



**UBS AG**  
**NEW YORK BRANCH**  
**STAMFORD BRANCH**  
**\$35,000,000,000**  
**MEDIUM-TERM NOTES**

UBS AG, acting through its New York branch, its Stamford branch or any other U.S. branch, from time to time may offer to sell its medium-term notes. The total amount of these notes will have an outstanding principal amount at any time of up to \$35,000,000,000, or the equivalent amount in other currencies, currency units or composite currencies. The specific terms of any notes to be offered, and the specific manner in which they may be offered, will be described in a pricing supplement to this offering circular. The notes may include the terms listed below:

- The notes will be issued by UBS AG, acting through its New York branch, its Stamford branch or another U.S. branch.
- The notes will have a stated maturity as specified in the applicable pricing supplement.
- The notes may bear a fixed or floating interest rate, zero coupon or be issued with original issue discount. A floating interest rate may be based on:
  - commercial paper rate
  - prime rate
  - LIBOR
  - EURIBOR
  - treasury rate
  - CMT rate
  - CD rate
  - federal funds rate
  - any other rate specified in the applicable pricing supplement.
- Interest may be paid monthly, quarterly, semi-annually or annually, or at other intervals specified in the applicable pricing supplement.
- The amount of principal or interest may be determined by reference to one or more indices, currencies, securities, commodities or formulas.
- The notes may be senior or subordinated obligations of the issuing branch.
- The notes may be subject to redemption at the option of the issuing branch or repayment at the option of the holder.
- The denominations will be specified in the applicable pricing supplement, but will always be at least \$100,000 (or its equivalent in the applicable currency). For investors in the European Economic Area jurisdictions, the notes will not be sold for a consideration of less than EUR 50,000 or its equivalent in the applicable currency.
- The notes may be denominated in a currency other than U.S. dollars or in a composite currency or currency unit. The principal and/or the interest may be payable in one or more currencies other than the currency in which the notes are denominated.
- The notes may be issued in book-entry form only, in definitive registered form or, if issued outside the United States, in bearer form.
- Sales of the notes will settle in immediately available funds.

Application has been made to list the notes to be issued under the program on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF market of such exchange. If the notes are admitted to be listed, then any series of notes may be admitted to trading on the Euro MTF market. If a series of notes is admitted to trading on the Euro MTF market, the pricing supplement relating to that series will be the "Final Terms" for those notes for purposes of the rules of the Euro MTF market.

*This offering circular replaces and updates the previous offering circular dated March 15, 2006 and reflects the increase in the size of the program to \$35,000,000,000. Any notes issued on or after the date of this offering circular are subject to the provisions described in this offering circular. This does not affect any notes issued before the date of this offering circular.*

The notes have not been registered with the United States Securities and Exchange Commission and are offered pursuant to an exemption from registration under Section 3(a)(2) of the United States Securities Act of 1933, as amended. The fiscal agency agreement under which the notes are issued is not, and is not required to be, qualified under the United States Trust Indenture Act of 1939, as amended.

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this offering circular. Any representation to the contrary is a criminal offense.**

The notes are direct and unsecured obligations of UBS AG, acting through the issuing branch. The notes are not deposit liabilities of UBS AG and are not insured by the United States Federal Deposit Insurance Corporation or any other governmental agency of the United States, Switzerland or any other jurisdiction.

The issuing branch may sell the notes directly or through one or more agents or dealers, including the agent listed below. The agents are not required to sell any particular amount of the notes.

**UBS Securities LLC**

To the best of the knowledge and belief of UBS AG, the information contained in this offering circular is in accordance with the facts and contains no omissions likely to affect the import of information contained in this offering circular.

For each issue of notes, we will prepare a pricing supplement containing the information required to complete this offering circular for that issue. If a series of notes is admitted to trading on the Euro MTF market, the pricing supplement relating to that series will be the “Final Terms” for those notes for purposes of the rules of the Euro MTF market. In relation to each issue of notes, this offering circular should be read in conjunction with the applicable pricing supplement.

UBS AG has confirmed to the agents named in this offering circular that (i) this offering circular is true and accurate in all material respects and is not misleading; (ii) there are no other facts in relation to the information contained or incorporated by reference in this offering circular the omission of which would, in the context of the issue of the notes, make any statement in this offering circular misleading in any material respect; and (iii) all reasonable enquiries have been made to verify the foregoing.

We have not authorized the making of any representation, or the provision of information, regarding UBS or the notes other than as contained in this offering circular or the applicable pricing supplement. Any such other representation or information should not be relied upon as having been authorized by UBS AG, the agents or any of them.

**This offering circular does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the notes or the distribution of this document in any jurisdiction where any such action is required.**

This offering circular does not constitute an offer or an invitation by or on behalf of UBS AG or any agent to subscribe for or purchase any notes. The delivery of this offering circular does not at any time imply that the information contained in this offering circular concerning UBS AG is correct at any time subsequent to the date of this offering circular or that any other information supplied in connection with the program is correct as of any time subsequent to the date indicated in the document containing that information. No agent undertakes to review the financial condition or affairs of UBS AG during the life of the program. Investors should review, *inter alia*, the most recently published audited annual financial statements of UBS AG and, if published later, the most recently published unaudited interim financial statements of UBS AG, when deciding whether or not to purchase any notes.

No agent has separately verified the information contained in this offering circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by an agent as to the accuracy or completeness of the information contained in this offering circular or any other information provided by UBS AG. No agent accepts any liability in relation to the information contained in this offering circular or any other information provided by UBS AG in connection with the program.

Neither this offering circular nor any other information supplied in connection with the program (i) is intended to provide the basis for any credit or other evaluation or (ii) should be considered as a recommendation by UBS AG or any agent that any recipient of this offering circular or any other information supplied in connection with the program should purchase the notes. Each investor contemplating purchasing any notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of UBS AG. Neither this offering circular nor any other information supplied in connection with the program constitutes an offer or an invitation by or on behalf of UBS AG or any agent or any other person to subscribe for or to purchase any notes.

The distribution of this offering circular and the offering of notes in certain jurisdictions may be restricted by law. Persons who receive this offering circular are required by UBS AG and each agent to inform themselves about and to observe such restrictions. For a description of certain further restrictions on offers and sales of the notes and on the distribution of this offering circular, see “Plan of Distribution — Selling Restrictions” below.

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## CERTAIN TERMS

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In this offering circular:

- references to “UBS AG” mean UBS AG on a parent-only basis;
- references to “UBS” or “UBS Group” mean UBS AG and its consolidated subsidiaries;
- references to “Swiss francs” and “CHF” mean Swiss francs or the lawful currency of Switzerland from time to time;
- references to “\$,” “USD” and “U.S. dollars” mean United States dollars or the lawful currency of the United States of America from time to time; and
- references to “€” and “EUR” mean euros.

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## Introduction

We may offer medium-term notes from time to time. When we use the term “notes” in this offering circular, we mean any of the securities we may offer with this offering circular, unless we say otherwise. This offering circular, including the following summary, describes the general terms that may apply to the notes; the specific terms of any particular notes that we may offer will be described in the pricing supplement. If there are differences between this offering circular and your pricing supplement, your pricing supplement will control.

### The Notes

For any particular notes we offer, the applicable pricing supplement will describe the specific designation, the aggregate principal or face amount and the purchase price; the stated maturity; the redemption terms, if any; the rate or manner of calculating the rate and payment dates for interest, if any; the amount, or manner of calculating the amount, payable at maturity and whether that amount may be paid by delivering cash, securities or other property; the terms on which the notes may be convertible into or exercisable or exchangeable for common stock or other securities of issuers other than UBS AG, if any; whether the obligations of UBS AG under the notes are secured by any form of collateral or credit support and, if so, its nature and terms; and any other specific terms.

The notes are not deposit liabilities of UBS AG and are not insured by the United States Federal Deposit Insurance Corporation or any other governmental agency of the United States, Switzerland or any other jurisdiction. We will issue the notes under a fiscal agency agreement between us and U.S. Bank Trust National Association, as fiscal agent.

### Form of Notes

The issuing branch will issue the notes only in book-entry form through one or more depositories named in the applicable pricing supplement, such as The Depository Trust Company (“DTC”), Euroclear S.A./ N.V. (“Euroclear”) or Clearstream Banking, *société anonyme* (“Clearstream”), unless otherwise specified in the applicable pricing supplement. Each sale of a note in book-entry form will settle in immediately available funds through DTC, unless otherwise stated. In most cases, we will issue the notes only in registered form, without coupons, although we may issue the notes in bearer form if so specified in the applicable pricing supplement.

### Payment Currencies

Amounts payable in respect of the notes, including the purchase price, will be payable in U.S. dollars, unless the applicable pricing supplement says otherwise.

### Listing

Application has been made to list the notes to be issued under the program on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF market of such exchange. If the notes are admitted to be listed, not every series of notes will be traded on the Euro MTF market. Any particular series of notes will be traded on the Euro MTF market only if indicated in the applicable pricing supplement. If a series of notes is admitted to trading on the Euro MTF market, the pricing supplement relating to that series will be the “Final Terms” for those notes for purposes of the rules of the Euro MTF market.

### Ranking

The obligations of UBS AG and the issuing branch under notes designated as senior (“senior notes”) will rank *pari passu* with all other unsecured indebtedness of UBS AG and the issuing branch for money borrowed that is not contractually subordinated to the payment of those obligations, including unsecured deposit obligations, except for obligations entitled to statutory priority. The obligations of UBS AG and the issuing branch under notes designated as subordinated (“subordinated notes”) will be unsecured and subordinated obligations of UBS AG and the issuing branch. If UBS AG is dissolved or liquidated, subordinated notes will rank subordinate to deposit liabilities and all

## **Introduction**

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other liabilities of the issuing branch and UBS AG as a whole, except liabilities that by their terms rank equally with or subordinate to the subordinated notes.

