other financial institutions and any other persons or entities that engage in or offer to engage in the business of buying, selling or entering into Municipal Bond Derivatives with Municipal Bond Derivatives Counterparties.

K. "Broker(s)" shall mean persons, corporations, firms, partnerships and other entities that either: (a) act on behalf of or assist the Municipal Bond Derivatives Counterparties in developing requests or bids or proposals, in soliciting bids or proposals and/or in evaluating bids or proposals for Municipal Bond Derivatives; and/or (b) act on behalf of or assist Municipal Bond Derivatives Counterparties in locating Providers and/or in negotiating and evaluating Municipal Bond Derivatives. For purposes of this Settlement Agreement, Broker(s) shall also include persons, corporations, firms, partnerships and other entities that advise Municipal Bond Derivatives Counterparties or prospective Municipal Bond Derivatives Counterparties.

L. "Relevant Conduct" shall mean, except as provided below, UBS engaging in any of the following conduct from January 1, 2001 through December 31, 2006, whether by itself or in concert with others: (i) rigging bids or fixing the prices or other terms and conditions of any Municipal Bond Derivatives; (ii) agreeing not to bid for any Municipal Bond Derivatives; (iii) engaging in any other anticompetitive, deceptive, unfair or fraudulent conduct, including misrepresenting or omitting material facts, relating to any Municipal Bond Derivatives. Notwithstanding the foregoing, Relevant Conduct does not include (i) misrepresentations or omissions of material facts to a Non-Participating Counterparty about whether a Municipal Bond Derivative was a suitable investment[2]; (ii) misrepresentations or omissions of material facts by

[2] For the purposes of this Settlement Agreement, claims concerning whether an investment was "suitable" are preserved only to the extent that they are completely independent of, and unrelated to, allegations concerning bid rigging, the pricing of a Municipal Bond Derivatives transaction, or any conduct of the sort described in paragraphs 1 through 42 of this Settlement Agreement. Moreover, it is agreed that no

UBS to any investor about the price or terms of Municipal Bond Derivatives in connection with the offer or sale of any Municipal Bond or any UBS security, or in connection with advice about whether the Municipal Bond or UBS security was a suitable investment; or (iii) conduct related to attempts to manipulate underlying interest rates used in the pricing of Municipal Bond Derivatives.

PARTIES

1. UBS shall include UBS AG, a corporation existing and organized under the laws of Switzerland. UBS enters into this Settlement Agreement on behalf of itself and its successors, assigns, subsidiaries, divisions, groups, affiliates and partnerships (all of the forgoing are referred to herein collectively as the "UBS Entities" and each individually as a "UBS Entity").

2. The Attorneys General and the Participating Attorneys General are the chief law enforcement officers of their respective states and are responsible for enforcing certain state laws within their respective jurisdictions.

SETTLEMENT PAYMENTS

3. UBS has agreed to pay a total of $90,800,000 in consideration of its settlement with the Attorneys General. UBS's payment consists of the following:

(a) $63,300,000 as restitution for Eligible Counterparties to be paid into an escrow fund in accordance with Paragraph 4 below;

(b) $20,000,000 to be paid to eligible entities by UBS pursuant to an agreement between UBS and the Securities and Exchange Commission;

(c) $5,000,000 as an Additional Payment to be paid in accordance with Paragraph 17 and 18 below; and

(d) $2,500,000 as a Civil Penalty to be paid in accordance with Paragraph 19 below.

4. UBS shall pay $63,300,000 into an escrow fund ("Fund") within 10 business days of executing the contract with the escrow agent. Subject to Paragraphs 13 and 14, the monies in the Fund and all interest earned thereon shall be used to make payments to Participating Counterparties. Any interest earned by this Fund shall remain in the Fund and be available for payments made from the Fund in accordance with this Settlement Agreement. No portion of the Fund shall be considered a fine or a penalty. The remainder of the amount paid by UBS pursuant to Paragraph 3(c)

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evidence concerning bid rigging, pricing, or the aforementioned conduct shall be admissible against UBS in any action alleging such a preserved suitability claim.

and (d) shall comprise the Additional Payment described in Paragraph 17 below and the Civil Penalty described in Paragraph 19 below and shall be paid into a separate account(s) pursuant to the Attorneys General's instructions.

5. The Attorneys General's identification of Eligible Counterparties who entered into Municipal Bond Derivative transactions with UBS during the relevant time period (as defined in Attachment A), is based on the Attorneys General's Investigation and information regarding Municipal Bond Derivatives transactions that has been provided by UBS. If, within 90 days of notice to Eligible Counterparties, it is determined by the Attorneys General, after consultation with the claims administrator, that Eligible Counterparties could not be identified due to errors or omissions in the information provided by UBS, then such additional entities shall also be eligible to receive payment from the Fund.

6. UBS warrants that, as of the Effective Date of this Settlement Agreement, neither it nor any of its affiliates are insolvent, nor shall payment(s) into the Fund or payment of the Additional Payment or Penalty render it or any of its affiliates insolvent within the meaning of and/or for purposes of the United States Bankruptcy Code. If a case is commenced against UBS or any of its affiliates, under Title 11 of the United States Code (Bankruptcy), or a trustee, receiver or conservator is appointed under any similar law and, in the event of a final order by a court of competent jurisdiction determining that payments made pursuant to this Settlement Agreement, and/or any accrued interest or any portion thereof constitute a preference, voidable transfer, fraudulent transfer or other similar transaction, and if, pursuant to such order, payments are not made pursuant to this Settlement Agreement or such payments are returned to UBS, any of its affiliates, or the trustee, receiver or conservator appointed by a court in any proceedings relating to UBS or any of its affiliates, then this Settlement Agreement shall be terminated and cancelled.

