

UBS AG
Form 424B2
April 17, 2019
PRICING SUPPLEMENT
Dated April 15, 2019
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Registration Statement No. 333-225551
(To Prospectus dated October 31, 2018, Index Supplement dated
October 31, 2018 and Product Supplement dated October 31, 2018)

UBS AG \$2,800,000 Bearish Barrier Early Redeemable Market Linked Notes with Daily Barrier Observation

Linked to the S&P 500[®] Index due December 3, 2020

Investment Description

UBS AG Bearish Barrier Early Redeemable Market Linked Notes with Daily Barrier Observation (the “Notes”) are unsubordinated, unsecured debt securities issued by UBS AG (“UBS” or the “issuer”) linked to the performance of the S&P 500[®] Index (the “underlying asset”). The amount you receive at maturity will be based on the performance of the underlying asset over the term of the Notes. The Notes will be redeemed early if a barrier event occurs, meaning that the closing level of the underlying asset on any trading day during the observation period (including the final valuation date) is less than the lower barrier. If the Notes are redeemed early because a barrier event occurs, UBS will pay on the applicable call payment date following such date a cash payment per Note equal to your principal amount plus a return equal to the conditional return, and no further payments will be owed to you under the Notes. If the Notes are not redeemed early, because a barrier event does not occur, and the closing level of the underlying asset on the final valuation date (the “final level”) is equal to or greater than the initial level, UBS will pay you a cash payment per Note at maturity equal to the principal amount plus a return equal to the conditional return. If, however, the final level is less than the initial level, UBS will pay you an amount in cash per Note at maturity equal to the principal amount plus a return equal to the absolute value of the “underlying return”, which is the percentage change in the closing level of the underlying asset from the trade date to the final valuation date. **If the Notes are not redeemed early, because a barrier event does not occur, and the final level is less than the initial level, your return on the Notes is limited to 25.00% due to the inclusion of the lower barrier. Investing in the Notes involves significant risks. The Notes do not pay interest and your return on the Notes is limited to 1% if the Notes are redeemed early because a barrier event occurs or, if the Notes are not redeemed early because a barrier event does not occur and the final level is equal to or greater than the initial level. The repayment of principal applies only if the Notes are held to maturity. Any payment on the Notes, including any repayment of principal, is subject to the creditworthiness of UBS. If UBS were to default on its payment obligations, you may not receive any amounts owed to you under the Notes and you could lose all of your initial investment.**

Features

Conditional Return upon Early Redemption following a Barrier Event: The Notes will be redeemed early if a barrier event occurs and UBS will pay you the principal amount of your Notes plus a return equal to the conditional return on the call settlement date. Following an early redemption, no further payments will be owed to you under the Notes. Any payments on the Notes are subject to the creditworthiness of UBS.

Conditional Return at Maturity if the Underlying Asset Remains Flat or Appreciates: If the Notes are not redeemed early, because a barrier event does not occur, and the final level is equal to or greater than the initial level, UBS will pay you a cash payment per Note at maturity equal to the principal amount plus a return equal to the conditional return. Any payments on the Notes are subject to the creditworthiness of UBS.

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Bearish Growth Potential if the Notes are Not Redeemed Early: If the Notes are not redeemed early, because a barrier event does not occur, and the closing level of the underlying asset on the final valuation date is less than the initial level, UBS will pay you an amount in cash per Note at maturity equal to the principal amount plus a return equal to the absolute value of the underlying return, which is equal to the absolute value of the percentage change in the closing level of the underlying asset from the trade date to the final valuation date. Any payments on the Notes are subject to the creditworthiness of UBS.

Key Dates

Trade Date ⁽¹⁾	April 15, 2019
Settlement Date ⁽¹⁾	April 18, 2019
Final Valuation Date ⁽²⁾	November 30, 2020
Maturity Date ⁽²⁾	December 3, 2020

We expect to deliver the Notes against payment on or about the third business day following the trade date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two business days (T+2), unless the parties to a trade expressly agree otherwise. Accordingly, (1) purchasers who wish to trade the Notes in the secondary market on any date prior to two business days before delivery of the Notes will be required, by virtue of the fact that each Note initially will settle in three business days (T+3), to specify alternative settlement arrangements to prevent a failed settlement of the secondary market trade. (2) Subject to postponement in the event of a market disruption event, as described in the accompanying product supplement.

Notice to investors: the Notes are riskier than conventional debt instruments. The issuer will not make interest payments. You should not purchase the Notes if you do not understand or are not comfortable with the risks involved in investing in the Notes.

You should carefully consider the risks described under “Key Risks” beginning on page 4 and under “Risk Factors” beginning on page PS-9 in the accompanying product supplement before purchasing any Notes. Events relating to any of those risks, or other risks and uncertainties, could adversely affect the market value of, and the return on, your Notes. The Notes will not be listed or displayed on any securities exchange or any electronic communications network.

Note Offering

These terms relate to the Bearish Barrier Early Redeemable Market Linked Notes with Daily Barrier Observation linked to the S&P 500[®] Index. The return on the Notes is subject to, and will not exceed, the maximum payment at maturity per Note, as limited by the lower barrier.

Underlying Asset	Bloomberg Ticker	Initial Level	Lower Barrier	Conditional Return	CUSIP	ISIN
S&P 500 [®] Index	SPX	2,905.58	2,179.19, which is equal to the initial level minus 25.00% of the 1% initial level	1%	90270KZH5	US90270KZH57

The estimated initial value of the Notes as of the trade date is \$982.00. The estimated initial value of the Notes was determined as of the close of the relevant markets on the date hereof by reference to UBS’ internal pricing models, inclusive of the internal funding rate. For more information about secondary market offers and the estimated initial value of the Notes, see “Key Risks — Fair value considerations” and “Key Risks — Limited or no secondary market and

secondary market price considerations” on pages 4 and 5 herein.