### **Use of Proceeds**

Unless otherwise specified in the applicable pricing supplement, the net proceeds of the sales of the notes will be used by the issuing branch for general banking purposes, including making advances to other branches and subsidiaries of UBS AG, in each case outside of Switzerland.

### **Plan of Distribution**

In connection with original issuance of the notes, the issuing branch will offer and sell the notes directly, through the agents named in the applicable pricing supplement, or to the agents so named for resale. After a note has been originally issued, UBS AG, as well as agents affiliated with UBS AG, may acquire and resell the notes in market-making transactions.

### **Branches**

The notes will be issued by UBS AG, acting through its New York branch, its Stamford branch or another U.S. branch.

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## Cautionary Note Regarding Forward-Looking Statements

This offering circular contains or incorporates statements that constitute “forward-looking statements” within the meaning of Section 21E of the United States Securities Exchange Act of 1934, as amended. The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking information to encourage companies to provide prospective information about themselves without fear of litigation so long as the information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information. The words “anticipate,” “believe,” “expect,” “estimate,” “intend,” “plan,” “should,” “could,” “may” and other similar expressions are used in connection with forward-looking statements. In this offering circular and the incorporated documents, forward-looking statements may, without limitation, relate to:

- The development of revenues overall and within specific business areas.
- The development of operating expenses.
- The anticipated level of capital expenditures and associated depreciation expense.
- The expected impact of the risks that affect UBS’s business, including the risk of loss resulting from the default of an obligor or counterparty.
- Expected credit losses based upon UBS’s credit review.
- Other statements relating to UBS’s future business development and economic performance.

There can be no assurance that forward-looking statements will approximate actual experience. Several important factors exist that could cause UBS’s actual results to differ materially from expected results as described in the forward-looking statements. These factors include:

- General economic conditions, including prevailing interest rates and performance of financial markets, which may affect demand for products and services and the value of our assets.
- Changes in UBS’s expenses associated with acquisitions and dispositions.
- General competitive factors, locally, nationally, regionally and globally.
- Industry consolidation and competition.
- Changes affecting the banking industry generally and UBS’s banking operations specifically, including asset quality.
- Developments in technology.
- Credit ratings and the financial position of obligors and counterparties.
- UBS’s ability to control risk in its businesses.
- Changes in tax laws in the countries in which UBS operates, which could adversely affect the tax advantages of certain of UBS’s products and subject it to increased taxation.
- Changes in accounting standards applicable to UBS, as more fully described in the incorporated documents.
- Changes in investor confidence in the future performance of financial markets, affecting the level of transactions they undertake, and hence the levels of transaction-based fees that UBS earns.

#### **Cautionary Note Regarding Forward-Looking Statements**

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- Changes in market value of securities held by UBS's clients, affecting the level of asset-based fees that UBS can earn on the services it provides.
- Changes in currency exchange rates, including the exchange rates for the Swiss franc into the U.S. dollar, and changes in currency regulations.

You should also consider other risks and uncertainties discussed in the documents that are incorporated by reference into this offering circular.

UBS AG is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

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## Incorporation of Information about UBS

We are “incorporating by reference” into this offering circular the information that we file with the SEC, which means that:

- the incorporated documents are considered part of this offering circular;
- we can disclose important information to you by referring you to those documents; and
- information that we file with the SEC from time to time will automatically be considered to update and supersede the information in this offering circular.

We incorporate by reference into this offering circular:

- UBS AG’s Annual Report on Form 20-F for the year ended December 31, 2006 (the “2006 Form 20-F”), which UBS AG filed with the SEC on March 21, 2007;
- UBS AG’s submissions on Form 6-K, which UBS AG filed with the SEC on May 3, 2007, June 22, 2007, July 6, 2007, August 14, 2007, October 1, 2007 (2) and October 30, 2007.

All subsequent reports that UBS AG files on Form 20-F under the Securities Exchange Act prior to the termination of this offering will also be deemed to be incorporated by reference into this offering circular. We may also incorporate any other Form 6-K that we submit to the SEC after the date of this offering circular and prior to the termination of this offering if the Form 6-K specifically states that it is incorporated by reference into this offering circular or into registration statements that UBS AG files with the SEC.

Any statement contained in this offering circular or in a document incorporated or deemed incorporated by reference into this offering circular will be deemed to be modified or superseded for purposes of this offering circular to the extent that a statement contained in any such subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this offering circular, except as modified or superseded.

You may request a copy, at no cost, of any or all of the documents that are incorporated by reference into this offering circular, excluding exhibits (other than those that we specifically incorporate by reference into the documents that you request) by contacting us, orally or in writing, at the following address:

UBS AG  
Investor Relations G41B  
P.O. Box  
CH-8098 Zurich  
Switzerland  
Phone: 011-41-1-234 41 00  
Fax: 011-41-1-234 34 15  
E-mail: [SH-investorrelations@ubs.com](mailto:SH-investorrelations@ubs.com)  
Internet: <http://www.ubs.com/investor-relations>

So long as any series of outstanding notes are admitted to trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, copies of any documents incorporated by reference in this offering circular may be obtained, free of charge, at the office of the Luxembourg paying agent, Dexia Banque Internationale à Luxembourg, 69 route d’Esch, L-2953 Luxembourg.

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## Where You Can Find More Information

UBS AG files periodic reports and other information with the SEC. You may read and copy any document that UBS AG files with the SEC at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of its public reference room. The SEC also maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information about issuers like UBS AG that file electronically with the SEC.

## Presentation of Financial Information

UBS's financial statements, which are incorporated by reference into this offering circular, have been prepared in accordance with International Financial Reporting Standards and are denominated in Swiss francs, or "CHF," the legal tender of Switzerland.

The tables below set forth, for the periods and dates indicated, information concerning the noon buying rate for the Swiss franc, expressed in United States dollars or "USD," per one Swiss franc. The "noon buying rate" is the rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. The noon buying rate on October 31, 2007 was 0.8629 USD per 1 CHF.

<b>Year Ended December 31,</b>	<b>High</b>	<b>Low</b>	<b>Average Rate<sup>(1)</sup> (USD per 1 CHF)</b>	<b>At Period End</b>
2002.....	0.7229	0.5817	0.6453	0.7229
2003.....	0.8078	0.7052	0.7477	0.8078
2004.....	0.8820	0.7575	0.8069	0.8763
2005.....	0.8721	0.7544	0.7995	0.7606
2006.....	0.8396	0.7575	0.7980	0.8200

<b>Quarter Ended</b>	<b>High</b>	<b>Low</b>	<b>Average Rate<sup>(1)</sup> (USD per 1 CHF)</b>	<b>At Period End</b>
March 31, 2006.....	0.7940	0.7575	0.7715	0.7678
June 30, 2006.....	0.8319	0.7666	0.8042	0.8165
September 30, 2006.....	0.8191	0.7949	0.8078	0.7997
December 31, 2006.....	0.8396	0.7842	0.8093	0.8200
March 31, 2007.....	0.8279	0.7978	0.8110	0.8247
June 30, 2007.....	0.8313	0.8031	0.8183	0.8170
September 30, 2007.....	0.8568	0.8210	0.8344	0.8568

<b>Month</b>	<b>High</b>	<b>Low</b>
January 2007.....	0.8247	0.7978
February 2007.....	0.8204	0.7980
March 2007.....	0.8279	0.8109
April 2007.....	0.8313	0.8163
May 2007.....	0.8267	0.8126
June 2007.....	0.8213	0.8031
July 2007.....	0.8335	0.8210
August 2007.....	0.8422	0.8210
September 2007.....	0.8568	0.8258
October 2007.....	0.8629	0.8437

(1) The average of the noon buying rates on the last business day of each full month during the relevant period.

## Summary Financial Data

Extracts from the consolidated financial statements of UBS AG as of or for the year ended December 31, 2006 and the unaudited financial statements as of or for the nine months ended September 30, 2007 are set forth below.

### Balance sheet

	As of	
	September 30, 2007	December 31, 2006
	CHF million	
	(unaudited)	
<b>Assets</b>		
Cash and balances with central banks .....	9,517	3,495
Due from banks .....	59,035	50,426
Cash collateral on securities borrowed .....	299,580	351,590
Reverse repurchase agreements .....	442,114	405,834
Trading portfolio assets .....	611,730	627,036
Trading portfolio assets pledged as collateral .....	234,381	251,478
Positive replacement values .....	415,781	292,975
Financial assets designated at fair value .....	10,509	5,930
Loans .....	342,794	297,842
Financial investments .....	4,907	8,937
Accrued income and prepaid expenses .....	13,084	10,361
Investments in associates .....	2,090	1,523
Property and equipment .....	7,217	6,913
Goodwill and other intangible assets .....	14,990	14,773
Other assets .....	16,506	17,249
Total assets .....	<u>2,484,235</u>	<u>2,346,362</u>
<b>Liabilities</b>		
Due to banks .....	189,508	203,689
Cash collateral on securities lent .....	49,629	63,088
Repurchase agreements .....	424,333	545,480
Trading portfolio liabilities .....	209,743	204,773
Negative replacement values .....	420,394	297,063
Financial liabilities designated at fair value .....	202,251	145,687
Due to customers .....	620,708	555,886
Accrued expenses and deferred income .....	21,115	21,527
Debt issued .....	228,539	190,143
Other liabilities .....	63,626	63,251
Total liabilities .....	<u>2,429,846</u>	<u>2,290,587</u>
<b>Equity</b>		
Share capital .....	207	211
Share premium .....	9,000	9,870
Net gains/(losses) not recognized in the income statement, net of tax .....	(655)	815
Revaluation reserve from step acquisitions, net of tax .....	38	38
Retained earnings .....	50,532	49,151
Equity classified as obligation to purchase own shares .....	(156)	(185)
Treasury shares .....	(10,737)	(10,214)
Equity attributable to UBS shareholders .....	<u>48,229</u>	<u>49,686</u>
Minority interests .....	6,160	6,089
Total equity .....	<u>54,389</u>	<u>55,775</u>
Total liabilities and equity .....	<u>2,484,235</u>	<u>2,346,362</u>

