

ATTORNEY GENERAL OF THE STATE OF NEW YORK
INVESTOR PROTECTION BUREAU

-----X
IN THE MATTER OF :
 :
UBS SECURITIES LLC AND :
UBS FINANCIAL SERVICES, INC. :
-----X

**ASSURANCE OF DISCONTINUANCE
PURSUANT TO EXECUTIVE LAW § 63(15)**

On April 14, 2008, the Office of the Attorney General of the State of New York (the “Attorney General”), commenced an investigation, pursuant to Article 23-A of the General Business Law (the “Martin Act”), of UBS Securities LLC and UBS Financial Services, Inc. and their subsidiaries (collectively, “UBS”), concerning UBS’s marketing, sale and distribution of auction rate securities (the “Investigation”). This Assurance of Discontinuance (“Assurance”) contains the findings of the Attorney General’s Investigation and the relief agreed to by the Attorney General and UBS.

FINDINGS

The Attorney General finds as follows:

I. Relevant Entities

1. UBS Securities LLC (“UBS Securities”) is a wholly owned subsidiary of UBS AG. UBS AG is a leading Swiss-based financial services firm specializing in asset management, investment banking, and securities services. UBS Securities is a Delaware corporation with its principal place of business located in Stamford, Connecticut. UBS Securities maintains offices, as well as its short-term trading desk, in New York, New York. UBS Securities is a broker/dealer engaging in nationwide securities sales, trading, and underwriting services.

2. UBS Financial Services, Inc. (“UBS Financial Services”) is a wholly-owned subsidiary of UBS AG. UBS Financial Services is also a Delaware corporation, and its principal executive offices are located in Weehawken, New Jersey. UBS Financial Services maintains offices located in New York, New York. UBS Financial Services is a registered broker/dealer, and offers brokerage, financial planning and investment products to individuals across the United States. UBS Financial Services employs more than 8,200 financial advisors in over 480 branch and satellite offices in the United States.

II. Background on Auction Rate Securities

3. Auction rate securities are long-term bonds issued by municipalities, corporations and student loan companies, or perpetual equity instruments issued by closed end mutual funds, with variable interest rates that reset through a bidding process known as a Dutch auction.

4. At a Dutch auction, bidders state the number of auction rate securities shares they wish to purchase and the minimum interest rate they are willing to accept. Bids are ranked, from lowest to highest, according to the minimum interest rate each bidder is willing to accept. The lowest interest rate required to sell all of the auction rate securities available at auction, known as the “clearing rate,” becomes the rate paid to all holders of that particular security until the next auction. The process is then repeated, typically every 7, 28 or 35 days.

5. When there are not enough orders to purchase all of the auction rate securities being sold, a “failed” auction occurs. In the event of a failed auction, investors cannot sell their auction rate securities.

6. As a leading underwriter of auction rate securities, UBS also acted as the managing broker-dealer for many issues of auction rate securities. When acting as sole manager, UBS was the only point of sale for clients and/or other broker-dealers who wanted to buy and/or sell any auction rate securities. When acting as lead manager, UBS was the primary point of sale for its auction rate securities issuers, while other broker-dealers were able to submit orders on behalf of their clients. UBS received revenue in connection with auction rate securities, including an underwriting fee representing a percentage of total issuance and a fee for managing the auctions.

III. UBS Made Misrepresentations in Connection With the Sale of Auction Rate Securities

7. UBS represented to its customers that auction rate securities were liquid, short-term investments that were similar to money market instruments. Customers then received account statements that reinforced these representations, as the statements identified auction rate securities as cash equivalent securities. UBS also made such representations in marketing materials that compared auction rate securities to other money market instruments and through its sales force, which represented to investors that auction rate securities were highly liquid, safe, cash equivalent investments.

8. These representations were misleading. Auction rate securities were in fact different from cash and money market funds. As discussed above, the liquidity of an auction rate security relied on the successful operation of the Dutch auction process. In the event of a failed auction, investors cannot sell their auction rate securities and are stuck holding long-term investments, not cash equivalent securities. As discussed below, starting in the Fall of 2007, UBS's auction rate securities market faced dislocation and an increased risk of failure.