7. An escrow agent, which may not be UBS or an alleged participant in the Relevant Conduct as identified by the Attorneys General, shall be selected by UBS within 20 days of the Effective Date of this Settlement Agreement, however, the Attorneys General or their designated representative shall approve, in advance of engagement, the selection of the escrow agent and the terms of escrow agent's contract. Any amendment of the contract must also be approved by the Attorneys General or their designated representative. UBS and the Attorneys General agree to cooperate in good faith to resolve on a timely basis any objections by the Attorneys General or their designated representative to the proposed escrow agent or the contract terms. Notwithstanding the preceding, any decision by the Attorneys General to disapprove a proposed escrow agent and/or the contract shall be final. The escrow agent shall invest the cash in the Fund in obligations of or obligations guaranteed by the United States of America or any of its departments or agencies, to obtain the highest available return on investment consistent with the preservation of principal, and shall reinvest the proceeds of these instruments as they mature into similar instruments at their then-current market rates. By selecting the escrow agent, UBS makes no representations or warranties about the escrow agent, and neither the Attorneys General nor UBS shall bear any risk or liability related to the investment of the Fund. The

escrow agent shall be liable for any Fund losses caused by its own and/or its agent's or agents' willful misconduct, including theft or embezzlement, or gross negligence. The escrow agent shall not be liable for any loss resulting from the escrow agent's good faith reliance on instructions from the claims administrator which have been countersigned by an authorized individual on behalf of UBS and the Attorneys General. Notwithstanding the foregoing, the escrow agent shall use all reasonable efforts to correct any mistakes if the same should occur, including but not limited to a Federal Reserve wire recall process for funds wired to an incorrect beneficiary, a stop-payment on a check if the item is not presented for payment at that time, and holding the account balance so that only known and acceptable transactions take place. Any instructions from UBS relating to the administration of or disbursement from the Fund to Participating Counterparties must be countersigned by the Attorneys General or their designated representative. The escrow agent shall provide copies of monthly statements to the Attorneys General or their designated representative. The escrow agent shall disburse the Fund in a manner consistent with this Settlement Agreement and consistent with the instructions of the claims administrator. The costs of the escrow agent and the costs of administering the Fund (including the preparation of any tax returns) shall be the sole responsibility of UBS and shall not be paid from the proceeds of the Fund.

8. The Fund shall be treated as being at all times a qualified settlement fund within the meaning of Treas. Reg. 1.468B-1. The escrow agent and, as required, the parties shall timely make such elections as necessary or advisable to carry out the provisions of this paragraph, including, the "relation-back election," as defined in Treas. Reg. 1.468B-1, back to the earliest permitted date. Such elections shall be made in compliance with the procedures and requirements contained in such regulation. It shall be the responsibility of the escrow agent to timely and properly prepare and deliver the necessary documentation for signature by all necessary parties, and thereafter to cause the appropriate filing to occur. The escrow agent shall be the "administrator" (as defined in Treas. Reg. 1.468B-2(k)(3)) of the Fund, and shall timely and properly file all informational and other tax returns necessary or advisable with respect to the Fund. The expenses of tax preparation and tax filing shall be borne by UBS. Taxes shall be timely paid by the escrow agent out of the Fund. The escrow agent shall be obligated to withhold from distribution out of the Fund any amounts necessary to pay such tax liabilities (as well as any amounts that may be required to be withheld under Treas. Reg. 1.468B-2(1) (2)).

9. A claims administrator shall be employed to provide notice and distribute and/or administer the distribution of the Funds in accordance with the terms of this Settlement Agreement. The claims administrator shall be selected by UBS; however, the Attorneys General or their designated representative shall approve, in advance of engagement, the selection of the claims administrator and the terms of the administrator's contract. Any amendment of the contract must also be approved by the Attorneys General or their designated representative. UBS and the Attorneys General agree to cooperate in good faith to resolve on a timely basis any objections by the Attorneys General or the designated representative to the claims administrator or the contract terms; notwithstanding the preceding, any decision by the Attorneys General to disapprove a proposed claims administrator and/or the contract shall be final. The

contract shall expressly provide that: (i) the claims administrator shall provide interim reports to UBS and the Attorneys General, no less than every thirty (30) days or as otherwise requested by the Attorneys General or UBS, that shall include an itemization of all payments made from the Fund or the Residue (as defined in Paragraph 13 below); (ii) the claims administrator shall prepare draft notices to Eligible Counterparties and Additional Eligible Counterparties, which shall include a notice letter, an election to participate, a release form and a "question and answer" pamphlet ("Notice Packet"); (iii) the Notice Packet shall be mailed to Eligible Counterparties and Additional Eligible Counterparties first-class mail, postage prepaid and by electronic delivery if addresses are available; (iv) the claims administrator shall maintain a settlement website (which shall not be identified with UBS) and shall provide a method by which Eligible Counterparties and Additional Eligible Counterparties may call with questions about the settlement; (v) the Notice Packet and any other written communication with Eligible, Additional Eligible or Participating Counterparties, including the letter that shall accompany the mailing of payments to Participating Counterparties from the Fund, shall be approved in advance by the Attorneys General or their designated representative after consultation with UBS; (vi) instructions to the claims administrator regarding notices and distribution of the Fund to Participating Counterparties shall be countersigned by the Attorneys General or their designated representative; and (vii) any questions regarding the distribution to the Participating Counterparties that cannot be answered by the claims administrator shall be directed to the Attorneys General or their designated representative(s). By selecting the claims administrator, UBS makes no representations or warranties about the claims administrator. The claims administrator shall bear all risks related to the administration of and/or distribution of the Fund. Neither the Attorneys General nor UBS bear any risk or liability related to the administration and/or distribution of the Fund, or the actions or inaction of the claims administrator. The costs of administering the distribution of the Fund (including all notices) shall be the sole responsibility of UBS and shall not be paid from the Fund.

