



# UBS Equita General Terms and Conditions

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## **1 Preamble**

UBS AG ("UBS") may within its UBS Equita investment strategy offering from time to time enter into an over-the-counter ("OTC") equity option transaction (as described in more detail below, hereinafter the "OTC Transaction") with an investor (an "Investor"). The terms of such OTC Transaction will be evidenced by and be subject to (i) a standardized document created by UBS and titled "Final Terms", which is provided to the Investor to evidence the terms of such OTC Transaction, and (ii) these Equita General Terms and Conditions (the "General Terms and Conditions") as incorporated by reference in the Final Terms. The Final Terms and the General Terms and Conditions (together the "Strategy Documentation") shall form the entire product-specific documentation for such OTC Transaction (it being understood that further general terms might apply based on existing framework agreements between UBS and the Investor), and should always be read in conjunction with each other. In case of conflicting provisions, the Final Terms shall take precedence, and in particular, where a term defined herein is also defined in the Final Terms, the term shall be used herein as defined in the Final Terms.

## **2 Risk Disclosure Statement**

### **2.1 Introduction**

Entering into an OTC Transaction entails certain risks. Investors should carefully consider the following disclosures as well as all other parts of the Strategy Documentation prior to entering into an OTC Transaction. This section of the General Terms and Conditions does not purport to be an extensive and comprehensive list of all possible risks associated with entering into an OTC Transaction; rather, it is intended to highlight certain of the more significant factors and special risks relating to OTC Transactions in general. Consequently, investment, hedging and trading decisions (including decisions regarding the suitability of entering into an OTC Transaction) must not be made solely on the basis of the risk disclosures set out in the following, since such information cannot serve as a substitute for individual legal, regulatory, tax, accounting, business and other advice and information which is tailored to the requirements, objectives, experience, knowledge and circumstances of each Investor individually.

Only Investors who are fully aware of the risks associated with the OTC Transactions and fully understand the terms applicable pursuant to the Strategy Documentation, the nature and extent of the risk of loss and the nature of the contractual relationship into which an Investor enters, should consider engaging in OTC Transactions. Investors should evaluate carefully whether the OTC Transaction is appropriate in light of their investing experience, financial objectives and needs, financial resources, and other relevant circumstances, and whether they have the operational resources in place to monitor the associated risks and contractual obligations over the term of an OTC Transaction.

UBS is acting solely in the capacity of an arm's length contractual counterparty in the OTC Transaction and not in the capacity of a financial advisor or fiduciary, unless UBS has expressly so agreed in writing, and then only to the extent so agreed. Accordingly, unless UBS has agreed in writing to act as the Investor's advisor for transactions such as the OTC Transactions, an Investor should not regard any transaction proposals, suggested investment strategies or other written or marketing materials or other oral communications from UBS as investment recommendations or advice or as expressing UBS' view as to whether a particular transaction is suitable for an Investor or meets an Investor's financial objectives.

Capitalized terms used in this Section 2 ("Risk Disclosure Statement") shall have the meaning assigned to them in Section 3 ("Terms and Conditions of the Transaction"), unless otherwise defined.

## **2.2 UBS-Specific Risk Factors**

### **2.2.1 General Insolvency Risk of UBS**

Each Investor bears the general risk that the financial situation of UBS could deteriorate. The obligations of UBS as a counterparty in a an OTC Transaction constitute immediate, unsecured and unsubordinated obligations of UBS, which, in particular in the case of insolvency of UBS, rank *pari passu* with each other and all other current and future unsecured and unsubordinated obligations of UBS, with the exception of those that have priority due to mandatory statutory provisions. The obligations of UBS arising out of an OTC Transaction are not secured by a system of deposit guarantees or a compensation scheme.

In particular, in case of Long Puts exercised at expiry, in case of an insolvency of UBS, UBS may not be able to fulfil its obligation to pay the purchase price, which means that an Investor loses the protection on its Shares. While an Investor will not be obliged to deliver the Shares in such case unless the insolvency administrator guarantees payment of the purchase price (subject to change of law and/or doctrine), in case of a negative performance of the Shares the Investor may still incur a loss on his existing position as a consequence of the loss of the protection.

### **2.2.2 Potential Conflicts of Interest**

UBS and affiliated companies may participate in transactions related to the Shares in some way, for their own account or for account of a client. Such transactions may not serve to benefit the Investor and may have a positive or negative effect on the value of the Shares and therefore of the OTC Transaction. Furthermore, companies affiliated with UBS may become counterparties in hedging transactions relating to obligations of UBS stemming from the OTC Transaction. As a result, conflicts of interest can arise between companies affiliated with UBS, as well as between these companies and Investors, in relation to obligations regarding the calculation of the price of the Shares and other associated determinations. In addition, UBS and its affiliates may act in other capacities with regard to an OTC Transaction, such as calculation agent or paying agent.

Furthermore, UBS and its affiliates may issue other derivative instruments relating to the Shares, and introduction of such competing products may affect the value of the OTC Transaction. UBS and its affiliated companies may receive non-public information relating to the Shares, and subject to the applicable laws and regulations, neither UBS nor any of its affiliates undertakes to make this information available to Investors.

### **2.2.3 Views of UBS and Research Reports published by UBS**

UBS and its affiliates from time to time express views on expected movements in any relevant markets in the ordinary course of their businesses. These views are sometimes communicated to clients who participate in these markets. However, these views, depending upon world-wide economic, political and other developments, may vary over differing time-horizons and are subject to change. Moreover, other professionals who deal in these markets may at any time have significantly different views from the views of UBS and its affiliates. Investors must derive information about the relevant markets from multiple sources. Investors should investigate these markets and not rely on views which may be expressed by UBS or its affiliates in the ordinary course of UBS or its affiliates' businesses with respect to future market movements.

