



**UBS AG**

(incorporated with limited liability in Switzerland)  
acting through its London Branch as Issuer  
(the “**Issuer**”)

**Base Prospectus for the issue of  
UBS ETC Notes (the “Notes”) linked to the various  
UBS Bloomberg Constant Maturity Commodity Index (“CMCI”) Indices**

Any prospective investor intending to acquire or acquiring any Notes from any person other than the Issuer (an “**Offeror**”) should be aware that, in the context of an offer to the public as defined in section 102B of the Financial Services and Markets Act 2000 (“**FSMA**”), the Issuer may be responsible to the prospective investor for the Prospectus under section 90 of FSMA, only if it has authorised that Offeror to make the offer to the prospective investor. Each prospective investor should therefore enquire whether the Offeror is so authorised by the Issuer. If the Offeror is not so authorised, the prospective investor should check with the Offeror whether anyone is responsible for the Prospectus for the purposes of section 90 of FSMA in the context of the offer to the public, and, if so, who that person is. If the prospective investor is in any doubt about whether it can rely on the Prospectus and/or who is responsible for its contents it should take legal advice.

**A prospective investor intending to acquire or acquiring any Notes from an Offeror will do so, and offers and sales of the Notes to a prospective investor by an Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such prospective investor including as to allocation and pricing arrangements. The Issuer will not be a party to any such arrangements with prospective investors in connection with the offer or sale of the Notes and, accordingly, this Prospectus does not and any Final Terms will not contain such information and the Offeror will provide any prospective investor with such information at the time of any offer by the Offeror.**

The Issuer is making available for issue bearer Notes, the value of which is linked to the indices within the CMCI Index Family or any of its sub-indices and which will, before fees and expenses, provide investors with exposure to potential price appreciation in the relevant Index. As it is the intention of the Issuer to have the Notes admitted to trading on the Main Market of the London Stock Exchange, investors will be able to gain this exposure through a simple stock exchange transaction.

The Notes may not be offered, sold or otherwise transferred in the United States or to U.S. persons.

**An investment in the Notes involves a degree of risk. In addition to the other information contained in this document the risk factors set out under the heading “Risk Factors” below should be carefully considered by prospective investors before deciding whether to invest in the Notes.**

**It should be remembered that the price of securities can go down as well as up.**

**Lead Manager**

**UBS Investment Bank**

A copy of this document, which comprises a base prospectus relating to the Notes of each class in compliance with Article 3 of Directive 2003/71/EC and the Prospectus Rules made under sections 73A and 84 of the Financial Services and Markets Act 2000, has been filed with the FSA and made available to the public at the registered office of the Issuer in accordance with Article 14 of Directive 2003/71/EC and rule PR 3.2 of those Prospectus Rules. The Notes of each class will be available to be issued on a continuing basis during the period of 12 months from the date of this document.

Application has been made to the UK Listing Authority for all Notes issued within 12 months of the date of this document to be admitted to the Official List and to the London Stock Exchange, which operates a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive) (a “**Regulated Market**”) and for all such Notes to be admitted to trading on the Main Market of the London Stock Exchange, which is part of its Regulated Market.

Notes have not been and will not be registered under the United States Securities Act of 1933 (the “**Securities Act**”), as amended, or under the securities laws of any states of the United States. The Notes may not be offered, sold, transferred, pledged, delivered, exercised or redeemed directly or indirectly, at any time within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S (“**Regulation S**”) under the Securities Act or the U.S. Internal Revenue Code of 1986 as amended) or to persons who do not come within the definition of non-United States person under Rule 4.7 of the U.S. Commodity Exchange Act of 1936 as amended. The Notes may not be legally or beneficially owned at any time by any U.S. person and accordingly are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. Furthermore, trading in the Notes has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, and no U.S. person may at any time trade or maintain a position in the Notes.

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer, who has taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The previous paragraph should be read in conjunction with the first paragraph on the first page of this Base Prospectus.

**Nothing in this document or anything communicated to holders or potential holders of the Notes or other obligations by the Issuer is intended to constitute or should be construed as advice on the merits of the purchase of or subscription for the Notes or the exercise of any rights attached thereto.**

If at any time the Issuer shall be required to prepare a supplementary prospectus pursuant to Section 87G of the Financial Services and Markets Act 2000, the Issuer will either prepare and make available an appropriate amendment or supplement to this document which shall constitute a supplementary prospectus as required by Section 87G of that Act or prepare and make available a further base prospectus in compliance with Article 3 of Directive 2003/71/EC and the Prospectus Rules.

#### **Investors’ Reliance on U.S. Federal Tax Advice in this Prospectus**

This Prospectus does not contain any discussion of U.S. federal tax considerations associated with buying, selling or holding the Notes or beneficial interests in the Notes. The disclosure included herein is intended to warn investors that the Notes are not intended to be bought, sold or held by U.S. persons and nothing in this Prospectus may be used as U.S. tax advice or for the purpose of avoiding any payment of U.S. tax penalties. Each taxpayer should seek U.S. federal tax advice based on the taxpayer’s particular circumstances from an independent tax advisor.

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## SUMMARY

*The following is a summary of terms of the Notes. This section should be read as an introduction to the prospectus and any decision to invest in the Notes should be based on consideration of the Prospectus and the relevant Final Terms as a whole. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of EEA States have to bear the cost of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for the summary including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus.*

- Issuer:** UBS AG, acting through its London Branch
- The Issuer has a right of substitution and a right to change the branch through which it is acting.
- Rating of the Issuer:** A+/Aa3/A+ (Fitch/Moody's/Standard & Poor's).
- The Notes themselves have not been rated.
- Notes:** The Issuer may, under this Prospectus, issue any number of classes and Series of Notes, up to US\$1,000,000,000 in Notional Amount for any particular Series.
- Form of Notes:** The Notes will be in bearer form. Notes of a particular class and Series will, on issue, be represented either by a Temporary Global Note which will be exchangeable for interests in a Permanent Global Note or by a Permanent Global Note. In either event the Permanent Global Note will be exchangeable for definitive Notes:
- (i) on the occurrence of an Exchange Event; or
  - (ii) at any time at the request of the Issuer.
- Status of the Notes:** The Notes will:
- (i) constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer;
  - (ii) rank equally among themselves; and
  - (iii) at the relevant Issue Date rank equally with all other present and future unsecured and unsubordinated obligations of the Issuer, other than certain debts required to be preferred by law.
- Underlying Index:** The value of the Notes of each class is linked to the performance of an index in the CMCI Index Family. Each Index is designed to be a diversified benchmark for commodities as an asset class.

The CMCI, which is rebalanced monthly, is, at the date of this Prospectus, comprised of 26 futures contracts with up to five different maturities for each individual commodity. Each Index is a “total return” index (unless otherwise stated in the relevant Final Terms). The overall return on a Total Return Index is generated by two components:

- (i) uncollateralized returns from the futures contracts comprising the Index “Component Contracts”; and
- (ii) the return earned on securities theoretically deposited as collateral for Component Contracts.

Each Index was designed by UBS AG and Bloomberg and is calculated by UBS AG.

**Term:** The Notes have no specified maturity. Noteholders who are Financial and/or Credit Institutions have the right to Redeem their Notes annually on any applicable Redemption Date, as described below.

The Issuer may, on not less than 30 days’ notice, Redeem all Notes of a particular class and Series.

**Redemption:** Subject to notice requirements, Noteholders who are Financial and/or Credit Institutions may Redeem their Notes annually on any applicable Redemption Date. On Redemption, Noteholders will receive a cash payment equal to the Redemption Amount. Notes must, unless otherwise specified in the relevant Final Terms or otherwise agreed by the Issuer, be Redeemed in multiples of 10,000 of each Series.

**Notice for Redemption:** 4:00 p.m. (London time) on the Trading Day prior to the Redemption Date (see full Notice provisions set out in more detail below).

**Redemption Amount:** Three Trading Days following the Redemption Date Redeeming Noteholders will receive a cash payment per Note Redeemed in an amount calculated by the Calculation Agent equal to:

$(\text{Specified Denomination} \times \text{Index Performance Ratio}) - \text{Fee Amount}$

For purposes of calculating the Redemption Amount upon Redemption, the Index Performance Ratio will be determined as at the corresponding Redemption Date.

**Specified Denomination:** As specified in the relevant Final Terms.

**Index Performance Ratio:**  $\text{Index Ending Level} / \text{Index Starting Level}$

**Index Starting Level:** As specified in the relevant Final Terms.

**Index Ending Level:** The Index Ending Level will be the level of the relevant Index calculated using the closing settlement prices of the Component Contracts as at the applicable Redemption Date.

<b>Fee Amount:</b>	<p>The Notes are subject to a fee per Note as set out in the relevant Final Terms.</p> <p>The Fee Amount is calculated daily by the Calculation Agent in accordance with the following formula:</p> $(\text{Fee Level}/365) \times \text{Specified Denomination} \times \text{Current Index Performance Ratio}$ <p>If any day on which the calculation is being carried out is not a Trading Day, the applicable Current Index Performance Ratio will be calculated as of the next following Trading Day.</p> <p>For the purpose of calculating the Redemption Amount, the Calculation Agent will deduct the fee amounts applicable for each day the Note in question has been in issue (the “<b>Total Fee Amount</b>”).</p>
<b>Current Index Performance Ratio:</b>	Current Index Level / Index Starting Level
<b>Current Index Level:</b>	The Current Index Level as at any date will be the level of the relevant Index calculated using the closing settlement prices of the Component Contracts as at the applicable date.
<b>Valuation Date:</b>	Subject to that day not being a Disrupted Day, the Trading Day immediately following the date on which a Redemption Notice is received by the Issuer.
<b>Currency Business Day:</b>	Any day the commercial banks are open for business in London and New York.
<b>Trading Day:</b>	<p>Any day on which:</p> <ul style="list-style-type: none"> <li>(i) the Index Sponsor(s) is scheduled to publish the Closing Level;</li> <li>(ii) trading is generally conducted on the London Stock Exchange; and</li> <li>(iii) the Calculation Agent is open for business.</li> </ul>
<b>Listing:</b>	Application has been made to the UK Listing Authority for all Notes issued within 12 months of the date of this document to be admitted to the Official List.
<b>Secondary Market:</b>	Application has been made to the London Stock Exchange for admission of all Notes issued within 12 months of the date of this document to be admitted to trading on the London Stock Exchange’s Main Market. If such application is approved and an active secondary market develops, the Issuer expects that investors will purchase and sell the Notes in the secondary market. The Issuer reserves the right to apply to have the Notes listed or admitted to trading on any other exchange.
<b>Settlement and Clearing</b>	The Notes will be accepted for clearing through Euroclear Bank S.A./N.V. (“ <b>Euroclear</b> ”) and Clearstream Banking, société

**Systems:** anonyme (“**Clearstream**”). Each Global Security is to be held by or on behalf of such clearing systems and therefore, potential investors will have to rely on the clearing systems’ procedures for transfer, payment and communications with the Issuer.

Where “CREST in the form of CREST depositary interests” is stated in the relevant Final Terms, the Notes of the relevant class or Series may be held and transferred as CREST depositary interests through the CREST system.

**Expenses and Taxation:** Noteholders must pay all taxes and expenses relating to their application for, holding of, transfer of and Redemption of Notes.

The Issuer will not be liable for or otherwise obliged to pay any tax, duty, charges, withholding or other payment that may arise as a result of, or in connection with, the ownership, transfer, redemption or enforcement of any Notes and all payments made by the Issuer will be made subject to any such tax, duty, charges, withholding or other payment which may be required to be made, paid, withheld or deducted.

**Governing Law:** The Notes are governed by and will be construed in accordance with English law.

**Risk Factors:** The following are just some of the factors that may affect an investment in the Notes:

*Noteholders may lose some or all of their principal* - The Notes are exposed to any decline in the level of the relevant Index. Investors will lose some or all of their principal if the relevant Index Ending Level is below the relevant Index Starting Level or if the relevant Index Ending Level is not sufficiently above the relevant Index Starting Level to offset the cumulative effect of the Fee Amount applicable to the Notes.

*Volatility* - Each Index and commodities generally are volatile and subject to a variety of market forces. Any Index Ending Level is therefore unpredictable. Commodity prices may change unpredictably, affecting the prices of the commodities underlying the Component Contracts and, consequently, the value of any Notes valued by reference to an Index composed of such Component Contracts.

*Market risk* - The return on the Notes, which may be positive or negative, is directly linked to the performance of the relevant Index, which is based on a variety of market and economic factors, interest rates in the markets and economic, financial, political, regulatory, judicial or other events that affect the markets generally.

*Potential over-concentration in particular commodity sectors* - The commodities underlying Component Contracts of a particular Index may be concentrated in a limited number of sectors, particularly energy, agriculture and industrial metals, or on one or a limited number of commodities. Investment in the Notes linked to any such Index will result in increased exposure to fluctuations in the

commodity sectors or commodities underlying that Index.

*A trading market for the Notes may not develop* - Although the Issuer intends to apply for the Notes to be admitted to trading on the London Stock Exchange's Main Market, a trading market for the Notes may not develop. Certain affiliates of the Issuer may engage in limited purchase and resale transactions in the Notes. If they do, however, they are not required to do so and may stop at any time. The Issuer is not required to maintain any listing of the Notes on the Main Market of the London Stock Exchange or any other exchange. Only Noteholders who are Financial and/or Credit Institutions have the right to Redeem their Notes and may do so only on an applicable Redemption Date.

*Limited performance history* - Each Index has a limited performance history, and it is uncertain how an Index will perform and how useful it will be for purposes of trading. In addition, while certain Indices are intended to represent a benchmark for commodities investments, the methodology used to achieve this benchmarking has a limited history in its application. It therefore cannot be determined at this point whether, or the extent to which, an Index will serve as an adequate benchmark for the performance of any commodities market or markets.

*No currency hedging* - Unless otherwise specified in the relevant Final Terms, the value of the Notes will not be adjusted to compensate for exchange rate fluctuations between the currency in which the relevant Notes are denominated and each of the other currencies in which the futures contracts composing the Index are quoted. Therefore, if the applicable currencies appreciate or depreciate relative to the U.S. dollar over the term of the Notes, no additional payment or reduction in the Redemption Amount will be made.

*Risks relating to the Issuer* - The Issuer is subject to a number of risks that could adversely affect its actual or perceived creditworthiness which may affect the value of the Notes. Some of these relate to the current market crisis and economic climate, which may adversely affect or impair the value of positions owned by or credit protection obtained by the Issuer. The Issuer is also subject to risks due to ongoing legal and regulatory matters, potential changes in regulatory requirements and reputational issues. More generally, the Issuer's business activities inherently expose it to a variety of risks including risks arising from changes in economic or market conditions, potential weaknesses in management or risk control, the availability and cost of funding, and potential loss of business or inability to retain or attract qualified employees. Any inability of the Issuer to meet its obligations in whole or in part may affect the value of the Notes and the ability of the Issuer to make payments on Redemption thereof.

**Calculation Agent:**

UBS AG, acting through its London Branch.

## RISK FACTORS

*An investment in the Notes will involve risks. Prior to making an investment decision, prospective purchasers should carefully read the entire Prospectus. In addition to the other information contained in this document the following material risk factors, which are not intended to be exhaustive, should be carefully considered by prospective purchasers before deciding whether to invest in the Notes.*

*Prospective purchasers should obtain their own independent accounting, tax and legal advice and should and should consult their own professional investment advisers to ascertain the suitability of the Notes as an investment and should conduct such independent investigation and analysis regarding the risks, security arrangements and cash-flows associated with the Notes as they deem appropriate, in order to evaluate the merits and risks of an investment in Notes. Prospective investors should be aware that their entire investment in the Notes may be lost.*

In addition to the risk factors described below, reference is also made to the risk factors presented at pages 25 to 29 (inclusive) of the Issuer's 2009 annual report and accounts incorporated herein by reference.

### **The Notes are fully exposed to any decline in the level of the relevant Index and you may lose some or all of your principal**

The Notes do not pay interest or a guaranteed fixed amount upon redemption. Upon redemption a Redemption Amount will be paid, based on the performance of the Index during the period for which the Note was in issue and the effect of the Fee Amount.

The Notes are fully exposed to any decline in the level of the relevant Index (as measured by the Index Performance Ratio). If the Index Ending Level is below the Index Starting Level or if the Index Ending Level is not sufficiently above the Index Starting Level to offset the cumulative effect of the Fee Amount, an investor will lose some or all of their investment in the Notes. Each Index is volatile and subject to a variety of market forces, some of which are described below, which will affect the return an investor will receive on an investment in the Notes.

### **The effect of the Fee Amount**

The Redemption Amount is calculated to take account of the Fee Amount which reduces the extent to which the value of the Notes reflects any increase in the level of the relevant Index. If the relevant Index level decreases the effect of the Fee Amount is further to reduce the value of the Notes. An investment in the Notes is not therefore the same as investment in the relevant Index.

The Fee Amount applicable to a particular class of Notes will be set out in the applicable Final Terms and will be deducted daily over the term of the Notes. If the value of the relevant Index does not increase sufficiently to offset the effect of the Fee Amount on the Redemption Amount, a Noteholder will receive less than the amount invested upon Redemption. The Fee Amount is expected to have a similar negative impact on any return realised by selling Notes in the secondary market.

Investors should note that the Fee Amount is calculated by reference to the daily level of the relevant Index and the deduction made in the calculation of the Redemption Amount to account for the Fee Amount is a deduction of the aggregate of the fee amount for each day that any Note is held and not simply for the relevant Valuation Date. This means that the aggregate Fee Amount payable on any Note will depend on changes in the level of the relevant Index during the period that the Note is held and not just when it is Redeemed.

## **Restrictions on Redemption of Notes**

There are restrictions on the ability of Noteholders to Redeem their Notes which could affect the ability of Noteholders to receive their Redemption Amount. Only Noteholders who are Financial and/or Credit Institutions have the right to Redeem their Notes and may do so only on an applicable Redemption Date. For further information on these and other restrictions please see “Terms and Conditions” under the heading “Redemptions and Purchases”.

## **Early Redemption by the Issuer**

The Issuer may, on the giving of 30 days’ (and in some circumstances 10 days’) notice, Redeem all Notes of a particular class and/or Series at any time. Consequently, an investment in the Notes may be Redeemed earlier than desired by a Security Holder.

## **The market value of the Notes may not reflect the Redemption Amount**

It is the Issuer’s intention to apply to the London Stock Exchange for the Notes to be admitted to trading on its Main Market. However, the Issuer is not required to maintain any listing of the Notes on the London Stock Exchange or any other exchange.

Even if such application for admission is approved and a secondary market for the Notes develops, it may not provide significant liquidity or trade at prices advantageous to the Noteholder. The price at which the Notes trade on the London Stock Exchange (or any other exchange on which they are traded or quoted) may not reflect the applicable Redemption Amount. As well as the factors affecting the value of the Index, the market value of the Notes may also be affected by supply and demand for the Notes, including to the extent affected by inventory positions with UBS Limited or any market maker.

Economic, financial, political, regulatory, geographical, agricultural, judicial or other events which affect the investment climate and economic sentiment could affect the market price of the Notes. Such risks apply generally to any investment in listed securities. The price of the Notes may go down as well up.

## **Factors impacting the price of commodities generally will affect the level of the relevant Index and the value of the Notes**

Trading in commodities generally and trading in the Component Contracts associated with such commodities is speculative and can be extremely volatile. Market prices of the Index Commodities and Component Contracts may fluctuate rapidly based on numerous factors, including:

- changes in supply and demand relationships;
- weather;
- agriculture;
- trade;
- fiscal, monetary and exchange control programs;
- domestic and foreign political and economic events and policies;
- disease;
- technological developments;

- changes in currency exchange rates;
- changes in interest rates; and
- general market conditions.

These factors may affect the level of an Index and the value of the Notes in varying ways, and different factors may cause the value of the Component Contracts and Index Commodities, and the volatilities of their prices, to move in inconsistent directions at inconsistent rates. For example, because certain of the commodities underlying the Component Contracts may be produced in a limited number of countries and may be controlled by a small number of producers, political, economic and supply related events in such countries could have a disproportionate impact on the level of an Index.

These factors interrelate in complex ways, and the effect of one factor on the market value of the Notes may offset or enhance the effect of another factor.

### **Higher future prices of the Component Contracts relative to their current prices may decrease the Redemption Amount**

Each Index is composed of futures contracts on one or more physical commodities (the “**Component Contracts**”). Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts normally specify a certain date for delivery of the underlying physical commodity. As the Component Contracts approach expiration, they are replaced by contracts that have a later expiration. Thus, for example, a contract purchased and held in August may specify an October expiration. As time passes, the contract expiring in October is replaced by a contract for delivery in November. This process is referred to as “rolling”. If the market for these contracts is (putting aside other considerations) in “backwardation”, where the prices are lower in the distant delivery months than in the nearer delivery months, the sale of the October contract would take place at a price that is higher than the price of the November contract, thereby creating a “roll yield”. While many of the contracts which may be included in an Index have historically exhibited consistent periods of backwardation, backwardation will most likely not exist at all times. Moreover, certain of the commodities which may be included in an Index, such as gold, have historically traded in “contango” markets. Contango markets are those in which the prices of contracts are higher in the distant delivery months than in the nearer delivery months. The absence of backwardation in the commodity markets could result in negative “roll yields” which could adversely affect the value of the Index and, accordingly, adversely affect the value of the Notes.