See “Additional Information about UBS and the Notes” on page ii. The Notes will have the terms specified in the accompanying product supplement relating to the Notes, dated October 31, 2018, the index supplement, the accompanying prospectus and this document.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this document, the accompanying product supplement, the index supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The Notes are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

Offering of Notes	Issue Price to Public		Underwriting Discount		Proceeds to UBS AG	
	Total	Per Note	Total	Per Note	Total	Per Note
Notes linked to the S&P 500® Index	\$2,800,000.00	\$1,000.00	\$42,000.00	\$15.00	\$2,758,000.00	\$985.00

UBS Financial Services Inc. UBS Investment Bank

Additional Information about UBS and the Notes

UBS has filed a registration statement (including a prospectus, as supplemented by a product supplement for various securities we may offer, including the Notes), with the Securities and Exchange Commission (the “SEC”), for the Notes to which this document relates. Before you invest, you should read these documents and any other documents relating to the Notes that UBS has filed with the SEC for more complete information about UBS and this offering. You may obtain these documents without cost by visiting EDGAR on the SEC website at www.sec.gov. Our Central Index Key, or CIK, on the SEC website is 0001114446.

You may access these documents on the SEC website at www.sec.gov as follows:

..Market-Linked Securities product supplement dated October 31, 2018:

<http://www.sec.gov/Archives/edgar/data/1114446/000091412118002085/ub47016353-424b2.htm>

..Index supplement dated October 31, 2018:

<http://www.sec.gov/Archives/edgar/data/1114446/000091412118002083/ub46174419-424b2.htm>

..Prospectus dated October 31, 2018:

<http://www.sec.gov/Archives/edgar/data/1114446/000119312518314003/d612032d424b3.htm>

References to “UBS,” “we,” “our” and “us” refer only to UBS AG and not to its consolidated subsidiaries and references to “Notes” refer to the Bearish Barrier Early Redeemable Market Linked Notes with Daily Barrier Observation that are offered hereby, unless the context otherwise requires. Also, references to the “accompanying product supplement” mean the UBS product supplement, dated October 31, 2018, references to the “index supplement” mean the UBS index supplement, dated October 31, 2018 and references to “accompanying prospectus” mean the UBS prospectus titled “Debt Securities and Warrants,” dated October 31, 2018.

This document, together with the documents listed above, contains the terms of the Notes and supersedes all other prior or contemporaneous oral statements as well as any other written materials including all other prior pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in “Key Risks” herein and in “Risk Factors” in the accompanying product supplement, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before deciding to invest in the Notes.

If there is any inconsistency between the terms of the Notes described in the accompanying prospectus, the accompanying product supplement, the index supplement and this document, the following hierarchy will govern: first, this document; second, the accompanying product supplement; third, the index supplement; and last, the accompanying prospectus.

UBS reserves the right to change the terms of, or reject any offer to purchase, the Notes prior to their issuance. In the event of any changes to the terms of the Notes, UBS will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes in which case UBS may reject your offer to purchase.

Investor Suitability

The Notes may be suitable for you if:

.. You fully understand the underlying asset and the risks inherent in an investment in the Notes, including the risk of receiving no return at maturity.

..

You do not seek current income from your investment.

You can tolerate fluctuations in the price of the Notes prior to an early redemption or maturity that may be similar or exceed fluctuations in the level of the underlying asset and the possibility of losing some or all of your principal amount if you sell the Notes prior to an early redemption or maturity.

You believe that a barrier event will not occur, meaning the closing level of the underlying asset will not be less than the lower barrier on any trading day during the observation period, and that the final level will be less than the initial level and understand and are willing to accept that you will benefit from the absolute value of the underlying return only if a barrier event does not occur and the final level is less than the initial level.

.. You understand and accept that, if the Notes are not redeemed early because a barrier does not occur, your potential return is limited by the lower barrier if the final level is less than the initial level.

.. You understand and accept that your return will be limited to the conditional return if a barrier event occurs or, if not redeemed early because no barrier event occurs, if the final level is equal to or greater than the initial level.

.. You are willing to invest in the Notes based on the conditional return and lower barrier indicated on the cover hereof.

..

You understand and are willing to accept the risks associated with the underlying asset.

You are willing to invest in Notes that may be redeemed early and you are otherwise willing to hold the Notes to maturity (a term of approximately 19.5 months) and accept that there may be little or no secondary market for the Notes.

.. You are willing to assume the credit risk of UBS for all payments under the Notes, and understand that if UBS defaults on its obligations you may not receive any amounts due to you including any repayment of principal.

You understand that the estimated initial value of the Notes determined by our internal pricing models is lower than the issue price and that should UBS Securities LLC or any affiliate make secondary markets for the Notes, the price (not including their customary bid-ask spreads) will temporarily exceed the internal pricing model price.

The Notes may not be suitable for you if:

.. You do not fully understand the underlying asset and the risks inherent in an investment in the Notes, including the risk of receiving no return at maturity.

..

You seek current income from your investment.

.. You believe that the closing level of the underlying asset on any trading day during the observation period will decrease to a level below the lower barrier.

.. You believe that the final level of the underlying asset will approach or exceed the initial level of the underlying asset.

You cannot tolerate fluctuations in the price of the Notes prior to maturity that may be similar or exceed fluctuations in the level of the underlying asset or the possibility of losing some or all of your principal amount if you sell the Notes prior to maturity.

You do not fully understand or are unwilling to accept that you will benefit from the absolute value of the underlying return only if the Notes are not redeemed because no barrier event occurs and the final level is less than the initial level.

You believe that the closing level of the underlying asset over the term of the Notes will be less than the lower barrier, that the final level of the underlying asset will approach or exceed the initial level of the underlying asset or you seek an investment that has unlimited return potential without a cap on appreciation.

.. You are unwilling to invest in the Notes based on the conditional return or lower barrier indicated on the cover hereof.

..

You do not understand or are not willing to accept the risks associated with the underlying asset.

..

You are unable or unwilling to invest in Notes that may be redeemed early, you are otherwise not willing to hold the Notes to maturity (a term of approximately 19.5 months) or you seek an investment for which there will be an active secondary market.

..You are not willing to assume the credit risk of UBS for all payments under the Notes, including any repayment of principal.

The investor suitability considerations identified above are not exhaustive. Whether or not the Notes are a suitable investment for you will depend on your individual circumstances and you should reach an investment decision only after you and your investment, legal, tax, accounting and other advisors have carefully considered the suitability of an investment in the Notes in light of your particular circumstances. You should review “Information About the Underlying Asset” herein for more information on the underlying asset. You should also review “Key Risks” herein and the more detailed “Risk Factors” in the accompanying product supplement for risks related to an investment in the Notes.