9. Since the inception of the auction rate securities market, UBS submitted support bids, purchase orders for the entirety of an auction rate security issue for which it acted as the sole or lead broker. Support bids were UBS proprietary orders that were only filled if there was otherwise insufficient demand in an auction. When UBS purchased auction rate securities through support bids, auction rate securities were then owned by UBS and the holdings were recorded on UBS's balance sheet. For risk management purposes, UBS imposed limits on the amounts of auction rate securities it could hold in inventory.

10. Because investors could not ascertain how much of an auction was filled through UBS proprietary trades, investors could not determine if auctions were clearing because of normal marketplace demand, or because UBS was propping up auctions through support bids. Generally, investors were also not aware that the auction rate securities market was dependent upon UBS's use of support bids for its operation. While UBS could track its own inventory as a measure of the supply and demand for auction rate securities, ordinary investors had no comparable ability to assess the operation of the market. There was no way for investors to monitor supply and demand in the market or to assess when broker-dealers may decide to stop supporting the market, which could cause its collapse.

IV. By the Fall of 2007, UBS's Auction Rate Securities Market Faced Dislocation

11. In August 2007, the credit crisis and other deteriorating market conditions strained the auction rate securities market. Some institutional investors withdrew from the market, decreasing demand for auction rate securities.

12. The resulting market dislocation was impossible for UBS to ignore. UBS support bids filled the increasing gap in the demand for auction rate securities, sustaining the impression that the market was functioning. As a result, UBS's auction rate securities inventory grew significantly, requiring UBS to repeatedly request permission to exceed its risk management limits on its auction rate securities inventory.

13. From the Fall of 2007 through February of 2008, demand for auction rate securities continued to erode and UBS's auction rate securities inventory reached unprecedented levels. UBS was aware of the increasing strains on its auction rate securities market, and increasingly questioned the viability of the auction rate securities market and planned for potential widespread market failure. UBS never disclosed these increasing risks of owning or purchasing auction rate securities to its customers.

14. In February 2008, UBS and other firms stopped supporting their auctions. Without the benefit of support bids, the auction rate securities market collapsed, leaving investors who had been led to believe that these securities were "money market alternatives" and "liquid investments," appropriate for managing short-term cash needs, holding long-term or perpetual securities that could not be sold at par value.

V. UBS's Executives' Trading of Auction Rate Securities

15. While UBS management kept UBS's customers in the dark and in fact stepped up sales efforts so more UBS customers would buy auction rate securities, between November 1, 2007 and February 12, 2008, several senior executives sold all or some of their personal auction rate securities holdings after becoming aware of the mounting institutional and market-related problems facing the program.

16. Through their selling of auction rate securities, such UBS senior executives demonstrated the importance of the information that UBS knew, but was not disclosing, to its customers. UBS customers would have liked to have had access to the same information to determine whether to sell before the market suffered from widespread failure.

17. Rather than sharing the information concerning market disruptions with its customers, several UBS senior executives reduced or eliminated their personal auction rate securities holdings. In November 2007, UBS's Investment Bank changed its pre-clearance requirements for auction rate securities and certain other types of securities, removing the requirement for employees within the Municipal Securities Group to pre-clear such purchases through compliance. The removal of the pre-clearance requirement facilitated the ability of certain UBS senior executives to sell their auction rate securities. Nevertheless, certain managers in the Municipal Securities Group at UBS became aware, prior to when UBS stopped supporting its auctions, of the selling of auction rate securities by a senior UBS executive in late 2007, during a period of market disruption, yet sufficient measures were not taken to stop the trading.

VI. Violations

18. The foregoing acts and practices of UBS violated the Martin Act, Article 23-A of the General Business Law.

19. The foregoing acts and practices of UBS violated § 349 of the General Business Law.

20. The foregoing acts and practices of UBS violated § 63(12) of the Executive Law.

AGREEMENT

WHEREAS, UBS neither admits nor denies the Attorney General's Findings set forth above;

WHEREAS, the Attorney General is willing to accept the terms of the Assurance pursuant to New York Executive Law § 63(15), and to discontinue, as described in paragraph 67 below, its Investigation of UBS;

WHEREAS, the parties each believe that the obligations imposed by this Assurance are prudent and appropriate;

IT IS HEREBY UNDERSTOOD AND AGREED, by and between the parties, that:

I. Relief for Auction Rate Security Investors

A. Buybacks from Auction Rate Securities Investors

21. UBS will provide liquidity to eligible investors by buying back eligible auction rate securities that have failed at auction at least once between August 8, 2008 and October 7, 2008, at par, in the manner described below.