## Income statement

	For the nine months ended September 30, 2007	For the year ended December 31, 2006
	CHF million, except per share data  (unaudited)	
<b>Continuing operations</b>		
Interest income .....	83,292	87,401
Interest expense .....	(79,492)	(80,880)
Net interest income .....	3,800	6,521
Credit loss (expense)/recovery .....	0	156
Net interest income after credit loss expense .....	3,800	6,677
Net fee and commission income .....	23,359	25,881
Net trading income .....	5,110	13,318
Other income .....	3,578	1,599
Revenues from industrial holdings .....	335	512
Total operating income .....	36,182	47,987
Personnel expenses .....	18,822	23,618
General and administrative expenses .....	6,220	8,017
Depreciation of property and equipment .....	942	1,260
Amortization of intangible assets .....	214	153
Goods and materials purchased .....	178	261
Total operating expenses .....	26,376	33,309
Operating profit from continuing operations before tax .....	9,806	14,678
Tax expense .....	1,665	2,788
Net profit from continuing operations .....	8,141	11,890
<b>Discontinued operations</b>		
Operating profit from discontinued operations before tax .....	96	845
Tax expense .....	(258)	(15)
Net profit from discontinued operations .....	354	860
Net profit .....	8,495	12,750
Net profit attributable to minority interests .....	428	493
from continuing operations .....	428	390
from discontinued operations .....	0	103
<b>Net profit attributable to UBS shareholders .....</b>	<b>8,067</b>	<b>12,257</b>
from continuing operations .....	7,713	11,500
from discontinued operations .....	354	757
<b>Earnings per share</b>		
Basic earnings per share (CHF) .....	4.18	6.20
from continuing operations .....	4.00	5.82
from discontinued operations .....	0.18	0.38
Diluted earnings per share (CHF) .....	4.05	5.95
from continuing operations .....	3.87	5.58
from discontinued operations .....	0.18	0.37

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## Limitations on Enforcement of U.S. Laws Against UBS AG, Its Management and Others

UBS AG is a Swiss bank. Many of its directors and executive officers are resident outside the United States, and all or a substantial portion of UBS AG's assets and the assets of those persons are located outside the United States. As a result, it may be difficult for you to serve legal process on UBS AG or its management or have any of them appear in a U.S. court. We have been advised by UBS internal counsel that there is doubt as to the enforceability in Switzerland, in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities based solely on the federal securities laws of the United States.

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# UBS

## Overview

UBS is one of the world's leading financial firms, serving a discerning international client base. Its business, global in scale, is focused on growth. As an integrated firm, UBS creates added value for clients by drawing on the combined resources and expertise of all its businesses. UBS is the leading global wealth manager, a top-tier investment banking and securities firm with a strong institutional and corporate client franchise, a key asset manager and the market leader in Swiss commercial and retail banking. On September 30, 2007, UBS employed more than 80,000 people. With headquarters in Zurich and Basel, Switzerland, UBS operates in over 50 countries and from all major international centers.

UBS is one of the best-capitalized financial institutions in the world, with a BIS Tier 1<sup>1</sup> ratio of 10.6%, invested assets of CHF 3,265 billion, equity attributable to UBS shareholders of CHF 48,229 million and a market capitalization of CHF 127,525 million on September 30, 2007.

## Corporate Information

The legal and commercial name of the company is UBS AG. The company was incorporated under the name SBC AG on February 28, 1978 for an unlimited duration and entered in the Commercial Register of Canton Basel-City on that day. On December 8, 1997, the company changed its name to UBS AG. The company in its present form was created on June 29, 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.

The addresses and telephone numbers of UBS's two registered offices and principal places of business are: Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, telephone +41-44-234 11 11; and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, telephone +41-61-288 20 20.

UBS shares are listed on the SWX Swiss Exchange and traded through virt-x which is majority owned by the SWX Swiss Exchange. They are also listed on the New York Stock Exchange and on the Tokyo Stock Exchange.

According to Article 2 of the Articles of Association of UBS AG ("Articles of Association"), the purpose of UBS 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.

## Business Overview

UBS is managed through three Business Groups—Global Wealth Management & Business Banking, Global Asset Management and the Investment Bank—its Corporate Center and the Industrial Holdings Segment, each of which is described below. A full description of their strategies, structure, organization, products, services and markets can be found under Item 4 in the 2006 Form 20-F.

### Global Wealth Management & Business Banking

With more than 140 years of experience, the global wealth management business provides a comprehensive range of products and services individually tailored for wealthy clients around the world. Our client advisors provide a full range of wealth management services to clients—from asset management to estate planning and from corporate finance advice to art banking. In the United States, the business is one of the leading wealth managers. Business Banking Switzerland is the market leader in Switzerland, providing a complete set of banking and securities services for individual and corporate clients.

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<sup>1</sup> Tier 1 capital comprises share capital, share premium, retained earnings including current year profit, foreign currency translation and minority interests less accrued dividends, net long positions in own shares and goodwill.

**Global Asset Management**

The Global Asset Management business is one of the world's leading investment managers, providing traditional and alternative and real estate investment solutions to private, institutional and corporate clients, and through financial intermediaries. It is one of the largest global institutional asset managers, the second largest mutual fund manager in Europe, and the largest in Switzerland.

**Investment Bank**

Our Investment Bank is one of the world's leading investment banking and securities firms, providing a full range of products and services to corporate and institutional clients, governments, financial intermediaries and alternative asset managers. Our investment bankers, salespeople and research analysts, supported by risk and logistics teams, deliver advice and execution to clients all over the world. The Investment Bank also works with financial sponsors and hedge funds and indirectly meets the needs of private investors through both UBS's own wealth management business and other private banks.

**Corporate Center**

Corporate Center creates value for shareholders and stakeholders by partnering with the Business Groups to ensure that the firm operates as an effective and integrated whole with a common vision and set of values. It helps UBS's businesses grow sustainably through its risk, financial control, treasury, communication, legal and compliance, human resources, strategy, offshoring and technology functions.

**Industrial Holdings**

The Industrial Holdings segment consists of UBS's private equity investments. UBS's strategy is to de-emphasize and reduce exposure to this asset class while capitalizing on orderly exit opportunities as they arise.

**Competition**

UBS faces stiff competition in all business areas. Both in Switzerland and abroad, UBS 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 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.

**Organizational Structure**

The objective of UBS's group structure is to support the business activities of the company within an efficient legal, tax, supervisory and financial framework. Neither the individual Business Groups, the Corporate Center nor the Industrial Holdings segment are legally independent entities; instead, they perform their activities through the domestic and foreign offices of the parent bank, UBS AG.

Settlement of transactions through the parent bank allows UBS to fully exploit the advantages generated for all Business Groups 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 statutory, tax or supervisory restrictions, or for newly acquired companies, these tasks are performed on location by legally independent group companies. UBS's significant subsidiaries are listed in Exhibit 8 to the 2006 Form 20-F.

**Administrative, Management and Supervisory Bodies**

UBS operates under a dual board structure, as mandated by Swiss banking law. The functions of Chairman of the Board of Directors ("Chairman") and Group Chief Executive Officer ("Group CEO") are assigned to two different individuals, thus providing separation of powers. 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 Organization Regulations of UBS AG, with their Appendices, govern all details as to authority and responsibilities of the two bodies. Please refer to <http://www.ubs.com/corporate-governance>.

### Details of the Executive Bodies of the Company

#### *Board of Directors*

The BoD is the most senior governing body of UBS. The BoD consists of at least six and a maximum of 12 members. The term of office for members of the board is three years. All members of the BoD are elected individually by the Annual General Meeting for a term of office of three years. The BoD itself appoints its Chairman, the Vice Chairmen and the various BoD Committees (Audit Committee, Compensation Committee, Nominating Committee and Corporate Responsibility Committee).

The BoD has ultimate responsibility for the mid- and long-term strategic direction of UBS, for appointments and dismissals at top management levels and the definition of the firm's risk principles and risk capacity. While the majority of the BoD members are non-executive and independent, the Chairman and at least one Vice Chairman have executive roles in line with Swiss banking laws and assume supervisory and leadership responsibilities. 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.

As of the date of this offering circular, the BoD consists of the following individuals:

	<b>Title</b>	<b>Expiration of term of office</b>	<b>Positions outside UBS</b>
Marcel Ospel	Chairman	2008	
Stephan Haeringer	Executive Vice Chairman	2010	
Ernesto Bertarelli	Member	2009	Member of the board of directors of several private companies
Gabrielle Kaufmann-Kohler	Member	2009	Partner at law firm of Schellenberg Wittmer and Professor of international private law at the University of Geneva
Sergio Marchionne	Member	2010	Chief Executive Officer of Fiat S.p.A, Turin, Italy
Dr. Rolf A. Meyer	Member	2009	Member of the board of directors of Ascom Holding AG, Berne, Switzerland, and several private companies
Dr. Helmut Panke	Member	2010	Member of the board of directors of Microsoft Corporation, Redmond, Washington, USA
Peter Spuhler	Member	2010	Owner of Stadler Rail AG, Bussnang, Switzerland
Peter R. Voser	Member	2008	Chief Financial Officer of Royal Dutch Shell plc, London, UK
Lawrence A. Weinbach	Member	2008	Partner at Yankee Hill Capital Management LLC, Southport, Connecticut, USA
Joerg Wolle	Member	2009	President and Chief Executive Officer of DKSH Holding Ltd., Zurich, Switzerland

### ***Group Executive Board***

The GEB has business management responsibility for UBS. The Group CEO and the other members of the GEB are appointed by the BoD and are accountable to the Chairman and the BoD for the firm's results. The GEB, and in particular the Group CEO, are responsible for the implementation and results of the firm's business strategies, the alignment of the Business Groups to UBS's integrated business model, and the exploitation of synergies across the firm.