Final Terms

Issuer	UBS AG London Branch
Principal Amount	\$1,000 per Note
Term	Approximately 19.5 months, unless redeemed early.
Underlying Asset	S&P 500® Index

Payment at Maturity **If a barrier event has not occurred, so the Notes are not redeemed early, and the final level is equal to or greater than the initial level**, UBS will pay you an amount in cash per Note on the maturity date equal to:

$\$1,000 \times (1 + \text{Conditional Return})$

If a barrier event has not occurred, so the Notes are not redeemed early, and the final level is less than the initial level, UBS will pay you an amount in cash per Note on the maturity date equal to:

$\$1,000 \times (1 + \text{absolute value of the Underlying Return})$

Because the lower barrier is equal to the initial level minus 25.00% of the initial level, the maximum payment at maturity is \$1,250.00 per Note and your maximum return is limited to 25.00%.

Any payment on the Notes, including any repayment of principal, is subject to the creditworthiness of UBS. If UBS were to default on its payment obligations, you may not receive any amounts owed to you under the Notes and you could lose all of your initial investment.

Barrier Event A barrier event will occur if the closing level of the underlying asset is less than the lower barrier on any trading day during the observation period (including the final valuation date).

If a barrier event occurs, the Notes will be redeemed early and UBS will pay you on the call settlement date a cash payment per Note equal to:

Early Redemption Feature $\$1,000 \times (1 + \text{Conditional Return})$

Following an early redemption, no further payments will be made on the Notes. The early redemption feature is an automatic call feature for purposes of the provisions in the accompanying product supplement.

Call Settlement Date Three business days following the trading day during the observation period on which the closing level of the underlying asset is less than the lower barrier.

Lower Barrier⁽¹⁾ A level of the underlying asset equal to the Initial Level minus 25.00% of the Initial Level, as indicated on the cover hereof.

Maximum Payment at Maturity per Note \$1,250.00

Conditional Return 1%

The quotient, expressed as a percentage, of the following formula:

Final Level – Initial Level

Initial Level

Underlying Return

If a barrier event does not occur, so the Notes are not redeemed early, and the final level is less than the initial level, your payment at maturity will be based on the absolute value of the underlying return. For example, if the above quotient is -5%, the absolute value of the underlying return will be equal to 5%.

Initial Level⁽¹⁾ The closing level of the underlying asset on the trade date, as indicated on the cover hereof.

Final Level⁽¹⁾ The closing level of the underlying asset on the final valuation date.
Each day from but excluding the trade date to and including the final valuation date. The
Observation Period observation period is a valuation period for purposes of the market disruption event provisions in
the accompanying product supplement.

⁽¹⁾ As determined by the calculation agent and as may be adjusted as described under “General Terms of the Securities —
Discontinuance of or Adjustments to an Underlying Index; Alteration of Method of Calculation”, as described in the
accompanying product supplement.

Investment Timeline

Trade Date

The initial level is observed and the final terms of the Notes are set.

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Each Trading Day During the Observation Period

If a barrier event occurs, the Notes will be redeemed early and UBS will pay you on the call settlement date a cash payment per Note equal to:

$$\$1,000 \times (1 + \text{Conditional Return})$$

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The final level is observed on the final valuation date and the absolute value of the underlying return is calculated.

If a barrier event has not occurred, so the Notes are not redeemed early, and the final level is equal to or greater than the initial level, UBS will pay you an amount in cash per Note on the maturity date equal to:

Maturity Date

$$\$1,000 \times (1 + \text{Conditional Return})$$

If a barrier event has not occurred, so the Notes are not redeemed early, and the final level is less than the initial level, UBS will pay you an amount in cash per Note on the maturity date equal to:

$$\$1,000 \times (1 + \text{absolute value of the Underlying Return})$$

Investing in the Notes involves significant risks. Any payment on the Notes, including any repayment of principal, is subject to the creditworthiness of UBS. If UBS were to default on its payment obligations, you may not receive any amounts owed to you under the Notes and you could lose all of your initial investment.

Key Risks

An investment in the Notes involves risks. Some of the key risks that apply to the Notes are summarized here, but we urge you to read the more detailed explanation of risks relating to the Notes generally in the “Risk Factors” section of the accompanying product supplement. We also urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Notes.

The stated payout from the issuer applies only at maturity — You should be willing to hold your Notes to maturity. If you are able to sell your Notes prior to an early redemption or maturity in the secondary market, you may have to sell them at a loss relative to your initial investment irrespective of the performance of the underlying asset. All payments on the Notes are subject to the creditworthiness of UBS.

Your potential return on the Notes is limited — The Notes are designed for investors who believe that the closing level will decline over the term of the Notes, but not to a level that is less than the lower barrier and any potential return on the Notes is limited to the percentage difference between the lower barrier and the initial level or the conditional return. If a barrier event does not occur, so the Notes are not redeemed early, and the final level is less than the lower barrier, your ability to participate in the decline of the underlying asset and your potential return are limited by the lower barrier and in no event will any payment on the Notes exceed the maximum payment at maturity per Note. Additionally, if a barrier event occurs, the Notes will be redeemed early and you will receive a cash payment on the call settlement date equal to the principal amount of your Notes plus the conditional return. Similarly, if a barrier event does not occur, so the Notes are not redeemed early, and the final level is equal to or greater than the initial level, you will receive a cash payment on the maturity date equal to the principal amount of your Notes plus the conditional return. In both of the preceding scenarios, your return will be limited to, and will not exceed, the conditional return. Further, even if a barrier event does not occur, so the Notes are not redeemed early, the underlying return is negative and the final level is equal to or greater than the lower barrier, the absolute value of the underlying return may result in a return on the Notes that is less than the conditional return.

Reinvestment risk — The Notes will be redeemed early if a barrier event occurs, meaning the closing level is less than the lower barrier on any trading day during the observation period (including the final valuation date). Because a barrier event could occur on any trading day during the observation period, the term of your investment may be limited. In the event that the Notes are redeemed early due to a barrier event, there is no guarantee that you would be able to reinvest the proceeds at a comparable return for a similar level of risk. In addition, to the extent you are able to reinvest such proceeds in an investment comparable to the Notes, you may incur transaction costs such as dealer discounts and hedging costs built into the price of the new securities.

Bearish exposure to the underlying asset — Unlike a hypothetical direct investment in the underlying asset or the stocks comprising the underlying asset (the “underlying equity constituents”), which would be positively correlated to the return of the underlying asset or underlying equity constituents, the return on your Notes will be limited to the conditional return if either the Notes are redeemed early due to a barrier event or the Notes are not redeemed early and the final level is equal to or greater than the initial level. Your return on the Notes will be maximized if the level of the underlying asset declines during the term of the Notes so long as a barrier event does not occur during the observation period.