10. Payments from the Fund shall be made to Participating Counterparties, pursuant to a formula to be developed by the Attorneys General in consultation with UBS. Notwithstanding the foregoing, the Attorneys General shall have the right to adopt a formula they deem appropriate for payments from the Fund.

11. In order to ensure that payments are made to the Participating Counterparties on a timely basis, UBS and the Attorneys General will work in good faith to complete their respective duties and tasks as set forth in Attachment B within the time specified therein.

12. To receive a payment from the Fund, Eligible Counterparties and Additional Eligible Counterparties must submit a timely election to participate, accompanied by a signed release in the form attached hereto as Exhibit 1, in accordance with the instructions set forth in the Notice Packet. In the event that any Eligible Counterparty or Additional Eligible Counterparty elects not to participate or otherwise does not respond ("Non-Participating Counterparty"), this settlement shall have no effect on any claims or causes of action , that such Non-Participating Counterparty may have against UBS for the Relevant Conduct.

13. In the event that any of the principal of UBS's $63,300,000 payment (*i.e.,* not including accrued interest) remains in the Fund after all payments have been made to Participating Counterparties pursuant to Attachment B (the "Residue"), UBS upon ten (10) days notice to the Attorneys General, may instruct the claims administrator to use any of the Residue to satisfy any pending or other claims asserted by Municipal Bond Derivatives Counterparties relating to the Relevant Conduct by disbursing such money from the Fund specifically for such use; *provided, however,* that the Residue shall be used solely for payment of other claims asserted by Municipal Bond Derivatives Counterparties related to the Relevant Conduct.

14. Notwithstanding anything in this Settlement Agreement to the contrary: (i) UBS is specifically prohibited from using any of the Fund or Residue for payment of attorneys' fees; (ii) in no event shall any distribution to any non-Participating Counterparty from the Fund or the Residue exceed the amount the non-Participating Counterparty would have received if it had elected to be a Participating Counterparty under this Settlement Agreement; (iii) any of the Residue remaining in the Fund as of the date the last case that is part of MDL No. 1950, Master Docket No. 08-2156 (*In Re Municipal Derivatives Antitrust Litigation*) is dismissed with prejudice as to UBS and the time for appeal has expired shall be paid to a multi-state fund for additional disbursement to Participating Counterparties, for the antitrust training of deputy and assistant Attorneys General, or otherwise directed by the Attorneys General; and (iv) under no circumstances shall any of the monies in the Fund or Residue, at any time, be returned to UBS.

15. The claims administrator and the escrow agent shall provide UBS and the Attorneys General or their designated representatives with a final report accounting for all amounts paid to Participating Counterparties from the Fund and to whom such payments were made. In addition, the claims administrator and escrow agent shall maintain and provide UBS and the Attorneys General or their designated representatives with reports accounting for payments made to all other Municipal Bond Derivative Counterparties (other than the Participating Counterparties) pursuant to Paragraphs 5 and 7 above. Such reports shall be provided monthly or as otherwise requested by UBS or the Attorneys General. Upon request, the claims administrator and escrow agent shall make available for inspection by the Attorneys General or their designated representatives all records relating to such payments.

16. In no event shall any of the monies in the Fund be used to pay attorneys' fees (including attorneys' fees incurred in satisfying payment pursuant to pending or other claims asserted by Municipal Bond Derivatives Counterparties relating to the Relevant Conduct) or any cost or expenses associated with the establishment or administration of the Fund, including but not limited to the costs of identifying Eligible Counterparties, providing notices, calculating payments, issuing checks and preparing any accounting return(s) or other reports.

ADDITIONAL PAYMENT

17. Within thirty (30) business days of the Effective Date of this Settlement Agreement, UBS shall pay or cause to be paid, by wire transfer, certified check or other guaranteed funds, pursuant to the instructions of the Attorneys General, the sum of $5,000,000 (the "Additional Payment").

18. The Additional Payment shall be apportioned and used for any one or more of the following purposes, as the Attorneys General, in their sole discretion, see fit: (a) payment of attorneys' fees and expenses; (b) antitrust or consumer protection law enforcement; (c) to cover additional expenses relating to the ongoing Attorneys General's Investigation and any related litigation; (d) for deposit into a state antitrust or consumer protection account (e.g., revolving account, trust account), for use in accordance with the state laws governing that account; (e) for deposit into a fund exclusively dedicated to assisting state attorneys general defray the costs of experts, economists and consultants in multi-state antitrust investigations and litigation; (f) for such other purpose as the Attorneys General deem appropriate, consistent with the various states' laws.

CIVIL PENALTY

19. Within thirty (30) business days of the Effective Date of this Settlement Agreement, UBS shall pay or cause to be paid, by wire transfer, certified check or other guaranteed funds, pursuant to the instructions of the Attorneys General, the sum of $2,500,000 as a civil penalty.

PROHIBITED CONDUCT

20. UBS, its directors, officers, managers, agents, employees and any other person or company acting on its behalf or at its direction, shall not, directly or indirectly, maintain, solicit, suggest, advocate, discuss or carry out any unlawful combination, conspiracy, agreement, understanding, plan or program with any actual or potential competitor, financial advisor, bidding agent or broker to (a) submit courtesy, cover or otherwise non-competitive bids for Municipal Bond Derivatives, (b) refrain from bidding on or negotiating for Municipal Bond Derivatives, (c) coordinate the preparation, submission, content, price and other terms of Municipal Bond Derivatives, or (d) engage in the Relevant Conduct as defined above.

21. UBS, its directors, officers, managers, agents, employees and any other person or company acting on its behalf or at its direction, shall not, in conjunction with the marketing, sale, or placement of Municipal Bond Derivatives make misrepresentations or omit material facts to potential counterparties, their agents, brokers or advisors.