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

As of the date of this offering circular, the GEB consists of eight members:

Marcel Rohner	Group CEO and Chairman & CEO Investment Bank
John A. Fraser	Chairman and CEO Global Asset Management
Peter Kurer	Group General Counsel
Joseph Scoby	Group Chief Risk Officer
Walter Stuerzinger	Chief Operating Officer, Corporate Center
Marco Suter	Group Chief Financial Officer
Rory Tapner	Chairman and CEO Asia Pacific
Raoul Weil	Chairman and CEO Global Wealth Management & Business Banking

No member of the GEB has any significant business interest outside UBS.

### ***Conflicts of Interest***

A description of outside interests of the members of the BoD and the GEB can be found under Item 6 in the 2006 Form 20-F. No conflicts exist between the private interests of the members of the BoD or the GEB and their obligations to UBS.

### **Auditors**

On April 18, 2007, the Annual General Meeting reelected Ernst & Young Ltd., Aeschengraben 9, 4002 Basel, Switzerland, as UBS Group and statutory auditor in accordance with Swiss company law and Swiss banking law provisions for a further one-year term. Ernst & Young Ltd. is a member of the Swiss Institute of Certified Accountants and Tax Consultants based in Zurich, Switzerland.

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

The ownership of UBS shares is broadly distributed. As of December 31, 2006, Chase Nominees Ltd., London, was registered with a 8.81% holding (December 31, 2005: 8.55%, December 31, 2004: 8.76%) of total share capital held in trust for other investors. As of December 31, 2006, Cede & Co., as nominee for the U.S. securities clearing organization The Depository Trust Company, New York, held 13.21% (December 31, 2005: 9.95%, December 31, 2004: 5.77%) of total share capital in trust for other beneficiaries. Pursuant to UBS provisions on registering shares, the voting rights of nominees are limited to 5%. This regulation does not apply to securities clearing and settlement organizations. No other shareholder was registered with a holding in excess of 5% of total share capital.

Further details on the distribution of UBS shares, the number of registered and non-registered securities, voting rights as well as distribution by shareholder categories and geographical regions can be found under Item 7 in the 2006 Form 20-F.

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# Regulation and Supervision of the Branches in the United States

## **Stamford Branch**

The Stamford branch is licensed by the Banking Commissioner of the State of Connecticut (the “Commissioner”) under the Banking Law of Connecticut (the “Connecticut Banking Law”). The Stamford branch is examined by the State of Connecticut Banking Department (the “Connecticut Banking Department”) and the Federal Reserve Bank of New York and is subject to Connecticut and U.S. federal banking laws and regulations applicable to a foreign bank that operates a Connecticut branch.

Under the Connecticut Banking Law and applicable regulations, UBS AG must keep assets on deposit in an amount that varies based upon the liabilities of the Stamford branch and certain other factors for the protection of depositors and the public interest. Under the Connecticut Banking Law, the Connecticut Banking Department is also empowered to require a branch of a foreign bank to maintain in Connecticut specified assets equal to such percentage of the branch’s liabilities as the Connecticut Banking Department may prescribe by regulation. At present, the Connecticut Banking Department has set this percentage at zero percent, although specific asset maintenance requirements may be imposed upon individual branches on a case-by-case basis.

The Connecticut Banking Law authorizes the Commissioner to take possession of the business and property in Connecticut of a Connecticut branch of a foreign bank under certain defined circumstances upon the Commissioner’s determination that such action is necessary for the protection of the interests of the creditors of the foreign bank’s business in Connecticut or for the protection of the public interest. Those circumstances include the violation of any law, unsafe business procedures, capital impairments, the suspension of payment of obligations, the initiation of liquidation proceedings against the foreign bank in the jurisdiction of its domicile or elsewhere or the existence of reason to doubt the ability or willingness of the bank to pay in full the claims of its creditors. In liquidating or dealing with the Stamford branch’s business after taking possession of the Stamford branch, only the claims of creditors unaffiliated with UBS AG that arose out of transactions with the Stamford branch would be accepted by the Commissioner for payment out of UBS AG’s assets located in Connecticut. As described below, any such proceedings by the Connecticut Banking Department may be superseded by comparable federal proceedings.

Under the Connecticut Banking Law, the Stamford branch is generally subject to the same lending limits to a single borrower, expressed as a ratio of capital, that apply to a Connecticut state-chartered bank, except that for the Stamford branch such limits are based on the capital of UBS AG.

## **New York Branch**

The New York branch is licensed by the Office of the Comptroller of the Currency (the “OCC”) under the federal laws of the United States. The New York branch is examined by the OCC and the Federal Reserve Bank of New York and is subject to U.S. federal banking laws and regulations applicable to a foreign bank that operates a federally licensed branch located in New York.

Under U.S. federal banking laws and regulations, UBS AG must maintain a capital equivalency deposit with banks located in New York consisting of specified types of investment securities, U.S. dollar deposits, investment-grade certificates of deposit or other specified assets in an amount not less than the greater of (1) the amount of capital that would be required of a national bank organized at the New York branch’s location or (2) 5% of the liabilities of the New York branch (excluding liabilities to other offices, branches and subsidiaries of UBS AG). Under U.S. federal banking laws and regulations, the OCC is also empowered to require federally licensed branches of foreign banks to maintain in New York certain assets for prudential, supervisory or enforcement reasons. At present, the OCC has not required any such asset maintenance with respect to the New York branch, although specific asset maintenance requirements may be imposed upon individual branches on a case-by-case basis.

Under U.S. federal banking law, the New York branch is generally subject to the same lending limits to a single borrower, expressed as a ratio of capital, that apply to a national bank, except that for the New York branch the limits are based on the capital of UBS AG. In determining compliance with these lending limits, UBS AG must aggregate the transactions of all of its federally and state licensed branches.

## **U.S. Federal Regulation**

Because UBS AG maintains federally licensed branches in the United States, the OCC has the authority to take possession of all the property and assets of UBS AG in the United States, including the New York and Stamford branches, if any creditor of UBS AG has an unsatisfied judgment against one of the federally licensed offices of UBS AG or if the Comptroller determines that UBS AG is insolvent. If the OCC does so, only claims of unaffiliated creditors against any branch or agency of UBS AG in the United States may be satisfied out of the property and assets in the United States, and once those claims have been satisfied any remaining assets would be turned over to the head office of UBS AG or, if applicable, its liquidator or receiver. This proceeding would supersede the Connecticut proceedings described above.

The New York branch, the Stamford branch and UBS AG are also subject to U.S. federal laws and regulations, primarily under the International Banking Act of 1978 (the “IBA”). Under the IBA, all branches and agencies of foreign banks in the United States are subject to reporting and examination requirements similar to those imposed on domestic banks that are owned or controlled by U.S. bank holding companies, and most U.S. branches and agencies of foreign banks, including the New York branch and the Stamford branch, are subject to reserve requirements on deposits and to restrictions on the payment of interest on demand deposits pursuant to regulations of the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”). Under the IBA, UBS AG is restricted from opening new full service branches and establishing or acquiring subsidiary banks in states outside of its “home state,” which is Connecticut, unless permitted by state law. The IBA and the Bank Holding Company Act of 1956, as amended (the “BHCA”), also restrict UBS AG’s ability to engage in non-banking activities in the United States and require Federal Reserve Board approval for certain types of expansion of its U.S. operations. State-licensed branches, such as the Stamford branch, are not permitted to engage in any type of activity that is not permissible for federally licensed branches, which in turn are generally subject to the regulations pertaining to national banks, unless the Federal Reserve Board has determined that the activity is consistent with sound banking practice. In addition to state-imposed limitations, state licensed branches are subject to the same limitations on loans made to a single borrower as are applicable to federally-licensed branches.

Under the IBA, UBS AG is a foreign banking organization that is subject to the BHCA and to the regulation and supervision of the Federal Reserve Board under the BHCA. UBS AG has elected to be treated as a financial holding company (a “FHC”) under the BHCA. Under the BHCA, foreign banking organizations that are subject to the BHCA but are not FHCs generally are limited to engaging in the business of banking, managing or controlling banks, and other activities that the Federal Reserve Board has determined to be so closely related to banking as to be a proper incident thereto.

A foreign banking organization, such as UBS AG, may elect to be a FHC and engage in a broader range of financial activities than those traditionally permissible for U.S. bank holding companies if its U.S. branches meet certain requirements with respect to management, it meets certain requirements with respect to capitalization and its U.S. depository institutions (if any) meet certain requirements with respect to management, capitalization and compliance with the Community Reinvestment Act of 1977. Under the BHCA, a FHC such as UBS AG may (1) without the prior approval of the Federal Reserve Board, engage in any activity, or acquire and retain the shares of any company engaged in any activity, that is either financial in nature or incidental to such financial activity (as determined by the Federal Reserve Board in consultation with the Department of the Treasury) or (2) with the prior approval of the Federal Reserve Board, engage in any activity, or acquire and retain the shares of any company engaged in any activity, that is complementary to a financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally (as solely determined by the Federal Reserve Board). Activities that are financial in nature include insurance, securities underwriting and dealing, merchant banking and lending activities. Under the merchant banking provisions of the BHCA, qualifying FHCs may invest in companies that engage in activities that are not otherwise permissible, subject to certain limitations, including that the FHC limit the duration of its investment in the company and does not routinely manage the company.

A FHC that does not continue to meet all the requirements for FHC status and that is unable to remedy any issues that cause it not to meet the requirements for FHC status in a prescribed time period will lose the ability to undertake new activities or make acquisitions that are not generally permissible for bank holding companies or to continue such activities.

Federal law authorizes the Federal Reserve Board to terminate the activities of a U.S. branch of a foreign bank if it determines that the foreign bank is not subject to comprehensive supervision on a consolidated basis in its home country, or that there is reasonable cause to believe that the foreign bank, or an affiliate, has violated the law or engaged in an unsafe or unsound banking practice in the United States, and as a result the continued operation of the branch would be inconsistent with the public interest or the purposes of the IBA or BHCA. If the New York branch or the Stamford branch were to be closed by the Federal Reserve Board pursuant to the authority granted under federal law, or UBS AG were voluntarily to discontinue the operations of the New York branch or the Stamford branch, the holders of the notes issued by that branch would have recourse only against UBS AG, subject to any arrangements made for the payment of the liabilities of the relevant branch by the relevant regulatory authorities.