1. Definitions and Buyback Offer

22. "Eligible Auction Rate Securities," for the purposes of this Assurance, shall mean auction rate securities (a) held at UBS, including in DVP accounts in which UBS had bidding rights, as of February 13, 2008, or (b) purchased at UBS between October 1, 2007 and February 12, 2008 and transferred out of UBS prior to February 13, 2008.

23. "Eligible Investors," for the purposes of this Assurance, shall mean:

- i. Individual customers who invested in Eligible Auction Rate Securities (in cases in which classification under this subsection is ambiguous, such classification will be determined by UBS in the exercise of its reasonable good faith judgment);
- ii. Charities, endowments or foundations with Internal Revenue Code Section 501(c)(3) status that invested in Eligible Auction Rate Securities;
- iii. Federal, state or local governmental or quasi-governmental entities that invested in Eligible Auction Rate Securities; or
- iv. Small Businesses that invested in Eligible Auction Rate Securities. For purposes of this provision, “Small Businesses” shall mean UBS customers not otherwise covered in paragraph 23(i), (ii) or (iii) above that had \$10 million or less in assets at UBS as of August 8, 2008, or, if such entities no longer maintain accounts at UBS, that had \$10 million or less on deposit at UBS as of the last time such entities maintained their accounts at UBS. Notwithstanding any other provision, institutional customers that had total assets of greater than \$50 million, as of August 8, 2008, shall not be deemed to be Small Businesses.

24. UBS shall offer to buyback, Eligible Auction Rate Securities in two stages (“Buyback Offer”):

- i. Stage One Offer. No later than October 31, 2008, UBS shall have offered to buy back at par (plus accrued and unpaid dividends or

interest) Eligible Auction Rate Securities for which auctions have failed at least once from August 8, 2008 to October 7, 2008 from Eligible Investors defined in subparagraphs 23(i) or 23(ii) above who had less than \$1 million in assets at UBS as of August 8, 2008 or, if such Eligible Investors no longer maintain accounts at UBS, that had less than \$1 million on deposit at UBS as of the last time such Eligible Investors maintained their accounts at UBS.

- ii. Stage Two Offer. No later than January 2, 2009, UBS will offer to buy back at par (plus accrued and unpaid dividends or interest) Eligible Auction Rate Securities for which auctions have failed at least once from August 8, 2008 to October 7, 2008 from all Eligible Investors who did not receive a Stage One Offer pursuant to paragraph 24(i) above.

25. To be eligible to participate in the Buyback Offer, whether pursuant to the Stage One Offer or the Stage Two Offer, Eligible Investors must opt in as provided for in the Notification and Opt In Procedures described in paragraphs 26 through 29, below, subject to exercise by UBS of its discretion pursuant to paragraph 34, below, and accept the Buyback Offer, described in paragraph 30, below.

2. Notification and Opt In Procedures

26. Initial Notice. No later than October 8, 2008, UBS shall have sent notice (“ARS Settlement Notice”) to Eligible Investors, informing them of the relevant terms of this Assurance. UBS shall use its best efforts to identify any such Eligible Investors that no longer custody their Eligible Auction Rate Securities at UBS.

27. Initial Notice Opt In Procedures. Eligible Investors shall have had until November 14, 2008 to notify UBS that they opt in to the relief provided pursuant to this Assurance.

28. Second Notice. To the extent that any Eligible Investor did not opt in prior to the expiration of the opt-in period described in paragraph 27, UBS shall have provided any such Eligible Investor a second written notice no later than November 18, 2008 informing such Eligible Investor of the relevant terms of this Assurance.

29. Second Notice Opt In Procedures. Such Eligible Investors shall have until thirty days after the mailing date of the second written notice (December 19, 2008) to notify UBS that they opt in to the relief provided pursuant to this Assurance.

3. Buyback Procedure

30. Eligible Investors who opt in pursuant to paragraphs 27 or 29 above, may accept the Buyback Offer by notifying UBS at any time on or before January 4, 2011 (“Offer Period”). For Eligible Investors who accept the Buyback Offer within the Offer Period, UBS shall purchase the Eligible Auction Rate Securities one business day after UBS’s receipt of notification.