UBS, or one or more of its affiliates may, at present or in the future, publish research reports with respect to movements in equity or commodity markets generally or in the relevant market price specifically. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with investing in the OTC Transaction. Any of these activities may affect the value of the OTC Transaction.

## 2.3 Product-Specific Risk Factors

### 2.3.1 Covered Call Writing (Covered Short Calls)

In case of covered call writing, i.e. where an Investor holds the Shares in a deposit with UBS and pledges the Shares to UBS as security for its obligation to deliver the Shares upon exercise of the Short Call. The Short Call will be shown as a negative position in the Investor's portfolio with UBS and any change in the market value of the Shares can result in a significant change in the value of the Short Call if viewed on a standalone basis. However, upon entering into a Short Call, the performance of the pledged Shares and the OTC Transaction, respectively, has to be assessed on a combined basis as these two positions are interrelated. As a result, the total value of such combined position will reflect the typical non-linear behaviour (asymmetric payoff) of an OTC option strategy, i.e. linear downside risk but limited upside participation.

By entering into a Short Call the Shares will be blocked throughout the tenor of the OTC Transaction. The Investor will not be able to sell, transfer or otherwise deal with the Shares unless it is prepared to terminate the OTC Transaction by paying the then prevailing unwinding price to UBS. Please note that during the time needed to unwind an OTC Transaction and to unblock the Shares, the price of the Shares may change and the Investor is exposed to such price fluctuations until it can effectively sell the Shares (delta market risk).

Certain corporate actions may result in an adjusted Number of Options or Option Entitlement (e.g. in case of a rights issue), and might require the Investor to deliver additional Shares into its deposit with UBS (margin call), as the Investor must ensure that during the tenor of the OTC Transaction it holds a sufficient number of Shares with UBS to fulfil the obligations under the Short Call.

As opposed to uncovered call writing, i.e. a situation where the Investor does not own the Shares and where the risk of loss is in theory unlimited, the risk of loss in case of covered call writing at expiry is generally limited to the delivery of the pledged Shares against payment of the Strike Price if the Options expire at-the-money or in-the-money, plus transaction costs.

### 2.3.2 Protective Puts (Long Puts on Existing Shares)

Protective puts are Long Puts where the Investor already owns the Shares and wants to buy insurance against losses in the value of the Shares at the Strike Price (the "Protective Puts"). The Long Put will be shown as an additional positive position in the Investor's portfolio with UBS and any change in the market value of the Shares can result in a significant change in the value of the Long Put if viewed on a standalone basis. However, upon entering into a Long Put, the performance of the underlying Shares and the OTC Transaction, respectively, has to be assessed on a combined basis as these two positions are interrelated. As a result, the total value of such combined position will reflect the typical non-linear behaviour (asymmetric payoff) of an OTC option strategy, i.e. downside risk limited by the Strike Price and unlimited participation in the positive performance of the Shares.

By entering into a Protective Put, an Investor will be required to hold the Shares until Expiration Date, meaning that the Shares will be blocked. The Investor will not be able to sell, transfer or otherwise deal with the Shares unless it is prepared to terminate the OTC Transaction by accepting the then prevailing unwinding price from UBS. Please note that during the time needed to unwind an OTC Transaction and to unblock the Shares, the price of the Shares may change and the Investor is exposed to such price fluctuations until it can effectively sell the Shares (delta market risk).

The Investor has a known and limited loss potential in case of a Long Put in general. If a Long Put expires worthless (i.e. at-the-money or out-of-the-money), the Investor will lose the total OTC Transaction value paid for the protection on the Shares (i.e. the Option Premium), plus transaction costs. This risk reflects the nature of an OTC Transaction in general as an asset which tends to decline in value over time. Therefore, a Long Put is not intended to be the sole asset held by an Investor and should be only one portion of an Investor's portfolio, which should be diversified by holding other types of assets.

### 2.3.3 Adjustments and Early Termination/Cancellation

In case of Potential Adjustment Events, Delisting, Merger Events and Tender Offers, UBS may at its reasonable discretion adjust the terms of the OTC Transaction to account for the effect of such events on the Shares. This includes (*inter alia*) adjustments in the Number of Shares, the Number of Options, the Strike Price and the Option Entitlement.

In case of the occurrence of a Termination Event (including certain Potential Adjustment Events, Delisting, Merger Events and Tender Offers, Change in Law, Hedging Disruption or Increased Cost of Hedging), UBS may at its reasonable discretion early terminate the OTC Transaction. In case of a Nationalisation or Insolvency, the OTC Transaction will be automatically cancelled.

There is no termination right (Short Call)/exercise right (Long Put) of the Investor prior to expiry. Consequently, the Investor will not be able to realize any intrinsic value of the OTC Transaction at any earlier date unless UBS facilitates an unwinding.

**In case of a termination or cancellation of a Short Call, the Investor might be required to pay to UBS an amount determined at the reasonable discretion of the Calculation Agent.**

**In the case of a termination or cancellation of a Protective Put, the Investor bears the risk of having to repurchase protection at the then prevailing market price, which might be more than the amount paid by UBS (if any).**

### 2.3.4 Unwinding and Limited Liquidity

Neither are the OTC Transactions listed and traded on any kind of (public) exchange, nor will there be a public market for the OTC Transactions, and, therefore, it might be difficult or impossible to liquidate an existing position on favourable terms before expiry. However, UBS intends, but is not obliged, to facilitate the unwinding (i.e. buyback in case of a Short Call or sellback in case of a Long Put) of an OTC Transaction under normal market conditions. In case of a Short Call, unwinding (repurchasing) an OTC Transaction prior to the Expiration Date will require payment of the then prevailing unwinding price of the OTC Transaction to UBS (as determined by the Calculation Agent at its sole discretion). In case of a Long Put, UBS will pay the then prevailing unwinding price of the OTC Transaction to unwind an OTC Transaction prior to the Expiration Date (as determined by the Calculation Agent at its sole discretion). **For the avoidance of doubt, while UBS intends to facilitate the unwinding of the OTC Transaction under normal market conditions, UBS is under no obligation to accept the request of the Investor to unwind.**

As a higher (Short Call)/lower (Long Put) unwinding price may result from an adversely moving price of the Shares or any other pricing factor (such as implied volatilities, interest rates, dividend expectations, funding levels of UBS, remaining time to maturity etc.), unwinding an OTC Transaction at the prevailing unwinding price might result in a loss if not offset, in whole or in part, by the gain on the Shares.