### **Changes in the composition and calculation of an Index will affect the value of the Notes**

Each Index is overseen and managed by the CMCI Governance Committee, in consultation with the CMCI Advisory Committee (the CMCI Governance Committee and the CMCI Advisory Committee together, the “**Index Committees**”). The Index Committees, with the agreement of the Index Sponsors, may amend the composition of and methodology for calculating any Index, including additions, deletions and the weightings of the Index Commodities, all of which could affect the Closing Level of an Index and, therefore the Redemption Amount and the market value of the Notes. When considering changes to an Index the Index Committees do not have any obligation to take the needs of any parties to transactions involving an Index, including the holders of the Notes, into consideration when re-weighting or making any other changes to an Index.

The bi-annual composition of an Index is calculated in reliance upon historic price, liquidity and production data that are subject to potential errors in data sources or errors that may affect the weighting of components of an Index. Any revisions to correct discrepancies are not applied retroactively but will be reflected in prospective weighting calculations of an Index for the following year. However, there can be no guarantee that every discrepancy will be discovered.

### **Disruptions to the calculation and/or publication of an Index**

UBS AG may in its sole discretion, discontinue or suspend calculation of any Index and/or the Index Sponsors may, in their sole discretion, suspend publication of any Index. In these circumstances it will become difficult to determine the value of the Notes and the Calculation Agent may, *inter alia*, make a good faith estimate in its sole discretion of the appropriate Index Ending Level that would have prevailed had that Index been published.

If any Index is not calculated and announced by the original Index Sponsors but is calculated and announced by a successor sponsor acceptable to the Issuer or replaced by an index using, in the determination of the Calculation Agent, the same or substantially similar formula for and method of calculation as used in the calculation of the relevant Index, such Index will be deemed to be the Index so calculated and announced by that successor sponsor or that successor index as the case may be.

If the Calculation Agent determines that a Valuation Date is a Disrupted Day then it will not calculate any Fee Amounts or Redemption Amounts or set any Index Starting Levels for the relevant Index until the first Trading Day that is not a Disrupted Day. In this event the Redemption Amount, Fee Amount or Index Starting Level will be calculated in accordance with the mechanism set out under the heading “Terms and Conditions - Market Disruption”. As a result, the applicable Redemption Date or Issue Date for the Notes could be postponed.

### **Limited performance history**

The CMCI Index Family was launched on January 29, 2007. Certain Indices are intended to represent a benchmark for commodities investments, however, the methodology used to achieve this benchmarking has a limited history of application. It cannot therefore be determined at this point whether, or the extent to which, any Index will serve as an adequate benchmark for the performance of the relevant commodities market or markets. Moreover, while each composite Index is subject to bi-annual review and rebalancing in order to maintain the intended commodity weightings, it is uncertain how successful the Index Committees will be in achieving their goal of maintaining an appropriate benchmark.

### **Historical levels of any Index should not be taken as an indication of future performance**

The actual performance of any Index over the term of the Notes, as well as the amount payable, may bear little relation to the historical performance of that Index. The trading prices of the Component Contracts will determine the level of an Index on any given Valuation Date. As a result, it is impossible to predict whether the level of an Index will rise or fall.

### **Suspension or disruptions of market trading in Component Contracts and related futures markets may adversely affect the value of the Notes**

The commodity markets are subject to temporary distortions or other disruptions due to various factors, including the lack of liquidity in the markets, the participation of speculators and government regulation and intervention. In addition, some futures exchanges have regulations that limit the amount of fluctuation in futures contract prices that may occur during a single business day. These limits are generally referred to as “daily price fluctuation limits” and the maximum or minimum price of a contract on any given day as a result of these limits is referred to as a “limit price.” Once the limit price has been reached in a particular contract, no trades may be made at a different price. Limit prices have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices. These circumstances could adversely affect the level of an Index referable to any such Component Contracts and, therefore, the value of the Notes.

### **The LME's use of or omission to use price controls**

Certain of the Component Contracts are traded on the LME. The LME has no daily price fluctuation limits to restrict the extent of daily fluctuations in the prices of contracts traded on it, including the Component Contracts. In a declining market, therefore, it is possible that prices for one or more contracts traded on the LME, including any Component Contracts that are traded on the LME, would continue to decline without limitation within a Trading Day or over a period of Trading Days. A steep decline in the price of a Component Contract could have a significant adverse impact on the level of the Index and, therefore, the value of the Notes.

Moreover, the LME has discretion to impose "backwardation limits" by permitting short sellers who are unable to effect delivery of an underlying commodity and/or borrow such commodity at a price per day that is no greater than the backwardation limit to defer their delivery obligations by paying a penalty in the amount of the backwardation limit to buyers for whom delivery was deferred. Backwardation limits tend to either constrain appreciation or cause depreciation of the prices of futures contracts expiring in near delivery months. For example, in response to a drop in nickel stocks to historically low levels in August 2006, the LME imposed a backwardation limit on nickel of \$300 per tonne per day, which limit was subsequently lifted on November 11, 2006. Similar impositions of backwardation limits in the future could adversely affect the level of an Index which includes Component Contracts tracked on the LME and, therefore, the value of the corresponding Notes.

### **Concentration of particular Component Contracts in an Index**

An Index may be comprised fully or to a significant extent of Component Contracts representing either a particular commodity sector (such as agriculture) or commodity. Investment in the Notes linked to any such Index will result in increased exposure to fluctuation in the commodity sectors or commodities underlying that Index.

For example, approximately 35% of the Component Contracts in the CMCI Composite Index are currently energy oriented, including 19% in crude oil. Accordingly, a decline in value in such raw materials would adversely affect the level of the CMCI Composite Index and the value of any Notes priced by reference to that Index.

Technological advances or the discovery of new oil reserves could lead to increases in world wide production of oil and corresponding decreases in the price of crude oil. In addition, further development and commercial exploitation of alternative energy sources, including solar, wind or geothermal energy, could lessen the demand for crude oil products and result in lower prices. Absent amendment of the CMCI Composite Index to lessen or eliminate the concentration of existing energy contracts in the Index or to broaden the CMCI Composite Index to account for such developments, the level of the CMCI Composite Index and the value of any Notes valued by reference to it could decline.

### **Changes in the notional rate of interest may affect the value of an Index and the corresponding Notes**

Because the value of each Index is linked, in part, to the notional rate of return that could be earned on securities theoretically deposited as margin for hypothetical positions in the futures contracts comprising the Index, changes in that rate of interest may affect the amount payable on any Notes priced by reference to that Index upon Redemption and, therefore, the market value of such Notes. Assuming the trading prices of the Component Contracts remain constant, an increase in the relevant rate of interest will increase the value of each Index and, therefore, the value of any Notes priced by reference to that Index. Correspondingly, a decrease in the relevant rate of interest will adversely impact the value of an Index and, therefore, the value of any Notes valued by reference to that Index.

### **No adjustments for exchange rates**

Although Component Contracts are traded in various currencies which may not correspond with the currency in which particular Notes are denominated, the Redemption Amount will not, unless otherwise specified in the relevant Final Terms, be adjusted to compensate for exchange rate fluctuations between the currency of denomination and each of the other currencies in which the Component Contracts are quoted. Therefore, if the applicable currencies appreciate or depreciate relative to the currency of denomination over the term of the Notes, Noteholders will not receive any additional payment or incur any reduction in the Redemption Amount. However, changes in exchange rates may reflect changes in various economies that in turn may affect the return on the Notes.

In addition, to the extent that a Noteholder values its Notes in another currency, that value will be affected by changes in the exchange rate between the currency of denomination and that other currency.

### **Trading and other transactions by the Issuer or its affiliates in Index Commodities, futures, options, exchange-traded funds or other derivative products on Index Commodities or any one or more of the Indices, may impair the market value of the Notes**

As described below under “Use of Proceeds and Hedging”, the Issuer or its affiliates may hedge their obligations under the Notes by purchasing Index Commodities, futures or options on Index Commodities or any one or more of the Indices or other commodity-linked instruments, or exchange-traded funds or other derivative instruments with returns linked or related to changes in the performance of Index Commodities or any one or more of the Indices, and they may adjust these hedges by, among other things, purchasing or selling Index Commodities, futures, options or exchange-traded funds or other derivative instruments at any time. Although they are not expected to, any of these hedging activities may adversely affect the market price of Index Commodities and the level of any one or more of the Indices and, therefore, the market value of the Notes. It is possible that the Issuer or its affiliates could receive substantial returns from these hedging activities while the market value of the Notes declines.

The Issuer or its affiliates may also engage in trading in Index Commodities and other investments relating to Index Commodities or any one or more of the Indices or other commodity-linked instruments on a regular basis as part of their general broker-dealer and other businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for customers. Any of these activities could adversely affect the market price of Index Commodities and the level of any one or more of the Indices and, therefore, the market value of the Notes. The Issuer or its affiliates may also issue or underwrite other Notes or financial or derivative instruments with returns linked or related to changes in the performance of Index Commodities or any one or more of the Indices or other commodity-linked instruments. By introducing competing products into the marketplace in this manner, the Issuer or its affiliates could adversely affect the market value of the Notes.

### **The Issuer and its affiliates may publish research, express opinions or provide recommendations that are inconsistent with investing in or holding the Notes**

The Issuer and its affiliates publish research from time to time on commodities 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. The Notes will be linked to an Index that is intended to passively track the prices of individual or baskets of commodities and the Issuer and its affiliates have, in the past, published research or other opinions that calls into question a passive investment in commodities and opines that commodities may not provide an effective inflation hedge or portfolio diversification benefits relative to other investments.

Any research, opinions or recommendations expressed by the Issuer 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 any Index to which the Notes may be linked.

### **The business activities of the Issuer or its affiliates may create conflicts of interest**

As noted above, the Issuer and its affiliates expect to engage in trading activities related to any Index and the Index Commodities that are not for the account of holders of the Notes or on their behalf. These trading activities may present a conflict between the holders' interest in the Notes and the interests the Issuer and its affiliates will have in their proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for their customers and in accounts under their management. These trading activities, if they influence the level of any Index, could be adverse to the interests of the holders of the Notes.

### **The Issuer's involvement in the Index Committees may conflict with the interests of Noteholders**

The Issuer nominates members of the Index Committees. Consequently, the Issuer will be involved in the composition and management of each Index including additions, deletions and the weightings of the Index Commodities or Component Contracts, all of which could affect the level of an Index and, therefore, the Redemption Amount and the market value of the Notes valued by reference to such Index. Due to its influence on determinations of the Index Committees, which may affect the market value of the Notes, the Issuer may have a conflict of interest if it participates in or influences such determinations.

### **Potential conflicts of interest between Noteholders and the Calculation Agent**

UBS AG, London Branch will serve as the Calculation Agent. The Calculation Agent will, among other things, calculate the Redemption Amount. For a fuller description of the Calculation Agent's role, see "Terms and Conditions - Calculation Agent". The Calculation Agent will exercise its judgment when performing its functions. For example, the Calculation Agent may have to determine whether a Market Disruption Event affecting Index Commodities or any Index has occurred or is continuing on the day when the Calculation Agent will determine the Index Ending Level. This determination may, in turn, depend on the Calculation Agent's judgment whether the event has materially interfered with the Issuer's ability to unwind its hedge positions. Since these determinations by the Calculation Agent may affect the market value of the Notes, the Calculation Agent may have a conflict of interest if it needs to make any such decision.

### **Changes in credit ratings of the Issuer may affect the market value of the Notes**

The credit ratings of the Issuer are an assessment of its ability to pay its obligations, including those on the Notes. Consequently, actual or anticipated changes in the credit ratings of the Issuer may affect the market value of the Notes. However, because the return on the Notes is dependent upon factors in addition to the Issuer's ability to pay its obligations on the Notes, an improvement in its credit ratings will not reduce the other investment risks related to the Notes and will not therefore necessarily lead to an increase in the market value of the Notes.

### **Certifications in connection with holding Notes and payments**

The Notes are subject to provisions concerning delivery of certification.

The failure to deliver any certifications required by the Conditions could result in the loss or inability to receive amounts or deliveries otherwise due under the Notes. Prospective purchasers should review the Conditions to ascertain whether and how such provisions apply to the Notes. In particular the Issuer may require certification as to non-US status of holders of the Notes. The failure to provide such certification may result in the delay or denial of payments under the Notes.

**Notes not exercised in accordance with the Conditions may expire worthless. Prospective purchasers should review the Conditions to ascertain whether the Notes are subject to automatic exercise, and when and how an exercise notice may be validly delivered.**

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents are incorporated in this document by reference and are available as set out below and at the registered office of the Issuer as set out under “Directors and Advisers”:

1. the published audited financial statements of the Issuer in the English language for the year ended 31 December 2008 as restated on 20 May 2009 and the audit report thereon, which form Part 5 of the Issuer’s 2008 annual reports and accounts;
2. the published reports and accounts of the Issuer in the English language for the year 2009 (annual report), which are available on the Issuer’s website at: <http://www.ubs.com/1/e/investors/annualreporting/2009.html>;
3. the published reports and accounts of the Issuer in the English language for the quarter ended 31 March 2010, which are available on the Issuer’s website at: [http://www.ubs.com/1/e/investors/quarterly\\_reporting.html](http://www.ubs.com/1/e/investors/quarterly_reporting.html); and
4. the published reports and accounts of the Issuer in the English language for the quarter ended 30 June 2010, which are available on the Issuer’s website at: [http://www.ubs.com/1/e/investors/quarterly\\_reporting.html](http://www.ubs.com/1/e/investors/quarterly_reporting.html).

No documents referred to in any of the above documents are themselves incorporated into this Prospectus and accordingly other than the documents specifically identified above no other documents (including the contents of any websites referred to in this document) form part of this Prospectus for purposes of the Prospectus Directive or the Prospectus Rules.

## INTRODUCTION

### General Description of the Notes

The Issuer may, under this Prospectus, issue any number of classes and Series of Notes. Each class and Series of Notes will have a Specified Denomination (which may be expressed in any currency) per Note which will be specified in the Final Terms for that class and Series. The Notes will have no specified maturity. Up to US\$1,000,000,000 in Notional Amount of any Series of Notes may be issued under this Prospectus. Subject to the limit of US\$1,000,000,000 in Notional Amount of Notes of any Series, there is no minimum or maximum number or amount of Notes which must be applied for.

The Notes have been designed to give investors exposure to commodities by linking the Redemption Amount payable on such Notes to changes in the level of the relevant Total Return Index within the CMCI Index Family (less the Fee Amount).

The Notes will be issued in bearer form and each class and Series of Note will be represented initially either by a Temporary Global Note which will be surrendered in return for a Permanent Global Note or by a Permanent Global Note. The Global Notes will be deposited with a depository for one or a common depository or common safekeeper for more than one clearing system including Euroclear and Clearstream and, save in respect of any payments to be made in respect of the Notes, the Issuer will recognise each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or Clearstream as the holder of a particular amount of Notes.

Where “CREST in the form of CREST depository interests” is stated in the Final Terms applicable to any class or Series of Notes, the Issuer will apply to Euroclear UK & Ireland Limited (“EUI”) for permission for the Notes of that class or Series to be held and transferred as CREST depository interests (“CDIs”) through the CREST system by means of the CREST International Settlement Links Service (details of which service are contained in the CREST International Manual (April 2008) issued by EUI) and, in particular, EUI’s links with Euroclear.

Under the CREST International Settlement Links Service, CREST Depository Limited, a subsidiary of EUI, issues dematerialised depository interests representing entitlements to non-UK securities, such as the Notes, known as “CREST Depository Interests” or “CDIs”. CDIs are constituted under English law, and may be held, transferred and settled within the CREST system using the same functionality and on the same basis as other securities held in the CREST system.

Accordingly, where CREST settlement applies, following delivery of the applicable Global Note, the Issuer will procure that an account of CREST Depository Limited’s nominee, CIN Belgium Limited, with Euroclear will be credited with a number of Notes of the relevant class or Series corresponding with the number then to be represented by the CDIs and held there (until such time as a CDI holder seeks to exchange his CDIs into Notes). CREST Depository Limited will then issue CDIs (representing Notes) in the CREST system to UBS AG, as nominee of UBS Limited, who will then be able to transfer them in the CREST system to purchasers of Notes.

The terms and conditions upon which CDIs are issued and held in the CREST system are set out in the deed poll executed by CREST Depository Limited governing CDIs and the CREST Manual, in particular the CREST International Manual (which includes the CREST International Settlement Links Service terms and conditions) referred to above.

It should be noted that CDI holders will not be the legal owners of the Notes. Accordingly they will not be able directly to enforce or exercise the rights relating to the Notes described in the Conditions and these final terms. In particular, CDIs representing the Notes do not enable the holders of CDIs to attend and vote at meetings of Noteholders through the CREST system. If CDI holders wish to use such voting rights personally by attending a meeting of Noteholders, they must first effect a cancellation of their CDIs for their underlying Notes (as the case may be) held with the depository which is a participant in Euroclear before the record date of the relevant meeting of Noteholders. On so doing, they will, subject to and in

accordance with the Conditions and the procedures of Euroclear, be able to attend and vote in person at the relevant meeting of Noteholders.

### **Value and Trading of the Notes**

The value of the Notes is calculated from the Trade Date on the basis of their value on the Trade Date being equal to the relevant Specified Denomination. Upon Redemption of the Notes by the Issuer a Redemption Amount will be payable in accordance with Condition 5 which is calculated by reference to the change in the level of the relevant Index since the Trade Date of the relevant Notes and includes an adjustment for the applicable Fee Amount. The Issuer has applied to the UK Listing Authority for all the Notes to be issued within 12 months from the date of this document to be admitted to the Official List and to the London Stock Exchange (which operates a Regulated Market) for all such Notes to be admitted to trading on the Main Market of the London Stock Exchange, which is part of its Regulated Market. The TIDM (Tradeable Instrument Display Mnemonic) or symbol under which the Notes of any Series will be traded on the London Stock Exchange will be specified in the relevant Final Terms.

Notes traded on the Main Market will be bought and sold at prices determined in accordance with Main Market procedures.

Subject to market conditions, it is the current practice (but not the legal obligation) of the Issuer to quote on request an indicative bid and offer price that it might pay or charge for Notes. The Issuer is under no obligation to hold a price for any length of time unless this is agreed at the time of giving the price.

### **Further Information**

The detailed terms and conditions applicable to the Notes are set out under the heading “Terms and Conditions” below and in the applicable Final Terms.

Information regarding United Kingdom and Swiss taxation in respect of the Notes is set out under the heading “Additional Information” below. If any prospective investor is in any doubt about the tax position, it should consult a professional adviser.

Your attention is drawn to the remainder of this document, which contains further information relating to the Notes and the Issuer.

## DESCRIPTION OF THE CMCI

The UBS Bloomberg CMCI is designed as a family of tradable indices for global investment in the commodities market. The mechanisms that determine the structure of the CMCI are described in further detail in the Technical Document. All of the following information describing the construction of the CMCI can be found in more detail in the Technical Document.

### Overview of the CMCI

The return of the Notes is linked to the performance of a Total Return Index within the CMCI Index Family. The CMCI was introduced in January 2007 to provide an innovative alternative to traditional commodity indices. The Indices are weighted across both commodities and maturities. The CMCI Composite Index, which is rebalanced monthly, represents a basket of 26 commodity components with a series of up to five different investment maturities for each individual commodity. All Indices in the CMCI Index Family use the calculation methodology of 'Constant Maturity' as described in the Technical Document. Traditional commodity indices tend to focus on futures contracts with short tenors (time to maturity) whereas the CMCI is based on commodity futures contracts with tenors ranging out to 3 years. The CMCI also offers a continuous roll mechanism for each constant maturity with respect to each Component Contract, which, in contrast to the monthly rolling of short term futures contracts offered in traditional commodity indices, offers the potential to mitigate negative roll yield. Roll yield arises from the differential between the price levels of the contracts that an index rolls out of and those it rolls into. The commodities represented in the CMCI currently include agriculture, energy, industrial metals, precious metals and livestock. The exchanges on which the Component Contracts are valued currently include the New York Mercantile Exchange (including the COMEX division), Chicago Board of Trade, London Metal Exchange, New York Board of Trade, Chicago Mercantile Exchange, Kansas City Board of Trade, ICE Futures and Euronext Liffe.

The overall return on each Total Return Index within the CMCI Index Family is generated by two components: (i) uncollateralized returns from the futures contracts comprising the Index and (ii) a daily fixed-income return component, which reflects the interest earned on securities theoretically deposited as margin for hypothetical positions in the Component Contracts.

Each Index was developed by the Index Sponsors. For each Index an Index level is calculated and disseminated by UBS on various market data platforms from 8:00 a.m. to 4:30 p.m. London time and a daily index settlement level is published between 4:00 p.m. and 6:00 p.m. New York time on each Trading Day.

Index information, including the Index levels, is published on Bloomberg on pages CUBS + GO, CMCN or CMCX and on Reuters on page UBSCMCI.

