



## Information Circular: UBS AG

---

**To:** Head Traders, Technical Contacts, Compliance Officers, Heads of ETF Trading, Structured Products Traders

**From:** NASDAQ / BX / PHLX Listing Qualifications Department

**Date:** September 8, 2011

---

### Exchange-Traded Notes

|  | Symbol | CUSIP #   |
|--|--------|-----------|
| ETRACS Daily Short 1-Month S&P 500 VIX Futures ETN | AAVX   | 90268A873 |
| ETRACS Daily Short 2-Month S&P 500 VIX Futures ETN | BBVX   | 90268A865 |
| ETRACS Daily Short 3-Month S&P 500 VIX Futures ETN | CCVX   | 90268A857 |
| ETRACS Daily Short 4-Month S&P 500 VIX Futures ETN | DDVX   | 90268A840 |
| ETRACS Daily Short 5-Month S&P 500 VIX Futures ETN | EEVX   | 90268A832 |
| ETRACS Daily Short 6-Month S&P 500 VIX Futures ETN | FFVX   | 90268A824 |
| ETRACS 1-Month S&P 500 VIX Futures ETN             | VXAA   | 90268A204 |
| ETRACS 2-Month S&P 500 VIX Futures ETN             | VXBB   | 90268A303 |
| ETRACS 3-Month S&P 500 VIX Futures ETN             | VXCC   | 90268A402 |
| ETRACS 4-Month S&P 500 VIX Futures ETN             | VXDD   | 90268A501 |
| ETRACS 5-Month S&P 500 VIX Futures ETN             | VXEE   | 90268A600 |
| ETRACS 6-Month S&P 500 VIX Futures ETN             | VXFF   | 90268A709 |

### Information on the Notes

UBS AG (the "Issuer") has issued Exchange Traded Notes ("ETNs" or "Notes" or "ETRACS") based on the S&P 500 VIX Futures Index Series (each an "Index" and collectively the "Indices"). Each Note is a senior unsecured debt security of the Issuer. The Notes were priced at \$100 each and have a maturity date on September 6, 2041.

Each "short" series of the ETNs provides short (inverse) exposure to the daily performance of the related index in the S&P 500 VIX Futures Index Series, reduced by the Tracking Fee (as described below) based on a rate of 1.35% per annum and the Event Risk Weekly Hedge Cost (as described below). Each "long" series of the ETNs provides exposure to the daily performance of the related index in the S&P 500 VIX Futures Index Series reduced by the Tracking Fee (as described below) based on a rate of 0.85% per annum.

Each Index is designed to provide investors with exposure to futures contracts on the CBOE Volatility Index (the "VIX Index"), having a constant weighted average maturity ranging from one month to six months, depending on the series of the Notes purchased. Investing in the Notes involves significant risks.

Investors may lose some or all of their principal at maturity, upon acceleration, upon early redemption, or upon exercise by the Issuer of its call right if the level of the related Index increases or does not decrease by an amount sufficient to offset the negative effect of the

Tracking Fee, the Event Risk Weekly Hedge Cost and the Redemption Fee, if applicable. Investors will receive a cash payment at maturity, upon acceleration or upon exercise by the Issuer of its call right, based on the inverse performance of the related Index, less the Tracking Fee and the Event Risk Weekly Hedge Cost. Investors will receive a cash payment upon early redemption based on the inverse performance of the related Index less the Tracking Fee, the Event Risk Weekly Hedge Cost and the Redemption Fee. Payment at maturity or call, upon acceleration or upon early redemption is subject to the creditworthiness of the Issuer. In addition, the actual and perceived creditworthiness of the Issuer will affect the market value, if any, of the Notes prior to maturity, call or early redemption.

