

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

NORA FERNÁNDEZ; AUGUSTO SCHREINER; EDDIE TORO VÉLEZ; VÍCTOR R. VELA DÍEZ DE ANDINO; GEORGINA VÉLEZ MONTES; and JUAN VIERA and ESTHER SANTANA, on behalf of themselves and all others similarly situated,

Plaintiffs,

v.

UBS AG; UBS FINANCIAL SERVICES, INC.; UBS FINANCIAL SERVICES INCORPORATED OF PUERTO RICO; UBS TRUST COMPANY OF PUERTO RICO; UBS BANK USA; CARLOS V. UBIÑAS; MIGUEL A. FERRER; BANCO POPULAR de PUERTO RICO; and POPULAR SECURITIES, LLC,

Defendants.

No. 1:15-cv-02859-SHS

**ANSWER OF THE UBS DEFENDANTS
TO THE AMENDED CLASS ACTION COMPLAINT**

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Defendants UBS AG, UBS Financial Services Inc. (“UBS Financial”), UBS Financial Services Incorporated of Puerto Rico (“UBS Puerto Rico”), UBS Trust Company of Puerto Rico (“UBS Trust”), and UBS Bank USA (“UBS Bank”) (collectively, the “UBS Defendants”), by their undersigned attorneys, hereby answer to the Amended Class Action Complaint (“Amended Complaint”) filed by Nora Fernandez, Augusto Schreiner, Eddie Toro Velez, Victor R. Vela Diez De Andino, Georgina Velez Montes, and Juan Viera (collectively, “Plaintiffs”).

The UBS Defendants are providing an answer to all of the allegations in the Amended Complaint even though many of the allegations are no longer relevant to the claims that remain in this lawsuit following the Court’s December 7, 2016 Opinion and Order, ECF No. 127, which dismissed the claims against the UBS Defendants for breach of fiduciary duty and breach of the covenant of good faith and fair dealing. The only remaining claims against the UBS Defendants are by Plaintiffs Fernandez, Schreiner, and Velez Montes (the “UBS Plaintiffs”) for breach of contract. Also remaining, is a claim brought by Plaintiff Vela Diez De Andino against Popular Securities, LLC for breach of contract. All claims brought by Juan Viera, Esther Santana and Eddie Toro Velez have been dismissed. All claims against Miguel A. Ferrer, Carlos V. Ubiñas, and Banco Popular de Puerto Rico have been dismissed.

1. The UBS Defendants deny the allegations contained in Paragraph 1 insofar as they relate to the UBS Defendants and lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 1 insofar as they relate to parties other than the UBS Defendants.

2. The UBS Defendants admit the allegations contained in the first sentence of Paragraph 2. The UBS Defendants deny the allegations contained in the second sentence of Paragraph 2, except refer to the prospectuses of the twenty-three closed-end mutual funds listed

in Paragraph 42 of the Amended Complaint (the “Funds”) for, *inter alia*, the respective structure, investment objectives and risk factors for each of the Funds.

3. The UBS Defendants deny the allegations contained in Paragraph 3 insofar as they relate to the UBS Defendants, except refer to the transcript of testimony in the referenced SEC Proceeding for its contents thereof. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 3 insofar as they relate to parties other than the UBS Defendants.

4. The UBS Defendants deny the allegations contained in Paragraph 4, except refer to the Funds’ prospectuses for, *inter alia*, the respective structure, investment objectives and risk factors for each of the Funds.

5. The UBS Defendants deny the allegations contained in Paragraph 5 insofar as they relate to the UBS Defendants, except admit that (i) a division of UBS Trust provided advisory services to the Funds and earned compensation; (ii) certain of the UBS Defendants served as underwriter of certain bonds purchased by certain of the Funds and earned compensation; and (iii) certain of the UBS Defendants sold shares of the Funds to their clients and earned compensation. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 5 insofar as they relate to parties other than the UBS Defendants

6. The UBS Defendants deny the allegations contained in Paragraph 6 insofar as they relate to the UBS Defendants, except refer to the referenced recording of the June 2011 speech and the transcript of testimony in the referenced SEC Proceeding for the contents thereof. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of

the allegations contained in Paragraph 6 insofar as they relate to parties other than the UBS Defendants.

7. The UBS Defendants deny the allegations contained in Paragraph 7.

8. The UBS Defendants deny the allegations contained in Paragraph 8 insofar as they relate to the UBS Defendants, except refer to (i) the UBS Plaintiffs' respective client relationship agreements, client agreements, and disclosures; and (ii) UBS's website for the contents thereof. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 8 insofar as they relate to parties other than the UBS Defendants.

9. The UBS Defendants deny the allegations contained in Paragraph 9, except admit that UBS Bank was not licensed to do business in Puerto Rico.

10. The UBS Defendants deny the allegations contained in Paragraph 10 insofar as they relate to the UBS Defendants. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 10 insofar as they relate to parties other than the UBS Defendants.

11. The UBS Defendants deny the allegations contained in Paragraph 11 insofar as they relate to the UBS Defendants. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 11 insofar as they relate to parties other than the UBS Defendants.

12. The UBS Defendants deny the allegations contained in Paragraph 12 insofar as they relate to the UBS Defendants, except refer to the referenced *El Nuevo Día* publication for the contents thereof. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 12 insofar as they relate to parties

other than the UBS Defendants.

