



## Information Circular: UBS AG

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

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

**Date:** October 5, 2011

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### Exchange-Traded Notes

**Symbol**    **CUSIP #**

UBS AG Monthly 2X Leveraged ISE Cloud Computing TR Index ETN    LSKY    90267E330

### Information on the Notes

UBS AG (the "Issuer") has issued 2X Leveraged Exchange Traded Notes ("ETNs" or "Notes") linked to the ISE Cloud Computing TR Index (the "Index"). The maturity date is October 4, 2041. The Notes were priced at \$25 each.

The Notes provide a monthly compounded two times leveraged exposure to the performance of the Index, reduced by (i) the Accrued Tracking Fee based on a rate of 0.60% per annum and (ii) the Accrued Financing Charges (as described below). Investing in the Notes involves significant risks. Investors may lose some or all of their principal at maturity or call, upon acceleration or upon early redemption if the leveraged return of the Index is not sufficient to offset the negative effect of the Accrued Fees, less the Redemption Fee, if applicable. In addition, the Notes are two times leveraged with respect to the Index and, as a result, will benefit from two times any beneficial, but will be exposed to two times any adverse, performance of the Index. Investors will receive a cash payment at maturity, upon exercise by the Issuer of its call right or upon early acceleration, based on the leveraged performance of the Index less the Accrued Fees. Investors will receive a cash payment upon early redemption based on the leveraged performance of the Index less the Accrued Fees and the Redemption Fee. Payment at maturity or call, upon acceleration or upon early redemption is subject to the creditworthiness of the Issuer. In addition, the actual and perceived creditworthiness of the Issuer will affect the market value, if any, of the Notes prior to maturity, call, acceleration or early redemption.

For each ETN, unless earlier redeemed, called or accelerated, investors will receive at maturity a cash payment equal to (a) the product of (i) the Current Principal Amount times (ii) the Index Factor as of the Final Valuation Date, minus (b) the Accrued Fees as of the Final Valuation Date. This cash payment is referred to as the "Cash Settlement Amount." If the amount so calculated is less than zero, the payment at maturity will be zero.

As of any date of determination, an amount per ETN equal to the product of (i) 0.60% per annum and (ii) the Current Indicative Value as of the immediately preceding Trading Day.

The Redemption Fee, as of any date of determination, is the product of (a) 0.125% times (b) the Current Principal Amount as of the Valuation Date.

If, at any time, the indicative value for the Notes on any Trading Day (1) equals \$5.00 or less or (2) decreases 60% in value from the closing indicative value on the previous Monthly Valuation Date (each such day, an "Acceleration Date"), all issued and outstanding Securities will be automatically accelerated and mandatorily redeemed by UBS for a cash payment equal to the Acceleration Amount. The "Acceleration Amount" will be a cash payment per Security on the Acceleration Settlement Date equal to (a) the product of (i) the Current Principal Amount times (ii) the Index Factor as of the Acceleration Date minus (b) the Accrued Fees as of the Acceleration Date. The "Acceleration Settlement Date" will be the third Trading Day following the Acceleration Date.

For the period from the Initial Settlement Date to October 31, 2011 (such period, the "Initial Calendar Month"), the Current Principal Amount will equal \$25.00 per Security. For each subsequent calendar month, the Current Principal Amount for each Security will be reset as follows on the Monthly Reset Date:

New Current Principal Amount = previous Current Principal Amount × Index Factor on the applicable Monthly Valuation Date – Accrued Tracking Fee on the applicable Monthly Valuation Date – Accrued Financing Charges on the applicable Monthly Valuation Date

The Accrued Fees equal: Accrued Tracking Fee plus Accrued Financing Charges

Index Factor:

$$1 + (2 \times \text{Index Performance Ratio})$$

The Index Performance Ratio, on any Monthly Valuation Date, any Valuation Date, or the Final Valuation Date, as applicable:

$$\frac{\text{Index Closing Level} - \text{Monthly Initial Closing Level}}{\text{Monthly Initial Closing Level}}$$

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

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

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

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

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

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

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

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

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Inquiries regarding this Information Circular should be directed to:

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