BUSINESS REFORMS

22. Within ninety (90) days of the Effective Date of this Settlement Agreement, UBS shall provide the Attorneys General with its written standards of conduct with respect to antitrust and unfair trade practices.

23. Within one hundred twenty (120) days of the Effective Date of this Settlement Agreement, UBS shall provide a copy of its written standards of conduct with respect to antitrust and unfair trade practices to all persons (if any) who engage in the marketing, sale and/or placement of Municipal Bond Derivatives on behalf of UBS. Such standards shall be provided to new employees (if any) who engage in the marketing, sale and/or placement of Municipal Bond Derivatives within thirty (30) days of commencing employment.

COOPERATION WITH THE ATTORNEYS GENERAL'S INVESTIGATION

24. Until the date upon which the Attorneys General's Investigation is concluded, UBS agrees to continue to provide full, complete and prompt cooperation with the ongoing Attorneys General's Investigation, and related proceedings and actions, against any other person, corporation or entity, including but not limited to UBS's former employees. UBS agrees to use its best efforts to secure the full and truthful cooperation of its current officers, directors, employees, and agents with the ongoing Attorneys General's Investigation and related proceedings and actions.

25. Cooperation shall include, but not be limited to: (a) producing voluntarily, without service of subpoena and to the extent permitted by law, all information, documents or other tangible evidence reasonably requested by the Attorneys General that relates to the Attorneys General's Investigation; (b) preparing, without service of subpoena and to the extent permitted by law, any compilations or summaries of information of data that the Attorneys General reasonably request that relate to the Attorneys General's Investigation; and (c) if requested by the Attorneys General, working to ensure that UBS's current officers, directors, employees and agents attend, on reasonable notice, any proceedings (including but not limited, to meetings, interviews, hearings, depositions, grand jury proceedings and trial) and, subject to the right to withhold information on grounds of privilege, work-product or other legal doctrine, to answer completely, candidly and truthfully any and all inquiries relating to the subject matter of the Attorneys General's Investigation that may be put to such persons by the Attorneys General (or any of them, their deputies, assistants or agents), without the necessity of a subpoena.

26. In the event any UBS document or information is withheld or redacted on grounds of privilege, work-product or other legal doctrine, a statement shall be submitted in writing by UBS indicating: (i) the type of document or information; (ii) the date of the document; (iii) the author and recipient of the document; (iv) the general subject matter of the document or information; (v) the reason for withholding the document; and (vi) the Bates number or range of the withheld document. The Attorneys General or their designated representative may initiate a challenge to such claim in any forum of their choice and may, without limitation, rely on all non-privileged documents or communications theretofore produced or the contents of which have been described by UBS, its officers, directors, employees, or agents.

27. It is agreed that any confidential information provided pursuant to the preceding Paragraphs 24, 25, and 26 shall be covered by the Confidentiality Agreement, dated July 16, 2008, signed by counsel for UBS and Michael E. Cole, Chief, Antitrust Department of the Office of the Connecticut Attorney General.

28. UBS agrees not to compromise the integrity or confidentiality of any aspect of the Attorneys General's Investigation or any proceeding or actions relating to the Attorneys General's Investigation, by sharing or disclosing evidence, documents, or other information provided to UBS by the Attorneys General or their designated representative to others without the consent of the Attorneys General or their designated representative. UBS shall give notice to the Attorneys General of any discovery or other request from the private bar for such information within five days of receipt. Nothing herein shall prevent UBS from providing such evidence to other government regulators, law enforcement agencies or as otherwise required by law.

29. UBS shall maintain custody of, or make arrangements to have maintained, all available documents and records of UBS related to the Attorneys General's Investigation and covered by the subpoena(s) issued in the Investigation until the completion of the Attorneys General's Investigation and any related litigation brought by any of the Attorneys General, including appeals.

ENFORCEMENT

30. The Attorneys General, jointly or individually, may make such application as appropriate to enforce or interpret the provisions of this Settlement Agreement or, in the alternative, may maintain any action within their legal authority, either civil or criminal, for such other and further relief as any Attorney General may determine in his/her sole discretion is proper and necessary for the enforcement of this Settlement Agreement. UBS consents to the jurisdiction of the courts of the States of Alabama, California, Colorado, Connecticut, District of Columbia, Florida, Idaho, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Tennessee and Wisconsin only for the purpose of an action brought by one or more of the Attorneys General to enforce the terms of this Settlement Agreement. New York law shall apply in any action brought by one or more of the Attorneys General to enforce the terms of this Agreement, except to the extent that the issue concerns the Confidentiality Agreement described in Paragraph 27 above, in which case the law of the relevant state shall apply. The parties recognize that remedies at law for violations of this Settlement Agreement, except for Paragraphs 3, 4, 17, 20 and 21 are inadequate. The parties agree that, in any action to enforce the terms of this Settlement Agreement, except Paragraphs 3, 4, 17, 20 and 21, a court shall have the authority to award equitable relief, including specific performance, and the parties consent to the awarding of such equitable relief including specific performance.

31. This Settlement Agreement may be modified by the mutual agreement of UBS and the Attorneys General. Any such modification shall be in writing and signed by all parties to this Settlement Agreement.

32. In the event that impediments arise in the identification of Eligible Counterparties or Additional Eligible Counterparties, or in the allocation or distribution of monies to: (i) Participating Counterparties; or (ii) Municipal Bond Derivatives Counterparties pursuant to Paragraphs 5, 10, 11, and 12, Participating Counterparties, UBS and the Attorneys General agree to use their best efforts to eliminate or otherwise resolve these impediments in order to ensure that timely payment is made to Participating Counterparties according to the formula to be developed pursuant to Paragraph 10 above. Notwithstanding the foregoing, the Attorneys General shall make the final determination as to who is an Eligible Counterparty or Additional Eligible Counterparty entitled to receive a payment under this Settlement Agreement and how much each is entitled to receive under this Agreement.