13. The UBS Defendants deny the allegations contained in Paragraph 13, except (i) refer to the 2013 UBS Group AG and UBS AG Annual Report for disclosures relating thereto; and (ii) refer to the December 21, 2013 UBS Bank USA Agreement and Understanding with OCIF for the contents thereof.

14. The UBS Defendants deny the allegations contained in Paragraph 14, except (i) admit that on October 9, 2014 UBS Puerto Rico entered into a settlement agreement with OCIF; and (ii) refer to the October 9, 2014 Settlement Agreement between UBS Puerto Rico and OCIF for the contents thereof.

15. The UBS Defendants admit that Plaintiffs seek certain relief against the UBS Defendants but deny that Plaintiffs are entitled to such relief.

16. Paragraph 16 states a legal conclusion to which no response is necessary. The UBS Defendants further aver that they lack knowledge or information sufficient to form a belief as to the citizenship of Plaintiffs.

17. Paragraph 17 states a legal conclusion to which no response is necessary. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 17.

18. The UBS Defendants deny the allegations contained in Paragraph 18, except admit that (i) venue is proper in this District; and (ii) the UBS Plaintiffs' respective client relationship agreements and client agreements provide that venue is appropriate in this District.

19. The UBS Defendants deny the allegations contained in the first sentence of Paragraph 19, except admit that Plaintiff Nora Fernandez is or was a client of UBS and purchased and/or held Tax-Free Puerto Rico Target Maturity Fund, Inc., Puerto Rico AAA

Portfolio Bond Fund, Inc. and Puerto Rico AAA Portfolio Bond Fund II, Inc. shares during the Class Period. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in the second sentence of Paragraph 19.

20. The UBS Defendants deny the allegations contained in the first sentence of Paragraph 20, except admit that Plaintiff August Schreiner is or was a client of UBS and purchased and/or held Puerto-Rico Fixed Income Fund I, Inc., Puerto-Rico Fixed Income Fund II, Inc., PR Fixed Income Fund III, Inc., PR Fixed Income Fund IV, Inc., PR Fixed Income Fund V, Inc., PR AAA Portfolio Bond Fund, Inc., Tax-Free Puerto Rico Fund, Inc. and Tax-Free Puerto Rico Target Maturity Fund, Inc. shares during the Class Period. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in the second sentence of Paragraph 20.

21. The UBS Defendants deny that Plaintiff Eddie Toro Velez suffered losses as a result of the UBS Defendants' alleged misconduct and lack knowledge or information sufficient to form a belief as to the truth of the remainder of the allegations contained in Paragraph 21.

22. The UBS Defendants deny that Plaintiff Victor R. Vela Diez De Andino suffered losses as a result of the UBS Defendants' alleged misconduct and lack knowledge or information sufficient to form a belief as to the truth of the remainder of the allegations contained in Paragraph 22.

23. The UBS Defendants deny the allegations contained in the first sentence of Paragraph 23, except admit that Plaintiff Georgina Velez Montes is or was a client of UBS and purchased and/or held Puerto Rico Fixed Income Fund III. shares during the Class Period. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in the second sentence of Paragraph 23.

24. The UBS Defendants deny the allegations contained in the first sentence of Paragraph 24, except admit that Plaintiffs Juan Viera and Esther Santana are or were clients of UBS and purchased and/or held Puerto Rico AAA Portfolio Bond Fund, Inc. and Puerto Rico Fixed Income Fund II, Inc. shares during the Class Period. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in the second sentence of Paragraph 24. The UBS Defendants further aver that all of the claims of Plaintiffs Juan Viera and Esther Santana have been dismissed.

25. The UBS Defendants admit the allegations contained in Paragraph 25.

26. The UBS Defendants admit the allegations contained in the first, third, fourth, and fifth sentences of Paragraph 26. The UBS Defendants deny the remainder of the allegations contained in Paragraph 26, except (i) admit that UBS Financial's principal place of business is in Weehawken, New Jersey; and (ii) refer to the UBS Plaintiffs' respective client relationship agreements, client agreements, and disclosures for the contents thereof.

27. The UBS Defendants admit the allegations contained in the first and second sentences of Paragraph 27. The UBS Defendants deny the remainder of the allegations contained in Paragraph 27, except (i) admit that UBS Puerto Rico is incorporated under the laws of the Commonwealth of Puerto Rico and has its principal offices in San Juan, Puerto Rico; (ii) admit that UBS Puerto Rico has derived income from its service as underwriter for Puerto Rico governmental entities seeking to raise capital in the bond markets; and (iii) refer to the UBS Plaintiffs' respective client relationship agreements, client agreements, and disclosures for the contents thereof.

28. The UBS Defendants admit the allegations contained in the first and second sentences of Paragraph 28. The UBS Defendants deny the remainder of the allegations

contained in Paragraph 28, except (i) admit that UBS Asset Managers, a division of UBS Trust, derived income from providing advisory services to the UBS Closed-End Funds, as listed in Paragraph 42(b) of the Amended Complaint (the “UBS Closed-End Funds”); (ii) admit that UBS Asset Managers performed other services for the UBS Closed-End Funds and refer to the UBS Closed-End Funds’ prospectuses and annual reports for a description thereof; and (iii) refer to the UBS Plaintiffs’ respective client relationship agreements, client agreements, and disclosures for the contents thereof.