Below is a current list of the Component Contracts of the CMCI Composite Index, together with the respective symbols, exchanges on which they are valued and individual maturity weights, as at 1 August 2010:

**Table 1**

**Individual Tenor Weights of CMCI Benchmark, as % of Target Weights**

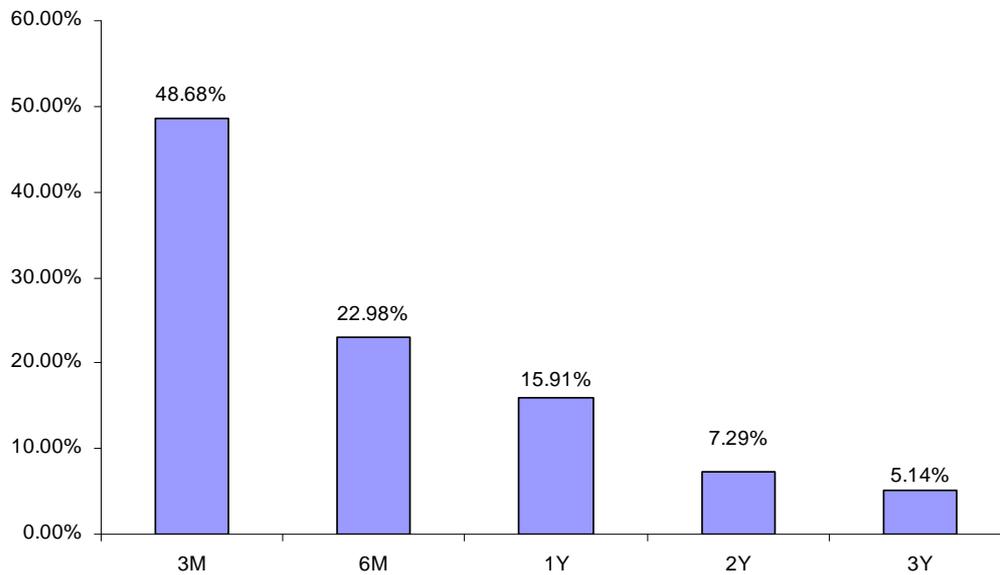
<b>Component/ Quoted SCM</b>	<b>Code (BBG)</b>	<b>3M</b>	<b>6M</b>	<b>1Y</b>	<b>2Y</b>	<b>3Y</b>	<b>Total (Target Weight %)</b>
WTI Crude Oil	CL	4.1605%	1.5113%	1.4690%	1.1552%	0.7355%	<b>9.0315%</b>
WTI Crude Oil	EN	1.9901%	0.6546%	0.5880%	0.4311%	0.3187%	<b>3.9825%</b>
Brent Crude Oil	CO	3.0569%	1.0731%	0.8616%	0.6011%	0.4166%	<b>6.0094%</b>
Heating oil	HO	1.7161%	0.6853%	0.5167%	-	-	<b>2.9181%</b>
Gasoil	QS	1.8616%	0.7844%	0.6308%	-	-	<b>3.2768%</b>
RBOB Gasoline	XB	2.5940%	0.9694%	-	-	-	<b>3.5634%</b>
Natural Gas	NG	2.7155%	1.1319%	0.9410%	0.5951%	0.4464%	<b>5.8299%</b>
LME Copper	LP	2.8527%	2.1910%	2.5511%	2.4735%	1.8535%	<b>11.9219%</b>
LME Zinc	LX	1.1981%	0.8214%	0.7922%	-	-	<b>2.8117%</b>
LME Aluminium	LA	2.2535%	1.6673%	1.8867%	1.6233%	1.0354%	<b>8.4662%</b>
LME Nickel	LN	1.1311%	0.6075%	0.7298%	-	-	<b>2.4684%</b>
LME Lead	LL	0.6099%	0.3030%	0.2859%	-	-	<b>1.1988%</b>
Gold	GC	2.6765%	0.6132%	0.4532%	0.3617%	0.2959%	<b>4.4006%</b>
Silver	SI	0.3586%	0.0942%	0.0659%	0.0482%	0.0354%	<b>0.6023%</b>
SRW Wheat	W_	2.0245%	0.9086%	0.5915%	-	-	<b>3.5246%</b>
Corn	C_	2.7960%	1.6742%	0.9732%	-	-	<b>5.4434%</b>
Soybeans	S_	3.6043%	1.4905%	0.9975%	-	-	<b>6.0923%</b>
Soybean Meal	SM	1.0148%	0.5217%	-	-	-	<b>1.5365%</b>
Soybean Oil	BO	1.5382%	0.7349%	-	-	-	<b>2.2731%</b>
Sugar #11	SB	2.7212%	1.6375%	1.4130%	-	-	<b>5.7717%</b>
Sugar #5	QW	0.9825%	0.4743%	-	-	-	<b>1.4568%</b>
Cocoa	QC	0.5365%	0.3484%	-	-	-	<b>0.8849%</b>
Coffee "C"	KC	0.7835%	0.3091%	0.1617%	-	-	<b>1.2543%</b>
Arabica		0.7835%	0.3091%	0.1617%	-	-	
Cotton	CT	0.8878%	0.4542%	-	-	-	<b>1.3420%</b>
Live Cattle	LC	1.5321%	0.7713%	-	-	-	<b>2.3034%</b>
Lean Hogs	LH	1.0838%	0.5517%	-	-	-	<b>1.6355%</b>

Source: UBS Investment Bank, CMCI Advisory Committee.

\*Weights across maturities are determined based on the relative liquidity of the underlying futures contracts. See "Index Weightings – Continuous rolling of Contracts" below.

The weights across the different Index tenors (maturities) of the Component Contracts for the CMCI Composite Index are as follows:

**Table 2**

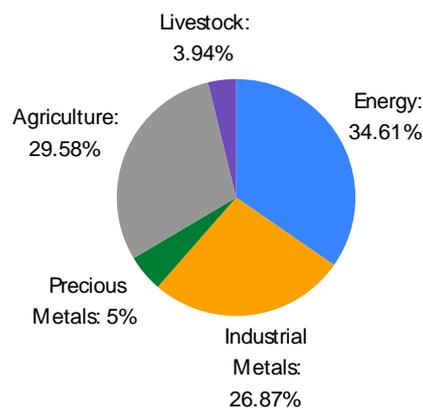


Source: UBS Investment Bank, CMCI Advisory Committee

The commodity sectors included in the CMCI Composite Index as of 1 August 2010, and their initial relative weights are:

**Table 3**

**CMCI Sector Composition**



Source: UBS IB, Composition correct as for H2 2010

## **The Index Committees**

All decisions related to the CMCI Index Family are made by the CMCI Governance Committee, which is comprised of eight people: four appointed by each Index Sponsor. Each Index Sponsor, in turn, appoints a chairman from the members of the CMCI Governance Committee who serves for a period of six months. Each representative on the CMCI Governance Committee has one vote, with the chairman having an additional vote in the event of a tie. The CMCI Governance Committee holds ordinary meetings biannually around the second Friday of May and November.

The CMCI Governance Committee is advised by the CMCI Advisory Committee, which is comprised of experts including trading, research, and structuring representatives, a secretary and a legal advisor. The CMCI Advisory Committee provides relevant market data and recommends appropriate changes to an Index. The CMCI Advisory Committee may also request special meetings of the CMCI Governance Committee in the case of market emergencies or where the CMCI Advisory Committee feels a special meeting is necessary. Ultimately, the decisions of the CMCI Governance Committee must be reviewed and, if approved, implemented by the Index Sponsors themselves. In this regard, each Index Sponsor is represented by an appointee who is a board member (or Managing Director).

## **Index Composition**

### *The Selection Process*

In order to be eligible for inclusion in the CMCI, a commodity future contract must satisfy certain requirements as described below. Changes in the CMCI's composition, as described herein, are entirely a function of those changes made to the CMCI by the CMCI Governance Committee. In respect of the CMCI no decision can be made to add or withdraw a Component Contract or affect the weight of such any Component Contract independently from those made with the approval of the relevant CMCI Committees.

Generally, when a contract becomes eligible for inclusion in the Index, and the CMCI Governance Committee believes that such inclusion is appropriate in light of the Index procedures and objectives, changes in the Index composition would be reviewed in May and/or November by the CMCI Governance Committee, with changes effected during the following maintenance period of August and/or February.

The composition of an Index will only be modified in the terms set out in the Technical Document in order to maintain the stability and relevance of that Index or in the event of extraordinary circumstances. Such "extraordinary circumstances" may include (but are not limited to):

- declining or rising trading volumes, instrument delisting or creation in respect of a particular Component Contract,
- critical changes in commodity supply and demand patterns, or global economic patterns affecting the supply or demand,
- changes in foreign exchange laws, or
- in general, all types of legal and tax rulings or decisions presenting a material increase in costs or compliance burden to CMCI investors and/or members of the CMCI Governance Committee.

In some special situations likely to affect an Index adversely and reflect negatively on investors and/or members of the CMCI Governance Committee, the CMCI Governance Committee can also declare "force majeure" and can change any parameter of an Index with immediate effect. The Index Sponsors also reserve the right to alter the procedures and methodology related to selecting the underlying futures contracts.

### *Component Selection and Target Weights*

For a commodity contract to be included in the CMCI, the following primary and secondary requirements have to be satisfied:

The “primary requirements” are related to the nature of the instrument as well as some technical characteristics including country of origin, trading characteristics, foreign exchange controls, availability and accuracy of contract, price and volume data.

The “secondary requirements” involve satisfying a series of purely financial thresholds based on liquidity. Open interest, which reflects positions in contracts that remain open on an overnight or multi-day basis, is used to assess past and future liquidity. Market volume, which reflects the number of contracts traded in a given period of time, indicates immediate interest, and over a period of time provides a usable measure of liquidity.

### **Index Weightings**

#### *Initial Weightings*

As of the date of this Prospectus, the Component Contracts of the CMCI Composite Index have the initial weightings indicated in the table above (the “**Initial Weightings**”) in the CMCI. The Initial Weightings may be amended from time to time, as described below. The weightings of other CMCI sub-indices and indices in the CMCI Index Family are defined in the Technical Document.

The weighting process for the CMCI is designed to reflect the economic significance and market liquidity of each commodity. The Index Sponsors use a two-step approach to determining target weights of the Component Contracts in the CMCI. First, the Index Sponsors use regional Consumer Price Indexes (CPI), Producer Price Indexes (PPI) and Gross Domestic Product (GDP) data to produce the Economic Weight (EW) of each of the five sectors of the CMCI — the five sectors of the CMCI are currently agriculture, livestock, energy, precious metals and industrial metals. Second, the market value of the amount of each commodity that is consumed is used to calculate the individual instrument weight of each commodity, based on such market value as a percentage of the total market value of the consumption of all commodities included in the relevant sector.

#### *Changes in the Weights and/or Index Composition*

As noted above, the CMCI Governance Committee (in consultation with the CMCI Advisory Committee) generally reviews the selection and weightings of the Component Contracts semi-annually, in November and May, or at any special meeting called by the CMCI Advisory Committee. Thus, weights are potentially reassigned whenever a regular or special meeting of the CMCI Governance Committee is held, subject to ratification by the Index Sponsors. Whilst not true for the CMCI Composite Index or any of its sub-indices, some of the Indices within the CMCI Index Family may be re-weighted more frequently.

#### *Continuous Rolling of Contracts*

The CMCI represents a weighted average of all available CMCI constant maturities (ranging from three months to three years). The distribution of weightings to available tenors (time to maturity) is a function of relative liquidity of the underlying futures contracts. As of 1 August 2010, the average tenor of the Component Contracts is approximately seven months. As with most asset classes, the liquidity of commodity futures contracts tends to reduce as time to maturity increases. Therefore, the continuous rolling (constant maturity) of the CMCI limits the dilution of liquidity of the Component Contracts. In this way, the CMCI reflects the most liquid contracts.

### *Rebalancing of the Index Components*

Because of price movements, the weight of each component in the CMCI will move away from its target weight over time. The weight of each Component Contract is therefore rebalanced over the final three business days of each month in order to bring each underlying commodity back to its target weight. The process is automatic and is implemented via a pre-defined algorithm.

In addition, twice annually in February and August there is a maintenance period at which time the target weights themselves are adjusted according to decisions of the CMCI Governance Committee as ratified by the Index Sponsors.

### **Market Disruption**

As noted above, the CMCI Advisory Committee will request extraordinary meetings with the CMCI Governance Committee in the event of actual or potential “market emergency” or “force majeure” events (as discussed below), or any other situations the CMCI Advisory Committee deems, in its own discretion, to require an extraordinary meeting. The purpose of such meetings will be for the CMCI Governance Committee to determine what, if any, changes should be made to an Index.

### **Market Emergency and Force Majeure**

In some extraordinary circumstances, the CMCI Governance Committee, in consultation with the CMCI Advisory Committee, can deem an event a “market emergency and force majeure” event. Such extraordinary circumstances include:

- currency control mechanisms,
- a tax related announcement,
- a scientific announcement,
- an official or state announcement likely to affect commodities markets,
- any climate and weather related emergencies,
- a war,
- a terrorist event,
- any other event which would make the calculation of the Index impossible or infeasible, technically or otherwise, or that makes the Index non-representative of market prices or undermines the objectives of the Index, or
- any situation creating an unfair advantage or disadvantage for any individual or group of market participants or the Index Sponsors.

Whenever a “market emergency and force majeure” event has been identified, the CMCI Governance Committee, in consultation with the CMCI Advisory Committee, can take any action it deems appropriate, such as, but not limited to:

- the replacement of a daily component nearby price when there is an obvious and manifest error in the officially settled price or when market abuse is likely to have taken place,
- the temporary or permanent removal of a commodity from an Index,
- the immediate change of an Index parameter,

- the suspension of the calculation of an Index, a constant maturity series, or a currency series, or
- in general, any action necessary to preserve the reputation of an Index as a fair and tradable benchmark.

### **Calculation of each Index**

Each Index is calculated and disseminated by UBS AG on various market data platforms (from 8:00 a.m. to 4.30 p.m. London time) and a daily Index level is published between 4:00 p.m. and 6:00 p.m. New York time on each Trading Day. Index information is available from Bloomberg on pages CUBS + GO, CMCN or CMCX and from Reuters on page UBSCMCI.

Index information is also available on the Bloomberg website: <http://www.bloomberg.com> (Select “COMMODITIES” from the drop-down menu entitled “Market Data”). For further information on CMCI, investors can go to <http://www.ubs.com/cmci>. Charts illustrating the historic price and volatility of the CMCI and each of the other Indices are available at <http://www.ubs.com/etc-uk>.

### **Total Return**

Unless otherwise stated in the relevant Final Terms, all indices in the CMCI Index Family to which the Notes may be linked are “total return” indices. In addition to uncollateralized returns generated from the Component Contracts, a daily collateral return is added, which reflects the return earned on securities theoretically deposited as collateral for hypothetical fully collateralized positions in the futures contracts comprising the index. The rate used to calculate the daily return for dollar denominated indices is the 91-day U.S. Treasury Bill auction rate, as published by the “Treasury Security Auction Results” report of the Bureau of the Public Debt currently available on the website: <http://www.treasurydirect.gov/instit/annceresult/press/press.htm>. The rate is generally published once per week on Monday and generally made effective with respect to the CMCI on the following Trading Day. The rate applicable to any Index (the “**Total Return Reference Rate**”) which is not dollar denominated will be set out in the Final Terms of any Notes linked to that Index.

### **Historical Closing Levels of the CMCI**

Any historical upward or downward trend in the value of the CMCI during any period shown below is not an indication that the value of the Index is more or less likely to increase or decrease at any time during the term of the Notes. The historical CMCI levels do not give an indication of future performance of the CMCI. UBS cannot make any assurance that the future performance of the CMCI or the relevant Index Commodities will result in holders of the Notes receiving a positive return on their investment. The Closing Level of the CMCI Composite Index USD Total Return on 23 August 2010 was 1091.947. For any Note the actual Index Starting Level will be the Closing Level of the relevant Index on the Trade Date.

The table below shows the performance of the CMCI Composite Index USD Total Return from December 31, 1997 through 23 August 2010:

**Table 4**

**CMCI Total Return Pro Forma Results for the period from 31 December 1997 to 23 August 2010**

<b>Year</b>	<b>Ending Level</b>	<b>Annual Return</b>
1997	301.61	
1998	231.83	-23.14%
1999	293.06	26.41%
2000	372.07	26.96%
2001	318.12	-14.50%
2002	385.15	21.07%
2003	492.98	28.00%
2004	631.22	28.04%
2005	871.85	38.12%
2006	1050.20	20.46%
2007	1290.22	22.85%
2008	870.3339	-32.47%
2009	1153.695	32.56%
2010	1091.947	-8.19%

(Annualised)

Source: UBS IB, Bloomberg, as at 31 December 1997 – 23 August 2010

In relation to any Notes for which the relevant Index is not the CMCI Composite Index USD Total Return, the Final Terms will include a table showing for each year from 1997 the Closing Level of the relevant Index as at the last Trading Day of the year and the respective percentage annual returns calculated therefrom.

The table below shows the performance of the CMCI Composite Index USD Total Return from 23 August 2000 through 23 August 2010 in comparison with three traditional commodities indices: the S&P GSCI (GSCI<sup>®</sup>) Total Return, Dow Jones-UBS Commodity Index<sup>SM</sup> Total Return and Rogers International Commodity Index<sup>SM</sup> Total Return. All returns are in US Dollars.

**Table 5**

**Pro Forma and Historical Results**

**23 August 2000 through 23 August 2010**

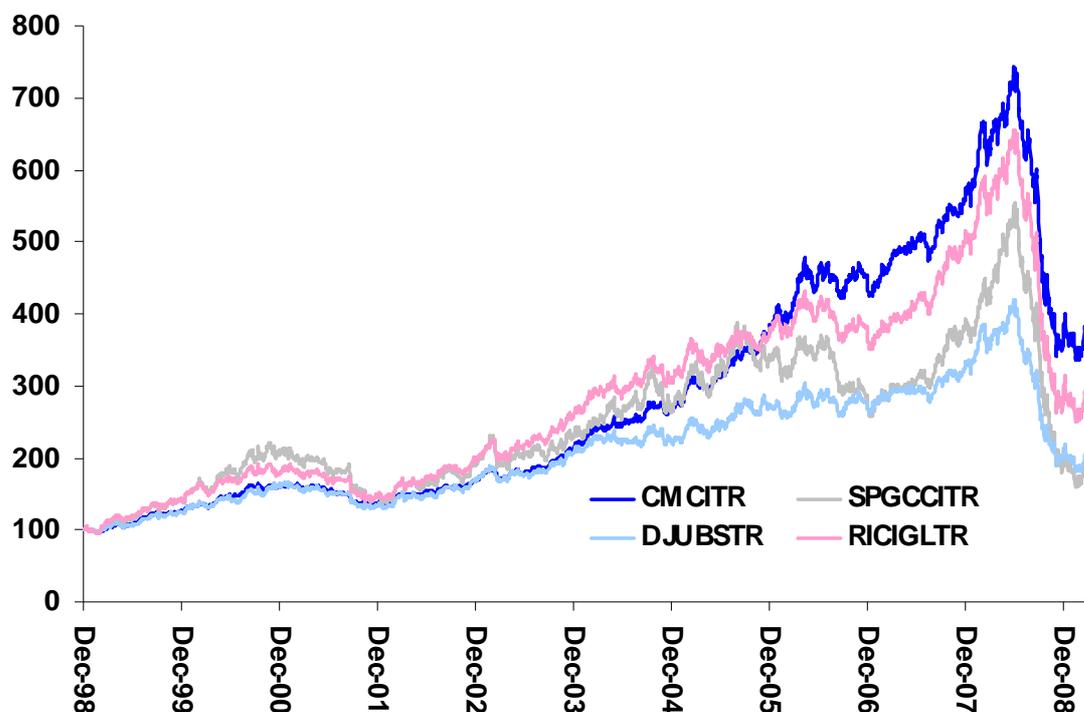
	<b>CMCI Total Return</b>	<b>S&amp;P GSCI Total Return</b>	<b>DJ-UBS Total Return</b>	<b>Rogers Total Return</b>
Annualized Return	11.88%	0.64%	4.72%	5.93%
Annual Volatility	17.51%	26.52%	18.48%	19.28%
Return/Vol	0.68	0.02	0.26	0.31

Source: UBS Investment Bank, Bloomberg

The graph below illustrates the performance of the CMCI Composite Index USD Total Return from 23 August 2000 through 23 August 2010 in comparison with three traditional commodities indices: the S&P GSCI (GSCI®) Total Return, Dow Jones-UBS Commodity Index<sup>SM</sup> Total Return and Rogers International Commodity Index<sup>SM</sup> Total Return.

**Table 6**

**Historical Performance**



Source: UBS Investment Bank, Bloomberg. Daily Data 23 August 2000-23 August 2010. All returns are Total Return. References to “DJUBS” are references to Dow Jones – UBS Commodity Index SM References to “SPGSCI” are references to S&P GSCI Index. CMCI data prior to 29.01.2007 is back tested

**Index Disclaimers**

The Index Sponsors make no representation or warranty, express or implied, regarding the appropriateness of investing in products referenced to the CMCI, or any Index or derivative index thereof, commodity products in general or of the ability of the CMCI or any other sub-index to track commodity market performance. In determining the constituents of the CMCI and any amendment thereto, the Index Sponsors have no obligation to consider the needs of any counterparties that have products referenced to the CMCI. The Index Sponsors have all proprietary rights with respect to the CMCI. Any third party product based on or in relation to the CMCI (“Product”) may only be issued upon the prior written approval of UBS and upon the execution of a license agreement between UBS and the party intending to launch a Product. In no way does UBS, endorse or have any other involvement in the issue and offering of a Product. UBS makes no representation or warranty, express or implied, to the holders of the Products or any member of the public regarding the advisability of investing in the Product or commodities generally or in futures particularly, or as to results to be obtained from the use of the Index or from the Product. Past performance of the CMCI is not necessarily indicative of future results.

The Index is © UBS 2010. The key symbol and UBS are among the registered and unregistered trademarks of UBS. Bloomberg is a trademark of Bloomberg L.P. UBS Bloomberg Constant Maturity Commodity Index, UBS Bloomberg CMCI and CMCI are service marks of UBS and/or Bloomberg. Patent pending in respect of the Index and all rights reserved in respect of the Index.