RELEASE BY ATTORNEYS GENERAL AND PARTICIPATING ATTORNEYS GENERAL

33. By his or her execution of this Settlement Agreement or by submission of an Election by Attorney General to Participate in Settlement with UBS (Exhibit 2 attached hereto), each Attorney General and Participating Attorney General releases UBS, and all of its successors, assigns, subsidiaries, divisions, groups, affiliates and partnerships, including, without limitation, any of their respective present officers, directors, and employees, from all civil claims, counterclaims, cross claims, setoffs, civil causes of action of any type (whether common law, equitable, statutory, regulatory or administrative, class, individual or otherwise in nature, and whether reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured), demands, disputes, damages, restitution, whenever incurred, and liabilities of any nature whatsoever, including, without limitation, costs, fines, debts, expenses, penalties and attorneys' fees, known or unknown, arising out of the Relevant Conduct that could have been asserted by each Attorney General in his or her sovereign capacity as chief law enforcement officer of his or her respective state. Notwithstanding the foregoing, in no event shall this release be construed to release UBS or its successors, assigns, subsidiaries, divisions, groups, affiliates and partnerships, including, without limitation, any of their respective present officers, directors, and employees, from any claims, conduct, causes of action of any type (whether common law, equitable, statutory, regulatory or administrative, class, individual or otherwise in nature), demands, disputes, damages, restitution, whenever incurred, or liabilities (including joint or several) of any nature whatsoever, including without limitation, costs, fines, debts, expenses, penalties and attorneys' fees, known or unknown, that have been alleged in the action entitled *In re UBS AG Securities Litigation* currently pending in the United States District Court for the Southern District of New York, 07-cv-11225 (RJS).

34. The Attorneys General and Participating Attorneys General intend by this Settlement Agreement to settle with and release only UBS, and all of its successors, assigns, subsidiaries, divisions, groups, affiliates and partnerships, including, without limitation, any of their respective present officers, directors, and employees, for the claims and other matters arising out of the Relevant Conduct, and do not intend this Settlement Agreement, or any part hereof or any other aspect of the settlement or the

releases, to extend to, to release or otherwise to affect in any way any rights that the Attorneys General have or may have against any other person, party or entity whatsoever.

35. Notwithstanding Paragraph 34 of this Settlement Agreement, specifically reserved and excluded from the release provided for in Paragraphs 33 and 34 of this Settlement Agreement are civil or administrative claims, causes of action, counterclaims, set-offs, demands, actions, suits, rights and liabilities for damages, restitution, disgorgement or taxes arising from the Relevant Conduct that the Eligible Counterparties or Additional Eligible Counterparties may have against UBS, as defined in Paragraph 1, that are separate and distinct from claims, causes of action, counterclaims, set-offs, demands, actions, suits, rights and liabilities for damages, restitution, disgorgement or taxes that the Attorneys General may have in their own right. Nothing in this Paragraph 35, or in Attachment B, shall in any way limit the releases provided by the Attorneys General in Paragraphs 33 and 34.

RELEASE BY PARTICIPATING COUNTERPARTIES

36. In order to recover from the Fund established pursuant to Paragraph 4 of this Settlement Agreement, each Participating Counterparty shall be required to execute a release in the form of Exhibit 1 attached hereto.

PARTICIPATION OF ADDITIONAL ATTORNEYS GENERAL

37. The Attorney General of any state that wishes to join in this settlement may opt-in and accept the terms of this Settlement Agreement by signing the opt-in agreement appended hereto as Exhibit 2, within 60 days of the Effective Date. Any Attorney General submitting a timely opt-in agreement shall thereby become a party to this Settlement Agreement.

NOTICES AND REPORTS

38. All notices and reports required to be provided shall be sent electronically or by first-class mail, postage pre-paid as follows:

For UBS:

Mark Shelton
General Counsel for UBS Group Americas
& Investment Bank Americas
UBS Financial Services Inc.
1285 Avenue of the Americas, 14th Floor
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mark.shelton@ubs.com

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725 Twelfth Street, N.W.

Washington, D.C. 20005
dzinn@wc.com

Kenneth A. Gallo
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Andrew C. Finch
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For Attorneys General:

Michael E. Cole
Chief, Antitrust Department
Office of the Connecticut Attorney General
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Michael.Cole@ct.gov

Elinor R. Hoffmann
Assistant Attorney General, Antitrust Bureau
Office of the New York State Attorney General
120 Broadway, Suite 26C44
New York, NY 10271
Elinor.Hoffmann@ag.ny.gov

39. Within sixty (60) days of the Effective Date, UBS shall provide a statement of compliance, certified by UBS, that it has not engaged in any of the prohibited conduct identified in Paragraphs 20 and 21 above, and that it has provided all reports and written standards required herein. UBS shall provide this statement of compliance annually for a period of five years after the effective date of this Settlement Agreement.

OTHER PROVISIONS

40. This Settlement Agreement is entered into voluntarily and solely for the purpose of resolving the claims and causes of action against UBS. This Settlement Agreement and any and all negotiations, communications, documents (including drafts) and discussions associated with it shall not: (i) be used for any other purpose, except in proceedings or actions to enforce or interpret this Settlement Agreement; (ii)

constitute or be construed as an admission or evidence of any violation of any statute or law or of any liability or wrongdoing by any UBS Entity; or (iii) bar any UBS Entity from asserting any defense in any litigation or administrative or other proceeding based upon, arising out of or relating to, in whole or in part, the Relevant Conduct.