The probability that a barrier event will occur and that the Notes will be redeemed early or that the final level will be equal to or greater than the initial level will depend on the volatility of the underlying asset — The economic terms for the Notes, including the conditional return and lower barrier, are based, in part, on the expected volatility of the underlying asset at the time the terms of the Notes are set. “Volatility” refers to the frequency and magnitude of changes in the level of the underlying asset. The greater the expected volatility of the underlying asset as of the trade date, the higher the expectation is as of that date that a barrier event will occur and that the Notes will be redeemed early or that, if the Notes are not redeemed early because a barrier event has not occurred, the final level will be equal to or greater than the initial level. The volatility of the underlying asset can change significantly over the term of the Notes. The level of the underlying asset could rise or fall sharply, which could result in an early redemption occurring during the observation period or the final level being equal to or greater than the initial level. You should be willing to accept the potential to lose any downside participation in the underlying asset at maturity

and of receiving a percentage return on your Notes that is equal to or less than the conditional return.

.. **No interest payments** — UBS will not pay any interest with respect to the Notes.

Credit risk of UBS — The Notes are unsubordinated, unsecured debt obligations of UBS and are not, either directly or indirectly, an obligation of any third party. Any payment to be made on the Notes, including any repayment of principal at maturity, depends on the ability of UBS to satisfy its obligations as they come due. As a result, UBS' actual and perceived creditworthiness may affect the market value of the Notes. If UBS were to default on its obligations, you may not receive any amounts owed to you under the terms of the Notes and you could lose all of your initial investment.

Market risk — The return on the Notes, is directly linked to the performance of the underlying asset and indirectly linked to the performance of the underlying equity constituents, and will depend on whether a barrier event occurs and the Notes are redeemed early and, if a barrier event does not occur and the Notes are not redeemed early, whether the underlying return is positive or negative. The level of the underlying asset can rise or fall sharply due to factors specific to the underlying equity constituents, such as stock price volatility, earnings and financial conditions, corporate, industry and regulatory developments, management changes and decisions and other events, as well as general market factors, such as general market volatility and levels, interest rates and economic and political conditions.

Fair value considerations.

The issue price you pay for the Notes exceeds their estimated initial value — The issue price you pay for the Notes exceeds their estimated initial value as of the trade date due to the inclusion in the issue price of any underwriting discount, hedging costs, issuance costs and projected profits. As of the close of the relevant markets on the trade date, we have determined the estimated initial value of the Notes by reference to our internal pricing models and it is set forth in this pricing supplement. The pricing models used to determine the estimated initial value of the Notes incorporate certain variables, including the level and volatility of the underlying asset, any expected dividends on the underlying equity constituents, prevailing interest rates, the term of the Notes and our internal funding rate. Our internal funding rate is typically lower than the rate we would pay to issue conventional fixed or floating rate debt securities of a similar term. Any underwriting discount, hedging costs, issuance costs, projected profits and the difference in rates will reduce the economic value of the Notes to you. Due to these factors, the estimated initial value of the Notes as of the trade date is less than the issue price you pay for the Notes.

The estimated initial value is a theoretical price; the actual price that you may be able to sell your Notes in any secondary market (if any) at any time after the trade date may differ from the estimated initial value — The value of your Notes at any time will vary based on many factors, including the factors described above and in “— Market risk” above and is impossible to predict. Furthermore, the pricing models that we use are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect. As a result, after the trade date, if you attempt to sell the Notes in the secondary market, the actual value you would receive may differ, perhaps materially, from the estimated initial value of the Notes determined by reference to our internal pricing models. The estimated initial value of the Notes does not represent a minimum or maximum price at which we or any of our affiliates would be willing to purchase your Notes in any secondary market at any time.

Our actual profits may be greater or less than the differential between the estimated initial value and the issue price of the Notes as of the trade date — We may determine the economic terms of the Notes, as well as hedge our obligations, at least in part, prior to pricing the Notes on the trade date. In addition, there may be ongoing costs to us to maintain and/or adjust any hedges and such hedges are often imperfect. Therefore, our actual profits (or potentially, losses) in issuing the Notes cannot be determined as of the trade date and any such differential between the estimated initial value and the issue price of the Notes as of the trade date does not reflect our actual profits. Ultimately, our actual profits will be known only at the maturity of the Notes.

Limited or no secondary market and secondary market price considerations.

There may be little or no secondary market for the Notes — The Notes will not be listed or displayed on any securities exchange or any electronic communications network. UBS Securities LLC and its affiliates intend, but are not required, to make a market for the Notes and may stop making a market at any time. If you are able to sell your Notes prior to maturity, you may have to sell them at a substantial loss. Furthermore, there can be no assurance that a secondary market for the Notes will develop. The estimated initial value of the Notes does not represent a minimum or maximum price at which we or any of our affiliates would be willing to purchase your Notes in any secondary market at any time.

The price at which UBS Securities LLC and its affiliates may offer to buy the Notes in the secondary market (if any) may be greater than UBS’ valuation of the Notes at that time, greater than any other secondary market prices provided by unaffiliated dealers (if any) and, depending on your broker, greater than the valuation provided on your customer account statements — For a limited period of time following the issuance of the Notes, UBS Securities LLC or its affiliates may offer to buy or sell such Notes at a price that exceeds (i) our valuation of the Notes at that time based on our internal pricing models, (ii) any secondary market prices provided by unaffiliated dealers (if any) and (iii) depending on your broker, the valuation provided on customer account statements. The price that UBS Securities LLC may initially offer to buy such Notes following issuance will exceed the valuations indicated by our internal pricing models due to the inclusion for a limited period of time of the aggregate value of any underwriting discount, hedging costs, issuance costs and theoretical projected trading profit. The portion of such amounts included in our price will decline to zero on a straight line basis over a period ending no later than the date specified under “Supplemental Plan of Distribution (Conflicts of Interest); Secondary Markets (if any).” Thereafter, if UBS Securities LLC or an affiliate makes secondary markets in the Notes, it will do so at prices that reflect our estimated value determined by reference to our internal pricing models at that time. The temporary positive

differential relative to our internal pricing models arises from requests from and arrangements made by UBS Securities LLC with the selling agents of structured debt securities such as the Notes. As described above, UBS Securities LLC and its affiliates intend, but are not required, to make a market for the Notes and may stop making a market at any time. The price at which UBS Securities LLC or an affiliate may make secondary markets at any time (if at all) will also reflect its then current bid-ask spread for similar sized trades of structured debt securities. UBS Financial Services Inc. and UBS Securities LLC reflect this temporary positive differential on their customer statements. Investors should inquire as to the valuation provided on customer account statements provided by unaffiliated dealers.