4. Customer Assistance Line and Internet Page

31. No later than two (2) days after execution of this Assurance, UBS shall establish, or continue to maintain if already established: a) a dedicated toll-free telephone assistance line, with appropriate staffing, to provide information and to respond to questions concerning the terms of this Assurance; and b) a public Internet page on its corporate Web site(s), with a prominent link to that page appearing on UBS’s relevant homepage(s), to provide information concerning the terms of this Assurance

and, via an e-mail address or other reasonable means, to respond to questions concerning the terms of this Assurance. UBS shall maintain the telephone assistance line and Internet page through January 4, 2011.

5. Other Buyback Offer Provisions

32. To the extent that any Eligible Investor who invested in Eligible Auction Rate Securities that have failed at auction at least once between August 8, 2008 and October 7, 2008 and opted in pursuant to paragraphs 27 or 29, has not responded to the Buyback Offer, UBS shall undertake best efforts to provide any such Eligible Investor, on or before thirty (30) days before the end of the Offer Period, a written notice informing them of the relevant terms of this Assurance, notifying them of the impending expiration of the Offer Period, describing the state of the auction rate securities market at that time, and explaining the consequences of failing to sell their auction rate securities to UBS prior to the expiration of the Offer Period.

33. Any Eligible Investor who for good cause (including but not limited to incapacity or failure to receive the ARS Settlement Notice) did not opt in to the terms of the settlement pursuant to paragraphs 27 or 29, shall be entitled to opt in to the settlement within thirty (30) days of establishing good cause.

34. Starting on the business day following the date on which an Eligible Investor opts into the relief provided under this Assurance until the end of the Offer Period and without prior notification, UBS shall be authorized to exercise discretion on such Eligible Investor's behalf to effect sales or other dispositions of Eligible Auction Rate Securities, including but not limited to secondary sales. UBS shall make Eligible Investors whole at par (plus accrued and unpaid dividends or interest) if any such

disposition occurs below par. Any such discretion shall be exercised by UBS solely for the purpose of facilitating restructurings, dispositions, or other par solutions for Eligible Investors. The parties hereto acknowledge that the purpose of this aforementioned discretion is to permit UBS to mitigate potential damages while still returning par to Eligible Investors.

35. UBS agrees that it will not take advantage of liquidity solutions for Eligible Auction Rate Securities in its own inventory without making them available, as soon as practicable, to Eligible Investors that opt into the relief provided pursuant to this Assurance who hold the same CUSIP(s) of Eligible Auction Rate Securities in their accounts. This obligation shall continue until January 2, 2009.

B. Relief for Eligible Investors Who Sold Below Par

36. By October 8, 2008, UBS shall have undertaken its best efforts to identify any Eligible Investor who sold Eligible Auction Rate Securities below par between February 13, 2008 and the date of this Assurance and paid them the difference between par and the price at which the investor sold the Eligible Auction Rate Securities. UBS shall continue to undertake its best efforts to identify and pay, as soon as reasonably possible, any Eligible Investors who sold Eligible Auction Rate Securities below par between February 13, 2008 and the date of this Assurance.

C. Reimbursement for Related Loan Expenses

37. UBS shall make best efforts to identify Eligible Investors who took out loans from UBS, between February 13, 2008 and the date of this Assurance, that were secured by Eligible Auction Rate Securities that were not successfully auctioning at the time the loan was taken out from UBS, and paid interest associated with the auction-rate-

securities-based portion of those loans in excess of the total interest and dividends received on the auction rate securities during the duration of the loan. UBS shall reimburse such customers for the excess expense, plus reasonable interest thereon. Such reimbursement shall occur no later than March 31, 2009.

D. Consequential Damages Arbitration Process

38. UBS shall consent to participate in a special arbitration for the exclusive purpose of arbitrating any Eligible Investor's consequential damages claim arising from their inability to sell Eligible Auction Rate Securities. UBS shall undertake its best efforts to notify Eligible Investors, within thirty (30) business days of the date of this Assurance, of the terms of this special arbitration process, which shall be governed by FINRA rules to the extent such rules are not inconsistent with the terms herein.