29. The UBS Defendants admit the allegations contained in the first and second sentences of Paragraph 29. The UBS Defendants deny the remainder of the allegations contained in Paragraph 29, except refer to the UBS Plaintiffs’ respective client relationship agreements, client agreements, and disclosures for the contents thereof.

30. The allegations contained in the first sentence of Paragraph 30 do not require a response. The UBS Defendants deny the allegations contained in the second sentence of Paragraph 30.

31. The UBS Defendants deny the allegations contained in the first four sentences of Paragraph 31, except admit that Ubiñas (i) was Executive Vice President of each of the UBS Closed-End Funds during the Class Period; (ii) was Chairman of the Board of Directors for certain of the UBS Closed-End Funds for certain years during the Class Period; and (iii) has served as President of UBS Puerto Rico. The UBS Defendants admit the allegations contained in the fifth sentence of Paragraph 31. The UBS Defendants further aver that the claims against Ubiñas in this litigation have been dismissed.

32. The UBS Defendants admit the allegations contained in the first sentence of Paragraph 32. The UBS Defendants deny the allegations contained in the second sentence of

Paragraph 32, except admit that Ferrer was a Director of each of the Jointly Managed Funds (as listed in Paragraph 42(a) of the Amended Complaint) from 2008 through 2012. The UBS Defendants deny the remainder of the allegations contained in Paragraph 32, except admit that (i) Ferrer served as CEO of UBS Puerto Rico and CEO of UBS Trust from 2008 through October 2009; (ii) Ferrer, in January 2010, became UBS Puerto Rico's Chairman; and (iii) Ferrer ceased working for UBS Puerto Rico in July 2014. The UBS Defendants further aver that the claims against Ferrer in this litigation have been dismissed.

33. The UBS Defendants deny the allegations contained in Paragraph 33, except admit that UBS Puerto Rico was the largest broker dealer in Puerto Rico when the Amended Complaint was filed and employed more than 130 financial advisors.

34. The UBS Defendants deny the allegations contained in Paragraph 34, except refer to the UBS Plaintiffs' respective client relationship agreements, client agreements, and disclosures for the contents thereof.

35. The UBS Defendants deny the allegations contained in Paragraph 35, except admit that the named individuals were officers and directors of various of the UBS Defendants at various points in time.

36. The UBS Defendants admit the allegations contained in the third sentence of Paragraph 36. The UBS Defendants deny the remainder of the allegations contained in Paragraph 36.

37. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 37.

38. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 38.

39. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 39.

40. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 40.

41. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 41.

42. The UBS Defendants admit the allegations contained in the first sentence of Paragraph 42. The UBS Defendants deny the remainder of the allegations contained in Paragraph 42, except (i) lack knowledge or information sufficient to form a belief as to the investments of purported class members; (ii) refer to the Funds' prospectuses and the transcript of testimony in the referenced SEC Proceeding for the contents thereof.

43. The UBS Defendants deny the allegations contained in Paragraph 43, except refer to the Funds' prospectuses for, *inter alia*, the respective structure, investment objectives and risk factors for each of the Funds.

44. The UBS Defendants deny the allegations contained in Paragraph 44, except refer to the Funds' prospectuses for, *inter alia*, the respective structure, investment objectives and risk factors for each of the Funds.

45. The UBS Defendants deny the allegations contained in Paragraph 45, except refer to the referenced marketing materials, correspondence to the SEC, and the transcript of testimony in the referenced SEC Proceeding for the contents thereof.

46. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in the first sentence of Paragraph 46. The UBS Defendants deny the allegations contained in the second sentence of Paragraph 46, except admit

that the Funds are not registered under the Investment Company Act of 1940 (“1940 Act”), and refer to the 1940 Act for the contents thereof.

47. The UBS Defendants deny the allegations contained in Paragraph 47, except admit that the Funds are not registered under the 1940 Act, and refer to 1940 Act for the contents thereof.

48. The UBS Defendants deny the allegations contained in Paragraph 48, except refer to the Funds’ prospectuses for, *inter alia*, the respective structure, investment objectives and risk factors for each of the Funds.

49. The UBS Defendants deny the allegations contained in Paragraph 49. The UBS Defendants further aver that Plaintiffs’ breach of fiduciary duty claims have been dismissed.

50. The UBS Defendants deny the allegations contained in Paragraph 50. The UBS Defendants further aver that Plaintiffs’ breach of fiduciary duty claims have been dismissed.

51. The UBS Defendants deny the allegations contained in Paragraph 51, except refer to the UBS Plaintiffs’ respective client relationship agreements, client agreements, and disclosures for the contents thereof.

52. The UBS Defendants deny the allegations contained in Paragraph 52, except refer to the UBS Plaintiffs’ respective client relationship agreements, client agreements, and disclosures for the contents thereof.

53. The UBS Defendants deny the allegations contained in Paragraph 53, except refer to the transcript of testimony in the referenced SEC Proceeding for the contents thereof. The UBS Defendants further aver that Plaintiffs’ breach of fiduciary duty claims have been dismissed.

54. The UBS Defendants deny the allegations contained in Paragraph 54, except refer to the UBS Plaintiffs' respective client relationship agreements, client agreements, and disclosures for the contents thereof. The UBS Defendants further aver that Plaintiffs' breach of fiduciary duty claims have been dismissed.