Furthermore, the OTC Transaction cannot be assigned or transferred without the prior written consent of UBS, meaning that it might be impossible for an Investor to transfer the OTC Transaction to a third party, and the OTC Transaction is therefore a relatively illiquid investment.

### 2.3.5 No Automatic Close-Out of Other OTC Transactions

The OTC Transaction is privately negotiated and not listed on any options exchange. Therefore, if an Investor enters into an OTC Transaction with UBS to offset another OTC Transaction with UBS or an OTC transaction with another counterparty, there will not be an automatic close-out as would be the case with certain listed OTC Transactions.

### 2.3.6 Market Disruption Events

The Calculation Agent may determine in its absolute sole discretion that a Market Disruption Event has occurred or exists at the Expiration Date. Any such determination may have an adverse effect on the value of the OTC Transaction for an Investor.

### 2.3.7 No Tax Advice; Changes in Tax Law and Tax Call

The tax considerations set forth in the Final Terms reflect the view of UBS based on the legislation applicable at the date of issuance of the Final Terms. It cannot, however, be ruled out that the tax treatment by the tax authorities and courts could be interpreted differently. Additionally, the tax considerations set forth in the Final Terms may not be used as the sole basis for the decision to enter into an OTC Transaction from a tax perspective, since the individual situation of each Investor must also be taken into account. Thus, the considerations regarding taxation contained in the Final Terms do not constitute any sort of material information or tax advice nor are they in any way to be construed as a representation or warranty with respect to specific tax consequences.

In accordance with these General Terms and Conditions, UBS may terminate an OTC Transaction early for tax reasons. Accordingly, Investors should consult their personal tax advisors before making any decision to enter into an OTC Transaction and must be aware of and be prepared to bear the risk of a potential early termination due to tax reasons.

UBS does not accept any liability for adverse tax consequences of entering into an OTC Transaction.

### 2.3.8 Transaction Fees and Other Costs

Please note that the pricing of an OTC Transaction includes fees deducted and distributed within UBS, and in particular a fee between 0-3% p.a. of the market value of the Shares as determined by the Calculation Agent, determined by and allocated to UBS Wealth Management & Swiss Bank (or any successor organisation thereto). Furthermore, commissions and other transaction costs incurred in connection with the settlement, termination, cancellation or unwinding of the OTC Transaction may result in charges, which can substantially reduce any redemption amount. **Before entering into the OTC Transaction, Investors should therefore inform themselves of all costs associated with the OTC Transaction.**

### 2.3.9 Pricing of OTC Transaction

The price of each OTC Transaction is individually negotiated between UBS and each Investor, and while UBS is committed to act in the best interest of its clients, UBS can not represent or warrant that the prices for which it offers OTC Transactions are the best prices available, possibly making it difficult for Investors to establish what is a fair price for a particular OTC Transaction.

### 2.3.10 Currency Exchange Rate Risk

If the settlement currency is different from the currency of the Investor's home jurisdiction or any other reference currency, the value of the OTC Transaction expressed in such reference currency may be



subject to fluctuating currency exchange rates, and might therefore increase or decrease as a result of such fluctuations.

Currency exchange rates are determined by factors of offer and demand on the international currency exchange markets, which are themselves exposed to economic factors, speculations and measures by governments and central banks (for example monetary controls or restrictions).

#### 2.3.11 Valuation of the OTC Transaction/Market Risk

Prior to the Expiration Date, the pricing behaviour of the OTC Transaction, including spread, will be influenced not only by the price of the Shares but also by other pricing factors such as the terms of the specific OTC Transaction, interest rates, implied volatilities, dividend expectations, funding levels of UBS and the remaining time to expiration.

Since several risk factors may have simultaneous effects on the OTC Transaction, the effect of a particular risk factor cannot be predicted. In addition, several risk factors may have a compounding effect which may not be predictable. No assurance can be given with regard to the effect that any combination of risk factors may have on the value of the OTC Transaction, which effects are in particular also subject to the then-prevailing market conditions.

Given that multiple pricing factors affect the value of the OTC Transaction, Investors must be aware that the overall valuation (including the Shares held by the Investor) may not necessarily improve even if the Shares' price rises. The overall valuation may trade considerably below the initial price during the tenor of the OTC Transaction even with the Shares trading above (Short Call)/below (Long Put) the initial price.

#### 2.3.12 Risk-Hedging Transactions

The ability to eliminate or to restrict the initial risks of the OTC Transaction by concluding any hedging transactions during their lifetime depends mainly on the market conditions and the terms and conditions of the specific OTC Transaction. As a consequence, such hedging transactions may be concluded at unfavourable market prices to the effect that corresponding losses may arise.

Investors should therefore not rely on the ability to conclude hedging transactions at any time during the term of the OTC Transaction that will allow them to offset or limit relevant risks.

#### 2.3.13 Information Regarding the Shares

References in Final Terms to the Shares are included solely for the purpose of identification of the Shares to which the OTC Transaction relates. Such references are not to be construed as any express or implied endorsement of the listed entity or any affiliate of the listed entity of the Shares, nor does any such listed entity or any affiliate of the listed entity accept any responsibility for any statement in the Final Terms nor undertake any liability in respect of the OTC Transaction. In particular, UBS does not prepare or distribute research on UBS shares or price-affected securities and does not express a view on the direction of the price of such securities or UBS results or strategies.