Economic and market factors affecting the terms and market price of Notes prior to maturity — Because structured notes, including the Notes, can be thought of as having a debt component and a derivative component, factors that influence the values of debt instruments and options and other derivatives will also affect the terms and features of the Notes at issuance and the market price of the Notes prior to maturity. These factors include the level of the underlying asset; the volatility of the underlying asset and its underlying equity constituents; any dividends paid on the underlying equity constituents; the time remaining to the maturity of the Notes; interest rates in the markets; geopolitical conditions and economic, financial, political, force majeure and regulatory or judicial events; the availability of comparable instruments; the creditworthiness of UBS; the then current bid-ask spread for the Notes. These and other factors are unpredictable and interrelated and may offset or magnify each other.

interrelated and may offset or magnify each other.

Impact of fees and the use of internal funding rates rather than secondary market credit spreads on secondary market prices — All other things being equal, the use of the internal funding rates described above under “— Fair value considerations” as well as the inclusion in the issue price of any underwriting discount, hedging costs, issuance costs and any projected profits are, subject to the temporary mitigating effect of UBS Securities LLC’s and its affiliates’ market making premium, expected to reduce the price at which you may be able to sell the Notes in any secondary market.

Owning the Notes is not the same as owning the underlying equity constituents and the absolute return feature is not the same as taking a short position directly in the underlying equity constituents— The return on your Notes may not reflect the return you would realize if you actually owned the underlying equity constituents. For instance, because of the lower barrier, you will not benefit from any absolute value of the underlying return that exceeds the maximum payment at maturity per Note. Furthermore, you will not receive or be entitled to receive any dividend payments or other distributions paid on the underlying equity constituents during the term of the Notes, and any such dividends or distributions will not be factored into the calculation of any payment on your Notes. In addition, as an owner of the Notes, you will not have voting rights or any other rights that a holder of the underlying equity constituents may have. Further, even if a barrier event does not occur, so the Notes are not redeemed early, the underlying return is negative and the final level is equal to or greater than the lower barrier, the return on the Notes will not reflect the return you would realize if you actually took a short position directly in the underlying equity constituents. For example, to maintain a short position in an underlying equity constituent, you would have to pay dividend payments (if any) to the entity that lends you the underlying equity constituent for your short sale, and you could receive certain interest payments (the short interest rebate) from the lender.

There can be no assurance that the investment view implicit in the Notes will be successful — It is impossible to predict whether the level of the underlying asset will rise or fall and there can be no assurance that a barrier event will not occur, meaning the Notes will not be redeemed early, or that the final level will be less than the initial level. Even if no barrier event occurs, so the Notes are not redeemed early, and the final level is less than the initial level, the absolute value of the underlying return may not result in a return on the Notes in excess of the conditional return. The level of the underlying asset will be influenced by complex and interrelated political, economic, financial and other factors that affect the issuers of the underlying equity constituents (the “underlying constituent issuers”). You should be willing to accept the risks of owning equities in general and the underlying equity constituents in particular.

The underlying asset reflects price return, not total return — The return on your Notes is based on the performance of the underlying asset, which reflects the changes in the market prices of the underlying equity constituents. It is not, however, linked to a “total return” index or strategy, which, in addition to reflecting those price returns, would also reflect any dividends or distributions paid on the underlying equity constituents. The return on your Notes will not include such a total return feature or dividend component.

Changes affecting the underlying asset could have an adverse effect on the value of the Notes — The policies of the sponsor of the underlying asset, as specified under “Information About the Underlying Asset” (the “index sponsor”), concerning additions, deletions and substitutions of the underlying equity constituents and the manner in which the index sponsor takes account of certain changes affecting those underlying equity constituents may adversely affect the level of the underlying asset. The policies of the index sponsor with respect to the calculation of the underlying asset could also adversely affect the level of the underlying asset. The index sponsor may discontinue or suspend calculation or dissemination of the underlying asset. Any such actions could have an adverse effect on the market value of, or the amount payable on, the Notes.

UBS cannot control actions by the index sponsor and the index sponsor has no obligation to consider your interests — UBS and its affiliates are not affiliated with the index sponsor and have no ability to control or predict its actions, including any errors in or discontinuation of public disclosure regarding methods or policies relating to the calculation of the underlying asset. The index sponsor is not involved in the Notes offering in any way and has no obligation to consider your interest as an owner of the Notes in taking any actions that might affect the market value of, or the amount payable on, your Notes.

Potential UBS impact on price — Trading or transactions by UBS and/or its affiliates in the underlying equity constituents, listed and/or over-the-counter options, futures or other instruments with returns linked to the performance of the underlying asset or any underlying equity constituent may adversely affect the performance and, therefore, the market value of, and the amount payable on, the Notes.

Potential conflict of interest — UBS and its affiliates may engage in business with any underlying constituent issuer, which may present a conflict between the obligations of UBS and you, as a holder of the Notes. There are also potential conflicts of interest between you and the calculation agent, which will be an affiliate of UBS. The calculation agent can postpone the determination of the terms of the Notes on the trade date and the closing level on any trading day during the observation period (including the final valuation date), if a market disruption event occurs and is continuing on that day. As UBS determines the economic terms of the Notes, including the conditional return and lower barrier, and such terms include any underwriting discount, hedging costs, issuance costs and projected profits, the Notes represent a package of economic terms. There are other potential conflicts of interest insofar as an investor could potentially get better economic terms if that investor entered into exchange-traded and/or OTC derivatives or other instruments with third parties, assuming that such instruments were available and the investor had the ability to assemble and enter into such instruments.