THE INDEX SPONSORS DO NOT GUARANTEE THE QUALITY, ACCURACY AND/OR THE COMPLETENESS OF THE CMCI OR ANY DATA INCLUDED THEREIN AND SHALL NOT HAVE ANY

LIABILITY FOR ANY ERRORS OR OMISSION OR INTERRUPTIONS IN THE CALCULATION AND/OR DISSEMINATION OF THE CMCI. THE INDEX SPONSORS MAKE NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY OR FROM THE USE OF THE CMCI OR ANY DATA INCLUDED THEREIN OR FOR ANY OTHER USE (WHETHER DIRECTLY OR VIA ANY PRODUCT REFERENCED THERETO). UBS MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND TO THE EXTENT PERMITTED BY LAW HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE CMCI OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, TO THE EXTENT PERMITTED BY LAW UBS DISCLAIMS ANY LIABILITY FOR ANY PUNITIVE, INDIRECT, SPECIAL, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH.

The New York Mercantile Exchange, Inc. (including the COMEX division), Chicago Board of Trade, ICE Futures, European Energy Exchange, London Metal Exchange, Kansas City Board of Trade, New York Board of Trade, Winnipeg Commodities Exchange, Euronext. Liffe, the Chicago Mercantile Exchange and a number of future exchanges (collectively the “**Exchanges**”) provide data on commodity futures contracts which, in part, are used to compile and calculate the CMCI. However, the Exchanges provide such data “as is” and without representation or warranty on their part.

Further, the Exchanges: (i) do not in any way participate in the offering, sale, administration of, or payments for, the CMCI or any products related thereto, (ii) do not in any way ensure the accuracy of any of the statements made in any product materials or this document, (iii) are not liable for any error or omission in any settlement or other price, index, or valuation used in connection with the CMCI, have not participated in the determination of the timing of, prices at, or quantities of the products to be issued and have no obligation or liability in connection with the administration, marketing, or trading of the CMCI or any products thereon, (iv) are not in any way an issuer, manager, operator, guarantor or offeror of CMCI or any products related thereto, and are not a partner, affiliate or joint venturer of any of the foregoing, (v) have not approved, sponsored or endorsed the CMCI or its terms and are not responsible for any calculations involving the Index, (vi) make no representation or warranty, express or implied, to the owners of the CMCI or any member of the public regarding the advisability of investing in securities generally or in the CMCI particularly, and (vii) have no involvement with and accept no responsibility for the CMCI, its suitability as an investment or its future performance.

None of the information contained herein constitutes a solicitation, offer, opinion, or recommendation by the Index Sponsors to buy or sell any security, or to provide legal, tax, accounting, or investment advice or services regarding the profitability or suitability of any security or investment. The Index Sponsors disclaim any liability to any party for any inaccuracy in Index or any Product based on the Index, for any mistakes, errors, omissions or interruptions in the calculation and/or dissemination of the Index, or for the manner in which it is applied in connection with the issue and offering of a Product. Under no circumstances, including but not limited to negligence, shall the Index Sponsors, their parents, and their respective affiliates, suppliers, agents, directors, officers, employees, representatives, general partner, subsidiaries, successors, and assigns be liable for direct, indirect, incidental, consequential, special, punitive, or exemplary damages even if the Index Sponsors have been advised specifically of the possibility of such damages, arising from the Index or Product, such as, but not limited to, loss of revenue or anticipated profits or lost business.

This Prospectus has not been reviewed by Bloomberg who takes no responsibility for the content of this Prospectus.

## COMMODITY FUTURES MARKET

Contracts on physical commodities are traded on regulated futures exchanges, in the over-the-counter market and on various types of physical and electronic trading facilities and markets. At present, all of the Component Contracts included in the Indices are exchange-traded futures contracts. An exchange-traded futures contract is a bilateral agreement providing for the purchase and sale of a specified type and quantity of a commodity or financial instrument during a stated delivery month for a fixed price. A futures contract on an index of commodities typically provides for the payment and receipt of a cash settlement based on the value of such commodities. A futures contract provides for a specified settlement month in which the commodity or financial instrument is to be delivered by the seller (whose position is described as “short”) and acquired by the purchaser (whose position is described as “long”) or in which the cash settlement amount is to be made.

There is no purchase price paid or received on the purchase or sale of a futures contract. Instead, an amount of cash or cash equivalents must be deposited with the broker as “initial margin”. This amount varies based on the requirements imposed by the exchange clearing houses, but may be as low as 5% or less of the value of the contract. This margin deposit provides collateral for the obligations of the parties to the futures contract.

By depositing margin in the most advantageous form (which may vary depending on the exchange, clearing house or broker involved), a market participant may be able to earn interest on its margin funds, thereby increasing the potential total return that may be realized from an investment in futures contracts. The market participant normally makes to, and receives from, the broker subsequent payments on a daily basis as the price of the futures contract fluctuates. These payments are called “variation margin” and make the existing positions in the futures contract more or less valuable, a process known as “marking to market”.

Futures contracts are traded on organized exchanges through the facilities of a centralized clearing house and a brokerage firm which is a member of the clearing house. The clearing house guarantees the performance of each clearing member which is a party to the futures contract by, in effect, taking the opposite side of the transaction. At any time prior to the expiration of a futures contract, subject to the availability of a liquid secondary market, a trader may elect to close out its position by taking an opposite position on the exchange on which the trader obtained the position. This operates to terminate the position and fix the trader’s profit or loss.

## TERMS AND CONDITIONS

The following are terms and conditions which, subject to any modifications set out in the relevant Final Terms, shall apply to any class or any Series of Notes.

### 1. DEFINITIONS

1.1 Save as set out below, words and phrases used in these terms and conditions bear the same meaning as where used in the Prospectus:

**“Conditions”** means these terms and conditions as amended, supplemented, modified or replaced from time to time in relation to any Series by the information contained in the relevant Final Terms. To the extent that the information in any Final Terms amends, supplements, modifies or replaces those terms and conditions, it shall do so only for the purpose of the Series to which the relevant Final Terms relate. To the extent there is any inconsistency between these terms and conditions and the terms and conditions which appear in the relevant Final Terms, the terms and conditions which appear in the Final Terms shall prevail;

**“Prospectus”** means the base prospectus of the Issuer in respect of the Notes current at the date of the relevant Final Terms; and

**“Redemption Confirmation”** has the meaning given to it in Condition 5.9.2.

1.2 The following rules shall apply to the interpretation of these Conditions unless the context otherwise required:

1.2.1 Headings to Conditions, paragraphs and other provisions of these Conditions are inserted for ease of reference only and shall not affect the interpretation of these Conditions.

1.2.2 Any reference to a numbered Condition or paragraph is a reference to that Condition or paragraph as set out in those terms and conditions as amended, supplemented, modified or replaced in relation to any Series by the information contained in the applicable Final Terms.

1.2.3 Any reference to a person or persons includes reference to any individual, corporations, partnership, joint venture, association, public body, governmental authority or other entity.

1.2.4 Words in the singular shall also include the plural and vice versa.

1.2.5 Any reference to these Conditions or to any agreement or document includes a reference to these Conditions or, as the case may be, such agreement or document as amended, varied, novated, supplemented or replaced from time to time.

1.2.6 References to any statutory provision or statute includes all amendments thereto and re-enactments thereof and all subordinate legislation made thereunder.

1.2.7 Unless otherwise indicated, any reference in these Conditions to a time is a reference to local time in London, England.

1.2.8 Text in italics is for information only and does not form part of these Conditions.

## 2. STATUS

2.1 The Notes will be issued in classes, each of which may have a different relevant Index, or different Conditions. The Notes of each class will be issued in one or more Series with different Valuation Dates. The Notes of each Series, of a particular class, will have identical terms and conditions to all other Notes of the Series and will be represented by the same Global Note. Other than the Valuation Dates the Notes of each class will have identical terms and conditions to all other Notes of that class.

2.2 The Notes of each Series are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain debts required to be preferred by law) equally with all other outstanding unsecured and unsubordinated obligations of the Issuer.

## 3. FORM AND DENOMINATION

3.1 The Notes are issued in bearer form in the Specified Denomination. Unless specified in the Final Terms the Notes of each Series will be represented by:

3.1.1 a Temporary Global Note relating to that Series;

3.1.2 a Permanent Global Note relating to that Series; or

3.1.3 serially numbered definitive Notes relating to that Series.

3.2 In the case of Notes initially represented by a Temporary or Permanent Global Note, the Global Note will be deposited with a depository for one, or a common depository or common safekeeper for more than one, clearing system, including Euroclear and Clearstream.

3.3 As specified in the Final Terms, Temporary Global Notes will be exchanged for either:

3.3.1 a Permanent Global Note which will be held by a depository for one, or a common depository or common safekeeper for more than one, clearing system (including Euroclear and/or Clearstream), or

3.3.2 serially numbered definitive notes, in accordance with the provisions set out in the relevant Temporary Global Note.

A copy of each Temporary Global Note will be available for inspection at the office of the Issuer.

3.4 The Global Notes will bear the following legend: “This Note (or coupon), may not be owned by any United States Person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended or the U.S. Internal Revenue Code of 1986, as amended)”.

In the event the Notes of a Series are initially evidenced by a Temporary Global Note, the Temporary Global Note may be exchanged (the date of such exchange being the “**Exchange Date**”) for interests in a Permanent Global Note. Exchange of interests in Temporary Global Notes for a Permanent Global Note may only be made after the Exchange Date and only upon receipt of the certification as to non-U.S. beneficial ownership.

3.5 As specified in the Final Terms, a Permanent Global Note may be exchanged for serially numbered definitive Notes only in accordance with the provisions set out in the relevant

Permanent Global Note. A copy of the Permanent Global Note will be available for inspection at the office of the Issuer.

- 3.6 If so specified in the Final Terms, the Notes of any Series may be represented on issue by a Permanent Global Note.

#### **4. TITLE AND TRANSFER**

- 4.1 The Notes are issued in bearer form and, in the case of definitive Notes, serially numbered.

- 4.2 The Issuer will (except as otherwise required by law) deem and treat the bearer of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note without prejudice to the provisions set out in these Conditions.

- 4.3 Subject to these Conditions and the applicable Final Terms, title to the Notes will pass by delivery.

- 4.4 Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, as the case may be.

#### **5. REDEMPTION AND PURCHASE**

##### **Right to Redeem**

- 5.1 Notes may be Redeemed by Noteholders who are, unless otherwise agreed by the Issuer, Financial and/or Credit Institutions on any Redemption Date in exchange for the Redemption Amount for such Notes following receipt by the Issuer of a Redemption Notice given in accordance with Condition 5.9.1. In respect of any Series of Notes the Issuer specifies in the relevant Final Terms any other description of Noteholders who shall have the right to Redeem Notes and may in the relevant Final Terms also specify any Trading day or Trading Days to be additional days on which Notes may be Redeemed, subject to such day not being a Disrupted Day.

- 5.2 Notes must be Redeemed in multiples of such number of Notes of a Series as may be specified by the Issuer for the purposes of this Condition 5.2 (being the Minimum Redemption Multiple for that Series) subject to the Issuer's discretion to reduce this minimum generally or in the case of a particular Redemption or in the case of Redemptions from any particular Noteholder.

*In order to exercise this redemption right, a Noteholder must redeem at least the Minimum Redemption Multiple of Notes of any Series and may only redeem in multiples of this number. Unless otherwise specified in the relevant Final Terms, the Minimum Redemption Multiple is 10,000. If a Noteholder does not wish to redeem this Number of Notes, their broker or other financial intermediary may bundle their Notes for redemption with those of other investors to reach this minimum number.*

##### **Calculation of the Redemption Amount**

- 5.3 On Redemption the Issuer will pay the Noteholder an amount calculated to 3 decimal places (the "**Redemption Amount**") by the Calculation Agent in accordance with the following formula:

(Specified Denomination x Index Performance Ratio) - Total Fee Amount

- 5.4 The Index Performance Ratio in relation to the Notes of any Series is a figure calculated to 3 decimal places by the Calculation Agent in accordance with the following formula:

$$\text{Index Ending Level} / \text{Index Starting Level}$$

where:

- 5.4.1 the Index Starting Level will equal the Closing Level of the relevant Index as at the Trade Date, as specified in the Final Terms; and
- 5.4.2 the Index Ending Level will equal the Closing Level of the relevant Index as at the applicable Redemption Date.
- 5.5 The Fee Amount is an amount calculated daily to 3 decimal places in accordance with the following formula:

$$(\text{Fee Level}/365) \times (\text{Specified Denomination} \times \text{Current Index Performance Ratio})$$

and the Total Fee Amount is the sum of the Fee Amounts for each day from and including the Trading Day after the applicable Trade Date up to and including the Redemption Date.

- 5.6 The Calculation Agent may in its sole discretion increase or decrease, as the case may be, any Redemption Amount payable to account for any income, loss, costs (including hedging costs) and expenses of the Issuer that it believes are attributable to or as a result of any FX Disruption Event or Interest Disruption Event.

#### **Compulsory Redemption by the Issuer**

- 5.7 The Issuer may in its absolute discretion Redeem all (but not some only) of the Notes of any class and/or of any Series at the applicable Redemption Amount on any Trading Day save that such Trading Day shall:

- 5.7.1 be a date not less than 30 days following the Issuer giving notice of its intention to require such Redemption to each Noteholder; or
- 5.7.2 be a date not less than 10 days following the Issuer giving notice of its intention to require such Redemption in circumstance where such Redemption is required because the Issuer has determined, in its reasonable discretion but acting in good faith, that it has or will become unlawful or impractical beyond all reasonable doubt for it to carry out all or any of its obligations under such Notes for any reason including, without limitation as a result of compliance with any applicable present or future law, rule, regulation, judgement, order or directive or with any requirement or request of any government, administrative, legislative or judicial authority,

and provided that such Trading Day is a Disrupted Day, the Issuer shall Redeem the relevant Notes on the next Trading Day thereafter that is not a Disrupted Day at the applicable Redemption Amount on such day.

- 5.8 The Issuer may Redeem any one or more classes or any one or more Series of Notes without Redeeming all classes or all Series.

## Procedure for Redemptions by Noteholders

- 5.9 The procedure for the Redemption of Notes by Noteholders is, unless otherwise agreed with the Issuer in any particular case or generally or in the case of Redemptions from any particular Noteholder, as follows:
- 5.9.1 a Noteholder wishing to redeem their Notes should submit to the Issuer by email to [cmci@ubs.com](mailto:cmci@ubs.com) (or such alternative or additional email address as may be specified in the applicable Final Terms or as may in relation to any class or Series of Notes be notified to the Noteholders in accordance with Condition 17) a notice substantially in the form set out in Appendix B to the Base Prospectus (the “**Redemption Notice**”) so as to be received by the Issuer by no later than 12 noon London time on the Trading Day immediately prior to the Redemption Date. The Issuer will confirm receipt of any Redemption Notice as soon as reasonably practicable after receipt thereof;
- Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Notes, investors should consult the brokerage firm through which they own your interest for the relevant deadline.*
- 5.9.2 on receipt of a Redemption Notice prior to the time and date referred to in paragraph 5.9.1 the Issuer will send the Redeeming Noteholder a confirmation, substantially in the form set out in Appendix C to the Base Prospectus (the “**Redemption Confirmation**”) as soon as reasonably practicable following the publication of the Closing Level of the relevant Index by the Index Sponsors;
- 5.9.3 the Calculation Agent shall calculate the applicable Redemption Amount using the Closing Level of the Index on that Redemption Date;
- 5.9.4 a Redeeming Noteholder must instruct their Euroclear and/or Clearstream custodian to book a delivery versus payment trade with respect to the Notes to be Redeemed on the Redemption Date at a price equal to the Redemption Amount; and
- 5.9.5 a Redeeming Noteholder must cause their Euroclear and/or Clearstream custodian to deliver the trade as booked for settlement via Euroclear and/or Clearstream as at or prior to 10.00 a.m. London time on the third Trading Day following the Redemption Date (the “**Redemption Payment Date**”).
- 5.10 Any Redemption Notice received after 12 noon London time on the Trading Day immediately prior to the Redemption Date will be invalid subject to the Issuer’s discretion to accept any Redemption Notices received after 12 noon but before 3 p.m. on the Trading Day immediately prior to the Redemption Date.
- 5.11 Any Redemption Notice shall be irrevocable unless the Issuer agrees otherwise.

## Purchases

- 5.12 The Issuer or any of its subsidiaries or Affiliates may at any time purchase Notes of any Class or Series in the open market or otherwise. Such notes may be held, reissued, resold (at any price) or, at the option of the Issuer, cancelled.

## 6. PAYMENTS

- 6.1 Save as provided below or in the applicable Final Terms, all payments in respect of the Notes will be made by the Issuer in US Dollars by credit or transfer to such account as may be specified by the payee in the applicable Redemption Notice.
- 6.2 Payments to Euroclear and/or Clearstream will be made in accordance with the rules of such clearing system.
- 6.3 Save in any of the circumstances set out in Condition 6.10, the Issuer will on the third Trading Day following the Redemption Date in respect of any Note pay the Redemption Amount for that Note to such account as specified by the Redeeming Noteholder in the applicable Redemption Notice by telegraphic transfer.
- 6.4 In any of the circumstances set out in Condition 7, payment of the Redemption Amount in respect of any Note will be made by the Issuer on the third Trading Day following the Redemption Date to such account as specified by the Redeeming Noteholder in the applicable Redemption Notice by telegraphic transfer.
- 6.5 Payments in respect of definitive Notes will be made against presentation and surrender (on in the case of Part Payment of any sum due, endorsement ) of definitive Notes at the specified office of the Issuer, subject to any fiscal or other laws and regulations applying in the place of payment.
- 6.6 Payment of amounts (including accrued interest) due on Redemption of Notes will be made against presentation and, save in the case of partial redemption, surrender of the relevant Bearer Notes at the specified office of the Issuer.
- 6.7 Payments in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of the Issuer. A record of each payment made against presentation or surrender of any Global Note will be made on such Global Note by the Issuer and such record shall be *prima facie* evidence that the payment in question has been made.
- 6.8 The holder of a Global Note shall be the only person entitled to receive payments in respect of any Notes represented by such Global Note and the obligations of the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.
- 6.9 In the absence of gross negligence or wilful misconduct on its part, neither the Issuer nor the Calculation Agent shall have any responsibility for any errors or omissions in the calculation of any amount payable in respect of the Notes.
- 6.10 All payments in respect of the Notes are subject to all applicable fiscal and other laws and regulations, including laws requiring the deduction or withholding of tax, duty, charges, withholding or other payment that may arise as a result of, or in connection with the ownership, transfer, redemption or enforcement of any of its Notes (“**Noteholder Expenses**”). The Issuer may withhold or deduct from any amount payable to the Noteholders the amount necessary to pay any Noteholder Expenses and no payment in respect of a Note shall be made until all Noteholder Expenses in respect thereof have

been paid or deducted to the satisfaction of the Issuer. A person entitled to receive an interim payment or final payment or exercising a right to receive a payment under (or entitled to receive any amount at maturity or exercise under) the Note may be required upon request by the Issuer and/or its agents or relevant nominee to certify that neither it nor the beneficial owner of the instrument is a U.S. person or is located in the United States.

## **7. DISRUPTION**

### **Disrupted Days**

7.1 If any Valuation Date is a Disrupted Day then the Calculation Agent shall:

7.1.1 as soon as reasonably predictable notify any Redeeming Noteholders that such Valuation Date is a Disrupted Day provided that failure of the Calculation Agent to notify a Redeeming Noteholder of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day on that Valuation Date;

7.1.2 subject to Condition 7.2, determine the level of the relevant Index for the applicable Valuation Date in accordance with the formula for and method of calculating the Closing Level of the relevant Index as set out in the Handbook last in effect prior to the occurrence of the first Disrupted Day, using closing settlement prices for the Component Contracts determined as follows:

(a) for each Component Contract not affected by the Disrupted Day, the closing settlement price of such Component Contract on the relevant Valuation Date; or

(b) for each Component Contract which is affected by the occurrence of a Disrupted Day, subject to Condition 7.2, the closing settlement price of each such Component Contract on the first day following the applicable Valuation Date which is not a Disrupted Day.

7.2 If a Disrupted Day continues to affect any Component Contract for a period of eight Trading Days following the applicable Valuation Date then the Calculation Agent shall determine the settlement price of such Component Contract by making a good faith estimate.

### **Changes to the Index**

7.3 If any relevant Index is:

7.3.1 not calculated and announced by the original Index Sponsors but is calculated and announced by a successor sponsor acceptable to the Calculation Agent; or

7.3.2 replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be, in the case of 7.3.1, the index so calculated and announced by that successor sponsor or, in the case of 7.3.2, that successor index, as the case may be.

7.4 The Issuer will notify Noteholders of any such changes in an Index as soon as reasonably practicable, in accordance with Condition 17.

## **Correction of an Index**

7.5 If on or prior to any Valuation Date the Calculation Agent determines that:

7.5.1 any Index Sponsor has made a material change in the formula for or the method of calculating the relevant Index or in any other way has materially modified the relevant Index (other than a modification prescribed in that formula or method to maintain the relevant Index in the event of changes in constituent stock or securities and capitalisation and other routine events); or

7.5.2 any Index Sponsor has failed to calculate and announce the relevant Index,

then the Calculation Agent shall calculate the Index Closing Level or any Redemption Amount using, in lieu of a published level for the relevant Index, the level for the relevant Index as at the relevant Valuation Date as determined by Calculation Agent in its absolute discretion.