The Event Risk Weekly Hedge Cost on the initial trade date will equal zero. On each subsequent calendar day until maturity, acceleration, early redemption or call, the Event Risk Weekly Hedge Cost will be equal to the product of (i) 0.077% divided by 7 times (ii) the Current Principal Amount for that series on the immediately preceding calendar day. Because the Event Risk Weekly Hedge Cost is calculated and subtracted from the Current Principal Amount on a daily basis, the net effect of the Event Risk Weekly Hedge Cost accumulates over time. The Event Risk Weekly Hedge Cost of 0.077% (7.7 basis points) per calendar week equates to approximately 4% per annum.

The Tracking Fee for the "short" series on the initial trade date will equal zero. On each subsequent calendar day until maturity, acceleration, early redemption or call, the Tracking Fee will be equal to the product of (i) 1.35% divided by 365 times (ii) the Current Principal Amount for that series on the immediately preceding calendar day. Because the Tracking Fee is calculated and subtracted from the Current Principal Amount on a daily basis, the net effect of the Tracking Fee accumulates over time.

The Tracking Fee for the "long" series on the initial trade date will equal zero. On each subsequent calendar day until maturity, acceleration, early redemption or call, the Tracking Fee will be equal to the product of (i) 0.85% divided by 365 times (ii) the Current Principal Amount for that series on the immediately preceding calendar day. Because the Tracking Fee is calculated and subtracted from the Current Principal Amount on a daily basis, the net effect of the Tracking Fee accumulates over time.

Please see the prospectus for the Notes for more details regarding the calculations and details regarding the Index.

It is expected that the market value of the Notes will depend substantially on the value of the Index and may be affected by a number of other interrelated factors including, among other things: the general level of interest rates, the volatility of the Index, the time remaining to maturity, the dividend yield of the stocks comprising the Index, and the credit ratings of the Issuer.

Trading in the Notes on NASDAQ is on a UTP basis and is subject to NASDAQ equity trading rules. Trading in the Notes on BX is on a UTP basis and is subject to BX equity trading rules. Trading in the Notes on PHLX's PSX system is on a UTP basis and is subject to PHLX rules. The Notes will trade on NASDAQ from 7:00 a.m. until 8:00 p.m. Eastern Time. The Notes will trade on BX from 8:00 a.m. until 7:00 p.m. Eastern Time. The Notes will trade on PSX from 9:00 a.m. until 5:00 p.m. Eastern Time. For trading during each market's pre-market and post-market sessions, market participants should note that additional risks may exist with respect to trading the Notes during these sessions, when the underlying index's value or similar value may not be disseminated.

NASDAQ will halt trading in the Notes in accordance with NASDAQ Rule 4120. BX will halt trading in the Notes in accordance with BX Equity Rule 4120. PHLX will halt trading in the Notes in accordance with PHLX Rule 3100. The grounds for a halt under each of these rules include a halt by the primary market because the value of the underlying index or a similar value is not being disseminated as required, or a halt for other regulatory reasons. In addition, NASDAQ, BX and PHLX will also stop trading the Notes if the primary market delists the Notes.

Trading of the Notes on NASDAQ is subject to the provisions of NASDAQ Rule 2310. Trading of the Notes on BX is subject to the provisions of BX Rule 2310. Members recommending transactions in the Notes to customers should make a determination that the securities are suitable for the customer. In addition, members must possess sufficient information to satisfy the "know your customer" obligation that is embedded in the NASDAQ Conduct Rules and BX Conduct Rules.

Members and member organizations recommending transactions in the Notes to customers should make a determination that the recommendation is suitable for the customer, as provided by PHLX Rule 763.

Nasdaq members, BX members and PHLX members and member organizations should also review NASD Notice to Members 03-71 for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

**This Information Circular is not a statutory prospectus. NASDAQ members, BX members and PHLX members and member organizations should consult the registration statement or prospectus for the Notes for additional information.**

---

Inquiries regarding this Information Circular should be directed to:

- Will Slattery, Listing Qualifications, at 301.978.8088
- NASDAQ / BX/ PSX Market Sales at 800.846.0477