Dealer incentives — UBS and its affiliates act in various capacities with respect to the Notes. We and our affiliates may act as a principal, agent or dealer in connection with the sale of the Notes. Such affiliates, including the sales representatives, will derive compensation from the distribution of the Notes and such compensation may serve as an incentive to sell these Notes instead of other investments. We will pay a total underwriting compensation in an amount equal to any underwriting discount listed on the cover hereof per Note to any of our affiliates acting as agents or dealers in connection with the distribution of the Notes. Given that UBS Securities LLC and its affiliates temporarily maintain a market making premium, it may have the effect of discouraging UBS Securities

LLC and its affiliates from recommending sale of your Notes in the secondary market.

Potentially inconsistent research, opinions or recommendations by UBS — UBS and its affiliates publish research from time to time on financial markets and other matters that may influence the value of the Notes, or express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any research, opinions or recommendations expressed by UBS or its affiliates may not be consistent with each other and may be modified from time to time without notice. Investors should make their own independent investigation of the merits of investing in the Notes and the underlying asset to which the Notes are linked.

The Notes are not bank deposits — An investment in the Notes carries risks which are very different from the risk profile of a bank deposit placed with UBS or its affiliates. The Notes have different yield and/or return, liquidity and risk profiles and would not benefit from any protection provided to deposits.

If UBS experiences financial difficulties, FINMA has the power to open restructuring or liquidation proceedings in respect of, and/or impose protective measures in relation to, UBS, which proceedings or measures may have a material adverse effect on the terms and market value of the Notes and/or the ability of UBS to make payments thereunder — The Swiss Financial Market Supervisory Authority (“FINMA”) has broad statutory powers to take measures and actions in relation to UBS if (i) it concludes that there is justified concern that UBS is over-indebted or has serious liquidity problems or (ii) UBS fails to fulfill the applicable capital adequacy requirements (whether on a standalone or consolidated basis) after expiry of a deadline set by FINMA. If one of these pre-requisites is met, FINMA is authorized to open restructuring proceedings or liquidation (bankruptcy) proceedings in respect of, and/or impose protective measures in relation to, UBS. The Swiss Banking Act grants significant discretion to FINMA in connection with the aforementioned proceedings and measures. In particular, a broad variety of protective measures may be imposed by FINMA, including a bank moratorium or a maturity postponement, which measures may be ordered by FINMA either on a stand-alone basis or in connection with restructuring or liquidation proceedings. The resolution regime of the Swiss Banking Act is further detailed in the FINMA Banking Insolvency Ordinance (“BIO-FINMA”). In a restructuring proceeding, FINMA, as resolution authority, is competent to approve the resolution plan. The resolution plan may, among other things, provide for (a) the transfer of all or a portion of UBS’ assets, debts, other liabilities and contracts (which may or may not include the contractual relationship between UBS and the holders of Notes) to another entity, (b) a stay (for a maximum of two business days) on the termination of contracts to which UBS is a party, and/or the exercise of (w) rights to terminate, (x) netting rights, (y) rights to enforce or dispose of collateral or (z) rights to transfer claims, liabilities or collateral under contracts to which UBS is a party, (c) the conversion of UBS’ debt and/or other obligations, including its obligations under the Notes, into equity (a “debt-to-equity” swap), and/or (d) the partial or full write-off of obligations owed by UBS (a “write-off”), including its obligations under the Notes. The BIO-FINMA provides that a debt-to-equity swap and/or a write-off of debt and other obligations (including the Notes) may only take place after (i) all debt instruments issued by UBS qualifying as additional tier 1 capital or tier 2 capital have been converted into equity or written-off, as applicable, and (ii) the existing equity of UBS has been fully cancelled. While the BIO-FINMA does not expressly address the order in which a write-off of debt instruments other than debt instruments qualifying as additional tier 1 capital or tier 2 capital should occur, it states that debt-to-equity swaps should occur in the following order: first, all subordinated claims not qualifying as regulatory capital; second, all other claims not excluded by law from a debt-to-equity swap (other than deposits); and third, deposits (in excess of the amount privileged by law). However, given the broad discretion granted to FINMA as the resolution authority, any restructuring plan in respect of UBS could provide that the claims under or in connection with the Notes will be partially or fully converted into equity or written-off, while preserving other obligations of UBS that rank *pari passu* with, or even junior to, UBS’ obligations under the Notes. Consequently, holders of Notes may lose all of some of their investment in the Notes. In the case of restructuring proceedings with respect to a systemically important Swiss bank (such as UBS), the creditors whose claims are affected by the restructuring plan will not have a right to vote on, reject, or seek the suspension of the restructuring plan. In addition, if a restructuring plan has been approved by FINMA, the rights of a creditor to seek judicial review of the restructuring plan (e.g., on the grounds that the plan would unduly prejudice the rights of holders of Notes or otherwise be in violation of the Swiss Banking Act) are very limited. In particular, a court may not suspend the implementation of the restructuring plan. Furthermore, even if a creditor successfully challenges the restructuring plan, the court can only require the relevant creditor to be compensated *ex post* and there is currently no guidance as

to on what basis such compensation would be calculated or how it would be funded.

Uncertain tax treatment — Significant aspects of the tax treatment of the Notes are uncertain. You should consult your tax advisor about your tax situation. See “What are the Tax Consequences of the Notes?” herein and “Material U.S. Federal Income Tax Consequences” in the accompanying product supplement.

Hypothetical Examples and Return Table of the Notes at Maturity

The below examples and table are based on hypothetical terms. The actual terms are indicated on the cover hereof.

The examples and table below illustrate the payment at maturity for a \$1,000 Note on a hypothetical offering of the Notes, with the following assumptions (amounts may have been rounded for ease of analysis):

Term:	19.5 months
Initial Level:	2,700
Conditional Return:	1.00%
Lower Barrier:	2,025 (equal to Initial Level minus 25.00% of the Initial Level)
Maximum Payment Amount	\$1,250.00 per Note

Example 1 — A barrier event occurs during the observation period so the Notes are redeemed early.

Because a barrier event occurs, meaning the closing level of the underlying asset is less than the lower barrier on a trading day during the observation period, the Notes will be redeemed early and UBS will pay you an amount in cash per Note on the call payment date equal to the principal amount plus a return equal to the conditional return, calculated as follows:

$$\begin{aligned} & \$1,000 \times (1 + 1.00\%) \\ & = \$1,010 \text{ per Note (a 1.00\% total return).} \end{aligned}$$

Example 2 — A barrier event does not occur during the observation period, so the Notes are not redeemed early, and the underlying return is 10%.