7.6 In the event that any level of an Index published by the Index Sponsor which is utilised for any calculation or determination by the Calculation Agent is subsequently corrected and such correction is published within the Settlement Cycle for any Component Contract of such Index after its original publication, to the extent that the Calculation Agent is aware of the same before:

7.6.1 in the case of a Valuation Date which was a Redemption Date or Fee Amount Calculation Date, the Redemption Payment Date; and

7.6.2 in the case of any Valuation Date which was a Trade Date, the date on which any Final Terms are released in respect of Notes the value of which is linked to that Index,

the Calculation Agent will make such reasonable adjustment(s) as it determines to be appropriate to any variable, calculation methodology, valuation, settlement, payment terms or any other terms in respect of this Note to account for such correction and notify any affected Noteholders of such adjustments.

## **8. FURTHER NOTES**

8.1 The Issuer reserves the right (without the consent of Noteholders) to issue further Series and classes of Notes which will rank *pari passu* with any other unsecured unsubordinated obligations of the Issuer including the existing Notes.

8.2 Any further Series or classes of Notes will each be represented by a separate Global Note.

## **9. CALCULATION AGENT**

9.1 The Calculation Agent's role is:

9.1.1 to calculate the Redemption Amounts, Index Performance Ratio and Fee Amount;

9.1.2 to determine if there has been a material change in the formula and method of calculating any Index;

9.1.3 to determine whether any day is a Disrupted Day and notify any Redeeming Noteholders thereof;

- 9.1.4 to determine if an FX Disruption Event or an Interest Disruption Event has occurred;
  - 9.1.5 if there is a period of eight consecutive Disrupted Days in respect of any Component Contract, to determine a closing settlement price in respect of each Component Contract which is the subject of a Disrupted Day in accordance with Condition 7.2;
  - 9.1.6 in the case of an Event of Default, to determine a fair market value for all affected Notes.
- 9.2 Where a substitute value for the Closing Level of an Index is calculated by the Calculation Agent for a Valuation Date, that substitute value shall be used in the calculation of the Redemption Amount payable in respect of any Notes which relate to that Index.
- 9.3 All determinations, estimations and calculations of the Calculation Agent in respect of any Index and any Notes shall be made in good faith and a commercially reasonable manner and shall, absent manifest error, be final and binding on the Issuer and Noteholders.
- 9.4 In making any determination, estimation or calculation, the Calculation Agent shall have regard to such information or sources as it may deem appropriate.
- 9.5 The Calculation Agent has no responsibility for good faith errors or omissions in any calculations, estimations or determinations made in respect of any Index or any Notes.

## **10. MEETINGS OF NOTEHOLDERS**

- 10.1 In respect of each Series and each class, each Global Note contains provisions (which will apply to Notes in definitive form following exchange in accordance with their terms) for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by extraordinary resolution of the Conditions, the Final Terms or the provisions of the Notes. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing a clear majority in nominal amount of the Notes held or represented by him or them, except that at any meeting, the business of which includes the modification of certain of the conditions the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than 75 per cent., or at any adjourned meeting a clear majority, of the aggregate number of the Notes of the relevant Series for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders of any Series will be binding on all Noteholders of that Series, whether or not they are present at the meetings.
- 10.2 Article M57 *et seq* of the Swiss Code of Obligations includes mandatory provisions on bondholder meetings which may apply in relation to meetings of Noteholders.

## **11. AMENDMENTS TO THE CONDITIONS**

- 11.1 The Issuer may modify the Conditions and/or the Notes of any one or more class or Series without the consent of the Noteholders if the Issuer determines that such modification is:
- 11.1.1 not materially prejudicial to the interest of Noteholders; or
  - 11.1.2 of a formal, minor or technical nature or to correct a manifest or proven error or to cure, correct or supplement any defective provision.

11.2 Notice of any such modification will be given to the Noteholders in accordance with Condition 17 but failure to give, or non-receipt, of such notice will not affect the validity of such modifications.

## **12. EVENTS OF DEFAULT**

12.1 In respect of any Series of Notes the following events shall constitute an “**Event of Default**”:

12.1.1 there is a default for more than 30 calendar days in the payment of any amount due in respect of any of the Notes of that Series; or

12.1.2 there is a default in the performance by the Issuer of any other obligation under the Notes of that Series which is incapable of remedy or which, being a default capable of remedy, continues for 60 calendar days after written notice of such default has been given by any Noteholder of that Series to the Issuer; or

12.1.3 any order shall be made by any competent court or other authority or resolution passed by the Issuer for the dissolution or winding-up of the Issuer or for the appointment of a liquidator, receiver, administrator or manager of the Issuer or of all or a substantial part of their respective assets, or anything analogous occurs, in any jurisdiction, to the Issuer, other than in connection with a solvent reorganisation, reconstruction, amalgamation or merger; or

12.1.4 the Issuer shall stop payment or shall be unable to, or shall admit to creditors generally its inability to, pay its debts as they fall due, or shall be adjudicated or found bankrupt or insolvent, or shall enter into any composition or other arrangements with its creditors generally.

12.2 If an Event of Default in relation to the Notes of any Series shall have occurred and be continuing any Noteholder may, at such Noteholder’s option, declare each Note of that Series held by the Noteholder to be forthwith due and payable at its fair market value (as determined by the Calculation Agent but for these purposes no account shall be taken of the financial condition of the Issuer which shall be presumed to be able to fully perform its obligations in respect of the Note when due) without presentation, demand, protest or other notice of any kind, by written notice to the Issuer at its specified office.

## **13. PRESCRIPTION**

The Notes will become void unless presented for payment within a period of ten years from the date on which such payment first becomes due.

## **14. SUBSTITUTION**

### **Substitution of the Issuer**

14.1 The Issuer, or any previously substituted company may, at any time, without the consent of the Noteholders, substitute for itself as principal obligor under the Notes, or the Notes of any Series, any company being an Affiliate of the Issuer (the “**New Issuer**”), provided that:

14.1.1 the New Issuer must assume all obligations of the Issuer to the Noteholders under the Notes, or the Notes of the relevant Series (as the case may be);

- 14.1.2 either:
- (a) the New Issuer must at all times after the substitution have obligations to Noteholders under any Notes guaranteed by UBS AG, acting through its London Branch as original Issuer; or
  - (b) at the time of such substitution the New Issuer has a credit rating which is at least equal to the long term credit rating of UBS AG as the original Issuer at such time by any of Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Services Limited or any other reputable international rating service selected by the Issuer acting in good faith and a commercially reasonable manner;
- 14.1.3 all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Notes represent legal, valid and binding obligations of the New Issuer have been taken, fulfilled and done and are in full force and effect; and
- 14.1.4 the Issuer and the New Issuer have executed such other agreements and documents as the Issuer deems necessary in order that such substitution is fully effective.
- 14.2 Upon compliance with Condition 14.1, the Issuer will be relieved of its obligations under the Notes and any reference in these Conditions to the Issuer will be construed as a reference to the New Issuer. In the event of any further substitutions, the provisions of this Condition shall apply to such further substitution. Notice of any substitution shall be given in accordance with the Condition 17.
- 14.3 In connection with any exercise by the Issuer of the right of substitution, the Issuer is not obliged to have regard to any of the consequences suffered by individual Noteholders as a result of the exercise by the Issuer of the right of substitution, including any consequences resulting from the Noteholders being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder is entitled to claim from the Issuer any indemnification or repayment in respect of any consequence suffered by the Noteholders as a result of the exercise by the Issuer of the right of substitution.

#### **Substitution of Branch**

- 14.4 The Issuer shall have the right upon notice to the Noteholders in accordance with Condition 17 to change the branch through which it is acting for the purpose of the Notes, the date of such change to be specified in such notice provided that no change can take place prior to the giving of such notice.

### **15. REPLACEMENT OF THE NOTES**

If any Note is mutilated, defaced, destroyed, stolen or lost it may be replaced at the specified office of the Issuer or such other place of which notice shall have been given in accordance with Condition 17 upon payment by the claimant of any costs incurred in replacing it and on any terms as to evidence and indemnity as the Issuer reasonably requires. If any Note is mutilated or defaced it must be surrendered before a new one will be issued.

## **16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **17. NOTICES**

### **To the Issuer**

- 17.1 A Noteholder may give any notice to the Issuer by delivering the notice in writing to the Issuer at 1 Finsbury Avenue, London, EC2M 2PP, United Kingdom (Attn: Equity Operations) or any other address as may be notified to the Noteholders in accordance with Condition 17. Such notice shall be deemed received when so delivered.

### **To the Noteholders**

- 17.2 All notices regarding the Notes will be deemed to be validly given if duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication.
- 17.3 Until such time as any definitive Notes are issued, there may, as long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules or announced through the systems, or any of the systems, required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream.

## **18. EXERCISE OF DISCRETIONS**

The Issuer may exercise its discretions in respect of the Notes separately in respect of each class and/or each Services of Notes in issue from time to time, and shall incur no liability for so doing.

## **19. GOVERNING LAW**

- 19.1 The Notes are governed by and shall be construed in accordance with English law.
- 19.2 The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

19.3 The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to it at 1 Finsbury Avenue, London EC2M 2PP or at any other address of the Issuer in Great Britain at which service of process may be served on it in accordance with Part XXIII of the Companies Act 1985. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## USE OF PROCEEDS AND HEDGING

The net proceeds of the issue of the Notes will be used by the Issuer outside of Switzerland for its general corporate purposes which may include hedging activities in respect of the Notes.

In anticipation of the issue of any class or Series of Notes, the Issuer and its affiliates expect to enter into hedging transactions involving purchases of securities included in or linked to the Index or any of its sub-indices and/or listed and/or over-the-counter options, futures or exchange-traded funds on Index Commodities or any Index prior to and/or on a Trade Date. From time to time, the Issuer or its affiliates may enter into additional hedging transactions or unwind those it have entered into. In this regard, the Issuer or its affiliates may:

- acquire or dispose of long or short positions in listed or over-the-counter options, futures, exchange-traded funds or other instruments based on the level of the Index or any of its sub-indices or the value of the Component Contracts;
- acquire or dispose of long or short positions in listed or over-the-counter options, futures, or exchange-traded funds or other instruments based on the level of other similar market indices or commodities; or
- any combination of the above two.

The Issuer or its affiliates may from time to time acquire long or short positions in securities similar to the Notes and in their sole discretion, hold or resell those securities.

The Issuer or its affiliates may close out hedge positions on or before the applicable Redemption Date. This may involve sales or purchases of Index Commodities, listed or over-the-counter options or futures on Index Commodities or listed or over-the-counter options, futures, exchange-traded funds or other instruments based on indices or other components of the commodities markets.

The hedging activity discussed above may adversely affect the market value of the Notes from time to time. See “Risk Factors”.

## DESCRIPTION OF UBS AG

### 1. OVERVIEW

UBS AG (in this section “Description of UBS AG”, together with its subsidiaries, “**UBS AG**” or the “**Issuer**” or the “**Company**” or “**UBS Group**” or “**Group**” or “**UBS**”) draws on its 150-year heritage to serve private, institutional and corporate clients worldwide as well as retail clients in Switzerland. UBS, according to its own opinion, combines its wealth management, investment banking and asset management businesses with its Swiss operations to deliver superior financial solutions. On 30 June 2010, UBS employed 63,876 people<sup>1</sup>. Headquartered in Zurich and Basel, Switzerland, UBS has offices in over 50 countries, including all major financial centres.

On 30 June 2010 UBS’ BIS Tier 1<sup>2</sup> ratio was 16.4%, invested assets stood at CHF 2,180 billion, equity attributable to UBS shareholders was CHF 46,017 million and market capitalisation was CHF 55,393 million.

The rating agencies Standard & Poor’s Inc. (“**Standard & Poor’s**”), Fitch Ratings (“**Fitch**”) and Moody’s Investors Service Inc. (“**Moody’s**”) have assessed the creditworthiness of UBS, i.e. the ability of UBS to fulfil payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing, in a timely manner. The ratings from Fitch and Standard & Poor’s may be attributed a plus or minus sign, and those from Moody’s a number. These supplementary attributes indicate the relative position within the respective rating class. UBS currently has long-term senior debt ratings of A+ (outlook stable) from Standard & Poor’s, Aa3 (outlook negative) from Moody’s and A+ (outlook stable) from Fitch.

### 2. CORPORATE INFORMATION

The legal and commercial name of the Company is UBS AG. The Company was incorporated under the name SBC AG on 28 February 1978 for an unlimited duration and entered in the Commercial Register of Canton Basel-City on that day. On 8 December 1997, the Company changed its name to UBS AG. The Company in its present form was created on 29 June 1998 by the merger of Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872). UBS AG is entered in the Commercial Registers of Canton Zurich and Canton Basel-City. The registration number is CH-270.3.004.646-4.

UBS AG is incorporated and domiciled in Switzerland and operates under Swiss Code of Obligations and Swiss Federal Banking Law as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors.

According to Article 2 of the Articles of Association of UBS AG (“**Articles of Association**”) the purpose of UBS AG is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, service and trading activities in Switzerland and abroad.

UBS AG shares are listed on the SIX Swiss Exchange and the New York Stock Exchange.

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<sup>1</sup> Full-time equivalents.

<sup>2</sup> BIS Tier 1 capital is the ratio of eligible Tier 1 capital to BIS risk-weighted assets. Eligible Tier 1 capital comprises paid-in share capital, share premium, retained earnings including current year profit, foreign currency translation, trust preferred securities (innovative and non-innovative capital instruments) and minority interests less net long positions in own shares, goodwill and intangibles and other deduction items such as for securitization.

The addresses and telephone numbers of UBS AG's two registered offices and principal places of business are: Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, telephone +41 44 234 1111; and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, telephone +41 61 288 5050.

### **3. BUSINESS OVERVIEW**

#### **3.1 Business Divisions and Corporate Center**

UBS AG and its subsidiaries operate as a Group with four business divisions (Wealth Management & Swiss Bank, Wealth Management Americas, Global Asset Management and the Investment Bank) and a Corporate Center. Each of the business divisions and the Corporate Center are described below. A full description of their strategies, organisation, products, services, markets and performance can be found in the Annual Report 2009 of UBS AG published on 15 March 2010 (the "**Annual Report 2009**"), on pages 71-107 (inclusive) of the English version.

##### **3.1.1 Wealth Management & Swiss Bank**

Wealth Management & Swiss Bank focuses on delivering comprehensive financial services to high net worth and ultra high net worth individuals around the world - except those served by Wealth Management Americas – as well as private and corporate clients in Switzerland. The "Wealth Management" business unit provides clients in over 40 countries, including Switzerland, with financial advice, products and tools to fit their individual needs. The "Retail & Corporate" business unit has, in its own opinion, a leading position across its client segments in Switzerland.

##### **3.1.2 Wealth Management Americas**

Wealth Management Americas provides advice-based relationships through financial advisors who deliver a fully integrated set of products and services specifically designed to address the needs of ultra high net worth, high net worth and core affluent individuals and families. It includes the Wealth Management U.S. business, as well as the domestic Canadian business and the international business booked in the United States.

##### **3.1.3 Global Asset Management**

Global Asset Management is, in its own opinion, a large scale asset manager with businesses diversified across regions, capabilities and distribution channels. It offers investment capabilities and investment styles across all major traditional and alternative asset classes. These include equities, fixed income, currency, hedge fund, real estate and infrastructure investment capabilities that can also be combined in multi-asset strategies. The fund services unit provides legal fund set-up and accounting and reporting for all retail and institutional funds.

##### **3.1.4 Investment Bank**

The Investment Bank provides securities and other financial products and research in equities, fixed income, rates, foreign exchange and precious metals. It also provides advisory services as well as access to the world's capital markets for corporate and institutional clients, governments, financial intermediaries, alternative asset managers and private investors.

##### **3.1.5 Corporate Center**

The Corporate Center provides and manages support and control functions for the Group in such areas as risk control, finance, legal and compliance, funding, capital and balance sheet management, management of foreign currencies, human resources, information technology, real estate, procurement, corporate development and service centres. Most costs and personnel of the Corporate Center are allocated to the business divisions.

### **3.2 Organisational Structure of the Issuer**

UBS AG is the parent company of UBS Group. The objective of UBS' group structure is to support the business activities of the Company within an efficient legal, tax, regulatory and funding framework. None of the individual business divisions of UBS or the Corporate Center are legally independent entities; instead, they primarily perform their activities through the domestic and foreign offices of the parent bank.

Settlement of transactions through the parent bank allows UBS to fully exploit the advantages generated for all business divisions through the use of a single legal entity. In cases where it is impossible or inefficient to process transactions via the parent, due to local legal, tax or regulatory provisions or where additional legal entities join the Group through acquisition, these tasks are performed on location by legally independent Group companies. UBS AG's significant subsidiaries are listed in the Annual Report 2009, on pages 350-352 (inclusive) of the English version.

### **3.3 Competition**

UBS faces stiff competition in all business areas. Both in Switzerland and abroad, it competes with asset management companies, commercial, investment and private banks, brokerages and other financial services providers. Competitors include not only local banks, but also global financial institutions, which are similar to UBS in terms of both size and services offered.

In addition, the consolidation trend in the global financial services sector is introducing new competition, which may have a greater impact on prices, as a result of an expanded range of products and services and increased access to capital and growing efficiency.

### **3.4 Recent Developments**

On 23 July 2010 UBS AG announced the nomination of Joseph Yam, founder and former Chief Executive of the Hong Kong Monetary Authority, for election to the Board of Directors at UBS AG's Annual General Meeting on 28 April 2011.

On 27 July 2010, UBS reported a new profit attributable to UBS shareholders of CHF 2,005 million in second quarter 2010 compared with CHF 2,202 million in first quarter 2010. All business divisions recorder pre-tax profits, excluding restructuring charges in Wealth Management Americas. UBS' BIS Tier 1 capital ratio further strengthened to 16.4% from 16.0% in first quarter 2010, due to decreased risk-weighted assets and an increased regulatory capital base. The FINMA leverage ratio remained stable at 4.1%. Global Asset Management recorded net new money inflows of CHF 3.4 billion in second quarter 2010 compared to net outflows of CHF 2.6 billion in first quarter. New net money outflows were CHF 5.2 billion for Wealth Management, CHF 0.3 billion for Retail and Corporate and CHF 2.6 billion for Wealth Management Americas in second quarter (respectively, CHF 8.0 billion, CHF 0.2 billion and CHF 7.2 billion in first quarter 2010).

### **3.5 Trend Information (Outlook)**

Concerns about the sustainability of the global economic recovery may leave markets volatile and with little direction. UBS believes that this could lead to more subdued client activity levels across its businesses. In addition, UBS expects that its portfolio management fee income will be lower than in the second quarter due to the lower level of invested assets at the end of June.

UBS is delivering on its strategy and expects to make further progress over the coming quarters. UBS is confident about its future.

## 4. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES OF THE ISSUER

### 4.1 Details of the Executive and Supervisory Bodies of UBS AG

UBS AG operates under a strict dual board structure, as mandated by Swiss banking law. This structure establishes checks and balances and creates an institutional independence of the Board of Directors (“**BoD**”) from the day-to-day management of the firm, for which responsibility is delegated to the Group Executive Board (“**GEB**”). No member of one board may be a member of the other.

The supervision and control of the executive management remains with the BoD. The Articles of Association and the Organisation Regulations of UBS AG with their annexes govern all details as to authorities and responsibilities of the two bodies.

#### 4.1.1 Board of Directors

The BoD is the most senior body of UBS AG. The BoD consists of at least six and a maximum of 12 members. All the members of the BoD are elected individually by the Annual General Meeting (“**AGM**”) for a term of office of one year. The BoD constitutes itself at its first meeting following the AGM. In this meeting the Chairman, the Vice Chairman/Vice Chairmen, the Senior Independent Director, the committee Chairmen and the committee members are appointed among and by the BoD members. The BoD committees comprise the Audit Committee, the Corporate Responsibility Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee and the Risk Committee.

The BoD has ultimate responsibility for the success of the UBS Group and for delivering sustainable shareholder value within a framework of prudent and effective controls. It decides on UBS’s strategic aims and the necessary financial and human resources upon recommendation of the Group Chief Executive Officer (“**Group CEO**”) and sets the UBS Group’s values and standards to ensure that its obligations to its shareholders and others are met. The BoD’s proposal for election must be such that three quarters of the BoD members will be independent. While the Chairman does not need to be independent, at least one of the Vice Chairmen must be. The BoD meets as often as business requires, and at least six times a year.

The business address of the members of the BoD is UBS AG, Bahnhofstrasse 45, CH-8001 Zurich, Switzerland.

#### Board of Directors of UBS AG

The BoD consists of 11 members:

Name	Title	Term of office	Position outside UBS AG
Kaspar Villiger	Chairman	2011	None.
Sally Bott	Member	2011	Group HR Director and member of the Group Executive Committee of BP plc; member of the board of the Royal College of Music in London; member of the board of the Carter Burden Center for the Aging in New York City.
Michel Demaré	Independent Vice Chairman	2011	CFO and member of the Group Executive Committee of ABB; President Global Markets at ABB; member of the IMD Foundation Board, Lausanne.