39. The Arbitration shall be conducted by a single, non-industry, independent arbitrator (as defined by section 12100(u) of the NASD Code of Arbitration Procedures for Customer Disputes, eff. April 16, 2007), under the auspices of FINRA. UBS will pay all applicable forum and filing fees.

40. Any Eligible Investors who choose to pursue such claims shall bear the burden of proving that they suffered consequential damages and that such damages were caused by their inability to access funds invested in Eligible Auction Rate Securities. UBS shall be able to defend itself against such claims; provided, however, that UBS shall not contest liability related to the sale of auction rate securities; and provided further that UBS shall not be able to use as part of its defense an Eligible Investor's decision not to borrow money from UBS.

41. Eligible Investors who elect to use the special arbitration process provided for herein shall not be eligible for punitive damages, or for any other type of damages other than consequential damages.

42. All customers, including but not limited to Eligible Investors who avail themselves of the relief provided pursuant to this Assurance, may pursue any remedies against UBS available under the law. However, Eligible Investors that elect to utilize the special arbitration process set forth above are limited to the remedies available in that process and may not bring or pursue a claim relating to Eligible Auction Rate Securities in another forum.

E. Municipal Issuers

43. UBS shall refund refinancing fees to municipal auction rate issuers that issued such securities in the initial primary market between August 1, 2007 and February 13, 2008, and refinanced those securities after February 13, 2008.

F. Institutional Investors

44. UBS shall endeavor to work with issuers and other interested parties, including regulatory and governmental entities, to expeditiously provide liquidity solutions for non-bank, non-broker-dealer institutional investors, not covered by Section I.A. above (“Institutional Investors”), invested in auction rate securities.

45. The Attorney General has refrained from taking legal action against UBS with respect to Institutional Investors. The Attorney General shall issue continuances as it deems appropriate.

46. Beginning January 2, 2009, and continuing on a month to month basis, UBS shall submit written reports to the Attorney General outlining UBS’s efforts to

provide liquidity solutions for Institutional Investors and the results thereof. UBS shall confer with the Attorney General on a quarterly basis to discuss UBS's progress to date. Such monthly reports and quarterly meetings shall continue until December 2009. Following every quarterly meeting, the Attorney General shall advise UBS of any concerns regarding UBS's progress in providing liquidity solutions for Institutional Investors and, in response, UBS shall detail the steps that UBS plans to implement to address such concerns. The reporting or meeting deadlines set forth above may be amended with written permission from the Attorney General.

G. Penalty and Remedial Procedures

47. No later than January 2, 2009, UBS shall pay a civil penalty of SEVENTY FIVE MILLION (\$75,000,000) DOLLARS to the State of New York to address all underlying conduct relating to UBS's marketing and sale of auction rate securities and the firm permitting trading in auction rate securities by any individuals affiliated with UBS. The payments shall be in the form of a certified or bank check made out to "State of New York" and mailed to: Office of the Attorney General of the State of New York, 120 Broadway, 23rd Floor, New York, New York, 10271, Attn: David A. Markowitz, Chief, Investor Protection Bureau, or by wire.

48. UBS agrees that it shall not, collectively or individually, seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, payment made pursuant to any insurance policy, with regard to any or all of the amounts payable pursuant to this Assurance.

49. UBS AG will satisfy the financial obligations to investors herein on behalf of UBS Securities and UBS Financial Services.

H. Other Relief

50. UBS admits the jurisdiction of the Attorney General. UBS will cease and desist from engaging in any acts in violation of the Martin Act, General Business Law § 349 and/or Executive Law § 63(12) and will comply with the Martin Act, General Business Law § 349 and Executive Law § 63(12).

II. Other Provisions

51. The Attorney General retains the right under Executive Law § 63(15) to compel compliance with this Assurance. Evidence of a violation of this Assurance proven in a court of competent jurisdiction shall constitute prima facie proof of a violation of the Martin Act, General Business Law §349 and/or Executive Law §63(12) in any civil action or proceeding hereafter commenced by the Attorney General against UBS.

52. Should the Attorney General prove in a court of competent jurisdiction that a material breach of this Assurance by UBS has occurred, UBS shall pay to the Attorney General the cost, if any, of such determination and of enforcing this Assurance, including without limitation legal fees, expenses and court costs.