41. Nothing in this Settlement Agreement shall relieve UBS of any obligations imposed by any applicable laws or regulations relating to the marketing, sale or placement of Municipal Bond Derivatives.

42. UBS represents that, pursuant to a Closing Agreement it has entered into with the Internal Revenue Service, the Service has agreed that, for purposes of compliance by an Issuer with the arbitrage requirements of Section 148 of the Internal Revenue Code for Covered Bond Issues, Covered Contracts are deemed to have been entered into on terms which represented the fair market value of such Covered Contracts. For the purposes of this paragraph, "Covered Contracts" refers collectively to the following contracts during the period between January 1, 1999 and December 31, 2006: (i) investment contracts that UBS entered into involving the investment or reinvestment of the proceeds of a State or Local bond (within the meaning of Section 103 of the Internal Revenue Code); (ii) derivative contracts (including swap contracts) that UBS entered into involving the management or transfer of interest rate risk associated with a State or Local bond with issuers of State or Local bonds or with entities which borrowed the proceeds of such bonds from the Issuer thereof or otherwise were the beneficiaries of such State or Local bonds, and (iii) investment and derivative contracts that Issuers entered into with other financial institutions that UBS brokered, bid on, or was otherwise involved in the award of. The State or Local bond issues to which the Covered Contracts relate are referred to collectively herein as the "Covered Bond Issues." UBS agrees to indemnify and hold harmless the Attorneys General and all Eligible Counterparties and Additional Eligible Counterparties for any liability incurred as a result of any breach of the foregoing representation by UBS.

43. Nothing contained in this Settlement Agreement shall be construed as mandating or recommending that any UBS Entity or any current employees of any UBS Entity be disqualified, suspended or debarred from engaging in the marketing, sale or placement of Municipal Bond Derivatives or any other investment vehicle in any jurisdiction. Moreover, the Attorneys General agree that: if it is requested by UBS for a specific state suspension and/or debarment proceeding instituted against any UBS Entity (or any other proceeding in which a state or local entity is considering not doing business with any UBS Entity), the Attorney General of the state shall promptly make known to the suspending and/or debarring authority (or other relevant state or local entity) that UBS has cooperated fully with the Attorneys General's Investigation of Municipal Bond Derivatives, has given substantial assistance to the Attorneys General's Investigation and has provided appropriate relief for the harm it caused. Notwithstanding the foregoing, this provision shall not require any Attorney General to disclose confidential information or to take any action that would compromise the Attorneys General's ongoing Investigation.

44. Except as expressly provided in paragraphs 4 and 42,this Settlement Agreement shall not confer any rights upon any persons or entities besides the Attorneys General and UBS.

45. This Settlement Agreement may be executed in counterparts.

WHEREFORE, IT IS SO AGREED AND the following signatures are affixed hereto on this fourth day of May, 2011.

UBS AG

BY: _____

MARK S. SHELTON

GENERAL COUNSEL, AMERICAS

UBS AG

BY: _____

Karen Yen

Executive Director and Counsel

STATE OF CONNECTICUT
GEORGE JEPSEN
ATTORNEY GENERAL

BY: _____
GEORGE JEPSEN

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ATTORNEY GENERAL

_____
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STATE OF CALIFORNIA
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Attorney General

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STATE OF COLORADO
JOHN W. SUTHERS
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Date: May 4, 2011

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ELLEN S. EFROS
Assistant Deputy Attorney General
Civil Litigation Division

BENNETT RUSHKOFF
Chief, Public Advocacy Section

By: _____
CRAIG S. FARRINGER
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May 4, 2011

UBS AG Municipal Bond Derivatives

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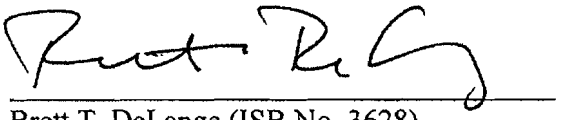
LAWRENCE G. WASDEN
ATTORNEY GENERAL
STATE OF IDAHO



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Attorney General

By:

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Date: May 4, 2011

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May 4, 2011

Date: May 3, 2011

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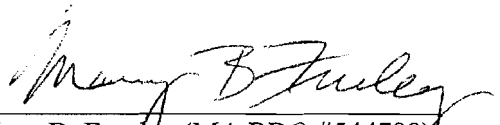

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STATE OF MISSOURI
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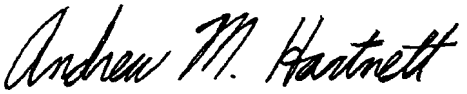

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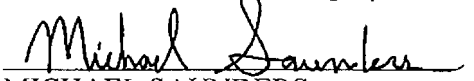
By: 

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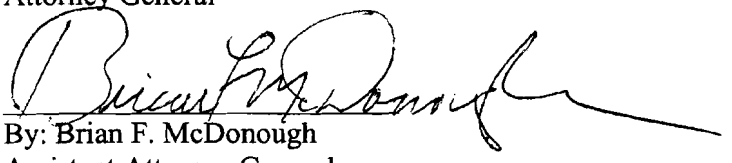

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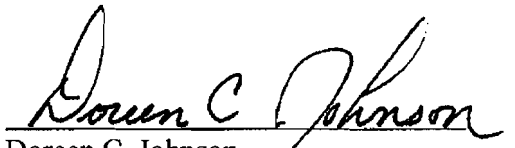

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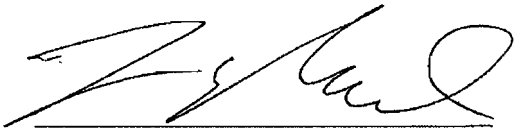

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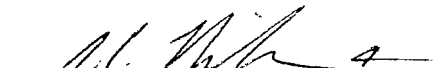

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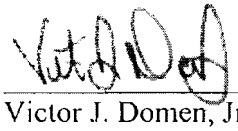

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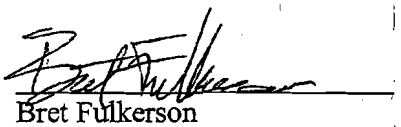

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May 3, 2011
UBS Settlement

The State of Wisconsin elects to participate in the settlement agreement among the Attorneys General and UBS.