55. The UBS Defendants deny the allegations contained in Paragraph 55, except refer to the UBS Plaintiffs' respective client relationship agreements, client agreements, and disclosures for the contents thereof. The UBS Defendants further aver that Plaintiffs' breach of fiduciary duty claims have been dismissed.

56. The UBS Defendants deny the allegations contained in Paragraph 56, except refer to the UBS Plaintiffs' respective client relationship agreements, client agreements, and disclosures for the contents thereof.

57. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 57.

58. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 58.

59. The UBS Defendants deny the allegations contained in Paragraph 59 insofar as they relate to the UBS Defendants, except refer to the UBS Plaintiffs' respective client relationship agreements, client agreements, and disclosures for the contents thereof. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 59 insofar as they relate to parties other than the UBS Defendants.

60. The UBS Defendants deny the allegations contained in Paragraph 60 insofar as they relate to the UBS Defendants. The UBS Defendants lack knowledge or information

sufficient to form a belief as to the truth of the allegations contained in Paragraph 60 insofar as they relate to parties other than the UBS Defendants.

61. The UBS Defendants deny the allegations contained in Paragraph 61, except refer to the Funds' prospectuses for, *inter alia*, the respective structure, investment objectives and risk factors for each of the Funds.

62. The UBS Defendants deny the allegations contained in Paragraph 62, except refer to the Funds' annual reports for information regarding the respective holdings of each of the Funds.

63. The UBS Defendants deny the allegations contained in Paragraph 63, except refer to the referenced October 2010 Conway MacKenzie, Inc. report for the contents thereof.

64. The UBS Defendants deny the allegations contained in Paragraph 64, except admit that, according to its 2012 Annual Report, Puerto Rico Investors Tax-Free Fund IV, Inc. owned more than \$151 million face amount of bonds issued by PR Employees Retirement and COFINA, and further refer to the 2012 Annual Report of the Puerto Rico Investors Tax-Free Fund IV, Inc. for the contents thereof.

65. The UBS Defendants deny the allegations contained in Paragraph 65, except refer to the Funds' annual reports for information regarding the respective holdings of each of the Funds.

66. The UBS Defendants deny the allegations contained in Paragraph 66, except refer to the Funds' prospectuses for, *inter alia*, a description of Rulings of the Commissioner of Financial Institutions of Puerto Rico with respect to the Funds and to the Puerto Rico Investment Company Act for the contents thereof.

67. The UBS Defendants deny the allegations contained in Paragraph 67, except (i) admit that the Funds are not registered under the 1940 Act; (ii) refer to the 1940 Act for a the contents thereof; and (iii) refer to the Funds' prospectuses for, *inter alia*, the respective structure, investment objectives and risk factors for each of the Funds.

68. The UBS Defendants deny the allegations contained in Paragraph 68, except refer to the Funds' prospectuses for, *inter alia*, the respective structure, investment objectives and risk factors for each of the Funds, and refer to the Funds' annual reports for information regarding the respective holdings of each of the Funds.

69. The UBS Defendants deny the allegations contained in Paragraph 69, except refer to the Funds' prospectuses for, *inter alia*, the respective structure, investment objectives and risk factors for each of the Funds.

70. The UBS Defendants deny the allegations contained in Paragraph 70, except refer to the transcript of testimony in the referenced SEC Proceeding for the contents thereof.

71. The UBS Defendants deny the allegations contained in Paragraph 71, except (i) admit that the Funds entered into interest rate swaps as set forth in the annual reports of the respective Funds; and (ii) refer to the transcript of testimony in the referenced SEC Proceeding for the contents thereof.

72. The UBS Defendants deny the allegations contained in Paragraph 72 insofar as they relate to the UBS Defendants, except refer to the UBS Plaintiffs' respective client relationship agreements, client agreements, and disclosures for the contents thereof. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 72 insofar as they relate to parties other than the UBS Defendants.

73. The UBS Defendants deny the allegations contained in Paragraph 73 insofar as they relate to the UBS Defendants, except admit that certain of the UBS Defendants served as underwriter of certain bonds issued by the Commonwealth of Puerto Rico or its political subdivisions, organizations, agencies, and instrumentalities and received compensation for doing so. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 73 insofar as they relate to parties other than the UBS Defendants.

74. The UBS Defendants deny the allegations contained in Paragraph 74, except refer to the referenced promotional materials for the contents thereof.

75. The UBS Defendants deny the allegations contained in Paragraph 75 insofar as they relate to the UBS Defendants. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 75 insofar as they relate to parties other than the UBS Defendants.

76. The UBS Defendants deny the allegations contained in Paragraph 76 insofar as they relate to the UBS Defendants, except admit that certain of the UBS Defendants served as underwriter of certain bonds purchased by certain of the Funds and earned compensation. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 76 insofar as they relate to parties other than the UBS Defendants.

77. The UBS Defendants deny the allegations contained in Paragraph 77 insofar as they relate to the UBS Defendants. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 77 insofar as they relate to parties other than the UBS Defendants.

78. The UBS Defendants deny the allegations contained in Paragraph 78 insofar as they relate to the UBS Defendants, except admit that a division of UBS Trust provided advisory services to the Funds and earned compensation. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 78 insofar as they relate to parties other than the UBS Defendants.