Though the Notes are not redeemed early because a barrier event does not occur, because the final level is equal to or greater than the initial level, UBS will pay you an amount in cash per Note on the maturity date equal to the principal amount plus a return equal to the conditional return, calculated as follows:

$$\begin{aligned} & \$1,000 \times (1 + 1.00\%) \\ & = \$1,010 \text{ per Note (a 1.00\% total return).} \end{aligned}$$

Example 3 — A barrier event does not occur during the observation period, so the Notes are not redeemed early, and the underlying return is -0.50%.

Because a barrier event does not occur, the Notes are not redeemed early and the final level of the underlying asset has depreciated relative to the initial level, UBS will pay you an amount in cash per Note on the maturity date equal to the principal amount plus a return equal to the absolute value of the underlying return, calculated as follows:

$$\begin{aligned} & \$1,000 \times (1 + |-0.50\%|) \\ & = \$1,005 \text{ per Note (a 0.50\% total return).} \end{aligned}$$

In this scenario, because the absolute value of the underlying return is less than the conditional return, your return is less than it would have been if either the Notes were redeemed early due to a barrier event or the final level was equal to or greater than the initial level.

Example 4 — A barrier event does not occur during the observation period, so the Notes are not redeemed early, and the underlying return is -20%.

Because a barrier event does not occur, the Notes are not redeemed early and the final level of the underlying asset has depreciated relative to the initial level, UBS will pay you an amount in cash per Note on the maturity date equal to the principal amount plus a return equal to the absolute value of the underlying return, calculated as follows:

$\$1,000 \times (1 + 20.00\%)$
= \$1,200 per Note (a 20.00% total return).

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Table 1: Return on the Notes if a barrier event does not occur, so the Notes are not redeemed early.

Underlying Return	Payment at Maturity	Total Return per Note at Maturity
25.00%	\$1,010.00	1.00%
20.00%	\$1,010.00	1.00%
15.00%	\$1,010.00	1.00%
10.00%	\$1,010.00	1.00%
5.00%	\$1,010.00	1.00%
2.00%	\$1,010.00	1.00%
1.00%	\$1,010.00	1.00%
0.00%	\$1,010.00	1.00%
-5.00%	\$1,050.00	5.00%
-10.00%	\$1,100.00	10.00%
-15.00%	\$1,150.00	15.00%
-20.00%	\$1,200.00	20.00%
-25.00%	\$1,250.00	25.00%

Information About the Underlying Asset

All disclosures contained in this document regarding the underlying asset are derived from publicly available information. UBS has not conducted any independent review or due diligence of any publicly available information with respect to the underlying asset. You should make your own investigation into the underlying asset.

Included on the following pages is a brief description of the underlying asset. This information has been obtained from publicly available sources. Set forth below is a table that provides the quarterly closing high and quarterly closing low for the underlying asset. We obtained the closing level information set forth below from Bloomberg Professional[®] service (“Bloomberg”) without independent verification. You should not take the historical prices of the underlying asset as an indication of future performance.

S&P 500[®] Index

We have derived all information regarding the S&P 500[®] Index (“SPX”) contained in this document, including, without limitation, its make-up, method of calculation and changes in its components from publicly available information. Such information reflects the policies of, and is subject to change by S&P Dow Jones Indices LLC (its “index sponsor” or “S&P Dow Jones”).

SPX is published by S&P Dow Jones, but S&P Dow Jones has no obligation to continue to publish SPX, and may discontinue publication of SPX at any time. SPX is determined, comprised and calculated by S&P Dow Jones without regard to the Notes.

As discussed more fully in the index supplement under the heading “Underlying Indices and Underlying Index Publishers — S&P 500 Index”, SPX is intended to provide an indication of the pattern of common stock price movement. The calculation of the value of SPX is based on the relative value of the aggregate market value of the common stock of 500 companies as of a particular time compared to the aggregate average market value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. Eleven main groups of companies comprise SPX, with the percentage weight of each group in the index as a whole as of February 28, 2019 as follows: Information Technology (20.6%), Health Care (14.8%), Financials (13.3%), Communication Services (10.1%), Consumer Discretionary (9.9%), Industrials (9.8%), Consumer Staples (7.1%), Energy (5.4%), Utilities (3.3%), Real Estate (3.0%) and Materials (2.7%). As of September 28, 2018, the underlier sponsor broadened the current Telecommunication Services Sector and renamed it Communication Services. The renamed Sector includes the existing telecommunication companies, as well as companies selected from the Consumer Discretionary Sector previously currently classified under the Media Industry Group and the Internet & Direct Marketing Retail Sub-Industry, along with select companies currently previously classified in the Information Technology Sector. Effective February 20, 2019, company additions to the underlying asset should have an unadjusted company market capitalization of \$8.2 billion or more (an increase from the previous requirement of an unadjusted company market capitalization of \$6.1 billion or more).

Information from outside sources is not incorporated by reference in, and should not be considered part of, this document or any document incorporated herein by reference. UBS has not conducted any independent review or due diligence of any publicly available information with respect to SPX.

Historical Information

The following table sets forth the quarterly high and low closing levels for the S&P 500[®] Index, based on the daily closing levels as reported by Bloomberg, without independent verification. UBS has not conducted any independent review or due diligence of publicly available information obtained from Bloomberg. The closing level of the S&P 500[®] Index on April 15, 2019 was 2,905.58. ***Past performance of the S&P 500[®] Index is not indicative of the future***

performance of the S&P 500[®] Index.

Quarter Begin	Quarter End	Quarterly Closing High	Quarterly Closing Low	Quarterly Close
1/1/2015	3/31/2015	2,117.39	1,992.67	2,067.89
4/1/2015	6/30/2015	2,130.82	2,057.64	2,063.11
7/1/2015	9/30/2015	2,128.28	1,867.61	1,920.03
10/1/2015	12/31/2015	2,109.79	1,923.82	2,043.94
1/1/2016	3/31/2016	2,063.95	1,829.08	2,059.74
4/1/2016	6/30/2016	2,119.12	2,000.54	2,098.86
7/1/2016	9/30/2016	2,190.15	2,088.55	2,168.27
10/1/2016	12/31/2016	2,271.72	2,085.18	2,238.83
1/1/2017	3/31/2017	2,395.96	2,257.83	2,362.72
4/1/2017	6/30/2017	2,453.46	2,328.95	2,423.41
7/1/2017	9/30/2017	2,519.36	2,409.75	2,519.36
10/1/2017	12/31/2017	2,690.16	2,529.12	2,673.61
1/1/2018	3/31/2018	2,872.87	2,581.00	2,640.87
4/1/2018	6/30/2018	2,786.85	2,581.88	2,718.37
7/1/2018	9/30/2018	2,930.75	2,713.22	2,913.98
10/1/2018	12/31/2018	2,925.51	2,351.10	2,506.85
1/1/2019	3/31/2019	2,854.88	2,447.89	2,834.40
4/1/2019	4/15/2019*	2,907.41	2,867.19	2,905.58

* The above table only includes data through this date. Accordingly, the “Quarterly Closing High”, “Quarterly Closing Low” and “Quarterly Close” data indicated are for this shortened period only and do not reflect complete data for this calendar quarter.