Neither UBS nor any affiliates of UBS have performed any investigations or review of any company issuing any share, including any public filings by such companies. Investors should not conclude that the inclusion of the Shares is any form of investment recommendation. Consequently, there can be no assurance that all events occurring prior to the conclusion of the OTC Transaction, that would affect the trading price of the Share(s), will have been publicly disclosed. Subsequent disclosure of or failure to disclose material future events concerning a company issuing any Shares could affect the trading price of the Shares and therefore the prevailing unwinding price of the OTC Transaction.

Nothing in the Strategy Documentation may be relied upon as a representation of the future performance of the Shares.

\* \* \* \* \*

### **3 Terms and Conditions of the Transactions**

#### **3.1 General Terms relating to Transactions**

##### **3.1.1 European Option**

The Options may only be exercised on the Expiration Date.

##### **3.1.2 Option Type**

**"Short Call"** means an Option entitling UBS upon exercise to purchase Shares from the Investor at the Strike Price per Share.

**"Long Put"** means an Option entitling Investor upon exercise to sell Shares to UBS at the Strike Price per Share.

##### **3.1.3 Terms Relating to Premium**

The Purchaser is required to pay to the Seller the price for the purchase of the option right (the **"Option Premium"**) on the Premium Payment Date. In the Final Terms the Option Premium is defined (i) in respect of a Short Call as the Yield Payment and (ii) in respect of a Long Put as the Protection Payment.

##### **3.1.4 Business Day Convention**

Where either of the Trade Date, the Premium Payment Date, the Expiration Date or the Settlement Date falls on a date that is not a Business Day, an adjustment will be made so that the date will be the first following day that is a Business Day.

#### **3.2 Automatic Exercise of Options**

The Option will be automatically exercised at the Expiration Time if at such time the Option is In-the-Money (as determined by the Calculation Agent). If the Purchaser has notified Seller before the Expiration Time in accordance with Section 3.11.5 ("Notices") that it does not wish automatic exercise to occur, the Option shall expire without being exercised. For the avoidance of doubt, the Option Premium shall not be repaid to the Purchaser in any case.

No charges shall be applied by UBS for the automatic exercise of the Option. Any other taxes, duties and/or expenses, including any applicable depository charges, transaction or exercise charges, stamp duty, issue, registration, securities transfer and/or other taxes or duties which may arise in connection with the automatic exercise of the Option are payable by the Investor.

This Section 3.2 shall not apply if the Option has been terminated, cancelled or unwound in accordance with these General Terms and Conditions prior to the Expiration Time.

#### **3.3 Physical Settlement**

If the Option has been exercised in accordance with Section 3.2 ("Automatic Exercise of Option") above, in the case of a Short Call, on the Settlement Date (i) UBS will pay to the Investor the Strike Price multiplied by the Number of Shares to be Delivered (determined without regard to rounding), and (ii) the Investor will deliver to UBS the Number of Shares to be delivered, it being understood that UBS shall be authorized to transfer any Shares held by the Investor with UBS up to the Number of Shares to be Delivered without further instructions by the Investor.

In the case of a Long Put, on the Settlement Date (i) the Investor will deliver to UBS the Number of Shares to be Delivered, and (ii) UBS will pay to the Investor the Strike Price multiplied by the Number of Shares to be Delivered (determined without regard to rounding).

All taxes, charges and/or expenses, if any, incurred in connection with the settlement of the Transaction shall be borne and paid by the Investor. UBS or the Paying Agent, as the case may be, are entitled, but not obliged, to withhold from any required payments under these General Terms and Conditions, such taxes, charges and/or expenses owed by the Investor.

### 3.4 Dividends

Dividends will be payable to the party that would receive such Dividends according to the rules of the Related Exchange.

The Strike Price will not be adjusted upon the payment of Dividends.

### 3.5 Adjustments

#### 3.5.1 Potential Adjustment Events

**“Potential Adjustment Event”** means any of the following:

- (i) a subdivision, consolidation or reclassification of Shares (unless resulting in a Merger Event), or a free distribution or dividend of such Shares to existing shareholders by way of bonus, capitalization or similar issues;
- (ii) a distribution, issue or dividend to existing holders of the Shares of (A) such Shares, or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Issuer equally or proportionally with such payments to holders of such Shares, or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Issuer as a result of a spin-off or other similar transaction, or (D) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (iii) a Special Distribution;
- (iv) a call by the Issuer in respect of relevant Shares that are not fully paid;
- (v) a repurchase by the Issuer or any of its subsidiaries of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (vi) in respect of the Issuer, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Issuer pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

### 3.5.2 Consequences of the Occurrence of a Potential Adjustment Event

Following the declaration by the Issuer of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares and, if so, will

- (i) make the corresponding adjustment(s), if any, to any or more of the Strike Price, the Number of Options, the Option Entitlement, the relevant Number of Shares, and, in any case, any other variable relevant to the exercise, settlement, payment or other terms of the Transaction as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and
- (ii) determine the effective date(s) of the adjustment(s).

The Calculation Agent may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Potential Adjustment Event made by an Options Exchange to options on the relevant Shares traded on such Option Exchange.

Should in the opinion of the Calculation Agent at its reasonable discretion no adjustment be possible, the Calculation Agent may terminate the Transaction in accordance with Section 3.10 ("Termination") below.