### **Other Branches**

A discussion of the regulation and supervision applicable to any other branches that become issuing branches will be provided in the applicable pricing supplement.

*For a description of the regulation and supervision of UBS AG in Switzerland and the other primary jurisdictions in which it operates, please see the 2006 Form 20-F and the other documents incorporated by reference into this offering circular.*

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## Use of Proceeds

Unless otherwise specified in the applicable pricing supplement, the net proceeds of the sales of the notes will be used by the issuing branch for general banking purposes, including making advances to other branches and subsidiaries of UBS AG, in each case outside of Switzerland.

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## Description of Notes We May Offer

*Please note that in this section entitled “Description of Notes We May Offer,” references to “UBS,” “we,” “our” and “us” refer only to UBS AG and not to its consolidated subsidiaries. Also, in this section, references to “holders” mean those who own notes registered in their own names on the books that we or the fiscal agent maintain for this purpose, and not those who own beneficial interests in notes registered in street name or in notes issued in book-entry form through one or more depositaries. Owners of beneficial interests in the notes should read the section below entitled “Legal Ownership and Book-Entry Issuance.”*

The following description of the notes will apply unless otherwise specified in the applicable pricing supplement. The following summaries of certain provisions of the notes and the fiscal agency agreement are not complete and are subject to, and are qualified in their entirety by reference to, all the terms and conditions of the fiscal agency agreement, the notes of each series and the applicable pricing supplement.

As you read this section, please remember that the specific terms of your note as described in your pricing supplement will supplement and, if applicable, may modify or replace the general terms described in this section. If there are any differences between your pricing supplement and this offering circular, your pricing supplement will control. Thus, the statements we make in this section may not apply to your note.

### **Senior and Subordinated Notes**

The notes will be either senior notes or subordinated notes. The senior notes will constitute direct and general unsecured liabilities of UBS AG, acting through the issuing branch. The subordinated notes will constitute subordinated direct and general unsecured liabilities of UBS AG, acting through the issuing branch. See “Status of Obligations” below.

### **The Fiscal Agency Agreement**

The notes will be issued under an amended and restated fiscal agency agreement, dated as of November 1, 2007, among UBS AG, acting through the New York branch and the Stamford branch, U.S. Bank Trust National Association (“U.S. Bank”), in its capacity as fiscal agent, as calculation agent, as principal paying agent, as transfer agent and as registrar, and UBS AG, acting through its London branch, in its capacity as paying agent and issuing agent (the “London paying agent”). The fiscal agent is the agent of the issuing branch, is not a trustee for the holders of the notes and does not have the same responsibilities or duties to act for those holders as would a trustee.

The notes are not being registered with the SEC and are offered pursuant to an exemption from registration under Section 3(a)(2) of the Securities Act. The fiscal agency agreement is not, and is not required to be, qualified under the Trust Indenture Act. The notes are not insured by the FDIC.

Unless otherwise specified in the applicable pricing supplement, U.S. Bank will also act as calculation agent.

A copy of the fiscal agency agreement is available for inspection at the office of the fiscal agent located at 100 Wall Street, New York, New York 10005.

### **We May Issue Many Series of Notes**

The notes will be issued in series, and each series will be the subject of a pricing supplement prepared by or on behalf of the issuing branch. A copy of the applicable pricing supplement will be available at the specified office of the fiscal agent and, where the notes are listed on the Luxembourg Stock Exchange or the Euro MTF, the Luxembourg paying agent. If application is made for listing a series on a particular securities exchange, the applicable pricing supplement will also be delivered to the exchange. Unless otherwise indicated in the applicable pricing supplement, we may elect to reopen a series, in which case we may issue additional notes of the same series on an issue date following the original issue date of the series.

## **Amounts that We May Issue**

There is no limit on the number of series or the aggregate principal amount of notes that may be issued under the fiscal agency agreement. Furthermore, the fiscal agency agreement and the notes do not limit our ability to incur other indebtedness, including indebtedness senior to any subordinated notes we may issue, or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the notes.

However, the maximum principal amount of all notes outstanding under this program at any time will not exceed \$35,000,000,000 or its equivalent in any other currencies, currency units or composite currencies. UBS AG will have the right to increase the size of the program, or issue securities under any other program, at any time without any limitation.

## **Principal Amount, Stated Maturity and Maturity**

The principal amount of a note means the principal amount payable at its stated maturity, unless that amount is not determinable, in which case the principal amount of the note is its face amount.

The term “stated maturity” with respect to any note means the day on which the principal amount of the note is scheduled to become due. The principal may become due sooner, by reason of redemption or acceleration after a default or otherwise in accordance with the terms of the note. The day on which the principal actually becomes due, whether at the stated maturity or earlier, is called the “maturity” of the principal.

We also use the terms “stated maturity” and “maturity” to refer to the days when other payments become due. For example, we may refer to a regular interest payment date when an installment of interest is scheduled to become due as the “stated maturity” of that installment.

When we refer to the “stated maturity” or the “maturity” of a note without specifying a particular payment, we mean the stated maturity or maturity, as the case may be, of the principal.

## **Types of Notes**

Both senior notes and subordinated notes may be issued as:

- fixed rate notes, which bear interest on a fixed rate basis;
- floating rate notes, which bear interest on a floating rate basis;
- zero coupon notes, which are non-interest bearing; or
- any combination of these types, as specified in the applicable pricing supplement.

Notes may also be issued that are:

- multi-currency notes, on which principal and/or interest is or may be payable in one or more currencies other than the specified currency in which the notes are denominated; or
- indexed notes, on which principal and/or interest payable is calculated by reference to an index and/or formula (which may include a basket of currencies).

Multi-currency notes and indexed notes may bear interest on a fixed or floating rate basis or may be non-interest bearing, or may bear interest on a combination of such bases, in which case provisions relating to fixed rate notes, floating rate notes, zero coupon notes or a combination will apply to the multi-currency or indexed notes.

## **Governing Law**

The fiscal agency agreement and the notes will be governed by, and construed in accordance with, the laws of the State of New York.

## Currency of Notes

The notes will be denominated in the currency, currency unit or composite currency specified in the applicable pricing supplement, subject to compliance with applicable legal or regulatory requirements. We refer to this currency, composite currency, basket of currencies or currency unit or units as a “specified currency.” Unless otherwise specified in the applicable pricing supplement, purchasers of notes denominated in a specified currency must pay for the notes in the specified currency.

Amounts that become due and payable on your note in cash will be payable in the specified currency for your note, unless your pricing supplement states otherwise. Some notes may have different specified currencies for principal and interest. We will make payments on your notes in the specified currency or currencies, except as described below in “—Payment Mechanics for Notes.” See “Considerations Relating to Notes Denominated or Payable in or Linked to a Non-U.S. Dollar Currency” below for more information about risks of investing in this kind of notes.

## Interest Bearing Notes

This subsection describes general terms relating to the different kinds of interest rates that may apply to your note, if it bears interest.

Please remember that the specific terms of your note as described in your pricing supplement will supplement and, if applicable, may modify or replace the general terms regarding interest rates and payments of interest described in this subsection. The statements in this subsection may not apply to your note.

### Fixed Rate Notes

Each fixed rate note, except a zero coupon note, will bear interest from its original issue date or from the most recent date to which interest on the note has been paid or made available for payment. Interest will accrue on the principal of a fixed rate note at the fixed yearly rate stated in the applicable pricing supplement, until the principal is paid or made available for payment. Unless otherwise specified in the applicable pricing supplement, interest on a fixed rate note will be payable semi-annually each May 15 and November 15, which will be the interest payment dates for the fixed rate note, and at maturity. Each payment of interest due on an interest payment date or at maturity will include interest accrued from and including the last date to which interest has been paid, or made available for payment, or from the issue date if none has been paid or made available for payment, to but excluding the interest payment date or the date of maturity. The issuing branch will compute interest on fixed rate notes on the basis of a 360-day year of twelve 30-day months. The issuing branch will make each interest payment as described above under “— Payments and Paying Agents.”

### Floating Rate Notes

This subsection uses several specialized terms relating to the manner in which floating interest rates are calculated. These terms appear in bold type the first time they appear, and are defined in “— Special Rate Calculation Terms” at the end of this subsection.

Each floating rate note will bear interest from its original issue date or from the most recent date to which interest on the note has been paid or made available for payment. Interest will accrue on the principal of a floating rate note at the rate determined according to the interest rate formula stated in the applicable pricing supplement, until the principal is paid or made available for payment. Interest on a floating rate note will be payable on each interest payment date specified in the applicable pricing supplement and at maturity. The issuing branch will make each interest payment as described under “— Payments and Paying Agents” above.

**Base Rates.** The issuing branches currently expect to issue floating rate notes that bear interest at rates based on one or more of the following base rates:

- commercial paper rate
- prime rate
- LIBOR

## Description of Notes We May Offer

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- EURIBOR
- treasury rate
- CMT rate
- CD rate
- federal funds rate

An issuing branch may also select another interest base rate, in which case it will describe the base rate in the applicable pricing supplement. Each of these base rates is described in further detail below in this subsection. If you purchase a floating rate note, your pricing supplement will specify the type of base rate that applies to your note.

**Initial Base Rate.** For any floating rate note, the base rate in effect from the original issue date to the first interest reset date will be the initial base rate. The initial base rate will be specified in the applicable pricing supplement.

**Spread or Spread Multiplier.** In some cases, the base rate for a floating rate note may be adjusted:

- by adding or subtracting a specified number of base points, called the spread, with one basis point being 0.01%; or
- by multiplying the base rate by a specified percentage, called the spread multiplier.