53. If UBS defaults on any obligation under this Assurance, the Attorney General may terminate this Assurance, at his sole discretion, upon 10 days' written notice to UBS. UBS agrees that any statute of limitations or other time-related defenses applicable to the subject of the Assurance and any claims arising from or relating thereto are tolled from and after the date of this Assurance. In the event of such termination, UBS expressly agrees and acknowledges that this Assurance shall in no way bar or otherwise preclude the Attorney General from commencing, conducting or prosecuting

any investigation, action or proceeding, however denominated, related to the Assurance, against UBS, or from using in any way any statements, documents or other materials produced or provided by UBS prior to or after the date of this Assurance, including, without limitation, such statements, documents or other materials, if any, provided for purposes of settlement negotiations, except as may otherwise be provided in a written agreement with the Attorney General.

54. Except in an action by the Attorney General to enforce the obligations of UBS in this Assurance or in the event of termination of this Assurance by the Attorney General, neither this Assurance nor any acts performed or documents executed in furtherance of this Assurance: (a) may be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability or lack of wrongdoing or liability; or (b) may be deemed or used as an admission of or evidence of any such alleged fault or omission of UBS in any civil, criminal or administrative proceeding in any court, administrative agency or other tribunal. This Assurance shall not confer any rights upon persons or entities who are not a party to this Assurance.

55. UBS shall cooperate fully and promptly with the Attorney General and shall use its best efforts to ensure that all the current and former officers, directors, trustees, agents, members, partners and employees of UBS (and of any of UBS's parent companies, subsidiaries or affiliates) cooperate fully and promptly with the Attorney General in any pending or subsequently initiated investigation, litigation or other proceeding relating to auction rate securities and/or the subject matter of the Assurance. Such cooperation shall include, without limitation, and on a best effort basis:

- (a) production, voluntarily and without service of subpoena, upon the request of the Attorney General, of all documents or other tangible

evidence requested by the Attorney General and any compilations or summaries of information or data that the Attorney General requests that UBS (or UBS's parent companies, subsidiaries or affiliates) prepare, except to the extent such production would require the disclosure of information protected by the attorney-client and/or work product privileges;

- (b) without the necessity of a subpoena, having the current (and making all reasonable efforts to cause the former) officers, directors, trustees, agents, members, partners and employees of UBS (and of any of UBS's parent companies, subsidiaries or affiliates) attend any Proceedings (as hereinafter defined) in New York State or elsewhere at which the presence of any such persons is requested by the Attorney General and having such current (and making all reasonable efforts to cause the former) officers, directors, trustees, agents, members, partners and employees answer any and all inquiries that may be put by the Attorney General to any of them at any proceedings or otherwise; "Proceedings" include, but are not limited to, any meetings, interviews, depositions, hearings, trials, grand jury proceedings or other proceedings;
- (c) fully, fairly and truthfully disclosing all information and producing all records and other evidence in its possession, custody or control (or the possession, custody or control of UBS's parent companies, subsidiaries or affiliates) relevant to all inquiries made by the Attorney General concerning the subject matter of the Assurance, except to the extent such inquiries call for the disclosure of information protected by the attorney-client and/or work product privileges; and
- (d) making outside counsel reasonably available to provide comprehensive presentations concerning any internal investigation relating to all matters in the Assurance and to answer questions, except to the extent such presentations or questions call for the disclosure of information protected by the attorney-client and/or work product privileges.

56. In the event UBS fails to comply with paragraph 55 of the Assurance, the Attorney General shall be entitled to specific performance, in addition to any other available remedies.

57. The Attorney General has agreed to the terms of this Assurance based on, among other things, the representations made to the Attorney General by UBS, its counsel, and the Attorney General's own factual Investigation. To the extent that representations made by UBS or its counsel are later found to be materially incomplete or inaccurate, this Assurance is voidable by the Attorney General in its sole discretion.

58. UBS shall, upon request by the Attorney General, provide all documentation and information reasonably necessary for the Attorney General to verify compliance with this Assurance.

59. All notices, reports, requests, and other communications to any party pursuant to this Assurance shall be in writing and shall be directed as follows:

If to UBS:

Matthew Fishbein, Esq.
Andrew Ceresney, Esq.
Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022

If to the Attorney General:

Office of the Attorney General of the State of New York
120 Broadway, 23rd Floor
New York, New York 10271
Attn: David A. Markowitz

60. This Assurance and any dispute related thereto shall be governed by the laws of the State of New York without regard to any conflicts of laws principles.