### 3.5.3 Adjustments to Certain Share Transactions in European Currencies

In respect of a Transaction relating to Shares originally quoted, listed and/or dealt as of the Trade Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the Treaty establishing the European Community, as amended from time to time, if such Shares are at any time after the Trade Date quoted, listed and/or dealt exclusively in Euro on the Related Exchange or, where no Related Exchange is specified, the principal market on which those Shares are traded, then the Calculation Agent will adjust the Strike Price and any other variable relevant to the terms of the Transaction as the Calculation Agent determines appropriate to preserve the economic terms of the Transaction. The Calculation Agent will make any conversion necessary for purposes of any such adjustment as of the Expiration Time at an appropriate mid-market spot rate of exchange determined by the Calculation Agent prevailing as of the Expiration Time. No adjustments under this Section 3.5.3 will affect the currency denomination of any payment obligation arising out of the Transaction.

### 3.5.4 Correction of Share Price

In the event that any price published on the Related Exchange and which is utilized for any calculation or determination made under a Transaction is subsequently corrected and the correction is published by the Related Exchange within the period of days after the original publication following a trade in the Shares on the Related Exchange in which settlement will customarily occur according to the rules of the Related Exchange, either party may notify the other party of that correction and the Calculation Agent will determine the amount that is payable or deliverable as a result of that correction, and, to the extent necessary, will adjust the terms of such Transaction to account for such correction.

### 3.5.5 Successor Exchange

In case of a Delisting, if a quotation or trading is started up or maintained on another stock exchange, the Calculation Agent shall be entitled to determine (without prejudice to UBS' right to terminate the transaction in accordance with Section 3.10 ("Termination of the Transaction by UBS")) such other stock exchange as the successor to the Related Exchange, and any reference to the Related Exchange in these General Terms and Conditions shall thereafter be construed as a reference to such successor exchange.

### 3.6 Merger Event and Tender Offers

#### 3.6.1 Meaning of Merger Event

**“Merger Event”** means, in respect of any relevant Shares, any

- (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person;
- (ii) consolidation, amalgamation, merger or binding share exchange of the Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Issuer is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding);
- (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of the Issuer that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person); and/or
- (iv) consolidation, amalgamation, merger or binding share exchange of the Issuer or its subsidiaries with or into another entity in which the Issuer is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event (a “Reverse Merger”), in each case if the closing date (or such other date as determined by the Calculation Agent) is on or before the Settlement Date.

#### 3.6.2 Meaning of “Tender Offer”

**“Tender Offer”** means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding voting shares of the Issuer, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

#### 3.6.3 Consequences of a Merger Event or Tender Offers

Upon the occurrence of a Merger Event or Tender Offers, the Calculation Agent shall make the corresponding adjustments, if any, to any one or more of the Strike Price, the Number of Options, the Option Entitlement and the relevant Number of Shares, and, in any case, any other variable relevant to the settlement of that Transaction, as determined by the Calculation Agent, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date. The Calculation Agent may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect to such Merger Event or Tender Offer made by an Options Exchange to options on the relevant Shares traded on such Option Exchange. If options on the relevant Shares are not traded on any Options Exchange, the Calculation Agent may (but need not) make such adjustment(s), if any, to any one or more the relevant variables referred to above or any other variable relevant to the settlement of the Transaction as the Calculation Agent determines appropriate, with reference to the rules and precedents (if any) set by an Option Exchange, to account for the effect of any event that, in the determination of the Calculation Agent, would have given rise to an adjustment by the Option Exchange if such options were so traded.

Should in the opinion of the Calculation Agent at its reasonable discretion no adjustment be possible, the Calculation Agent may terminate the Transaction in accordance with Section 3.10 ("Termination") below.

#### 3.6.4 Settlement following a Merger Event or Tender Offer

If New Shares are required to be delivered due to an adjustment following a Merger Event or Tender Offer, then the Investor will deliver the relevant New Shares in accordance with the terms of settlement set out in the Final Terms provided that if on the relevant Settlement Date a holder of the Shares would not yet have received the New Shares to which it is entitled, the Settlement Date with respect to such New Shares will be postponed to the first Business Day falling on or after the first day on which a holder of the relevant Shares, having received the New Shares, would be able to deliver such New Shares to the other party.

If Other Consideration is required to be delivered due to an adjustment following a Merger Event or Tender Offer, then the Investor will deliver the relevant Other Consideration to UBS in a commercially reasonable manner in accordance with the reasonable directions of UBS as soon as reasonably practicable after the later of (i) the relevant Settlement Date and (ii) the first day on which a holder of the relevant Shares, having received Other Consideration, would be able to deliver such Other Consideration to the other party.

#### 3.6.5 Composition of Combined Consideration

To the extent that the composition of the Combined Consideration could be determined by a holder of Shares equal to the relevant Option Entitlement or Number of Shares and a holder of Shares could receive New Shares as part of the Combined Consideration, the Combined Consideration shall be deemed to be New Shares to the maximum value permitted; and if a holder could make any other election with respect to the composition of Combined Consideration other than New Shares, the Calculation Agent will, in its sole discretion, determine the composition.

### 3.7 Nationalization or Insolvency

In case of the occurrence of a Nationalization or Insolvency, the Transaction will be cancelled as of the Announcement Date and Seller will pay to Purchaser a cancellation amount calculated by the Calculation Agent taking into account all costs and expenses incurred by UBS, which determination may, but need not, be based on the factors and adjustments used in the determination according to the "Agreed Model" as defined in the 2002 ISDA Equity Derivatives Definitions.