79. The UBS Defendants deny the allegations contained in Paragraph 79 insofar as they relate to the UBS Defendants, except (i) admit that a division of UBS Trust provided advisory services to the Jointly Managed Funds and earned compensation; and (ii) refer to the Funds' prospectuses and annual reports for information related thereto. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 79 insofar as they relate to parties other than the UBS Defendants.

80. The UBS Defendants deny the allegations contained in Paragraph 80, except (i) admit that a division of UBS Trust provided advisory services to the UBS Closed-End Funds and earned compensation; (ii) admit that certain of the UBS Defendants provided administrative services to the UBS Closed-End Funds and earned compensation; and (iii) refer to the Funds' prospectuses and annual reports for information related thereto.

81. The UBS Defendants deny the allegations contained in Paragraph 81 insofar as they relate to the UBS Defendants, except admit that certain of the UBS Defendants served as underwriter of certain bonds purchased by certain of the Funds. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 81 insofar as they relate to parties other than the UBS Defendants.

82. The UBS Defendants deny the allegations contained in Paragraph 82 insofar as they relate to the UBS Defendants, except admit that a division of UBS Trust provided advisory

services to the Funds. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 82 insofar as they relate to parties other than the UBS Defendants.

83. The UBS Defendants deny the allegations contained in Paragraph 83 insofar as they relate to the UBS Defendants, except admit that (i) a division of UBS Trust provided advisory services to the Funds and earned compensation; (ii) certain of the UBS Defendants served as underwriter of certain bonds purchased by certain of the Funds and earned compensation; and (iii) certain UBS Defendants sold shares of the Funds to their clients and earned compensation. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 83 insofar as they relate to parties other than the UBS Defendants.

84. The UBS Defendants deny the allegations contained in Paragraph 84 insofar as they relate to the UBS Defendants and lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 84 insofar as they relate to parties other than the UBS Defendants. The UBS Defendants further aver that Plaintiffs' breach of fiduciary duty claims have been dismissed.

85. The UBS Defendants deny the allegations contained in Paragraph 85 insofar as they relate to the UBS Defendants, except refer to Plaintiffs' account statements for the contents thereof. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 85 insofar as they relate to parties other than the UBS Defendants.

86. The UBS Defendants deny the allegations contained in Paragraph 86, except refer to the transcript of testimony in the referenced SEC Proceeding for the contents thereof.

87. The UBS Defendants deny the allegations contained in Paragraph 87, except refer to the transcript of testimony in the SEC Proceeding and the emails referenced in Paragraph 87 for the contents thereof.

88. The UBS Defendants deny the allegations contained in Paragraph 88, except admit that UBS held an investor conference in June 2008.

89. The UBS Defendants deny the allegations contained in Paragraph 89, except refer to the referenced recording and *Reuters* article for the contents thereof.

90. The UBS Defendants deny the allegations contained in Paragraph 90, except refer to the recording referenced in Paragraphs 89–90 for the contents thereof.

91. The UBS Defendants deny the allegations contained in Paragraph 91, except refer to the recording referenced in Paragraphs 89–91 for the contents thereof.

92. The UBS Defendants deny the allegations contained in Paragraph 92, except refer to the referenced recording for the contents thereof.

93. The UBS Defendants deny the allegations contained in Paragraph 93, except refer to the transcript of testimony in the referenced SEC Proceeding for the contents thereof.

94. The UBS Defendants deny the allegations contained in Paragraph 94 insofar as they relate to the UBS Defendants. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 94 insofar as they relate to parties other than the UBS Defendants.

95. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 95.

96. The UBS Defendants deny the allegations contained in Paragraph 96 insofar as they relate to the UBS Defendants. The UBS Defendants lack knowledge or information

sufficient to form a belief as to the truth of the allegations contained in Paragraph 96 insofar as they relate to parties other than the UBS Defendants. The UBS Defendants further aver that Plaintiffs' fiduciary duty claims have been dismissed.

97. The UBS Defendants deny the allegations contained in Paragraph 97 insofar as they relate to the UBS Defendants. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 97 insofar as they relate to parties other than the UBS Defendants. The UBS Defendants further aver that Plaintiffs' fiduciary duty claims have been dismissed.

98. The UBS Defendants deny the allegations contained in Paragraph 98 insofar as they relate to the UBS Defendants. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 98 insofar as they relate to parties other than the UBS Defendants.

99. The UBS Defendants deny the allegations contained in Paragraph 99 insofar as they relate to the UBS Defendants. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 99 insofar as they relate to parties other than the UBS Defendants.

100. The UBS Defendants deny the allegations contained in Paragraph 100 insofar as they relate to the UBS Defendants, except refer to the equity disclosure schedule referenced in Paragraph 100 for the contents thereof. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 100 insofar as they relate to parties other than the UBS Defendants.

101. The UBS Defendants deny the allegations contained in Paragraph 101 insofar as they relate to the UBS Defendants. The UBS Defendants lack knowledge or information

sufficient to form a belief as to the truth of the allegations contained in Paragraph 101 insofar as they relate to parties other than the UBS Defendants.

102. The UBS Defendants deny the allegations contained in Paragraph 102.

103. The UBS Defendants deny the allegations contained in Paragraph 103.

104. The UBS Defendants deny the allegations contained in Paragraph 104.

105. The UBS Defendants deny the allegations contained in Paragraph 105, except admit that UBS Bank provided credit lines to certain UBS Puerto Rico customers.