If you purchase a floating rate note, your pricing supplement will specify whether a spread or spread multiplier will apply to your note and, if so, the amount of the spread or spread multiplier.

**Maximum and Minimum Rates.** The interest rate, after being adjusted by the spread or spread multiplier, may also be subject to either or both of the following limits:

- a maximum rate — *i.e.*, a specified upper limit that the actual interest rate in effect at any time may not exceed; and/or
- a minimum rate — *i.e.*, a specified lower limit that the actual interest rate in effect at any time may not fall below.

If you purchase a floating rate note, your pricing supplement will specify whether a maximum rate and/or minimum rate will apply to your note and, if so, what those rates are.

Whether or not a maximum rate applies, the interest rate on a floating rate note will in no event be higher than the maximum rate permitted by New York law, as it may be modified by U.S. law of general application. Under current New York law, the maximum rate of interest, with some exceptions, for any loan in an amount less than \$250,000 is 16% and for any loan in the amount of \$250,000 or more but less than \$2,500,000 is 25% per year on a simple interest basis. These limits do not apply to loans of \$2,500,000 or more.

The rest of this subsection describes how the interest rate and the interest payment dates will be determined, and how interest will be calculated, on a floating rate note.

**Interest Reset Dates.** The interest rate on a floating rate note will be reset, by the calculation agent described below, daily, weekly, monthly, quarterly, semi-annually or annually. The date on which the interest rate resets and the reset rate becomes effective is called the interest reset date. Except as otherwise specified in the applicable pricing supplement, the interest reset date will be as follows:

- for floating rate notes that reset daily, each business day;
- for floating rate notes that reset weekly and are not treasury rate notes, the Wednesday of each week;

- for treasury rate notes that reset weekly, the Tuesday of each week, except as otherwise described in the next to last paragraph under “Interest Determination Dates” below;
- for floating rate notes that reset monthly, the third Wednesday of each month;
- for floating rate notes that reset quarterly, the third Wednesday of March, June, September and December of each year;
- for floating rate notes that reset semi-annually, the third Wednesday of each of two months of each year as specified in the applicable pricing supplement; and
- for floating rate notes that reset annually, the third Wednesday of one month of each year as specified in the applicable pricing supplement.

For a floating rate note, the interest rate in effect on any particular day will be the interest rate determined with respect to the latest interest reset date that occurs on or before that day. There are several exceptions, however, to the reset provisions described above.

The base rate in effect from the original issue date to the first interest reset date will be the initial base rate. For floating rate notes that reset daily or weekly, the base rate in effect for each day following the second business day before an interest payment date to, but excluding, the interest payment date, and for each day following the second business day before the maturity to, but excluding, the maturity, will be the base rate in effect on that second business day.

If any interest reset date for a floating rate note would otherwise be a day that is not a business day, the interest reset date will be postponed to the next day that is a business day. For a LIBOR or EURIBOR note, however, if that business day is in the next succeeding calendar month, the interest reset date will be the immediately preceding business day.

**Interest Determination Dates.** The interest rate that takes effect on an interest reset date will be determined by the calculation agent by reference to a particular date called an interest determination date. Except as otherwise specified in the applicable pricing supplement:

- For all floating rate notes other than LIBOR notes, EURIBOR notes and treasury rate notes, the interest determination date relating to a particular interest reset date will be the second business day before the interest reset date.
- For LIBOR notes, the interest determination date relating to a particular interest reset date will be the second London business day preceding the interest reset date, unless the index currency is pounds sterling, in which case the interest determination date will be the interest reset date.
- For EURIBOR notes, the interest determination date relating to a particular interest reset date will be the second euro business day preceding the interest reset date.
- For treasury rate notes, the interest determination date relating to a particular interest reset date will be the day of the week in which the interest reset date falls on which treasury bills — *i.e.*, direct obligations of the U.S. government — would normally be auctioned. Treasury bills are usually sold at auction on the Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, though the auction may be held on the preceding Friday. If as the result of a legal holiday an auction is held on the preceding Friday, that Friday will be the treasury interest determination date relating to the interest reset date occurring in the next succeeding week. If the auction is held on a day that would otherwise be an interest reset date, then the interest reset date will instead be the first business day following the auction date.

**Interest Calculation Dates.** As described above, the interest rate that takes effect on a particular interest reset date will be determined by reference to the corresponding interest determination date. Except for LIBOR notes and EURIBOR notes, however, the determination of the rate will actually be made on a day no later than the corresponding interest calculation date. The interest calculation date will be the earlier of the following:

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- the tenth calendar day after the interest determination date or, if that tenth calendar day is not a business day, the next succeeding business day; and
- the business day immediately preceding the interest payment date or the maturity, whichever is the day on which the next payment of interest will be due.

The calculation agent need not wait until the relevant interest calculation date to determine the interest rate if the rate information it needs to make the determination is available from the relevant sources sooner.

**Interest Payment Dates.** The interest payment dates for a floating rate note will depend on when the interest rate is reset and, unless otherwise specified in the applicable pricing supplement, will be as follows:

- for floating rate notes that reset daily, weekly or monthly, the third Wednesday of each month or the third Wednesday of March, June, September and December of each year, as specified in the applicable pricing supplement;
- for floating rate notes that reset quarterly, the third Wednesday of March, June, September and December of each year;
- for floating rate notes that reset semi-annually, the third Wednesday of the two months of each year specified in the applicable pricing supplement; or
- for floating rate notes that reset annually, the third Wednesday of the month specified in the applicable pricing supplement.

Regardless of these rules, if a note is originally issued after the record date and before the date that would otherwise be the first interest payment date, the first interest payment date will be the date that would otherwise be the second interest payment date.

Unless otherwise specified in the applicable pricing supplement, the initial interest payment date for a registered note will not be earlier than the fifteenth day following the issue date of the note.

In addition, the following special provision will apply to a floating rate note with regard to any interest payment date other than one that falls on the maturity. If the interest payment date would otherwise fall on a day that is not a business day, then the interest payment date will be the next day that is a business day. If, however, the floating rate note is a LIBOR note or a EURIBOR note and the next business day falls in the next calendar month, then the interest payment date will be advanced to the next preceding day that is a business day. In all cases, an interest payment date that falls on the maturity will not be changed.

**Record Dates.** Unless otherwise specified in the applicable pricing supplement, the record date for any payment on a definitive registered note will be the fifteenth day, whether or not a business day, before the relevant scheduled payment date.

### Calculation of Interest

Calculations relating to floating rate notes will be made by the calculation agent, an institution that the issuing branch appoints as its agent for this purpose. That institution may include any affiliate of UBS AG, such as UBS AG's London branch. The pricing supplement for a particular floating rate note will name the institution that the issuing branch has appointed to act as the calculation agent for that note as of its original issue date. The issuing branch may appoint a different institution to serve as a calculation agent from time to time after the original issue date of the note without your consent and without notifying you of the change.

For each floating rate note, the calculation agent will determine, on the corresponding interest calculation or determination date, as described in the applicable pricing supplement, the interest rate that takes effect on each interest reset date. In addition, the calculation agent will calculate the amount of interest that has accrued during each interest period — *i.e.*, the period from and including the original issue date, or the last date to which interest has been paid or made available for payment, to but excluding the payment date. For each interest period, the calculation agent will calculate the amount of accrued interest by multiplying the face or other specified amount of

the floating rate note by an accrued interest factor for the interest period. This factor will be equal to the sum of the interest factors calculated for each day during the interest period. The interest factor for each day will be expressed as a decimal and will be calculated by dividing the interest rate, also expressed as a decimal, applicable to that day:

- by 360, in the case of commercial paper rate notes, prime rate notes, LIBOR notes, EURIBOR notes, CD rate notes and federal funds rate notes; or
- by the actual number of days in the year, in the case of treasury rate notes and CMT rate notes.

Upon the request of the holder of any floating rate note, the calculation agent will provide for that note the interest rate then in effect and, if determined, the interest rate that will become effective on the next interest reset date. The calculation agent's determination of any interest rate, and its calculation of the amount of interest for any interest period, will be final and binding in the absence of manifest error. So long as any series of outstanding notes are admitted to trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the issuer will communicate the calculation agent's determination of any interest rate as soon as possible after such determination to the Luxembourg Stock Exchange.

All percentages resulting from any calculation relating to a note will be rounded upward or downward, as appropriate, to the next higher or lower one hundred-thousandth of a percentage point, *e.g.*, 9.876541% (or .09876541) being rounded down to 9.87654% (or 0.0987654), and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655). All amounts used in or resulting from any calculation relating to a floating rate note will be rounded upward or downward, as appropriate, to the nearest cent, in the case of U.S. dollars, or to the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, with one-half cent or one-half a corresponding hundredth of a unit or more being rounded upward.

In determining the base rate that applies to a floating rate note during a particular interest period, the calculation agent may obtain rate quotes from various banks or dealers active in the relevant market, as described in the applicable pricing supplement. Those reference banks and dealers may include the calculation agent itself and its affiliates, as well as any underwriter, dealer, or agent participating in the distribution of the relevant floating rate notes and its affiliates, and they may include affiliates of UBS AG.

The calculation agent for each issue of the notes will be set forth in the applicable pricing supplement.

#### **Commercial Paper Rate Notes**

If you purchase a commercial paper rate note, your note will bear interest at a base rate equal to the commercial paper rate and adjusted by the spread or spread multiplier, if any, specified in the applicable pricing supplement.

The commercial paper rate will be the money market yield of the rate, for the relevant interest determination date, for commercial paper having the index maturity specified in the applicable pricing supplement, as published in H.15 (519) under the heading "Commercial Paper—Nonfinancial." If the commercial paper rate cannot be determined as described above, the following procedures will apply:

- If the rate described above does not appear in H.15 (519) at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the commercial paper rate will be the rate, for the relevant interest determination date, for commercial paper having the index maturity specified in the applicable pricing supplement, as published in H.15 daily update or any other recognized electronic source used for displaying that rate, under the heading "Commercial Paper—Nonfinancial."
- If the rate described above does not appear in H.15 (519), H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the commercial paper rate will be the money market yield of the arithmetic mean of the following offered rates for U.S. dollar commercial paper that has the relevant index maturity and is placed for an industrial issuer whose bond rating is "AA," or the equivalent, from a nationally recognized rating agency: the rates offered as of 11:00 A.M., New York City time, on the relevant interest determination date, by three leading U.S. dollar commercial paper dealers in New York City selected by the calculation agent.