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ATTACHMENT A

The following criteria shall be applied to determine whether a Municipal Bond Derivative is a Covered Derivative:

A. For Municipal Bond Derivatives that were awarded through a competitive bidding process:

1. The Provider of the Municipal Bond Derivative is a UBS Entity;

2. The UBS Entity and the counterparty entered into the Municipal Bond Derivative transaction between January 1, 2001 and December 31, 2004, inclusive; and

3. The Municipal Bond Derivative has been identified by the Attorneys General as eligible.

B. For Municipal Bond Derivatives that were entered into through a negotiated process:

1. The Provider of the Municipal Bond Derivative is a UBS Entity;

2. The UBS Entity and the counterparty entered into the Municipal Bond Derivative transaction between January 1, 2001 and December 31, 2004, inclusive; and

3. The Municipal Bond Derivative has been identified by the Attorneys General as eligible.

C. For Municipal Bond Derivatives as to which UBS served as a Broker

1. The Broker on the Municipal Bond Derivative transaction is a UBS Entity.

2. The UBS Entity acted as a broker on the Municipal Bond Derivative transaction between January 1, 2001 and December 31, 2004, inclusive; and

3. The Municipal Bond Derivative has been identified by the Attorneys General as eligible.

D. Notwithstanding the eligibility criteria in Parts A, B and C above, to the extent a Participating Counterparty receives a payment from UBS pursuant to the SEC Resolution with respect to any specific Covered Derivative, the amount of such payment shall be subtracted from the amount the Participating Counterparty is

eligible to receive for each such Covered Derivative through this Settlement Agreement. In no event shall such subtractions exceed $20 million in the aggregate.

ATTACHMENT B

1. Within 20 business days of the Effective Date of this Agreement, UBS will propose a claims administrator and submit a draft contract to the Attorneys General or their designated representative.

2. Within 10 business days of submission of the draft contract, the Attorneys General or their designated representative shall, in writing, either approve the claims administrator and the contract or provide a set of objections on behalf of the Attorneys General.

3. UBS shall have 10 business days after receipt of any objections to resolve the objections of the Attorneys General. If UBS fails to resolve the objections of the Attorneys General on a timely basis, then the Attorneys General may select a claims administrator, the cost of which shall be paid by UBS.

4. Within 14 business days of approval of the claims administrator, the claims administrator shall provide to UBS and the Attorneys General or their designated representative drafts of the Notice Packet.

5. Within 14 business days of receipt of draft of the Notice Packet, the Attorneys General or their designated representative shall identify all Eligible Counterparties and provide UBS and the claims administrator with (a) the Eligible Counterparty's name and address to the extent available; (b) the description of the Covered Derivative, including the notional amount; (c) the amount of money the Eligible Counterparty is eligible to receive relating to the Covered Derivatives or the formula for determining such amount.

6. Within 14 business days of receipt of the list described in Paragraph 5, UBS will deliver to the Attorneys General or their designated representative and the claims administrator the names and most current available addresses of Eligible Counterparties.

7. Within 14 business days of receipt of the draft Notice Packet from the claims administrator, UBS and the Attorneys General or their designated representative shall approve or amend its content and provide such amendments to the claims administrator.

8. Within 30 days of receiving the information set forth in Paragraphs 5, 6 and 7 above, whichever is later, the claims administrator shall send a Notice Packet to each Eligible Counterparty by first-class mail, postage prepaid and by electronic delivery if addresses are available. For Additional Eligible Counterparties, the claims administrator must send the Notice Packet to each Additional Eligible Counterparty within 7 business days of receiving the information set forth in Paragraphs 6 and 7 above, whichever is later, for any Additional Eligible Counterparty.

9. Eligible Counterparties or Additional Eligible Counterparties shall have 45 days from the date that notice of their eligibility was sent by first-class mail,

postage-prepaid, to request a distribution ("the Election Period"). However, the Attorneys General or their designated representative, in consultation with UBS, have discretion to approve payments to Eligible Counterparties or Additional Eligible Counterparties whose election to participate and release was not received in a timely manner.

10. The claims administrator shall provide UBS and the Attorneys General with weekly reports during the Election Period, which report(s) shall include, by state, a listing of the names of Eligible Counterparties and Additional Eligible Counterparties that have submitted valid Elections and Releases, and the names of Eligible Counterparties and Additional Eligible Counterparties that have not submitted valid Elections and Releases.

11. The Attorneys General or their designated representative shall provide the claims administrator with a template for the letters to accompany the payments made to Participating Counterparties prior to the end of the Election Period.

12. During the Election Period, the claims administrator shall issue weekly a distribution report describing the Eligible Counterparties and Additional Eligible Counterparties that opted to participate and the amount of money to be distributed to each of them. In advance of directing that these payments be made, the claims administrator shall obtain approval of the report from the Attorneys General or their designated representative. The final distribution report shall be issued no later than 14 days after the end of the Election Period.

13. Within sixty (60) days after receipt of approval of the claims administrator's distribution report, the claims administrator shall make arrangements to make payments, accompanied by a letter(s) provided by the Attorneys General, to the Participating Counterparties that have submitted a proper request and fully-executed release of their share of the Fund. These payments shall be sent in a manner to ensure that they reach the designated Participating Counterparties, either by wire transfer or by registered mail. The escrow agent, in conjunction with the claims administrator, shall make prompt payment in accordance with such instructions.