106. The UBS Defendants deny the allegations contained in Paragraph 106.

107. The UBS Defendants deny the allegations contained in Paragraph 107, except lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in the second sentence of Paragraph 107.

108. The UBS Defendants deny the allegations contained in Paragraph 108, except admit that clients who received loans from UBS Bank were required to pay interest on the loans.

109. The UBS Defendants deny the allegations contained in Paragraph 109, except refer to the referenced June 2011 speech for the contents thereof.

110. The UBS Defendants deny the allegations contained in Paragraph 110.

111. The UBS Defendants deny the allegations contained in Paragraph 111, except refer to the referenced *New York Times* article for the contents thereof.

112. The UBS Defendants deny the allegations contained in Paragraph 112.

113. The UBS Defendants deny the allegations contained in Paragraph 113.

114. The UBS Defendants deny the allegations contained in Paragraph 114.

115. The UBS Defendants admit the allegations contained in Paragraph 115.

116. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 116, except refer to the referenced SEC website for the contents thereof.

117. The UBS Defendants deny the allegations contained in Paragraph 117, except admit that certain financial advisors discussed closed-end funds and fees associated with them.

118. The UBS Defendants deny the allegations contained in Paragraph 118

119. The UBS Defendants deny the allegations contained in Paragraph 119.

120. The UBS Defendants deny the allegations contained in Paragraph 120.

121. The UBS Defendants deny the allegations contained in Paragraph 121.

122. The UBS Defendants deny the allegations contained in Paragraph 122 insofar as they relate to the UBS Defendants. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 122 insofar as they relate to parties other than the UBS Defendants. The UBS Defendants further aver that Plaintiffs' fiduciary duty claims have been dismissed.

123. The UBS Defendants deny the allegations contained in Paragraph 123 insofar as they relate to the UBS Defendants, except refer to the transcript of testimony in the referenced SEC Proceeding for the contents thereof. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 123 insofar as they relate to parties other than the UBS Defendants.

124. The UBS Defendants deny the allegations contained in Paragraph 124, except refer to the transcript of testimony in the referenced SEC Proceeding and the referenced emails for the contents thereof.

125. The UBS Defendants deny the allegations contained in Paragraph 125, except refer to the Funds' annual reports for the investment objectives of the Funds.

126. The UBS Defendants deny the allegations contained in Paragraph 126, except refer to the Funds' offering circulars and prospectuses for the contents thereof.

127. The UBS Defendants deny the allegations contained in Paragraph 127.

128. The UBS Defendants deny the allegations contained in Paragraph 128, except (i) admit that UBS held investor conferences in June 2008 and March 2009; and (ii) refer to the referenced email for the contents thereof.

129. The UBS Defendants deny the allegations contained in Paragraph 129, except refer to the referenced *El Vocero* article for the contents thereof.

130. The UBS Defendants deny the allegations contained in Paragraph 130.

131. The UBS Defendants deny the allegations contained in Paragraph 131.

132. The UBS Defendants deny the allegations contained in Paragraph 132, except (i) admit that the Puerto Rico Fixed Income Fund I, Inc. portfolio had net assets of \$361 million as of June 2013 and held total investments of \$748 million; and (ii) refer to the Funds' annual reports for information regarding the respective holdings of each of the Funds.

133. The UBS Defendants deny the allegations contained in Paragraph 133, except refer to the referenced *Caribbean Business* article for the contents thereof.

134. The UBS Defendants deny the allegations contained in Paragraph 134, except refer to the referenced *New York Times* article for the contents thereof.

135. The UBS Defendants deny the allegations contained in Paragraph 135, except refer to the Moody's, S&P, and Fitch reports and the January 29, 2014 UBS report referenced in Paragraph 135 for the contents thereof.

136. The UBS Defendants deny the allegations contained in Paragraph 136, except refer to the Standard & Poor's and Moody's reports and the February 3, 2014 letter referenced in Paragraph 136 for the contents thereof.

137. The UBS Defendants deny the allegations contained in Paragraph 137.

138. The UBS Defendants deny the allegations contained in Paragraph 138, except refer to the referenced *New York Times* article for the contents thereof, and the 2013 UBS Group AG and UBS AG Annual Report for the disclosures relating thereto.

139. The UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in the last sentence of Paragraph 139. The UBS Defendants deny the remainder of the allegations contained in Paragraph 139, except (i) admit that on December 21, 2013 UBS Bank entered into an Agreement and Understanding with OCIF; and (ii) refer to December 21, 2013 UBS Bank USA Agreement and Understanding with OCIF for the contents thereof.

140. The UBS Defendants deny the allegations contained in Paragraph 140, except refer to the referenced *El Nuevo Dia* article for the contents thereof.

141. The UBS Defendants deny the allegations contained in Paragraph 141, except (i) admit that in October 2014, UBS Puerto Rico entered into a settlement agreement with OCIF; (ii) refer to the October 9, 2014 Settlement Agreement between UBS Puerto Rico and OCIF for the contents thereof.

142. The UBS Defendants deny the allegations contained in Paragraph 142, except refer to the *Reuters* article referenced in Paragraph 142 for the contents thereof.