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- If fewer than three dealers selected by the calculation agent are quoting as described above, the commercial paper rate for the new interest period will be the commercial paper rate in effect for the prior interest period. If the initial base rate has been in effect for the prior interest period, however, it will remain in effect for the new interest.

### Prime Rate Notes

If you purchase a prime rate note, your note will bear interest at a base rate equal to the prime rate as adjusted by the spread or spread multiplier, if any, specified in the applicable pricing supplement.

The prime rate will be the rate, for the relevant interest determination date, published in H.15 (519) under the heading "Bank Prime Loan." If the prime rate cannot be determined as described above, the following procedures will apply:

- If the rate described above does not appear in H.15 (519) at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the prime rate will be the rate, for the relevant interest determination date, as published in H.15 daily update or another recognized electronic source used for the purpose of displaying that rate, under the heading "Bank Prime Loan."
- If the rate described above does not appear in H.15 (519), H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the prime rate will be the arithmetic mean of the following rates as they appear on the Reuters screen US PRIME 1 page: the rate of interest publicly announced by each bank appearing on that page as that bank's prime rate or base lending rate, as of 11:00 A.M., New York City time, on the relevant interest determination date.
- If fewer than four of these rates appear on the Reuters screen US PRIME 1 page, the prime rate will be the arithmetic mean of the prime rates or base lending rates, as of the close of business on the relevant interest determination date, of three major banks in New York City selected by the calculation agent. For this purpose, the calculation agent will use rates quoted on the basis of the actual number of days in the year divided by a 360-day year.
- If fewer than three banks selected by the calculation agent are quoting as described above, the prime rate for the new interest period will be the prime rate in effect for the prior interest period. If the initial base rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

### LIBOR Notes

If you purchase a LIBOR note, your note will bear interest at a base rate equal to LIBOR, which will be the London interbank offered rate for deposits in U.S. dollars or any other index currency, as specified in the applicable pricing supplement. In addition, the applicable LIBOR base rate will be adjusted by the spread or spread multiplier, if any, specified in the applicable pricing supplement. LIBOR will be determined in the following manner:

- LIBOR will be either:
  - the offered rate appearing on the Reuters screen LIBOR01 page; or
  - the arithmetic mean of the offered rates appearing on the Reuters screen LIBO page unless that page by its terms cites only one rate, in which case that rate;

in either case, as of 11:00 A.M., London time, on the relevant interest determination date, for deposits of the relevant index currency having the relevant index maturity beginning on the relevant interest reset date. The applicable pricing supplement will indicate the index currency, the index maturity and the reference page that will apply to your LIBOR note. If no reference page is specified in the applicable pricing supplement, the Reuters screen LIBOR01 page will apply to your LIBOR note.

- If the Reuters screen LIBOR01 page applies and the rate described above does not appear on that page, or if Reuters screen LIBO page applies and fewer than two of the rates described above appears on that page or no

rate appears on any page on which only one rate normally appears, then LIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the relevant interest determination date, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the calculation agent: deposits of the index currency having the relevant index maturity, beginning on the relevant interest reset date, and in a representative amount. The calculation agent will request the principal London office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, LIBOR for the relevant interest determination date will be the arithmetic mean of the quotations.

- If fewer than two quotations are provided as described above, LIBOR for the relevant interest determination date will be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M., in the principal financial center for the country of the index currency, on that interest determination date, by three major banks in that financial center selected by the calculation agent: loans of the index currency having the relevant index maturity, beginning on the relevant interest reset date, and in a representative amount.
- If fewer than three banks selected by the calculation agent are quoting as described above, LIBOR for the new interest period will be LIBOR in effect for the prior interest period. If the initial base rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

#### **EURIBOR Notes**

If you purchase a EURIBOR note, your note will bear interest at a base rate equal to the interest rate for deposits in euros designated as “EURIBOR” and sponsored jointly by the European Banking Federation and ACI — the Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing that rate. In addition, the EURIBOR base rate will be adjusted by the spread or spread multiplier, if any, specified in the applicable pricing supplement, EURIBOR will be determined in the following manner:

- EURIBOR will be the offered rate for deposits in euros having the index maturity specified in the applicable pricing supplement, beginning on the second euro business day after the relevant interest determination date, as that rate appears on Reuters screen EURIBOR01 page as of 11:00 A.M., Brussels time, on the relevant interest determination date.
- If the rate described above does not appear on Reuters screen EURIBOR01 page, EURIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., Brussels time, on the relevant interest determination date, at which deposits of the following kind are offered to prime banks in the euro-zone interbank market by the principal euro-zone office of each of four major banks in that market selected by the calculation agent: euro deposits having the relevant index maturity, beginning on the relevant interest reset date, and in a representative amount. The calculation agent will request the principal euro-zone office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, EURIBOR for the relevant interest determination date will be the arithmetic mean of the quotations.
- If fewer than two quotations are provided as described above, EURIBOR for the relevant interest determination date will be the arithmetic mean of the rates for loans of the following kind to leading euro-zone banks quoted, at approximately 11:00 A.M., Brussels time on that interest determination date, by three major banks in the euro-zone selected by the calculation agent: loans of euros having the relevant index maturity beginning on the relevant interest reset date, and in a representative amount.
- If fewer than three banks selected by the calculation agent are quoting as described above, EURIBOR for the new interest period will be EURIBOR in effect for the prior interest period. If the initial base rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

#### **Treasury Rate**

If you purchase a treasury rate note, your note will bear interest at a base rate equal to the treasury rate and adjusted by the spread or spread multiplier, if any, specified in the applicable pricing supplement.

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The treasury rate will be the rate for the auction, on the relevant interest determination date, of treasury bills having the index maturity specified in the applicable pricing supplement, as that rate appears on Reuters screen USAUCTION10 or USAUCTION11 page under the heading “Investment Rate.” If the treasury rate cannot be determined in this manner, the following procedures will apply:

- If the rate described above does not appear on such page at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, the treasury rate will be the bond equivalent yield of the rate, for the relevant interest determination date, for the type of treasury bill described above, as published in H.15 daily update, or another recognized electronic source used for displaying that rate, under the heading “U.S. Government Securities/Treasury Bills/Auction High.”
- If the rate described in the prior paragraph does not appear in H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the treasury rate will be the bond equivalent yield of the auction rate, for the relevant interest determination date and for treasury bills of the kind described above, as announced by the U.S. Department of the Treasury.

### CMT Rate Notes

If you purchase a CMT rate note, your note will bear interest at a base rate equal to the CMT rate and adjusted by the spread or spread multiplier, if any, specified in the applicable pricing supplement.

The CMT rate will be the following rate displayed on the designated CMT Reuters page under the heading “. . . Treasury Constant Maturities . . . Federal Reserve Board Release H.15 . . . Mondays Approximately 3:45 P.M.,” under the column for the designated CMT index maturity:

- if the designated CMT Reuters page is Reuters screen FRBCMT page, the rate for the relevant interest determination date; or
- if the designated CMT Reuters page is Reuters screen FEDCMT page, the weekly or monthly average, as specified in the applicable pricing supplement, for the week that ends immediately before the week in which the relevant interest determination date falls, or for the month that ends immediately before the month in which the relevant interest determination date falls, as applicable.

If the CMT rate cannot be determined in this manner, the following procedures will apply:

- If the applicable rate described above is not displayed on the relevant designated CMT Reuters page at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the CMT rate will be the applicable treasury constant maturity rate described above — *i.e.*, for the designated CMT index maturity and for either the relevant interest determination date or the weekly or monthly average, as applicable — as published in H.15 (519).
- If the applicable rate described above does not appear in H.15 (519) at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the CMT rate will be the treasury constant maturity rate, or other U.S. treasury rate, for the designated CMT index maturity and with reference to the relevant interest determination date, that:
  - is published by the Board of Governors of the Federal Reserve System, or the U.S. Department of the Treasury; and
  - is determined by the calculation agent to be comparable to the applicable rate formerly displayed on the designated CMT Reuters page and published in H.15 (519).
- If the rate described in the prior paragraph does not appear at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the CMT rate will be the yield to maturity of the arithmetic mean of the following secondary market offered rates for the most recently issued treasury notes having an original maturity of

approximately the designated CMT index maturity and a remaining term to maturity of not less than the designated CMT index maturity minus one year, and in a representative amount: the offered rates, as of approximately 3:30 P.M., New York City time, on the relevant interest determination date, of three primary U.S. government securities dealers in New York City selected by the calculation agent. In selecting these offered rates, the calculation agent will request quotations from five of these primary dealers and will disregard the highest quotation — or, if there is equality, one of the highest — and the lowest quotation — or, if there is equality, one of the lowest. Treasury notes are direct, non-callable, fixed rate obligations of the U.S. government.

- If the calculation agent is unable to obtain three quotations of the kind described in the prior paragraph, the CMT rate will be the yield to maturity of the arithmetic mean of the following secondary market offered rates for treasury notes with an original maturity longer than the designated CMT index maturity, with a remaining term to maturity closest to the designated CMT index maturity and in a representative amount: the offered rates, as of approximately 3:30 P.M., New York City time, on the relevant interest determination date, of three primary U.S. government securities dealers in New York City selected by the calculation agent. In selecting these offered rates, the calculation agent will request quotations from five of these primary dealers and will disregard the highest quotation — or, if there is equality, one of the highest — and the lowest quotation — or, if there is equality, one of the lowest. If two treasury notes with an original maturity longer than the designated CMT index maturity have remaining terms to maturity that are equally close to the designated CMT index maturity, the calculation agent will obtain quotations for the treasury note with the shorter remaining term to maturity.
- If fewer than five but more than two of these primary dealers are quoting as described in the prior paragraph, then the CMT rate for the relevant interest determination date will be based on the arithmetic mean of the offered rates so obtained, and neither the highest nor the lowest of those quotations will be disregarded.
- If two or fewer primary dealers selected by the calculation agent are quoting as described above, the CMT rate in effect for the new interest period will be the CMT rate in effect for the prior interest period. If the initial base rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

#### **CD Rate Notes**

If you purchase a CD rate note, your note will bear interest at a base rate equal to the CD rate and adjusted by the spread or spread multiplier, if any, specified in the applicable pricing supplement.