14. UBS and the Attorneys General may, by written agreement, alter any time period provided for herein to the extent necessary to carry out the purpose of affording all possible compensation to Eligible Counterparties or Additional Eligible Counterparties.

EXHIBIT 1

RELEASE BY PARTICIPATING COUNTERPARTY

This release executed this _____day of _____, 2011 by the Releasor (as defined below) in favor of the Releasee (as defined below).

DEFINITIONS

A. "Releasor" shall mean _____ and any of its affiliates, subsidiaries, divisions, groups, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns, or insurers acting on behalf of Releasor.

B. "Releasee" refers to UBS AG, and all of its successors, assigns, subsidiaries, divisions, groups, affiliates and partnerships, including, without limitation, any of their respective present officers, directors, and employees (collectively, "UBS").

C. "Relevant Conduct" shall mean, except as provided below, UBS engaging in any of the following conduct from January 1, 2001 through December 31, 2006, whether by itself or in concert with others: (i) rigging bids or fixing the prices or other terms and conditions of any Municipal Bond Derivatives; (ii) agreeing not to bid for any Municipal Bond Derivatives; (iii) engaging in any other anticompetitive, deceptive, unfair or fraudulent conduct, including misrepresenting or omitting material facts, relating to any Municipal Bond Derivatives; notwithstanding the foregoing, Relevant Conduct does not include attempts to manipulate underlying interest rates used in the pricing of Municipal Bond Derivatives

E. "Municipal Bond Derivatives" shall mean (i) contracts involving the reinvestment of the proceeds of tax-exempt bond issues, Qualified Zone Academy Bonds or bonds issued by or on behalf of any governmental or quasi-governmental or non-profit entity in the United States, including, but not limited to, states, cities, towns, counties, villages, parishes, school districts, clubs, or various economic development, redevelopment, financing, lottery, parking, housing, educational, medical, religious, public safety, building, water, sewer, hospital, transportation, public works, waste management, environmental, port, park, airport, telecommunications and power authorities, corporations or boards;

and (ii) related transactions involving the management or transfer of the interest rate risk associated with those bond issues including, but not limited to, guaranteed investment contracts, forward supply, purchase, or delivery agreements, repurchase agreements, escrow agreements, security sales, swaps, caps, options, and swaptions. Notwithstanding the foregoing, Municipal Bond Derivatives does not include (i) contracts to underwrite the issuance of municipal bonds, (ii) credit default products, such as credit default swaps and credit default options, (iii) swaps or other agreements between Providers to hedge, manage or otherwise share or transfer their risk on a Municipal Bond Derivative, except to the extent used to facilitate any improper, undisclosed payments to Brokers or the rigging of bids for the reinvestment or management of bond proceeds.

F. "Provider(s)" shall mean banks, insurance companies, other financial institutions and any other persons or entities that engage in or offer to engage in the business of buying, selling or entering into Municipal Bond Derivatives with Municipal Bond Derivatives Counterparties.

G. "Settlement Agreement" shall mean the Agreement Among the Attorneys General of the States and Commonwealths of Alabama, California, Colorado, Connecticut, District of Columbia, Florida, Idaho, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Tennessee and Wisconsin and UBS AG dated May 4, 2011.

H. "Effective Date" shall mean the Effective Date of the Settlement Agreement.

Release

1. In consideration of the receipt by Releasor of $ for damages relating to the [list of specific Covered Derivatives] total payment of which is made by UBS in accordance with the terms of the Settlement Agreement, Releasor does hereby fully release, waive and forever discharge Releasee from all civil claims, counterclaims, cross-claims, damages, debts, demands, disputes, rights, causes of action of any type (whether common law, equitable, statutory, regulatory or administrative, class, individual or otherwise in nature, and whether reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured), or liabilities whenever incurred (including joint and several) of any nature whatsoever, including without limitation, costs, fines, debts, expenses, penalties and attorneys' fees, known or unknown, that it has against the Releasee arising from the Relevant Conduct, in relation to the marketing, sale or placement of Municipal Bond Derivatives, including any claims that have been asserted *In re Municipal Derivatives Antitrust Litigation*, MDL No. 1950, Master Docket No. 08-2156, any actions pending in the United States District Court for the Southern District of New York captioned *In Re Municipal Derivatives Antitrust Litigation*, or any related actions filed in or transferred to the United States District Court for the Southern District of New York that are coordinated with or consolidated into the preceding Civil Action docket.

2. In the event that the total payment referred to in Paragraph 1 is not made for any reason, then this Release shall be null and void, provided that any payments received by Releasor shall be credited to UBS in connection with any claims that (i) Releasor may assert against UBS; (ii) that are asserted against UBS on behalf of Releasor by a class of which Releasor is a member; or (iii) that are asserted by any third party against UBS as to which UBS may assert a setoff under any applicable law.

3. The Releasor intends by this Release to settle with and release only UBS and does not intend this Release, or any part hereof to extend to, to release or otherwise to affect in any way any rights that the Releasor has or may have against any other party or entity whatsoever, other than Releasee.

4. Releasor hereby waives the provisions of California Civil Code section 1542, which provides: "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor." This provision shall not be deemed to turn a specific release into a general release.

5. The Releasor represents and warrants that the released claims have not been sold, assigned or hypothecated, in whole or in part.

EXHIBIT 2

ELECTION BY ATTORNEY GENERAL TO PARTICIPATE IN SETTLEMENT WITH UBS

The Attorney General of _____ hereby elects to participate in the Settlement Agreement Among the Attorneys General of the States and Commonwealths of _____ and UBS, dated May 4, 2011 (Settlement Agreement) as a Participating Attorney General.