143. The UBS Defendants deny the allegations contained in Paragraph 143, except admit that Plaintiffs purport to bring this Action as a class action under Federal Rules of Civil

Procedure 23(a) and 23(b)(3) on behalf of all persons who were clients of UBS Puerto Rico and/or Popular Securities and who were invested in any of the Funds during the Class Period and were allegedly damaged as a result of the conduct alleged in the Amended Complaint.

144. Paragraph 144 states a legal conclusion to which no response is necessary. To the extent a response is required, the UBS Defendants admit that Paragraph 144 describes Plaintiffs' purported class period as being from May 5, 2008 through May 5, 2014.

145. Paragraph 145 states a legal conclusion to which no response is necessary.

146. The UBS Defendants deny the allegations contained in Paragraph 146.

147. The UBS Defendants deny the allegations contained in Paragraph 147.

148. The UBS Defendants deny the allegations contained in Paragraph 148.

149. The UBS Defendants deny the allegations contained in Paragraph 149.

150. The UBS Defendants deny the allegations contained in Paragraph 150.

151. Count I has been dismissed so no response is required to Paragraph 151. To the extent a response is required, the UBS Defendants repeat and incorporate by reference each of the above paragraphs of this Answer as if fully set forth herein.

152. Count I has been dismissed so no response is required to Paragraph 152. To the extent a response is required, the UBS Defendants deny the allegations contained in Paragraph 152.

153. Count I has been dismissed so no response is required to Paragraph 153. To the extent a response is required, the UBS Defendants deny the allegations contained in Paragraph 153.

154. Count I has been dismissed so no response is required to Paragraph 154. To the extent a response is required, the UBS Defendants deny the allegations contained in Paragraph 154.

155. Count I has been dismissed so no response is required to Paragraph 155. To the extent a response is required, the UBS Defendants deny the allegations contained in Paragraph 155.

156. Count I has been dismissed so no response is required to Paragraph 156. To the extent a response is required, the UBS Defendants deny the allegations contained in Paragraph 156.

157. Count I has been dismissed so no response is required to Paragraph 157. To the extent a response is required, the UBS Defendants deny the allegations contained in Paragraph 157.

158. Count I has been dismissed so no response is required to Paragraph 158. To the extent a response is required, the UBS Defendants deny the allegations contained in Paragraph 158.

159. Count II has been dismissed so no response is required to Paragraph 159. To the extent a response is required, the UBS Defendants repeat and incorporate by reference each of the above paragraphs of this Answer as if fully set forth herein.

160. Count II has been dismissed so no response is required to Paragraph 160. To the extent a response is required, the UBS Defendants deny the allegations contained in Paragraph 160.

161. Count II has been dismissed so no response is required to Paragraph 161. To the extent a response is required, the UBS Defendants deny the allegations contained in Paragraph 161.

162. Count II has been dismissed so no response is required to Paragraph 162. To the extent a response is required, the UBS Defendants deny the allegations contained in Paragraph 162.

163. Count II has been dismissed so no response is required to Paragraph 163. To the extent a response is required, the UBS Defendants deny the allegations contained in Paragraph 163.

164. Count II has been dismissed so no response is required to Paragraph 164. To the extent a response is required, the UBS Defendants deny the allegations contained in Paragraph 164.

165. Count II has been dismissed so no response is required to Paragraph 165. To the extent a response is required, the UBS Defendants deny the allegations contained in Paragraph 165.

166. Count II has been dismissed so no response is required to Paragraph 166. To the extent a response is required, the UBS Defendants deny the allegations contained in Paragraph 166.

167. Count II has been dismissed so no response is required to Paragraph 167. To the extent a response is required, the UBS Defendants deny the allegations contained in Paragraph 167.

168. Count III is not asserted against the UBS Defendants and has been dismissed so no response is required to Paragraph 168. To the extent a response is required, the UBS

Defendants repeat and incorporate by reference each of the above paragraphs of this Answer as if fully set forth herein.

169. Count III is not asserted against the UBS Defendants and has been dismissed so no response is required to Paragraph 169. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 169.

170. Count III is not asserted against the UBS Defendants and has been dismissed so no response is required to Paragraph 170. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 170.

171. Count III is not asserted against the UBS Defendants and has been dismissed so no response is required to Paragraph 171. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 171.

172. Count III is not asserted against the UBS Defendants and has been dismissed so no response is required to Paragraph 172. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 172.

173. Count III is not asserted against the UBS Defendants and has been dismissed so no response is required to Paragraph 173. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 173.

174. Count III is not asserted against the UBS Defendants and has been dismissed so no response is required to Paragraph 174. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 174.

175. Count IV is not asserted against the UBS Defendants and has been dismissed so no response is required to Paragraph 175. To the extent a response is required, the UBS Defendants repeat and incorporate by reference each of the above paragraphs of this Answer as if fully set forth herein.

176. Count IV is not asserted against the UBS Defendants and has been dismissed so no response is required to Paragraph 176. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 176.

177. Count IV is not asserted against the UBS Defendants and has been dismissed so no response is required to Paragraph 177. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 177.

178. Count IV is not asserted against the UBS Defendants and has been dismissed so no response is required to Paragraph 178. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 178.

179. Count IV is not asserted against the UBS Defendants and has been dismissed so no response is required to Paragraph 179. To the extent a response is required, the UBS

Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 179.

180. Count IV is not asserted against the UBS Defendants and has been dismissed so no response is required to Paragraph 180. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 180.