### 3.8 Market Disruption Event

#### 3.8.1 Meaning of Market Disruption Event

**"Market Disruption Event"** means any of the following events:

- (i) any suspension of or limitation imposed on trading by the Related Exchange or the Option Exchange or otherwise whether by reason of movements in price exceeding limits permitted by the Related Exchange or Option Exchange or otherwise (A) relating to the Share on the Related Exchange or (B) in futures or options contracts relating to the Share on the Options Exchange;
- (ii) the closure on of the Related Exchange or the Option Exchange prior to its scheduled closing time unless such earlier closing time is announced by such Related Exchange or Option Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Related Exchange or Option Exchange and (ii) the submission deadline for orders to be

entered into the Related Exchange or Option Exchange system for execution at the Expiration Time;

- (iii) The closing price for the Shares is a "limit price", which means that the price for the Shares for a day has increased or decreased from the immediately preceding day's price by the maximum amount permitted under applicable rules of the Related Exchange;
- (iv) The Related Exchange or the Option Exchange fails to open for trading during its regular trading sessions, or the suspension or failure of the announcement of the official closing price of the Share on the Related Exchange; and/or
- (v) any event during the one-hour period that ends at the Expiration Time (other than an early closure as described below) that materially disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the Shares on the Related Exchange, or (B) to effect transactions in, or obtain market values for, futures and options contracts relating to the Share on the Option Exchange.

### 3.8.2 Consequences of a Market Disruption Event

If, in the opinion of the Calculation Agent at its reasonable discretion a Market Disruption Event has occurred on the Expiration Date, then the Expiration Date shall be postponed to the first following Scheduled Trading Day on which no Market Disruption Event has occurred. If each of the eight Scheduled Trading Days immediately following the date that but for the occurrence of a Market Disruption Event would have been the Expiration Date, the eight Scheduled Trading Day shall be deemed to be the Expiration Date.

The value of affected Shares(s) shall then be determined by the Calculation Agent in its sole and absolute discretion but in accordance with established market practice, it being understood that such value determined by the Calculation Agent shall then be deemed the Expiration Value.

Upon the occurrence of a Market Disruption Event, the Calculation Agent shall give notice as soon as practicable to the Investor in accordance with Section 3.11.5 ("Notices") stating that a Market Disruption Event has occurred and providing details thereof. Failure of the Calculation Agent to notify the Investor of the occurrence of a Market Disruption Event shall not affect the validity of the occurrence and effect of such Market Disruption Event on the Transaction.

## 3.9 Unwinding Requested by Investor

From the Trade Date until 12:00 CET PM (noon) on the Last Trading Day, the Investor may request UBS to unwind the Transaction, in whole or in part, on any Scheduled Trading Day (the date on which such request is made the "Unwinding Date"). Such request shall be effective from and on the Unwinding Date only. If UBS agrees to the request to unwind the Transaction, the applicable unwinding amount (if any) shall be the value as of the Unwinding Date (expressed in the Settlement Currency) of the Transaction as determined in a commercially reasonable manner by the Calculation Agent and taking into account all costs and expenses incurred by UBS, and such amount shall be paid to UBS in the case of a Short Call and to the Investor in the case of a Long Put within three Business Days after the Unwinding Date.

Upon receipt of the Unwinding Amount by UBS in accordance with the above provision, the Transaction shall be deemed terminated in whole or in part, as per the unwinding request, with immediate effect.

For the avoidance of doubt, while UBS intends to facilitate the unwinding of the Transaction under normal market conditions, UBS is under no obligation to accept the request of the Investor to unwind.



### 3.10 Termination of the Transaction by UBS

#### 3.10.1 Termination Events

Upon the occurrence of any of the following Termination Events, UBS shall be entitled to terminate the Transaction by giving notice in accordance with Section 3.11.5 ("Notices") specifying the date on which the Termination becomes effective (the "**Termination Date**"), subject to a notice period of at least two Scheduled Trading Days prior to the relevant Termination Date (the "**Termination**").

"**Termination Event**" means any of the events set forth in paragraphs (i) through (v) below:

- (i) it is, in the opinion of the Calculation Agent at its reasonable discretion, not possible to make the adjustment to account for the occurrence of Potential Adjustment Events, Delisting, Merger Event or Tender Offers;
- (ii) in the determination of UBS and the Calculation Agent, at their reasonable discretion, there has been a material change in the market conditions at the Related Exchange;
- (iii) "**Change in Law**" means that, on or after the Trade Date, (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that (i) it has become illegal to hold, acquire or dispose of Hedge Positions relating to such Transaction, or (ii) alternatively or additionally in case of a change in any tax law, any present or future taxes, duties or governmental charges would be imposed by any jurisdiction in which UBS is or becomes subject to tax;
- (iv) "**Hedging Disruption**" means that UBS is unable, after using commercially reasonable efforts, to either (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk (or any other relevant price risk including, but not limited to, the currency risk) of entering into and performing its obligations with respect to this Transaction, or (ii) freely realize, recover, receive, repatriate, remit or transfer the proceeds of Hedge Positions or this Transaction between accounts within the jurisdiction of the Hedge Positions (the "**Affected Jurisdiction**") or from accounts within the Affected Jurisdiction to accounts outside of the Affected Jurisdiction; and/or
- (v) "**Increased Cost of Hedging**" means that UBS would incur a materially increased (as compared with the circumstances that existed on the Trade Date) amount of tax, duty, expenses or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) as it deems necessary to hedge the equity price risk (or any other relevant price risk including, but not limited to, the currency risk) of entering into and performing its obligations with respect to the Transaction or (B) freely realise, recover, receive, repatriate, remit or transfer the proceeds of the Hedge Positions or the Transaction between accounts within the Affected Jurisdictions or from accounts within the Affected Jurisdictions to accounts outside of the Affected Jurisdictions.

#### 3.10.2 Consequences of Termination Events (Termination Amount)

Upon Termination, the Calculation Agent will determine the Termination Amount payable by one party to the other.

**“Termination Amount”** means the amount of the losses or costs of UBS that are or would be incurred under the then prevailing circumstances (expressed as a positive number) or gains of UBS that are or would be realized under the prevailing circumstances (expressed as a negative number) in replacing, or in providing for UBS the economic equivalent of, (i) the material terms of the relevant Transaction, including the payments and deliveries by the parties to the Transaction that would, but for the occurrence of the Termination Event, have been required on or after the date that the Transaction is, or is deemed to have been, terminated and (ii) the option rights of the parties in respect of the Transaction.