Rainer-Marc Frey	Member	2011	Founder and Chairman of Horizon21; member of the BoD of DKSH Group, Zurich; member of the Advisory Board of Invision Private Equity AG, Zug; member of the BoD of the Frey Charitable Foundation, Freienbach.
Bruno Gehrig	Member	2011	Vice Chairman of the BoD of Roche Holding Ltd., Basel; Chairman of the Swiss Air Transport Foundation, Zug.
Ann F. Godbehere	Member	2011	Board member of Prudential plc, Rio Tinto plc and Rio Tinto Limited, the Lloyd's managing agency, Atrium Underwriters Ltd. and Atrium Underwriting Group Ltd., as well as member of the board of Ariel Holdings.
Axel P. Lehmann	Member	2011	Group Chief Risk Officer of Zurich Financial Services (Zurich); responsible for Group IT at Zurich; Chairman of the Board of the Institute of Insurance Economics at the University of St. Gallen and Vice Chairman of the Chief Risk Officer Forum.
Wolfgang Mayrhuber	Member	2011	Chairman of the Executive Board and CEO of Deutsche Lufthansa AG; member of the supervisory boards of Fraport AG, Munich Re Group, BMW Group as well as Lufthansa Technik AG and Austrian Airlines AG; member of the Board of SN Airholding SA/NV and HEICO Corp., USA.
Helmut Panke	Member	2011	Member of the BoD of Microsoft Corporation and Singapore Airlines Ltd.; member of the Supervisory Board of Bayer AG, Germany.
William G. Parrett	Member	2011	Independent Director of the Eastman Kodak Company, the Blackstone Group LP and Thermo Fisher Scientific Inc.; Chairman of the BoD of the United States Council for International Business and of United Way Worldwide; member of the Board of Trustees of Carnegie Hall; member of the Executive Committee of the International Chamber of Commerce.
David Sidwell	Senior Independent Director	2011	Director of the Federal National Mortgage Association Fannie Mae; trustee of the International Accounting Standards Committee Foundation, London; Chairman of the BoD of Village Care of New York; director of the National Council on Aging.

#### 4.1.2 Group Executive Board

Under the leadership of the Group CEO, the GEB has executive management responsibility for the UBS Group and its business. It assumes overall responsibility for the development of the UBS Group and business division strategies and the implementation of approved strategies. All GEB members (with the exception of the Group CEO) are proposed by the Group CEO. The appointments are approved by the BoD.

The business address of the members of the GEB is UBS AG, Bahnhofstrasse 45, CH-8001 Zurich, Switzerland.

#### Group Executive Board of UBS AG

The GEB consists of thirteen members:

<b>Name</b>	<b>Title</b>
Oswald J. Grübel	Group Chief Executive Officer
John Cryan	Group Chief Financial Officer
Markus U. Diethelm	Group General Counsel
John A. Fraser	Chairman and Chief Executive Officer Global Asset Management
Lukas Gähwiler	Chief Executive Officer UBS Switzerland, co-CEO Wealth Management & Swiss Bank
Carsten Kengeter	co-CEO Investment Bank
Ulrich Körner	Group Chief Operating Officer and Chief Executive Officer Corporate Center
Philip J. Lofts	Group Chief Risk Officer
Robert J. McCann	Chief Executive Officer Wealth Management Americas
Alexander Wilmot-Sitwell	co-CEO Investment Bank / Chairman and CEO UBS Group EMEA
Robert Wolf	Chairman and Chief Executive Officer, UBS Group Americas/President Investment Bank
Chi-Won Yoon	Chairman and Chief Executive Officer UBS Group Asia Pacific
Jürg Zeltner	Chief Executive Officer Wealth Management, co-CEO Wealth Management & Swiss Bank

No member of the GEB has any significant business interests outside the Bank.

#### 4.1.3 Potential conflicts of interest

Members of the BoD and GEB may act as directors or executive officers of other companies (for current positions outside UBS (if any) of BoD members please see above under “Board of Directors of UBS AG”) and may have economic or other private interests that differ from those of UBS AG. However, as at the date hereof there are no actual conflicts of interest between the duties which the members of the BoD and GEB of the Issuer owe to the Issuer, and/or the private interests and/or other duties which they have.

#### 4.2 Auditors

On 14 April 2010, the AGM of UBS AG re-elected Ernst & Young Ltd, Aeschengraben 9, 4002 Basel, Switzerland (“**Ernst & Young**”) as auditors for the Financial Statements of UBS AG and the Consolidated Financial Statements of the UBS Group for a further one-year term. Ernst & Young is a member of the Swiss Institute of Certified Accountants and Tax Consultants based in Zurich, Switzerland.

### **4.3 Major Shareholders of the Issuer**

Under the Swiss Stock Exchange Act, anyone holding shares in a company listed in Switzerland, or derivative rights related to shares of such a company, has to notify the company and the stock exchange if the holding attains, falls below or exceeds one of the following thresholds: 3, 5, 10, 15, 20, 25, 33 1/3, 50, or 66 2/3% of the voting rights, whether they are exercisable or not.

The following are the most recent notifications of holdings in UBS AG's share capital received in accordance with the Swiss Stock Exchange Act, based on UBS AG's registered share capital at the time of the disclosure:

~ 8 June 2010: The Capital Group Companies, Inc., Los Angeles, USA, 4.90%.

~ 12 March 2010: Government of Singapore Investment Corp., 6.45%.

~ 17 December 2009: BlackRock Inc., New York, USA, 3.45%.

Voting rights may be exercised without any restrictions by shareholders entered into the share register, if they expressly render a declaration of beneficial ownership according to the provisions of the Articles of Association.

Special provisions exist for the registration of fiduciaries and nominees. Fiduciaries and nominees are entered in the share register with voting rights up to a total of 5% of all shares issued if they agree to disclose upon UBS's request beneficial owners holding 0.3% or more of all UBS shares. An exception to the 5% voting limit rule exists for securities clearing organizations such as The Depository Trust Company in New York.

As of 30 June 2010, the following shareholders were registered in the share register with 3% or more of the total share capital of UBS AG: Chase Nominees Ltd., London (11.10%); the US securities clearing organization DTC (Cede & Co.) New York, "The Depository Trust Company" (7.44%); Government of Singapore Investment Corp. (6.42%) and Nortrust Nominees Ltd, London (3.21%).

UBS holds its own shares primarily to hedge employee share and option participation plans. A smaller number is held by the Investment Bank in its capacity as a market-maker in UBS shares and related derivatives.

As of 30 June 2010, UBS held a stake of UBS AG's shares, which corresponded to less than 3.00% of its total share capital. On 11 March 2010, UBS AG disclosed disposal positions relating to 558,512,499 of its shares, corresponding to 14.58% of the total share capital. These positions included the number of shares that may be issued, upon certain conditions, out of conditional capital to the Swiss National Bank ("SNB") in connection with the transfer of certain illiquid and other positions to a fund owned and controlled by the SNB.

Further details on the distribution of UBS AG's shares by shareholders' type and geographical distribution, the number of shares registered and non-registered and the numbers of voting rights as of 31 December 2009 can be found in the Annual Report 2009, on pages 187-190 (inclusive) of the English version.

## **5. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

### **5.1 Historical Annual Financial Information**

A description of the Issuer's assets and liabilities, financial position and profits and losses is available for financial year 2008 in the restated Annual Report 2008 of UBS AG (Financial Information

section), and for financial year 2009 in the Annual Report 2009 (Financial Information section). The Issuer's financial year is the calendar year.

In the case of financial year 2008 reference is made to

- (i) the Consolidated Financial Statements of UBS Group, in particular to the Income Statement on page 256, the Balance Sheet on page 257, the Statement of Cash Flows on pages 261-262 (inclusive) and the Notes to the Consolidated Financial Statements on pages 263-370 (inclusive);
- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement on page 372, the Balance Sheet on page 373, the Statement of Appropriation of Retained Earnings on page 373, the Notes to the Parent Bank Financial Statements on pages 374-389 (inclusive) and the Parent Bank Review on page 371; and
- (iii) the sections entitled "Accounting Principles" on page 245 and "Critical Accounting Policies" on pages 246-250 (inclusive),

of the restated Annual Report 2008 of UBS AG (Financial Information section), in English.

In the case of financial year 2009 reference is made to

- (i) the Consolidated Financial Statements of UBS Group, in particular to the Income Statement on page 255, the Balance Sheet on page 257, the Statement of Cash Flows on pages 261-262 (inclusive) and the Notes to the Consolidated Financial Statements on pages 263-370 (inclusive);
- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement on page 372, the Balance Sheet on page 373, the Statement of Appropriation of Retained Earnings on page 373, the Notes to the Parent Bank Financial Statements on pages 374-392 (inclusive) and the Parent Bank Review on page 371; and
- (iii) the sections entitled "Introduction and accounting principles" on page 244 and "Critical accounting policies" on pages 245-248 (inclusive),

of the Annual Report 2009 (Financial Information section), in English.

The annual financial reports form an essential part of UBS's reporting. They include the audited Consolidated Financial Statements of UBS Group, prepared in accordance with International Financial Reporting Standards and the audited Financial Statements of UBS AG (Parent Bank), prepared according to Swiss banking law provisions. The financial statements also include certain additional disclosures required under Swiss and US regulations. The annual reports also include discussions and analysis of the financial and business results of UBS, its business divisions and the Corporate Center.

## **5.2 Auditing of Historical Annual Financial Information**

The Consolidated Financial Statements of UBS Group and the Financial Statements of UBS AG (Parent Bank) for financial years 2008 and 2009 were audited by Ernst & Young. The reports of the auditors on the Consolidated Financial Statements can be found on pages 254-255 (inclusive) of the restated Annual Report 2008 in English (Financial Information section), and on pages 252-253 (inclusive) of the Annual Report 2009 in English (Financial Information section). The reports of the auditors on the Financial Statements of UBS AG (Parent Bank) can be found on pages 390-391 of the restated Annual Report 2008 in English (Financial Information section), and on pages 393-394 of the Annual Report 2009 in English (Financial Information section).

### **5.3 Interim Financial Information**

Reference is also made to UBS's first and second quarter 2010 reports, which contain information on the financial condition and the results of operation of UBS Group as of 31 March and 30 June 2010, respectively. The interim financial statements are not audited.

### **5.4 Incorporation by reference**

UBS's restated Annual Report 2008, the Annual Report 2009 and the first and second quarter reports 2010 form an integral component of this document, and are therefore fully incorporated in this document as set out under "Documents Incorporated by Reference".

## **6. GENERAL**

### **6.1 Legal and Arbitration Proceedings**

The UBS Group operates in a legal and regulatory environment that exposes it to significant litigation risks. As a result, UBS is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations. Such cases are subject to many uncertainties, and their outcome is often difficult to predict, including the impact on operations or on the financial statements, particularly in the earlier stages of a case. In certain circumstances, to avoid the expense and distraction of legal proceedings, UBS may, based on a cost-benefit analysis, enter into a settlement even though UBS denies any wrongdoing. The Group makes provisions for cases brought against it when, in the opinion of management after seeking legal advice, it is probable that a liability exists, and the amount can be reasonably estimated.

Certain potentially significant legal proceedings within the last twelve months until the date of this document are described below:

- a) **Municipal Bonds:** In November 2006, UBS and others received subpoenas from the US Department of Justice, Antitrust Division, and the US Securities and Exchange Commission (SEC) seeking information relating to the investment of proceeds of municipal bond issuances and associated derivative transactions. Both investigations are ongoing, and UBS is cooperating. In addition, various state Attorneys General have issued subpoenas seeking similar information. In the SEC investigation, on 4 February 2008, UBS received a "Wells notice" advising that the SEC staff is considering recommending that the SEC bring a civil action against UBS AG in connection with the bidding of various financial instruments associated with municipal securities. The discussions with the SEC are ongoing.
- b) **Auction Rate Securities:** UBS was the subject of an SEC investigation and state regulatory actions relating to the marketing and sale of auction rate securities (ARSs) to clients, and to UBS's role and participation in ARS auctions and underwriting of ARSs. UBS was also named in several putative class actions and individual civil suits and arbitrations. The regulatory actions and investigations and the civil proceedings followed the disruption in the markets for these securities and related auction failures since mid-February 2008. At the end of 2008 UBS entered into settlements with the SEC, the New York Attorney General (NYAG) and the Massachusetts Securities Division whereby UBS agreed to offer to buy back ARSs from eligible customers within certain time periods, the last of which begins on 30 June 2010, and to pay penalties of USD 150 million (USD 75 million to the NYAG, USD 75 million to the other states). UBS's settlement is largely in line with similar industry regulatory settlements. UBS has settled with the majority of states and is continuing to finalize settlements with the rest. The SEC continues to investigate individuals affiliated with UBS regarding the trading in ARSs and disclosures.
- c) **US Cross-Border:** UBS AG has been the subject of a number of governmental inquiries and investigations relating to its crossborder private banking services to US private clients during

the years 2000–2007. On 18 February 2009, UBS AG announced that it had entered into a Deferred Prosecution Agreement (DPA) with the US Department of Justice Tax Division (DOJ) and the United States Attorney’s Office for the Southern District of Florida, and a Consent Order with the SEC, relating to these investigations. Pursuant to the DPA, the DOJ agreed that any further prosecution of UBS will be deferred for a period of at least 18 months, subject to extension under certain circumstances such as UBS needing more time to complete the implementation of the exit of its US cross-border business. If UBS satisfies all of its obligations under the DPA, the DOJ will refrain permanently from pursuing charges against UBS relating to the investigation of its US cross-border business. As part of the resolution of an SEC claim that UBS acted as an unregulated broker dealer and investment advisor in connection with its US cross-border business, UBS reached a consent agreement with the SEC on the same date.

On 19 August 2009, UBS executed a settlement agreement with the US Internal Revenue Service (IRS) and the DOJ, to resolve the previously reported enforcement action relating to the “John Doe” summons served on UBS in July 2008 (UBS-US Settlement Agreement). At the same time, the United States and Switzerland entered into a separate but related agreement (Swiss-US Government Agreement). On 31 March 2010, the Swiss and US governments signed a protocol amending the Swiss-US Government Agreement, and the agreement, as amended by the protocol, was approved by the Swiss Parliament on 17 June 2010.

Because UBS complied with all of its obligations set forth in the UBS-US Settlement Agreement required to be completed by 31 December 2009, the IRS withdrew the “John Doe” summons with prejudice as to all accounts not covered by the treaty request. Subject to UBS’s compliance with its further obligations set forth in the UBS-US Settlement Agreement, the IRS is obligated to withdraw the “John Doe” summons with prejudice as to the accounts subject to the treaty request no later than 24 August 2010 upon the actual or anticipated delivery to the IRS of information relating to accounts covered by the treaty request that does not differ significantly from the expected results, or upon receipt of all relevant account information from any source concerning 10,000 open or closed undisclosed UBS AG accounts. UBS has completed its delivery of information on over 4,450 accounts to the Swiss Federal Tax Administration (SFTA). The SFTA is in the process of reviewing this information in order to determine what can be provided to the IRS under the terms of the Swiss-US Government Agreement. If the SFTA completes this review and issues its decisions in late August as expected, and an independent consultant issues in September a satisfactory report on UBS’s exit from the US cross-border business as contemplated by the DPA and SEC Consent Order, UBS should be in a position to achieve a final, comprehensive resolution of the DPA, the SEC Consent Order and the John Doe Summons Settlement Agreement by October.

- d) **Inquiries Regarding Non-US Cross-Border Businesses:** Following the disclosure of the US cross-border matter and the settlements with the DOJ and the SEC, tax and regulatory authorities in a number of countries have made inquiries and served requests for information located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. UBS is cooperating with these requests strictly within the limits of financial privacy obligations under Swiss and other applicable laws.
- e) **Matters Related to the Credit Crisis:** UBS is responding to a number of governmental inquiries and investigations and is involved in a number of litigations, arbitrations and disputes, related to the credit crisis and in particular mortgage-related securities and other structured transactions and derivatives. These matters concern, among other things, UBS’s valuations, accounting classifications, disclosures, writedowns, and contractual obligations, as well as its role as underwriter in securities offerings for other issuers. In particular, UBS

has communicated with and has responded to inquiries by various governmental and regulatory authorities, including the Swiss Financial Market Supervisory Authority (FINMA), the UK Financial Services Authority (FSA), the SEC, the Financial Industry Regulatory Authority (FINRA), the Financial Crisis Inquiry Commission (FCIC), the New York Attorney General, and the U.S. Department of Justice, regarding some of these issues and others, including: the role of internal control units; the risk control, valuation, and structuring and marketing of mortgage-related instruments; compliance with public disclosure rules; and the business rationales for the launching and the reintegration of Dillon Read Capital Management. FINMA concluded its investigation in October 2008.

UBS also has been named in class action litigation and numerous individual customer arbitrations, and is responding to state regulators and FINRA regarding its sale of Lehman-issued structured products which lost substantial value following Lehman's bankruptcy in September 2008.

UBS has provided representations and warranties that certain assets sold as whole loans and certain assets transferred in securitization transactions conformed to specified guidelines. In the event of a breach of UBS's representations and warranties, UBS may be obligated to repurchase such assets or indemnify certain parties against losses. UBS is involved in a number of litigations in which such alleged breaches of representations and warranties are at issue and has been notified by certain institutional purchasers and insurers of mortgage loans and mortgage-backed securities that possible breaches of representations and warranties may entitle them to repurchase of assets or other relief. UBS is evaluating these potential claims.

- f) Claims Related to UBS Disclosure: A putative consolidated class action has been filed in the United States District Court for the Southern District of New York against UBS, a number of current and former directors and senior officers and certain banks that underwrote UBS's May 2008 Rights Offering (including UBS Securities LLC) alleging violation of the US securities laws in connection with the firm's disclosures relating to its positions and losses in mortgage-related securities, its positions and losses in auction rate securities, and its US cross-border business. Defendants have moved to dismiss the complaint for failure to state a claim. UBS, UBS Americas Inc., UBS Financial Services, a number of senior officers and employees and various UBS committees have also been sued in a putative consolidated class action brought on behalf of current and former participants in two UBS Employee Retirement Income Security Act (ERISA) retirement plans in which there were purchases of UBS stock. Defendants have moved to dismiss the ERISA complaint for failure to state a claim.
- g) Madoff: In relation to the Madoff investment fraud, UBS, UBS (Luxembourg) SA and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier (CSSF). Those inquiries concerned two third party funds established under Luxembourg law substantially all assets of which were with Bernard L. Madoff Investment Securities LLC (BMIS), as well as certain funds established under offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate, although that figure likely includes fictitious profit reported by BMIS. The documentation establishing both funds identifies UBS entities in various roles including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. Between February and May 2009 UBS (Luxembourg) SA responded to criticisms made by the CSSF in relation to its responsibilities as custodian bank and demonstrated to the satisfaction of the CSSF that it has the infrastructure and internal organization in place in accordance with professional standards applicable to custodian banks in Luxembourg.

On 17 December 2009, a claim in the amount of approximately EUR 890 million was filed on behalf of the larger of the two Luxembourg funds by the liquidators of that fund against 15 defendants, including UBS entities, Access Management Luxembourg SA, Ernst & Young, the CSSF and various individuals, including current and former UBS employees. A claim in the amount of approximately EUR 305 million on behalf of the smaller of the two funds was filed by the liquidators of that fund on 22 March 2010 against 11 defendants including UBS entities, Ernst & Young, the CSSF and various individuals, including current and former UBS employees. A large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg. On 4 March 2010 the Luxembourg court held, based on a sample of test cases, that the claims brought by the alleged underlying beneficiaries against UBS and other entities are inadmissible and that the appropriate claimant is the fund itself, as represented by the liquidators. Appeals have been filed against the decision of the court. A date for the hearing of these appeals has not yet been set. In addition, certain clients of UBS in Germany are exposed to Madoff-managed positions through third party-funds and funds administered by UBS entities in Germany.

- h) City of Milan Transactions: In January 2009, the City of Milan filed civil proceedings against UBS Limited, UBS Italia SIM Spa and three other international banks in relation to a 2005 bond issue and associated derivatives transactions entered into with the City of Milan between 2005 and 2007. The claim is to recover alleged damages in an amount which will compensate for terms of the related derivatives which the City claims to be objectionable. In the alternative, the City seeks to recover alleged hidden profits asserted to have been made by the banks in an amount of approximately EUR 88 million (of which UBS Limited is alleged to have received approximately EUR 16 million) together with further damages of not less than EUR 150 million. The claims are made against all of the banks on a joint and several basis. UBS is vigorously defending the claim. In addition, on 17 March 2010, the judge in charge of the pre-trial phase in the criminal proceedings communicated his decision to commit to trial two current and one former UBS employees, together with employees from three other international banks and a former officer of the City and a former adviser to the City, for alleged “aggravated fraud”, in relation to the issue of the bond, led by the four banks, for the City of Milan in 2005 and the execution, and subsequent restructuring, of certain related derivative transactions. UBS Limited and the other international banks also face an administrative charge of failing to have in place a business organizational model to avoid the alleged misconduct by employees (the “Law 231 Charges”). The primary allegation is that the banks, through the actions of their employees, fraudulently obtained hidden and/or illegal profits by entering into the derivative contracts with the City of Milan. The City has also recently filed damages claims in the criminal proceedings against the UBS individuals and UBS Limited itself as defendant in respect of the Law 231 Charges.
- i) Kommunale Wasserwerke Leipzig GmbH (KWL): In 2006 and 2007, KWL entered into a series of managed Credit Default Swap transactions with bank swap counterparties, including UBS AG. Under the CDS contracts between KWL and UBS, approximately GBP 100 million has fallen due from KWL but not been paid, and a further estimated sum of approximately GBP 50 million will fall due shortly. In January 2010, UBS issued proceedings in the English High Court against KWL seeking various declarations from the English court, in order to establish that the swap transaction between KWL and UBS is valid, binding and enforceable as against KWL. Those proceedings were served in March 2010. KWL has made an application to contest the jurisdiction of the English Court.

In March 2010, KWL issued proceedings in Leipzig, Germany against UBS and other banks involved in these contracts, claiming that the swap transactions are void and not binding on the basis of KWL’s allegation that KWL did not have the capacity or the necessary internal authorization to enter into the transactions and that the banks knew this. UBS is contesting the claims and also intends to contest the jurisdiction of the Leipzig Court.

