

Structured Products Tax Reporting Information
www.ubs.com/sp-tax

This document contains answers to frequently asked questions regarding Structured Products tax reporting. Please review the applicable offering documents for information about the expected tax treatment of each particular product. Neither UBS Financial Services Inc. nor its employees or representatives provide legal or tax advice. Accordingly, Clients must consult with their tax and/or legal advisors regarding their particular situation.

Trigger Yield Optimization Notes (Trigger YONs)

Why do I see two separate payments on the coupon payment dates?

The tax treatment described in the offering documents for your Trigger YON requires that each coupon payment be treated as a combination of interest income and option premium. UBS separates each coupon payment into two pieces to facilitate proper tax reporting of the coupon components.

What payments are reported to the IRS?

The interest portion of the Trigger YON coupon payment is reported to the IRS on Form 1099-INT. The option premium portion of the coupon payments is not required to be reported to the IRS but appears on Form 1099 as option premium not reported to the IRS.

If I receive cash at maturity of my Trigger YONs, what should I do with the option premium I received?

According to the issuer's tax disclosure, if you receive cash at maturity of your Trigger YONs (other than cash in lieu of fractional shares), you should recognize the option premium you received over the term of the Trigger YONs as short-term capital gain. You may need to reference prior year Form 1099s in order to calculate this amount.

If I receive shares of stock at maturity of my Trigger YONs, why is my cost basis for the stock lower than what I paid for the Trigger YONs?

If you receive shares of stock at maturity of your Trigger YONs, the cost basis in your client statement reflects your purchase price for the Trigger YONs reduced by the total option premium you received over the term of the Trigger YONs.

What do I need to know if I sell my Trigger YONs before maturity?

If you sell your Trigger YONs before maturity, in order for you to properly calculate your tax liability, you will need to know 1) the value of the deposit or debt component of the Trigger YON, 2) the value of the put option component of the Trigger YON and 3) the accrued and unpaid interest at the time you sell your Trigger YON. To obtain this information, please ask your Financial Advisor to call the relevant issuer at the following phone numbers:

UBS Investment Bank – 1-203-719-3300
HSBC – 1-866-811-8049
Barclays – 1-212-528-7198
Deutsche Bank – 1-212-250-3006
JP Morgan Chase – 1-800-576-3529
Royal Bank of Canada – 1-866-609-6009

Structured Products with Original Issue Discount (OID)

How do I know if my structured product has OID income?

The applicable offering documents for your structured product will contain a tax disclosure. If your structured product has OID income, it will be disclosed in that tax disclosure. The offering document will either contain the OID schedule and comparable yield or information on how you can receive the OID schedule and comparable yield.

What happens if my structured product has OID income?

If your structured product has OID income, the amount of the OID will be reported to you on Form 1099-OID. The cost basis for your structured product reflected in your client account will also increase by the amount of the OID.

To ensure compliance with IRS Circular 230, any U.S. federal tax advice provided in this communication is not intended or written to be used, and it cannot be used by the recipient or any other taxpayer (i) for the purpose of avoiding tax penalties that may be imposed on the recipient or any other taxpayer, or (ii) in promoting, marketing or recommending to another party a partnership or other entity, investment plan, arrangement or other transaction addressed herein.