Any Termination Amount will be determined by the Calculation Agent taking into account all costs and expenses incurred by UBS, which will act in good faith and use commercially reasonable procedures in order to produce a commercially reasonable result. Each Termination Amount will be determined as of the date that the Transaction terminated or, if that would not be commercially reasonable, as of the date or dates following the date that the Transaction terminated as would be commercially reasonable.

Any Termination Amount payable by one party to the other shall be paid by the party to pay such amount not later than three Business Days following the date that notice of the determination by the Calculation Agent and the party to pay such amount is effective, which notice shall be provided promptly following such determination.

### **3.11 Miscellaneous**

#### **3.11.1 Calculation Agent Determinations and Calculations**

All determinations and calculations under these General Terms and Conditions shall be made by the Calculation Agent, unless otherwise stated herein. Such determinations and calculations shall be final and binding for all parties except in the event of manifest error, in which case the Calculation Agent shall make the appropriate corrections at his reasonable discretion.

#### **3.11.2 Option Agents**

The Calculation Agent and the Paying Agent (together the **“Option Agents”**) act exclusively on behalf of UBS and have no obligations to the Investors. UBS is entitled at any time to replace the Option Agent by another company, to appoint one or several additional Option Agents and to revoke their appointments. Such replacement, appointment and revocation shall be notified in accordance with Section 3.11.5 (**“Notices”**).

#### **3.11.3 No Assignment**

The rights and obligations of the Investor under the Transaction shall not be assigned (transferred) without the prior written consent of UBS, and any such assignment (transfer) without the prior written consent of UBS shall be null and void.

#### **3.11.4 Substitution**

UBS may at any time and from time to time, without the consent of the Investor, substitute for itself as obligor under the Transaction any affiliate, branch, subsidiary or holding company of UBS (the **“New Counterparty”**) provided that (i) the New Counterparty shall assume all obligations that UBS owes to the Investor under or in relation to the Transaction, and (ii) UBS unconditionally and irrevocably guarantees the obligations of the New Counterparty

If such substitution occurs, then any reference in the Strategy Documentation to UBS shall be construed as a reference to the New Counterparty. Any substitution will be promptly notified to the Investor in accordance with Section 3.11.5 (**“Notices”**).

### 3.11.5 Notices

All notices to the Investor required under or in connection with these General Terms and Conditions shall be validly given by publication at [www.ubs.com/keyinvest](http://www.ubs.com/keyinvest) or any successor address (or at the discretion of UBS in any other legally sufficient manner), and shall be effective as of the publishing date (or in case of several publications as of the date of the first publication).

All notices to UBS required under or in connection with these General Terms and Conditions shall be made by delivering such notice in writing either to the address of the Investor's UBS branch or to UBS at Bahnhofstrasse 45, P.O. Box, CH-8098 Zurich or such other address as may be notified to the Investors in accordance with this Section 3.11.5 ("Notices").

### 3.11.6 Statutory Period of Limitation

In accordance with Swiss law, claims of any kind against UBS in connection with the Transaction for, inter alia, payment of any amount, or, if applicable, delivery of any Shares will be prescribed 10 years after the date on which such claim has become due.

### 3.11.7 Amendments and Severability

UBS is entitled to change or amend, as the case may be, in these General Terms and Conditions (i) any manifest writing or calculation errors or other manifest incorrectness as well as (ii) any conflicting or incomplete provisions, without the consent of the Investor, provided that in the cases referred to under (ii) only such changes or amendments, which are acceptable to the Investor taking into account the interests of UBS, i.e. which do not materially impair the financial situation of the Investor, shall be permissible. Any changes or amendments of these General Terms and Conditions shall be notified in accordance with the Section 3.11.5 ("Notices").

If any of the provisions of these General Terms and Conditions is or becomes invalid in whole or in part, the remaining provisions shall remain valid. The invalid provision shall be replaced by a valid provision, which, to the extent legally possible, serves the economic purposes of the invalid provision. The same applies to gaps, if any, in these General Terms and Conditions.

### 3.11.8 Applicable Law and Jurisdiction

All rights and duties arising out of or in connection with the Transaction shall be governed by, and construed in accordance with, the substantial laws of the Swiss Confederation.

The place of performance and place of jurisdiction for all actions or other procedures under or in connection with the Transaction and the corresponding rights and obligations shall be Zurich (1), Switzerland.

### 3.11.9 Effective Date

These General Terms and Conditions are effective as of 17 August 2011.

\* \* \* \* \*

## 4 Definitions

All capitalized terms not otherwise defined herein shall have the meaning assigned to them for the purpose of Share Option Transactions in the 2002 ISDA Equity Derivatives Definitions.

„Announcement Date“	means, (i) in the case of a Nationalization, the date of the first public announcement to nationalize (whether or not subsequently amended) that leads to the Nationalization, and (ii) in the case of an Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency.
„Business Day“	means the Business Day specified as such in the Final Terms.
„Calculation Agent“	means the Calculation Agent specified as such in the Final Terms. In the event that no Calculation Agent is specified in the Final Terms, the Calculation Agent in respect of any Transaction shall be UBS.
„Combined Consideration“	means New Shares in combination with Other Considerations.
„Delisting“	means that the Shares cease (or will cease) to be listed, traded or publicly quoted on the Related Exchange for any reason (other than a Merger Event or Tender Offer), or UBS becomes aware of such intention.
„Dividends“	means (i) the shareholders' entitlement to a cash participation in the annual profit of the Issuer (dividend) per Share as declared by the Issuer; (ii) repayments to shareholders in case of a reduction of the nominal value of the Shares if the Issuer pays the amount of the reduction of the nominal value instead of a dividend or if the dividends are part of the regular dividend; and (iii) guaranteed cash compensations of subscription rights and other comparable rights offered instead of a dividend.
“Expiration Date”	means the date specified as such in the Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), subject to adjustments as specified in these General Terms and Conditions.
“Expiration Time”	means the official closing time of the Related Exchange on the Expiration Date.
„Expiration Value“	means the official closing value of the Share on the Expiration Date on the Related Exchange, unless the Calculation Agent has determined the value of the Share in accordance with Section 3.8.2 (“Consequences of Market Disruption Events”).
„Final Terms“	<p>means the standardized document created by UBS and titled “Final Terms”, which is sent to the Investor to evidence and confirm the terms of an option transaction and incorporates these General Terms and Conditions.</p> <p>In case of conflict between the Final Terms and the General Terms and Conditions, the provisions of the Final Terms shall take precedence. Definitions used in the Final Terms and not defined otherwise shall have the meaning assigned to them in these General Terms and Conditions.</p>
„Hedge Positions“	means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in securities, options, futures, derivatives or foreign exchange, (ii) stock loan transactions or (iii) other instruments or arrangements (howsoever described) by a party in order to hedge, individually or on a portfolio basis, a Transaction.