The other two banks that entered into CDS transactions with KWL entered into back-to-back CDS transactions with UBS. In April 2010, UBS AG and UBS Limited issued separate proceedings in the English High Court against those bank swap counterparties seeking declarations as to the parties' obligations under those transactions. The aggregate amounts UBS contends are outstanding under those transactions are of roughly comparable magnitude to the abovementioned sums which have fallen or will fall due under the UBS / KWL CDS transaction.

Besides the proceedings specified above under (a) through (i) there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) within the last 12 months until the date of this document, which may have or have had during such period a significant effect on the Issuer's financial position or profitability.

## **6.2 Material Contracts**

No material agreements have been concluded outside of the normal course of business which could lead to UBS being subjected to an obligation or obtaining a right, which would be of key significance to the Issuer's ability to meet its obligations to the investors in relation to the issued securities.

## **6.3 Significant Changes in the Financial Situation of the Issuer**

There has been no significant change in UBS' financial position since 30 June 2010 (the end of the last financial period for which interim financial information has been published) and, save as disclosed in paragraph 3.5 ("Trend Information (Outlook)") above, there has been no material adverse change in UBS' prospects since the date of the last published financial statements (Restated Annual Report 2009 of UBS AG, Financial Information Section) of UBS AG for the period ended 31 December 2009.

## **6.4 Documents on Display**

The following documents shall be maintained in printed format, for free distribution, at the offices of the Issuer for a period of twelve months after the publication of this document:

- the restated Annual Report of UBS AG as of 31 December 2008, comprising the sections (i) Strategy, performance and responsibility, (ii) UBS business divisions and Corporate Center (iii) Risk and treasury management, (iv) Corporate governance and compensation, (v) Financial information (including the "Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements" and the "Report of the Statutory Auditor on the Financial Statements");
- the Annual Report of UBS AG as of 31 December 2009, comprising the sections (i) Strategy, performance and responsibility, (ii) UBS business divisions and Corporate Center (iii) Risk and treasury management, (iv) Corporate governance and compensation, (v) Financial information (including the "Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements" and the "Report of the Statutory Auditor on the Financial Statements");
- the Review 2008 and 2009 and the Compensation Report 2008 and 2009;
- the quarterly reports of UBS AG as at 31 March 2010 and 30 June 2010; and
- the Articles of Association of UBS AG, as the Issuer.

In addition, the annual and quarterly reports of UBS AG (and related review and compensation report) are published on UBS's website, at [www.ubs.com/investors](http://www.ubs.com/investors) or a successor address. UBS

AG's Articles of Association are also available on UBS's Corporate Governance website, at [www.ubs.com/governance](http://www.ubs.com/governance).

## ADDITIONAL INFORMATION

### 1. Plan of Distribution

In respect of any particular Series, the Issuer intends to sell 100% of the Notes at 100% of their stated Specified Denomination. Sales of the Notes by parties other than the Issuer after the Trade Date will be made at market prices prevailing at the time of the sale, at prices related to market prices or at negotiated prices. The Issuer will receive proceeds equal to 100% of the price at which they sell the Notes. In connection with this offering, the Issuer may sell the Notes to dealers as principal, and such dealers may then resell Notes to the public at varying prices that the dealers will determine at the time of resale. In addition, such dealers may make a market in the Notes, although none of them are obligated to do so and any of them may stop doing so at any time without notice. This Prospectus may be used by any such dealers in connection with transactions. In these transactions, any dealers may resell a Note covered by this Prospectus that they acquire from other holders after the original offering and sale of the Note, or they may sell a Note covered by this Prospectus in short sale transactions.

The value of the Notes is calculated from the Trade Date on the basis of their value on the Trade Date being equal to the relevant Specified Denomination.

The Issuer reserves the right to pay a portion of the Fee Amount to any agents in consideration for services relating to the Notes including, but not limited to, promotion and distribution.

The Issuer does not currently intend to offer Notes of any class or Series to the public. To the extent that offers to the public are made by the Issuer or an Offeror on the basis of this Prospectus in the future, the Issuer or the Offeror (as appropriate) will provide details of any conditions to which such offer is subject, the amount of such offer, the method and time limits for paying up and for delivery of the securities, the pricing and settlement provisions of such offer, the manner in which the results of the offer will be made public, and details of any placing or underwriting arrangements in respect of such offer at the time of that offer to the public.

Where so stated in the Final Terms applicable to any class of Series of Notes, the Issuer reserves the right to issue further Notes of that class or Series at any time and at any price.

### 2. Selling Restrictions

No offers, sales, re-sales or deliveries of any Notes, or distribution of any offering material relating to any Notes, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and which will not impose any obligation on the Issuer.

#### *United States*

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the “**Securities Act**”). Offers, sales, re-sales or deliveries of Notes, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. As used herein, “**United States**” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction and “**U.S. person**” means any of (i) a US person as defined by Regulation S, (ii) a person who does not come within the definition of non-United States person under Rule 4.7 of the U.S. Commodity Exchange Act of 1936 as amended, or (iii) a US person as defined in the U.S. Internal Revenue Code of 1986 as amended (the “**Code**”). Consequently a “U.S. person” includes (i) an individual who is a resident of the United States; or (ii) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United

States; or (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust; or (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; or (vi) any entity organised principally for passive investment, ten per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the United States Commodity Futures Trading Commission's regulations by virtue of its participants being non-U.S. persons, or (vii) any other U.S. person as such term may be defined in Regulation S under the United States Securities Act of 1933 as amended or in regulations adopted under the United States Commodity Exchange Act of 1936 as amended.

Notes may not at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person.

Furthermore, trading in the Notes has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act of 1936 as amended, and no U.S. Person may at any time trade or maintain a position in the Notes.

No U.S. person or person in the United States may at any time trade or maintain a position in the Notes, and any person entitled to receive an interim payment or final payment or exercising any right to receive a payment under (or entitled to receive any amount at maturity or exercise under) the Note may be required by the Issuer and/or its agents or relevant nominee to certify that neither it nor the beneficial owner of the instrument is a U.S. person or is located in the United States prior to receiving any such payment or amount.

Each purchaser and transferee of a Note will be deemed to have represented by its purchase or receipt of the Note that, at the time of purchase or receipt, and throughout the period that it holds the Note, it is not an employee benefit plan subject to the U.S. Employee Retirement Income Security Act of 1974, a plan subject to Section 4975 of the Code, or any entity whose assets are treated as assets of any such employee benefit plan or plan.

#### *European Economic Area*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) no offer of Notes to the public in that Relevant Member State has been or will be made, except that with effect from and including the Relevant Implementation Date, an offer of Notes to the public in that Relevant Member State may be made:

- (i) in (or in Germany, where the offer starts within) the period beginning on the date of publication (or where the offer is made in Austria, the period beginning on the day after the publication on a banking day) of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (iii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR43,000,000 and (3) an annual turnover of more than EUR50,000,000, all as shown in its last annual or consolidated accounts; or
- (iv) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

#### *United Kingdom*

All applicable provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) must be complied with in respect to anything done in relation to the Notes in, from or otherwise involving the United Kingdom. An invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any Notes may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not or would not, if it was not an authorised person, apply to the Issuer.

### **3. Tax Considerations**

#### *General*

Transactions involving Notes including the purchase, ownership, disposition, lapse and redemption of Notes may have tax consequences for potential purchasers which may depend, amongst other things, upon the conditions applicable to the Notes, the status and circumstances of the potential purchaser and the applicable law and practice of taxation authorities in relevant jurisdictions.

**POTENTIAL PURCHASERS WHO ARE IN ANY DOUBT ABOUT THE TAX POSITION IN RESPECT OF ANY ASPECT OF TRANSACTIONS INVOLVING THE NOTES OR THE OWNERSHIP OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS.**

Potential purchasers of the Notes should note that they may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase or other relevant jurisdictions, depending upon the circumstances, in addition to the value of each Note.

#### *Tax Considerations in the U.K.*

##### General

The following paragraphs summarise certain limited aspects of the U.K. taxation treatment of holding Notes. They are based on current U.K. law and HM Revenue & Customs practice, both of which are subject to change, possibly with retrospective effect. The following paragraphs relate to Noteholders who are within the charge to U.K. income tax or corporation tax but do not apply to certain categories of Noteholders, such as dealers in securities. The statements in this summary are intended only as a general guide, and should be treated with appropriate caution. Any person who is contemplating acquiring Notes (whether from the Issuer or an Offeror), particularly if that person is subject to taxation in any jurisdiction other than the U.K., is strongly recommended to consult his professional advisers immediately.

### Withholding Tax

No payments made by the Issuer to Noteholders in respect of Notes are required to be made under deduction or withholding for or on account of U.K. tax.

### Corporation Tax on Income and Gains

In general, a Noteholder which is subject to U.K. corporation tax will be treated for tax purposes as realising profits, gains or losses in respect of Notes on a basis reflecting the treatment in its statutory accounts, calculated in accordance with generally accepted accounting practices or international accounting standards. These profits, gains or losses, (which will include any profits, gains or losses on a disposal or redemption of Notes) will be treated as income for the purposes of a Noteholder's U.K. corporation tax computation.

### Capital Gains Tax (Individuals)

Provided the Notes are not treated as "deeply discounted securities" for U.K. tax purposes, any transfer or redemption of a Note by a Noteholder who is a U.K. individual will be a disposal of that Note for U.K. capital gains tax purposes which may, subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for those purposes. The Issuer has received a non-statutory clearance from HM Revenue & Customs that, in its view, the Notes are not deeply discounted securities. However, since this clearance is addressed to the Issuer and is not binding on HM Revenue & Customs in its dealings with Noteholders, investors may wish to consult their own tax advisors in this respect.

### Income Tax (Individuals)

If the Notes are treated as "deeply discounted securities" for U.K. tax purposes then it is likely that any profit arising to a Noteholder who is a U.K. individual on transfer or redemption of a Note will be subject to U.K. income tax and not to U.K. capital gains tax. As noted in "Capital Gains Tax (Individuals)" above, the Issuer has received a non-statutory clearance from HM Revenue & Customs that the Notes are not deeply discounted securities.

### Stamp Duty and Stamp Duty Reserve Tax ('SDRT')

The issue or transfer of Notes will not give rise to a charge to U.K. stamp duty or SDRT provided that no such transfer takes place in the U.K.

### Inheritance Tax (Individuals)

For the purposes of inheritance tax, Notes may form part of the value of the estate of a Noteholder who is an individual and inheritance tax may (subject to certain exemptions and reliefs) become payable in respect of the value of Notes on a gift of those Notes by, or the death of, a Noteholder who is an individual. Such a tax charge may be subject to appropriate provisions in any applicable Double Tax Treaty.

### The European Savings Directive

E.U. Council Directive 2003/48/EC on the taxation of savings income (the "**Directive**") applies, amongst other matters, to payments of interest or other income on debt claims of every kind made by a paying agent in an E.U. Member State for the benefit of individual investors resident in another Member State in the E.U. In circumstances where the Directive applies, such a paying agent would be under an obligation to provide information to the tax authorities of the E.U. Member States in which individual investors reside. A paying agent for these purposes is any economic operator who pays interest to, or secures interest for, the beneficial owner, and could in relation to the Notes include the Issuer or a U.K. broker effecting the sale of Notes.

However, as no return in respect of the Notes will constitute a payment of interest for the purposes of the Directive, it is not envisaged that Noteholders or their paying agents will be within the scope of the Directive.

#### *Tax Considerations in Switzerland*

##### Withholding Tax

Under present Swiss law, any payments to the Noteholders under the Notes by UBS AG, London Branch are not subject to Swiss withholding tax.

##### Income Tax

Payments to a Noteholder who is a non-resident of Switzerland and who during the taxable year has not engaged in trade or business through a permanent establishment within Switzerland will not be subject to any Swiss Federal, Cantonal or Municipal income tax or other tax on gains realised during the year on the sale or redemption of a Note.

##### EU Savings Tax

Paying agents domiciled in Switzerland may be obliged to deduct a retention or withholding tax under the EU savings tax regime if certain criteria are met.

##### Stamp Duty

Notes sold through a bank or another securities dealer (for the purposes of the Swiss stamp duty act) resident in Switzerland or Liechtenstein may be subject to stamp duty. Other than in relation to Notes that are sold through a bank or another securities dealer (for the purposes of the Swiss stamp duty act) resident in Switzerland or Liechtenstein, there is no stamp duty liability in Switzerland in connection with the issue, redemption or secondary market trading of the Notes.

#### *Tax Considerations in the United States*

The Notes offered hereby are not being offered or sold in the United States or to the account or benefit of U.S. persons, nor have the terms of the Notes been designed with the intention of their being offered, sold or held by U.S. persons or for the account or benefit of a U.S. person. “**U.S. person**” means any of (i) a US person as defined by Regulation S, (ii) a person who does not come within the definition of non-United States person under Rule 4.7 of the U.S. Commodity Exchange Act of 1936 as amended, or (iii) a US person as defined in the U.S. Internal Revenue Code of 1986 as amended. Neither this Prospectus nor any Prospectus Supplement related to any Notes will contain any U.S. tax disclosure.

The United States tax treatment of the Notes is uncertain and the Issuer makes no warranty, statement or undertaking as to any U.S. tax treatment of the Notes, whether the Notes are to be treated as debt or are to have any other characterisation for U.S. tax purposes, or any U.S. tax consequences of buying, selling or hold the Notes.

If you are or may be a U.S. taxpayer that is not a U.S. person, you are urged to consult with your own tax advisors to determine the appropriate characterisation of any Notes for U.S. federal income tax purposes and applicable U.S. federal tax consequences of buying, selling or holding any Notes or beneficial interests in any Notes.

UBS AG and its affiliates do not provide tax advice. Accordingly, any discussion of U.S. tax matters contained herein (including any attachments) is not intended or written to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone for the purpose of avoiding U.S. tax payments or tax-related penalties.

#### **4. ISINs of the Notes**

The ISINs in respect of each class of each Series of Notes will be set out in the applicable Final Terms.

#### **5. Sources**

The information and figures used in tables 4, 5 and 6 is sourced from Bloomberg.

The information referred to in this paragraph 5 above has been accurately reproduced and, so far as the Issuer is aware and is able to ascertain from information published by the referenced third party source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

#### **6. Documents available for inspection**

For the life of this prospectus or so long as any Notes remain outstanding, copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer:

- (a) the documents listed under “Documents Incorporated by Reference”;
- (b) the documents listed at “Description of UBS AG - Documents on Display”;
- (c) the form of Temporary Global Note; and
- (d) the form of Permanent Global Note.

#### **7. General Information**

- (a) The issue of the Notes has been approved by the Issuer. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes, and all necessary corporate action has been taken by the Issuer in connection with authorising the issue of the Notes.
- (b) Up to US\$1,000,000,000 in Notional Amount of any Series of Notes may be issued pursuant to this Prospectus. Applications will be made to the UK Listing Authority for all Notes issued within 12 months of the date of this document to be admitted to the Official List and to the London Stock Exchange, which operates a Regulated Market, for all such Notes to be admitted to trading on the Main Market of the London Stock Exchange, which is part of its Regulated Market.
- (c) No application has been or is currently being made for the Notes to be admitted to listing or trading on any exchange or market outside the UK, but the Issuer may cause such application to be made in respect of the Notes of any or all classes on any such exchange or market in its discretion.
- (d) The Issuer intends to publish annual and interim financial statements and Final Terms as required by Listing Rules and Prospectus Rules and applicable Swiss law and regulation and to publish Final Terms and other information with respect to the Notes on its website at <http://www.ubs.com/etc-uk>. Save as aforesaid, the Issuer does not intend to provide post-issuance information.

## DEFINITIONS

The following definitions apply throughout this Prospectus (including the Conditions) unless the context otherwise requires:

- “Affiliate”** means in relation to a person or entity:
- (a) any other person or entity who directly or indirectly, is in control of, or controlled by, or is under common control with such person or entity; or
  - (b) any other person or entity which is a director, member, officer, employee or general partner:
    - (i) of such person or entity;
    - (ii) of any subsidiary or parent company of such person or entity; or
    - (iii) of any person or entity described in (a) above.
- For the purposes of this definition, control of a person or entity shall mean the power, direct or indirect:
- (a) to vote more than 50% of the securities having ordinary voting power for the execution of directors of such person or entity;
  - (b) of any subsidiary or parent company of such person or entity; or
  - (c) of any person or entity described in (a) above;
- “Bloomberg”** means Bloomberg L.P.;
- “Calculation Agent”** means UBS AG, acting through its London Branch or any successor appointed by the Issuer to act as its agent for the purposes specified in Condition 10;
- “class”** means a class of Notes under which the Issuer’s obligations to make payment are determined by reference to a particular Index;
- “Clearing System Business Day”** means in respect of the clearance system for Component Contracts, any day which such clearance system is scheduled to open for the acceptance and execution of settlement institutions in relation to those Component Contracts;
- “Clearstream”** means Clearstream Banking, *société anonyme*, a company incorporated under the laws of Luxembourg;
- “Closing Level”** means the closing level of the relevant Index as calculated and published by the Index Sponsors;
- “Closing Time”** means in respect of an Exchange the time at which trading on that Exchange generally ceases;
- “CMCI”** means the “UBS Bloomberg CMCI (Constant Maturity Commodity Index)” as calculated by the Index Sponsors;

<b>“CMCI Composite Index”</b>	means the main benchmark index of the CMCI Index Family, comprising every commodity eligible at that time for inclusion in the CMCI;
<b>“CMCI Index Family”</b>	means all CMCI commodity indices calculated and published by the Index Sponsors in accordance with the terms of the Technical Document;
<b>“Component Contract”</b>	means in respect of each physical commodity represented in an Index, the exchange traded future or exchange traded option contracts for that physical commodity, the settlement prices of which are used to calculate that Index;
<b>“Conditions”</b>	means the general terms and conditions set out under “Terms and Conditions” as amended, supplemented, modified or replaced from time to time in relation to any Series by the information contained in the relevant Final Terms. To the extent that the information in any Final Terms amends, supplements, modifies or replaces those general terms and conditions, it shall do so only for the purpose of the Series to which the relevant Final Terms relate. To the extent there is any inconsistency between these terms and conditions and the general terms and conditions which appear in the relevant Final Terms, the terms and conditions which appear in the Final Terms shall prevail. Any reference to a numbered Condition or paragraph is a reference to that Condition or paragraph as set out in those terms and conditions as amended, supplemented, modified or replaced in relation to any Series by the information contained in the applicable Final Terms;
<b>“Currency Business Day”</b>	means any day on which commercial banks are open for business in London and New York;
<b>“Current Index Level”</b>	means as at any date the level of the relevant Index calculated using the closing settlement prices of the Component Contracts as at the applicable date;
<b>“Current Index Performance Ratio”</b>	means a figure equal to Current Index Level / Index Starting Level;
<b>“Disrupted Day”</b>	means any Scheduled Trading Day on which: <ul style="list-style-type: none"> <li>(a) the Index Sponsor fails to publish the official closing level of the Index;</li> <li>(b) an Exchange fails to open for trading during its regular trading session; or</li> <li>(c) a Market Disruption Event has occurred which the Calculation Agent in its sole discretion and acting in good faith determines as being material;</li> </ul>
<b>“Euroclear”</b>	means Euroclear Bank S.A./N.V. a company incorporated in Belgium;
<b>“Exchange Business Day”</b>	means any Scheduled Trading Day on which an Exchange is open for trading during their respective regular trading sessions, notwithstanding any such Exchange closing prior to its Scheduled Closing Time;

<b>“Exchange Event”</b>	means if any Permanent Global Note is held on behalf of Euroclear or Clearstream Luxembourg or any other clearing system, any such clearing system:  (a) being closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise);  (b) announcing an intention permanently to cease business; or  (c) permanently ceases business;
<b>“Fee Amount”</b>	means the amount calculated in accordance with Condition 5.5;
<b>“Fee Amount Calculation Date”</b>	means any day on which the Calculation Agent calculates a Fee Amount;
<b>“Fee Level”</b>	means in relation to any Series of Notes the percentage amount specified in the Final Terms applicable to such Series;
<b>“Final Terms”</b>	means the final terms in respect of a particular class and particular Series of Notes to be issued by the Issuer in substantially the form set out in Appendix A to the Base Prospectus;
<b>“Financial and/or Credit Institution”</b>	means an entity the principal activity of which is to acquire holdings or to carry on banking, credit, insurance, investment or other activities of a type, which are ordinarily subject to regulation by a financial services regulator in the jurisdiction in which the entity operates;
<b>“FSMA”</b>	means the Financial Services and Markets Act 2000;
<b>“FX Disruption Event”</b>	means the occurrence of any event on any day or any number of consecutive days as determined by the Calculation Agent in its sole and reasonable discretion that affects the Issuer’s currency hedging (if any) with respect to the currency of any Notes and:  (a) the currency in which the relevant Index is denominated; and/or  (b) the currency of any Component Contracts;
<b>“Global Note”</b>	means any Permanent Global Note and/or any Temporary Global Note;
<b>“Index Commodity”</b>	means any physical commodity represented in an Index by Component Contracts;
<b>“Index Performance Ratio”</b>	means a figure calculated in accordance with Condition 5.4;
<b>“Index Sponsors”</b>	means UBS AG and Bloomberg L.P. and each of them is an <b>“Index Sponsor”</b> and any successor thereto;
<b>“Index”</b>	means each of the CMCI Composite Index or sub-indices which make up the CMCI Index Family and <b>“Indices”</b> shall be construed accordingly; and <b>“relevant Index”</b> shall mean the Index to which a particular class of notes is linked as set out in the Final Terms;