61. UBS consents to the jurisdiction of the Attorney General in any proceeding or action to enforce this Assurance.

62. UBS agrees not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any finding in this Assurance or creating

the impression that this Assurance is without factual basis. Nothing in this paragraph affects UBS's: (a) testimonial obligations; or (b) right to take legal or factual positions in defense of litigation or other legal proceedings to which the Attorney General is not a party.

63. This Assurance may not be amended except by an instrument in writing signed on behalf of all the parties to this Assurance.

64. This Assurance constitutes the entire agreement between the Attorney General and UBS and supersedes any prior communication, understanding or agreement, whether written or oral, concerning the subject matter of this Assurance. No representation, inducement, promise, understanding, condition or warranty not set forth in this Assurance has been relied upon by any party to this Assurance.

65. In the event that one or more provisions contained in this Assurance shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Assurance.

66. This Assurance may be executed in one or more counterparts, and shall become effective when such counterparts have been signed by each of the parties hereto.

67. Upon execution by the parties to this Assurance, the Attorney General agrees to suspend, pursuant to Executive Law § 63(15), this Investigation as and against UBS solely with respect to its marketing and sale of auction rate securities to Eligible Investors and the firm permitting trading in auction rate securities by any individuals affiliated with UBS.

68. Any payments and all correspondence related to this Assurance must reference AOD 08-176.

WHEREFORE, the following signatures are affixed hereto on the dates set forth below.

ANDREW M. CUOMO,
Attorney General of the State of New York

By: 
David A. Markowitz
Chief, Investor Protection Bureau
120 Broadway
23rd Floor
New York, New York 10271
(212) 416-8198

Dated: December 11, 2008

UBS SECURITIES LLC

By: Alan J. Brudner

Name: Alan Brudner

Title: Head of Litigation & Investigations,
UBS Securities LLC

ACKNOWLEDGMENT

District of Columbia
~~STATE OF NEW YORK~~)
:ss.
~~COUNTY OF NEW YORK~~)

On this 11th day of December, 2008, before me personally came Alan Brudner, known to me, who, being duly sworn by me, did depose and say that he is the Head of Lit. & Inv. of UBS Securities LLC, the entity described in the foregoing Assurance, and is duly authorized by UBS Securities LLC to execute the same, and that he signed his name in my presence by like authorization.

Bonnie L. Powell

Notary Public

My commission expires: 10/31/2013



Assurance of Discontinuance

Reviewed By:



Name: James Odell
Title: General Counsel,
UBS Investment Bank (Americas)
Member of Board of Managers,
UBS Securities LLC

Attorneys for UBS Securities LLC

Dated: December 11, 2008

ACKNOWLEDGMENT

STATE OF NEW YORK)

:ss.

COUNTY OF NEW YORK)

On this 11th day of December, 2008, before me personally came James Odell, known to me, who, being duly sworn by me, did depose and say that he is the General Counsel of UBS Securities LLC, the entity described in the foregoing Assurance, and is duly authorized by UBS Securities LLC to execute the same, and that he signed his name in my presence by like authorization.



Notary Public

My commission expires:

PATRICIA FRANKLIN
Notary Public, State of New York
Qualified in New York County
No. 02FR5069915
Commission Expires Dec. 8, 2009

Assurance of Discontinuance

Reviewed By

[Handwritten Signature]

Name: Mark S. Shelton
Title: General Counsel,
UBS Wealth Management Americas
Member of the Group Managing Board,
UBS AG

Attorneys for UBS Financial Services, Inc.

Dated: December 11, 2008

ACKNOWLEDGMENT

STATE OF NEW YORK)
 :ss.
COUNTY OF NEW YORK)

On this 11th day of December, 2008, before me personally came Mark S. Shelton known to me, who, being duly sworn by me, did depose and say that he is the General Counsel of UBS Financial Services, Inc., the entity described in the foregoing Assurance, and is duly authorized by UBS Securities LLC to execute the same, and that he signed his name in my presence by like authorization.

[Handwritten Signature]

Notary Public
My commission expires: 8/12/09

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