„Insolvency“	means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up or any analogous proceeding affecting the Issuer, (i) all the Shares of that Issuer are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares of that Issuer become legally prohibited from transferring them.
„In-the-Money“	means (i) in respect of a Short Call, that the Expiration Value is greater than or equal to the Strike Price and (ii) in respect of a Long Put, that the Expiration Value is less than or equal to the Strike Price, with the Expiration Value determined as of the Expiration Time on the Expiration Date.
„Issuer“	means, in respect of Shares, the issuer of the relevant Shares.
„Last Trading Day“	Means the day specified as such in the Final Terms.
„Nationalization“	means that all the Shares or all or substantially all of the assets of an Issuer are nationalized, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.
„New Shares“	means ordinary or common shares, whether of the entity or person (other than the Issuer) involved in the Merger Event or the making of the Tender Offer or a third party, that are, or that as of the closing date of the Merger Event or in case of a Tender Offer the date on which voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (both dates as determined by the Calculation Agent) are promptly scheduled to be, (i) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Related Exchange (or where the Exchange is within the European Union, in any member state of the European Union) and (ii) not subject to any currency exchange controls, trading restrictions or other trading limitations.
„Number of Options“	means the Number of Options specified as such in the Final Terms, being the total number of Options comprised in the relevant Transaction.
„Number of Shares“	means the number of Shares obtained by multiplying the Number of Options by the Option Entitlement.
„Number of Shares to be Delivered“	means the number of Shares equal to the number of Options exercised or deemed exercised on that Expiration Date multiplied by the Option Entitlement. In the event that the number of Shares calculated as set out above comprises any fractional Share, the Number of Shares to be Delivered will be rounded down (in case of a Short Call) or rounded up (in case of a Long Put) to the next integral number.
„Option“	means each unit into which the Transaction is divided for purpose of exercise, valuation or settlement.
„Option Entitlement“	means, in respect of a Transaction, the number of Shares per Option specified as Ratio in the Final Terms. In the event that no Option Entitlement is specified in the Final Terms, the Option Entitlement in respect of any Transaction shall be one Share per Option.
„Option Exchange“	means the options exchange(s) on which option contracts on the Shares are primarily traded, as determined by the Calculation Agent.
„Other Consideration“	means cash and/or any securities (other than New Shares) or assets (whether of the entity or person (other than the Issuer) involved in the Merger Event or the making of the Tender Offer or a third party.

„Premium Payment Date“	means the date on which the Option Premium is due, as specified in the Final Terms.
„Purchaser“	means (i) in the case of a Short Call UBS, (ii) in the case of a Long Put the Investor.
„Reference Price“	Means the price specified as such in the Final Terms and is based on the spot price for the Shares quoted on the Related Exchange as of the time of the quotation of the Transaction. In case of Transaction outside of the regular trading hours of the Related Exchange (pre- or after-market), the Reference Price will be determined at the sole and reasonable discretion of the Calculation Agent.
„Related Exchange“	means the exchange specified as such in the Final Terms, any successor to such exchange or any substitute exchange to which trading in the Shares has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange as on the original Related Exchange).
„Scheduled Trading Day“	means the day on which the Related Exchange and the Option Exchange are scheduled to be open for trading for their respective regular trading sessions.
„Seller“	means (i) in the case of a Short Call the Investor, (ii) in the case of a Long Put UBS.
„Settlement Date“	means the final settlement date specified in the Final Terms (it being understood that in case of a adjustment to the Expiration Date due to the occurrence of a Market Disruption Event, the Settlement Date shall be postponed accordingly).
„Shares“	mean the underlying specified as such in the Final Terms, including any possible dividend coupons, talons (renewal coupons) and subscription rights (coupons) appertaining thereto.
„Special Distribution“	means additional cash distributions to shareholders other than Dividends, in particular extraordinarily high dividends, bonuses or other cash distributions, or dividends which are not distributed within the scope of the regular dividend policy or which are declared as non-regular dividend by the Issuer (e.g. special dividends, anniversary bonus, interest payments on the equity). The characterization of a cash distribution as a Special Distribution shall be determined at the reasonable discretion of the Calculation Agent.
„Strategy Documentation“	Means the Final Terms together with these General Terms and Conditions, referred to as the Strategy Documentation in the Final Terms.
„Strike Price“	means the price per Share specified in the Final Terms (i) in respect of a Short Call, as Target Sales Price (Cap) and (ii) in respect of a Long Put, as Protection Price (Floor).
„Trade Date“	means, in respect of a Transaction, the date specified as such in the Final Terms.
„Transaction“	means the over-the-counter (“OTC”) equity option transaction evidenced and confirmed by the Final Terms and incorporating by reference these General Terms and Conditions.
„UBS“	means UBS AG, Zurich.