181. Count IV is not asserted against the UBS Defendants and has been dismissed so no response is required to Paragraph 181. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 181.

182. In response to Paragraph 182, the UBS Defendants repeat and incorporate by reference each of the above paragraphs of this Answer as if fully set forth herein.

183. The UBS Defendants deny the allegations contained in Paragraph 183, except refer to the UBS Plaintiffs' respective client relationship agreements, client agreements, and disclosures for the contents thereof.

184. The UBS Defendants deny the allegations contained in Paragraph 184, except refer to the UBS Plaintiffs' respective client relationship agreements, client agreements, and disclosures for the contents thereof.

185. The UBS Defendants deny the allegations contained in Paragraph 185, except refer to the UBS Plaintiffs' respective client relationship agreements, client agreements, and disclosures for the contents thereof.

186. The UBS Defendants deny the allegations contained in Paragraph 186.

187. The UBS Defendants deny the allegations contained in Paragraph 187.

188. The UBS Defendants deny the allegations contained in Paragraph 188.

189. The UBS Defendants deny the allegations contained in Paragraph 189.

190. Count VI is not asserted against the UBS Defendants so no response is required to Paragraph 190. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 190.

191. Count VI is not asserted against the UBS Defendants so no response is required to Paragraph 191. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 191.

192. Count VI is not asserted against the UBS Defendants so no response is required to Paragraph 192. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 192.

193. Count VI is not asserted against the UBS Defendants so no response is required to Paragraph 193. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 193.

194. Count VI is not asserted against the UBS Defendants so no response is required to Paragraph 194. To the extent a response is required, the UBS Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 194.

The UBS Defendants deny all allegations contained in the Amended Complaint not specifically admitted above and deny that Plaintiffs are entitled to any relief in this action.

AFFIRMATIVE DEFENSES

In asserting the following defenses to the UBS Plaintiffs' claims, the UBS Defendants do not concede that these defenses are necessarily affirmative defenses or that the assertion of such defenses imposes any burden of proof on the UBS Defendants with respect thereto.

FIRST AFFIRMATIVE DEFENSE

The Amended Complaint fails to state a claim upon which relief can be granted

SECOND AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent are barred, in whole or in part, for lack standing.

THIRD AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent are barred, in whole or in part, by the applicable statutes of limitations and repose.

FOURTH AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent are barred, in whole or in part, because the UBS Defendants did not breach any duty owing to Plaintiffs or the members of the class that they purport to represent.

FIFTH AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent are barred, in whole or in part, because the UBS Defendants acted in accordance with the terms of the applicable contracts.

SIXTH AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent are barred, in whole or in part, because the UBS Plaintiffs' agreements provided that they accepted full responsibility for all investment decisions and transactions orders.

SEVENTH AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent are barred, in whole or in part, because the UBS Defendants accurately and completely disclosed all required information and risks.

EIGHTH AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent are barred, in whole or in part, by the doctrines, acquiescence, estoppel, waiver and ratification.

NINTH AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent are barred, in whole or in part, by the doctrine of laches.

TENTH AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent are barred, in whole or in part, because they are preempted by the Securities Litigation Uniform Standards Act of 1998.

ELEVENTH AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent are barred, in whole or in part, because their claim for relief is moot.

TWELFTH AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent are barred, in whole or in part, by the doctrines of unclean hands and *in pari delicto*.

THIRTEENTH AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent are barred, in whole or in part, because they failed to mitigate, minimize or avoid their damages, if any.

FOURTEENTH AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent are barred, in whole or in part, because the alleged damages, if any, are too speculative or remote, and because of the impossibility of the proof of these alleged damages.

FIFTEENTH AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent are barred, in whole or in part, because Plaintiffs have failed to allege, and have not suffered, any cognizable injury attributable to any conduct by the UBS Defendants. Any damages which Plaintiffs and/or members of the class that they purport to represent seek to recover against the UBS Defendants were in fact caused by actions or omissions of Plaintiffs and/or members of the class that they purport to represent and/or third parties.

SIXTEENTH AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent are barred, in whole or part, for lack of proximate causation between the UBS Defendants' alleged conduct and the alleged harm and by superseding and intervening causes.

SEVENTEENTH AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent for attorneys' fees are barred because the Amended Complaint fails to state facts sufficient to support a claim for attorneys' fees.

EIGHTEENTH AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent for punitive damages are barred because the Amended Complaint fails to state facts sufficient to support a claim for punitive damages.

NINETEENTH AFFIRMATIVE DEFENSE

The UBS Plaintiffs' claims and/or the claims of members of the class that they purport to represent are barred, in whole or in part, because the putative class is not certifiable under Rule 23 of the Federal Rules of Civil Procedure.

RESERVATIONS OF RIGHTS

The UBS Defendants reserve the right to assert any other defenses as may be available, or become available to the UBS Defendants during the course of discovery and specifically reserve the right to amend their answer to allege such defenses as they become known.

The purported claims against the UBS Defendants and the allegations upon which they are based are improperly vague, ambiguous, and confusing. The UBS Defendants reserve the right to request a more definite statement

COUNTERCLAIMS

The UBS Defendants reserve all rights with respect to all counterclaims that may be revealed during the course of discovery.

Dated: January 13, 2017

SIMPSON THACHER & BARTLETT LLP

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