The graph below illustrates the performance of the S&P 500[®] Index from January 1, 2009 through April 15, 2019, based on information from Bloomberg. The dotted blue line represents the initial level of 2,905.58 and the dotted green line represents the lower barrier of 2,179.19, which is equal to the initial level minus 25.00% of the initial level. *Past performance of the underlying asset is not indicative of the future performance of the underlying asset.*

What Are the Tax Consequences of the Notes?

The U.S. federal income tax consequences of your investment in the Notes are uncertain. There are no statutory provisions, regulations, published rulings or judicial decisions addressing the characterization for U.S. federal income tax purposes of securities with terms that are substantially the same as the Notes. Some of these tax consequences are summarized below, but we urge you to read the more detailed discussion in “Material U.S. Federal Income Tax Consequences” in the accompanying product supplement and discuss the tax consequences of your particular situation with your tax advisor. This discussion is based upon the Internal Revenue Code of 1986, as amended (the “Code”) and final, temporary and proposed U.S. Treasury Department (the “Treasury”) regulations, rulings and decisions, in each case, as available and in effect as of the date hereof, all of which are subject to change, possibly with retroactive effect. Tax consequences under state, local and non-U.S. laws are not addressed herein. No ruling from the U.S. Internal Revenue Service (the “IRS”) has been sought as to the U.S. federal income tax consequences of your investment in the Notes, and the following discussion is not binding on the IRS.

Additionally, the discussion herein and in the accompanying product supplement does not address the consequences to taxpayers subject to special tax accounting rules under Section 451(b) of the Code.

U.S. Tax Treatment. Your Notes should be treated as contingent payment debt instruments (“CPDI”) subject to taxation under the “noncontingent bond method”. If your Notes are so treated, you should generally, for each accrual period, accrue original issue discount (“OID”) equal to the product of (i) the “comparable yield” (adjusted for the length of the accrual period) and (ii) the “adjusted issue price” of the Notes at the beginning of the accrual period. This amount is ratably allocated to each day in the accrual period and is includible as ordinary interest income by a U.S. holder for each day in the accrual period on which the U.S. holder holds the CPDI, whether or not the amount of any payment is fixed or determinable in the taxable year. Thus, the noncontingent bond method will result in recognition of income prior to the receipt of cash.

In general, the comparable yield of a CPDI is equal to the yield at which we would issue a fixed rate debt instrument with terms and conditions similar to those of the CPDI, including the level of subordination, term, timing of payments, and general market conditions. In general, because similar fixed rate debt instruments issued by us are traded at a price that reflects a spread above a benchmark rate, the comparable yield is the sum of the benchmark rate on the issue date and the spread.

As the Notes have only a single contingent payment at upon early redemption or at maturity, the adjusted issue price of each Note at the beginning of each accrual period is equal to the issue price of the Note plus the amount of OID previously includible in the gross income of the U.S. holder in respect of prior accrual periods.

In addition to the determination of a comparable yield, the noncontingent bond method requires the construction of a projected payment schedule. The projected payment schedule includes the projected amounts for each contingent payment to be made under the CPDI that are adjusted to produce the comparable yield. We have determined that the comparable yield for the Notes is equal to 2.77% per annum, compounded semi-annually, with a projected payment at maturity of \$1,045.80 based on an investment of \$1,000.

Based on this comparable yield, if you are an initial holder that holds a Note until maturity and you calculate your taxes on a calendar year basis, we have determined that you would be required to report the following amounts as ordinary interest income from the Note, not taking into account any positive or negative adjustments you may be required to take into account based on actual payments on such Note:

Accrual Period	Interest Deemed to Accrue During Accrual Period (per \$1,000 Note)	Total Interest Deemed to Have Accrued From Original Issue Date (per \$1,000 Note) as of End of Accrual Period
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February 28, 2019 through December 31, 2019	\$19.57	\$19.57
January 1, 2020 through December 3, 2020	\$26.23	\$45.80

A U.S. holder of the Notes is required to use our projected payment schedule to determine its interest accruals and adjustments, unless such holder determines that our projected payment schedule is unreasonable, in which case such holder must disclose its own projected payment schedule in connection with its U.S. federal income tax return and the reason(s) why it is not using our projected payment schedule. **Neither the comparable yield nor the projected payment schedule constitutes a representation by us regarding the actual contingent amount, if any, that we will pay on a Note.**

If the actual amounts of contingent payments are different from the amounts reflected in the projected payment schedule, a U.S. holder is required to make adjustments in its OID accruals under the noncontingent bond method described above when those amounts are paid. Accordingly, an adjustment arising from the contingent payment made at maturity that is greater than the assumed amount of such payment is referred to as a “positive adjustment”; such adjustment arising from the contingent payment at maturity that is less than the assumed amount of such payment is referred to as a “negative adjustment”. Any positive adjustment for a taxable year is treated as additional OID income of the U.S. holder. Any net negative adjustment reduces any OID on the Note for the taxable year that would otherwise accrue. Any excess is then treated as a current-year ordinary loss to the U.S. holder to the extent of OID accrued in prior years.

In general, a U.S. holder’s basis in a CPDI is increased by the projected contingent payments accrued by such holder under the projected payment schedule (as determined without regard to adjustments made to reflect differences between actual and projected payments) and the projected amount of any contingent payments previously made. Gain on the taxable disposition of a CPDI generally is treated as ordinary income. Loss, on the other hand, is treated as ordinary loss only to the extent of the U.S. holder’s prior net OID inclusions (i.e., reduced by the total net negative adjustments previously allowed to the U.S. holder as an ordinary loss) and capital loss to the extent in excess thereof. However,