<b>“Interest Disruption Event”</b>	means the occurrence of any event on any day or any number of consecutive days as determined by the Calculation Agent in its sole and reasonable discretion which delays the release of an interest rate reference, or any other event which affects the Issuer’s hedging with respect to the interest component of the Index;
<b>“Issue Date”</b>	means the date described as such in the applicable Final Terms;
<b>“Issuer”</b>	means UBS AG, acting through its London Branch, and includes reference to its successors including, without limitation, an entity which assumes the rights and obligations of the Issuer by operation of the law of the jurisdiction or domicile of the Issuer or which is substituted for the Issuer pursuant to Condition 14.1 or 14.4;
<b>“Listing Rules”</b>	means the Listing Rules of the UK Listing Authority from time to time, made under section 73A of FSMA;
<b>“Listing”</b>	means the admission of a particular class of Notes to the Official List in accordance with the Listing Rules and admission of a particular class of Notes to trading on the London Stock Exchange’s market for listed securities (or any of such markets if the London Stock Exchange has at any time more than one such market) becoming effective;
<b>“London Stock Exchange”</b>	means London Stock Exchange plc or its market for listed securities (or any such market if the London Stock Exchange has at any time more than one such market), as the context may require;
<b>“Market Disruption Event”</b>	means, in respect of any Index: <ul style="list-style-type: none"> <li>(a) a limitation, suspension, or disruption to trading in one or more of the Component Contracts or imposed by the relevant Exchange or otherwise and whether caused by movements in the price of such Component Contract exceeding any limits imposed by the relevant Exchange or otherwise;</li> <li>(b) the price for any Component Contract is a “limit price” (meaning that the price for such Component Contract has at any point during the last 15 minutes of trading on the Exchange, increased or decreased from the previous day’s closing price by the maximum amount permitted under the relevant Exchange rules);</li> <li>(c) the failure by the relevant Exchange or other price source as applicable to any Component Contract to announce or publish the settlement price in respect of the Component Contract;</li> <li>(d) the closure on any Exchange Business Day of any relevant Exchange in respect of a Component Contract, prior to its Closing Time; or</li> <li>(e) any event (other than an early closure as described above) that disputes or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for any Component Contract;</li> </ul>

<b>“Minimum Redemption Multiple”</b>	means the number of Notes specified by the Issuer for the purposes of Condition 5.2, being 10,000 unless otherwise specified in relation to any Series of Notes in the relevant Final Terms;
<b>“Noteholders”</b>	means the several persons who are for the time being the bearers of Notes save that, in respect of the Notes of any class and/or Series, for so long as the Notes or any part of them are represented by a Global Note held on behalf on behalf of Euroclear and Clearstream each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular nominal amount of the Notes of a particular class and Series (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of the Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of the nominal amount of Notes (and the bearer of the relevant Global Notes shall be deemed not to be the holder) for all purposes other than with respect to payments to be made in respect of the Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, and any agent of the Issuer as the holder of the Notes in accordance with and subject to the terms of the relevant Global Note and the expressions <b>“Noteholder”</b> , <b>“holder of Notes”</b> and related expressions shall be construed accordingly;
<b>“Notes”</b>	means the unsecured unsubordinated bearer notes of any Series or class linked to an Index and issued by the Issuer on the terms of these Conditions and Final Terms issued pursuant to the Base Prospectus and represented by a Global Note;
<b>“Notional Amount”</b>	means in relation to any Class or Series of Notes the product of the Specified Denomination and the number of Notes of that class or Series;
<b>“Official List”</b>	means the official list maintained by the UK Listing Authority for the purpose of Part VI of the Financial Services and Markets Act 2000;
<b>“Permanent Global Note”</b>	means a permanent global bearer note in respect of a particular class and a particular Series, issued by the Issuer which represents the Notes of a particular class and a particular Series;
<b>“Prospectus Directive”</b>	means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003;
<b>“Prospectus”</b>	means this base prospectus of the Issuer;
<b>“Prospectus Rules”</b>	means the prospectus rules of the UK Listing Authority from time to time, made under section 73A of FSMA;
<b>“Redemption Amount”</b>	means in respect of any Notes the amount calculated in accordance with Condition 5.3;
<b>“Redemption Date”</b>	means in respect of a particular Series of Notes, the day in each year which falls on the anniversary of the Trade Date in respect of those Notes, provided that if such day is not a Trading Day, or is a Trading Day that is also a Disrupted Day, the Redemption Date shall be the first Trading Day thereafter that is not a Disrupted Day;

<b>“Redemption Notice”</b>	has the meaning given to it in Condition 5.9.1;
<b>“Redemption”</b>	means the Redemption of a Note or Notes in accordance with Condition 5 and <b>“Redeem”</b> or <b>“Redeemed”</b> shall be construed accordingly;
<b>“Regulated Market”</b>	means a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 (the Markets in Financial Instruments Directive);
<b>“Scheduled Closing Time”</b>	means, in respect of an Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours;
<b>“Scheduled Trading Day”</b>	means any day on which (a) the Index Sponsor(s) is scheduled to publish the official closing level of the Index and (b) the Calculation Agent is open for business;
<b>“Series”</b>	means in respect of a particular class of Notes all such Notes as have the same Trade Date and which are represented by the same Global Note;
<b>“Settlement Cycle”</b>	means the number of the relevant Clearing System Business Days following a trade in the Component Contracts on the relevant Exchange in which settlement will customarily occur according to the rule of such Exchange (or if there are multiple Exchanges in respect of an Index, the longest such period);
<b>“Specified Denomination”</b>	the amount stated as such in the applicable Final Terms;
<b>“Technical Document”</b>	means the document entitled “UBS Bloomberg CMCI (Constant Maturity Commodity Index) – Technical Document”, which at the date of this Prospectus is available on the Issuer’s website at: <a href="http://www.ubs.com/4/investch/cmci/pdf/cmci/CMCI_Technical_Documentation.pdf">http://www.ubs.com/4/investch/cmci/pdf/cmci/CMCI_Technical_Documentation.pdf</a> as amended from time to time;
<b>“Temporary Global Note”</b>	means a temporary global bearer note issued by the Issuer in respect of a particular class and a particular Series which represents the Notes and may be exchanged for a Permanent Global Note;
<b>“TIDM”</b>	in relation to the Notes of any Series means the Tradeable Instrument Display Mnemonic issued by the London Stock Exchange in respect of the Notes of that Series, as specified in the Final Terms;
<b>“Total Return Index”</b>	means an Index within the CMCI Index Family which reflects the returns generated from fully-collateralised futures positions in the commodities included in the Index.  The overall return on a Total Return Index is generated by two components: <ul style="list-style-type: none"> <li>(i) uncollateralized returns from the futures contracts comprising the Index (<b>“Component Contracts”</b>); and</li> <li>(ii) the return earned on securities theoretically deposited as collateral for the Component Contracts;</li> </ul>

<b>“Trade Date”</b>	in respect of a particular Series of Notes, the date specified as such in the applicable Final Terms;
<b>“Trading Day”</b>	means any day: <ul style="list-style-type: none"> <li>(i) on which the Index Sponsors are scheduled to publish the Closing Level of the relevant Index;</li> <li>(ii) on which trading is generally conducted on the London Stock Exchange; and</li> <li>(iii) is a day on which the Calculation Agent is open for business;</li> </ul>
<b>“UK Listing Authority”</b>	means the Financial Services Authority in its capacity as competent authority for the purposes of Part VI of the FSMA;
<b>“United States” or “U.S.”</b>	means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
<b>“U.S. person”</b>	has the meaning given in paragraph 2 (“Selling Restrictions – United States”) of “Additional Information”;
<b>“US\$” or “USD”</b>	means the lawful currency of the United States of America and references to “ <b>US Dollars</b> ” shall be similarly construed; and
<b>“Valuation Date”</b>	means the Trade Date, each Fee Amount Calculation Date and each Redemption Date.

Any reference to the Conditions or to any agreement or document includes a reference to the Conditions or as the case may be such agreement or document as amended, varied, novated, supplemented or replaced from time to time.

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## APPENDIX A – FORM OF FINAL TERMS

Final Terms dated [•]

### UBS AG, London branch

**Issue of US\$[ • ] in aggregate Notional Amount of [Title of Notes] [(to be consolidated with the existing issue of [title of existing series])]**

*[Include the following legend where a non-exempt offer of Notes is anticipated]*

[The base prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those jurisdictions specified under “Non-exempt Offer” in Part A below, provided such offer is made by the Issuer or any other person specified under “Non-exempt Offer” in Part A below or such person is specifically authorised by the Issuer to make such offer.

The Issuer has not authorised and does not authorise the making of any offer of Notes in any other circumstances.]

*[Include the following legend where only exempt offers of Notes is anticipated]*

[The base prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. The Issuer has not authorised and does not authorise the making of any offer of Notes in any other circumstances.]

[The Notes may not be offered, sold, transferred, pledged, delivered, exercised or redeemed directly or indirectly, at any time within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S (“**Regulation S**”) under the United States Securities Act of 1933 as amended or the U.S. Internal Revenue Code of 1986 as amended) or to persons who do not come within the definition of non-United States person under Rule 4.7 of the U.S. Commodity Exchange Act of 1936 as amended. The Notes may not be legally or beneficially owned at any time by any U.S. person and accordingly are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. Furthermore, trading in the Notes has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, and no U.S. person may at any time trade or maintain a position in the Notes.]

OR

[Notwithstanding the offer and sale restrictions in the base prospectus, the applicable US offer and selling restrictions applicable to the Notes in this Final Terms shall be as follows:

The Notes have not been and will not be registered under the United States Securities Act of 1933 as amended (the “Securities Act”), or under the securities laws of any states of the United States. Furthermore, trading in the Notes has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act.

The Notes are being offered outside the United States to non-US persons in accordance with Regulation S and may not be directly or indirectly offered, sold, taken up or delivered in or into the United States or to any US person (as defined in Regulation S under the Securities Act).

The Notes have not been designed or structured for US investors. Neither the Issuer nor any of its affiliates provide any advice as to United States tax consequences for US persons that may come to hold these Notes or characterisation of these Notes for US tax purposes or suitability as an investment for any US person.]

### **Part A – Contractual terms**

Terms used herein and not otherwise defined bear the same meanings as in the base prospectus dated • [and the supplemental prospectus dated • ] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC). This document constitutes the Final Terms of the Notes of the class and Series described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such base prospectus [as so supplemented]. Copies of the base prospectus [and the supplemental prospectus] may be obtained from [ ].

*[The following alternative language applies if the first tranche of an issue of Notes of any Class and Series which is being increased was issued under a base prospectus with an earlier date.]*

Terms used herein and not otherwise defined bear the same meanings as for the purposes of the Conditions (the “**Conditions**”) set out in the base prospectus dated [original date] [and the supplemental prospectus dated • ]. This document constitutes the Final Terms of the Notes of the Class and Series described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the base prospectus dated [current date] [and the supplemental Prospectus dated • ] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC), save in respect of the Conditions which are extracted from the Prospectus dated [original date] [and the supplemental Prospectus dated • ] and are attached hereto. Copies of the base prospectuses [and the supplemental prospectuses] may be obtained from [ ].

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Italics denote guidance for completing the Final Terms.]*

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the base prospectus under Article 16 of the Prospectus Directive].*

The final terms relating to the Notes of the Class and Series to which these Final Terms relate are as follows:

Issuer: [UBS AG, London branch]

Title of the Notes:

ISIN:

Common Code:

TIDM:

Trade Date:

Specified Denomination:

Currency of Payment:

Number of Notes:

[Total Number of Notes in Issue following this Issue:]

Notional Amount (being Number of Notes times Specified Denomination):

Minimum Redemption Multiple:

Relevant Index:

Index Starting Level:

Fee Level:

[*Expected*] Issue Date:

Notes to be represented on issue by: [Temporary Global Note/Permanent Global Note] held by Common Depositary for Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme.

[Temporary Global Note exchangeable for Permanent Global/Definitive Notes] Temporary Global Note exchangeable for interests in Permanent Global Note held by Common Depositary for Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme on or after 40 days from Issue Date (or such later date as may be determined to be the Exchange Date in accordance with the terms of the Temporary Global Note) upon certification as to non-U.S. beneficial ownership.

[Permanent Global Note exchangeable for Definitive Notes] (i) On the occurrence of an Exchange Event; or  
(ii) at any time at the request of the Issuer.

[Settlement] [CREST in the form of CREST depositary interests.]

Other Final Terms

[Not Applicable/*give details*]

[Without prejudice to Condition 8 of the terms and conditions as set out under the heading “Terms and Conditions” in the base prospectus dated [•], the Issuer reserves the right (without the consent of the Noteholders) to issue further Notes of that Series (including the Series to which these Final Terms relate) ranking *pari passu* with the existing Notes of that Series and with identical terms and conditions as the existing Notes of that Series, which shall be consolidated with and form a single series with the Notes of that Series. In such event while the existing Notes of that Series are represented by a Global Note a record of such issue will be made on such Global Note by the Issuer and such record shall be *prima facie* evidence that such further Notes have been issued on such terms and conditions.]

[In accordance with the Final Terms dated [•], the Notes the subject of these Final Terms will rank *pari passu* with the existing Notes of the Series described in the Final Terms dated [•] and with identical terms and conditions as the existing Notes of that Series and on issue shall be consolidated with and form a single series with the Notes of that Series.]

Total Return Reference Rate:

Non-exempt offer

[Not Applicable] [An offer of the Notes may be made by the Issuer [and *specify, if applicable*] other than pursuant to Article 3(2) of the Prospectus Directive in *specify relevant Member State(s) – which must be jurisdictions where the Prospectus and any supplements have been passported*] (“**Public Offer Jurisdictions**”) during the period from *specify date* until *specify date*. See further the section entitled “Terms and Conditions of the Offer” in Part B below. *[This section “Non exempt offer” may be omitted where a non-exempt offer of Notes is not anticipated]*

Save as provided herein the terms and conditions of the Notes are as set out under the heading “Terms and Conditions” in the base prospectus dated •.

### **Purpose of Final Terms**

These Final Terms comprise the final terms required for issue, [public offer in the Public Offer Jurisdictions,] admission to trading on the regulated market of the London Stock Exchange of the Notes and admission to the Official List of the Notes described herein pursuant to the programme for the issue of UBS ETC Notes linked to the various UBS Bloomberg Constant Maturity Commodity Index Indices described in the base prospectus dated •.

### **Responsibility**

The Issuer accepts responsibility for the information contained in these Final Terms. *[(Relevant third party information) has been extracted from (specify source).* The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the referenced third party source, no facts have been omitted which would

render the reproduced information inaccurate or misleading.] *[Include if third party information is provided, for example in compliance with Annex XII of the Prospectus Directive Regulation in relation to an index or its components, an underlying security or the issuer of an underlying security]*

Signed on behalf of [name of the Issuer]:

By: .....

Duly authorised

## **Part B – Other Information**

### **Listing**

Application has been made to the U.K. Listing Authority for the Notes described in these Final Terms to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted for trading on its Main Market, which is part of its Regulated Market. Such admissions are expected to become effective on [•].

### **Distribution**

[The Issuer will not, and any distributors will undertake not to, offer or sell the Notes within the United States or to any US Person, nor to engage in any “directed selling efforts” (as such term is defined by Regulation S under the Securities Act) with respect to the Notes.

The Notes may not be purchased with plan assets of any “employee benefit plan” within the meaning of section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”), subject to Part 4. Subtitle B of Title I of ERISA, any “Plan” to which section 4975 of the United States Internal Revenue Code of 1986, (the “Code”) applies (collectively, “Plans”), any entity whose underlying assets include “plan assets” of any of the foregoing Plans within the meaning of 29 C.F.R. Section 2510.3-101 or section 3(42) of ERISA, as they may be modified, by reason of a Plan’s investment in such entity, any governmental or church plan that is subject to any U.S. Federal, state or local law that is similar to the prohibited transaction provisions of ERISA or Section 4975 of the Code, or any person who holds Notes on behalf of, for the benefit of or with any assets of any such Plan or entity.]

[The Issuer reserves the right to issue further Notes of the class and Series described herein at any time and at any price.]

### **Interests of natural and legal persons involved in the issue/offer**

*[Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:]*

“Save as discussed in [the base prospectus dated •], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

### **Index disclaimers**

*[Include disclaimers as appropriate – see “Description of the CMCI – Index Disclaimers” in the base prospectus]*

*[Include the following section where a non-exempt offer of Notes is anticipated]*

### **Terms and Conditions of the Offer**

*[Consider the circumstances in which the items specified below need to be completed or marked “Not Applicable” by reference to the requirements of the relevant home and/or host member states where any non-exempt public offer is being made, in compliance with the Prospectus Directive, as implemented in such member states.]*

Offer Price: <sup>1</sup>	[Issue Price][specify]
Conditions to which the offer is subject: <sup>2</sup>	[Not Applicable/give details]
Description of the application process: <sup>3</sup>	[Not Applicable/give details]
Details of the minimum and/or maximum amount of application: <sup>4</sup>	[Not Applicable/give details]
Details of the method and time limits for paying up and delivering the Notes: <sup>5</sup>	[Not Applicable/give details]
Manner in and date on which results of the offer are to be made public: <sup>6</sup>	[Not Applicable/give details]
Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: <sup>7</sup>	[Not Applicable/give details]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: <sup>8</sup>	[Not Applicable/give details]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser: <sup>9</sup>	[Not Applicable/give details]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. <sup>10</sup>	[Not Applicable/give details]

<sup>1</sup> Paragraph 5.3.1 of Annex XII.

<sup>2</sup> Paragraph 5.1.1 of Annex XII.

<sup>3</sup> Paragraph 5.1.3 of Annex XII.

<sup>4</sup> Paragraph 5.1.4 of Annex XII.

<sup>5</sup> Paragraph 5.1.5 of Annex XII.

<sup>6</sup> Paragraph 5.1.6 of Annex XII.

<sup>7</sup> Paragraph 5.2.1 of Annex XII.

<sup>8</sup> Paragraph 5.2.2 of Annex XII.

<sup>9</sup> Paragraph 5.3 of Annex XII.

<sup>10</sup> Paragraph 5.4.1 of Annex XII.

**Brief description of the relevant Index:**

*[Include summary description of the relevant Index]*

Table showing historical Closing Level of the relevant Index from 1997 to present year as at the last Trading Day of each year and respective percentage annual returns calculated therefrom:

*[Include table]*

## APPENDIX B - FORM OF REDEMPTION NOTICE

To: cmci@ubs.com [or such additional or alternative e-mail address as may be specified in the applicable Final Terms or as may in relation to any class or Series or Notes be notified to Noteholders in accordance with Condition 17]

Subject: UBS ETCs Redemption Notice

ISIN No:

Common Code:

Name of Beneficial Owner:

Name of Euroclear/Clearstream Custodian:

Number of Notes to be redeemed [to equal or be an integer multiple of the Minimum Redemption Multiple for the relevant Series of Notes]:

[Name of Broker]:

[Broker/Noteholder] Contact Name:

[Broker/Noteholder] Telephone Number:

Noteholder email for receipt of Redemption Confirmation:

Euroclear/Clearstream Custodian's Euroclear/Clearstream Account:

The undersigned acknowledges (a) that any Redemption Notice received by the Issuer after 12 noon London time on any Trading Day or on any day that is not a Trading Day will be deemed received by the Issuer prior to 12 noon London time on the following Trading Day) and (b) that in addition to any other requirements specified in the Base Prospectus for the Notes and the applicable Final Terms for the Notes being satisfied, the Notes will not be redeemed unless:

- (i) the undersigned instructs its Euroclear or Clearstream custodian to book a delivery vs. payment (“**DVP**”) trade with respect to the Notes to be redeemed on the applicable Redemption Date, at the Redemption Amount, facing UBS AG London branch, and
- (ii) the undersigned causes its Euroclear or Clearstream custodian to deliver the DVP trade to UBS AG as booked for settlement via Euroclear or Clearstream, as the case may be, as at or prior to 10.00 a.m. London time on the third Trading Day following the applicable Redemption Date.

Signed: [Redeeming Noteholder]

**APPENDIX C - FORM OF REDEMPTION CONFIRMATION**

To: [Noteholder email address specified in Redemption Notice]

FAO [Noteholder contact name]

Subject: UBS ETCs Redemption Confirmation

ISIN No: Common Code:

Name of Beneficial Owner:

Name of Euroclear/Clearstream Custodian:

Number of Notes to be redeemed [to equal or be an integer multiple of the Minimum Redemption Multiple for the relevant Series of Notes]:

Redemption Amount:

Euroclear/Clearstream Custodian's Euroclear/Clearstream Account:

UBS AG acting through its London Branch as Issuer of the Notes confirms receipt of a Redemption Notice with the details set out above, confirms that the Redemption Notice was received by it prior to 12 noon London time on [ ] and therefore that, subject as below, the applicable Redemption Date is [ ], and the applicable Redemption Payment Date is [ ].

Payment of the Redemption Amount is subject to the Noteholder having instructed its Euroclear or Clearstream custodian to book a delivery vs. payment (“DVP”) trade with respect to the Notes to be redeemed on the applicable Redemption Date, at the Redemption Amount, facing UBS AG London branch, and the Noteholder causing its Euroclear or Clearstream custodian to deliver the DVP trade to UBS AG as booked for settlement via Euroclear or Clearstream, as the case may be, as at or prior to 10.00 a.m. London time on the third Trading Day following the applicable Redemption Date.

Signed: [ ] for and on behalf of UBS AG, London Branch

Name:

Title:

Telephone:

Email:

Dechert LLP  
160 Queen Victoria Street  
London EC4V 4QQ  
16988665