The CD rate will be the rate, on the relevant interest determination date, for negotiable U.S. dollar certificates of deposit having the index maturity specified in your pricing supplement, as published in H.15 (519) under the heading “CDs (Secondary Market).” If the CD rate cannot be determined in this manner, the following procedures will apply:

- If the rate described above does not appear in H.15 (519) at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the CD rate will be the rate, for the relevant interest determination date, described above as published in H.15 daily update, or another recognized electronic source used for displaying that rate, under the heading “CDs (Secondary Market).”
- If the rate described above does not appear in H.15 (519), H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the CD rate will be the arithmetic mean of the following secondary market offered rates for negotiable U.S. dollar certificates of deposit of major U.S. money center banks with a remaining maturity closest to the specified index maturity, and in a representative amount: the rates offered as of 10:00 A.M., New York City time, on the relevant interest determination date, by three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in New York City, as selected by the calculation agent.

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- If fewer than three dealers selected by the calculation agent are quoting as described above, the CD rate in effect for the new interest period will be the CD rate in effect for the prior interest period. If the initial base rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

### **Federal Funds Rate Notes**

If you purchase a federal funds rate note, your note will bear interest at a base rate equal to the federal funds rate and adjusted by the spread or spread multiplier, if any, specified in the applicable pricing supplement.

The federal funds rate will be the rate for U.S. dollar federal funds on the relevant interest determination date, as published in H.15 (519) under the heading “Federal Funds (Effective),” as that rate is displayed on Reuters screen FEDFUNDS1 page. If the federal funds rate cannot be determined in this manner, the following procedures will apply:

- If the rate described above is not displayed on Reuters screen FEDFUNDS1 page at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the federal funds rate, for the relevant interest determination date, will be the rate described above as published in H.15 daily update, or another recognized electronic source used for displaying that rate, under the heading “Federal Funds (Effective).”
- If the rate described above is not displayed on Reuters screen FEDFUNDS1 page and does not appear in H.15 (519), H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the federal funds rate will be the arithmetic mean of the rates for the last transaction in overnight, U.S. dollar federal funds arranged, before 9:00 A.M., New York City time, on the relevant interest determination date, by three leading brokers of U.S. dollar federal funds transactions in New York City selected by the calculation agent.
- If fewer than three brokers selected by the calculation agent are quoting as described above, the federal funds rate in effect for the new interest period will be the federal funds rate in effect for the prior interest period. If the initial base rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

### **Renewable Floating Rate Notes**

If specified in the applicable pricing supplement, your floating rate note may be a renewable floating rate note. The interest rate and other relevant terms of your renewable floating rate note will be described in the applicable pricing supplement.

Renewable floating rate notes will mature as described in the applicable pricing supplement unless the stated maturity of all or a portion of the principal amount is extended in the following manner. The interest payment dates in May and November of each year, or in the months specified in the applicable pricing supplement, will be the election dates. On each election date, the maturity of your renewable floating rate note will be automatically extended to the interest payment date occurring twelve months after the election date, unless the holder elects to terminate the automatic extension. The holder may elect to terminate the automatic extension either as to the entire maturity or as to any portion of the maturity having a principal amount of \$1,000 or any multiple of \$1,000 (or, in the case of a note denominated in a currency other than dollars, a principal amount or multiple thereof described in the applicable pricing supplement, so long as the remaining principal amount of the notes is at least \$100,000 (or its equivalent in the applicable currency)). To make this election, the holder must give notice to the paying agent within the time frame specified in the applicable pricing supplement. If the holder elects to terminate the automatic extension as to the whole or any portion of the maturity, that whole or portion will become due and payable on the interest payment date falling six months after the election date that preceded the election date on which the holder made the election, or at such time as specified in the applicable pricing supplement. The applicable pricing supplement will also specify a final maturity date, beyond which there will be no automatic extension.

The holder of a renewable floating rate note may revoke an election to terminate the automatic extension of the entire amount as to which the election was made, or any portion of that amount having a principal amount of \$1,000 or any multiple of \$1,000 (or, in the case of a note denominated in a currency other than dollars, a principal amount

or multiple thereof described in the applicable pricing supplement, so long as the remaining principal amount of the notes is at least \$100,000 (or its equivalent in the applicable currency). To revoke an election, the holder must deliver notice to the paying agent on any day following the election but no later than 15 days before the revoked portion would otherwise mature, or at such time as specified in the applicable pricing supplement. A revocation may not be made, however, during the period between and including a record date and the immediately succeeding interest payment date.

An election to terminate the automatic extension, if not revoked in the manner described immediately above by the holder or any subsequent holder, will be binding upon any subsequent holder.

The issuing branch may redeem a renewable floating rate note in whole or in part on the interest payment dates in each year specified in the applicable pricing supplement, at a redemption price set forth in the applicable pricing supplement, together with accrued interest to the date of the redemption. If the issuing branch redeems a renewable floating rate note, it will mail notice of the redemption to each holder by first class mail, postage-prepaid, at least 180 days before the date selected for the redemption. The issuing branch will follow this procedure even if it differs from the procedures specified under “— Redemption, Repayment and Purchase” above.

### Special Rate Calculation Terms

This subsection uses several terms that have special meanings relevant to calculating floating interest rates. These terms have the following meanings:

The term “Bond Equivalent Yield” means a yield expressed as a percentage and calculated in accordance with the following formula:

$$\text{bond equivalent yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where

- “D” means the annual rate for treasury bills quoted on a bank discount basis and expressed as a decimal;
- “N” means 365 or 366, as the case may be; and
- “M” means the actual number of days in the applicable interest reset period.

The term “business day” means, for any note, a day that meets all the following applicable requirements:

- for all notes, is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close;
- if the note is a LIBOR note, is also a London business day;
- if the note has a specified currency other than U.S. dollars or euros, is also a day on which banking institutions are not authorized or obligated by law, regulation or executive order to close in the principal financial center of the country issuing the specified currency; and
- if the note is a EURIBOR note or has a specified currency of euros, or is a LIBOR note for which the index currency is euros, is also a euro business day.

The term “designated CMT index maturity” means the index maturity for a CMT rate note and will be the original period to maturity of a U.S. treasury security — either 1, 2, 3, 5, 7, 10, 20 or 30 years — specified in the applicable pricing supplement. If no such original maturity period is so specified, the designated CMT index maturity will be 2 years.

The term “designated CMT Reuters page” means the Reuters page specified in the applicable pricing supplement that displays treasury constant maturities as reported in H.15 (519). If no Reuters page is so specified, then the

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applicable page will be Reuters page FEDCMT. If Reuters page FEDCMT applies but the applicable pricing supplement does not specify whether the weekly or monthly average applies, the weekly average will apply.

The term “euro business day” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System, or any successor system, is open for business.

The term “euro-zone” means, at any time, the region comprised of the member states of the European Economic and Monetary Union that, as of that time, have adopted a single currency in accordance with the Treaty on European Union of February 1992.

“H.15 (519)” means the weekly statistical release entitled “Statistical Release H.15(519),” or any successor publication, published by the Board of Governors of the Federal Reserve System.

“H.15 daily update” means the daily update of H.15 (519) available through the Internet site of the Board of Governors of the Federal Reserve System, at <http://www.bog.frb.fed.us/releases/h15/update>, or any successor site or publication.

The term “index currency” means, with respect to a LIBOR note, the currency specified as such in the applicable pricing supplement. The index currency may be U.S. dollars or any other currency, and will be U.S. dollars unless another currency is specified in the applicable pricing supplement.

The term “index maturity” means, with respect to a floating rate note, the period to maturity of the instrument or obligation on which the interest rate formula is based, as specified in the applicable pricing supplement.

“London business day” means any day on which dealings in the relevant index currency are transacted in the London interbank market.

The term “money market yield” means a yield expressed as a percentage and calculated in accordance with the following formula:

$$\text{money market yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where

- “D” means the annual rate for commercial paper quoted on a bank discount basis and expressed as a decimal; and
- “M” means the actual number of days in the applicable interest reset period.

The term “representative amount” means an amount that, in the calculation agent’s judgment, is representative of a single transaction in the relevant market at the relevant time.

“Reuters page” means the display on the Reuters service, or any successor service, on the page or pages specified in the applicable pricing supplement, or any replacement page or pages on that service.

“Reuters screen EURIBOR01 page” means the display on the Reuters service, or any successor service, on the page designated as “EURIBOR01” or any replacement page or pages on which EURIBOR rates are displayed.

“Reuters screen FEDCMT page” means the display on the Reuters service, or any successor service, on the page designated as “FEDCMT” or any replacement page or pages on which CMT rates are displayed.

“Reuters screen FEDFUNDS1 page” means the display on the Reuters service, or any successor service, on the page designated as “FEDFUNDS1” or any replacement page or pages on which U.S. dollar federal funds rates are displayed.

“Reuters screen FRBCMT page” means the display on the Reuters service, or any successor service, on the page designated as “FRBCMT” or any replacement page or pages on which CMT rates are displayed.

“Reuters screen LIBO page” means the display on the Reuters service, or any successor service, on the page designated as “LIBO” or any replacement page or pages on which London interbank rates of major banks for the relevant index currency are displayed.

“Reuters screen LIBOR01” means the display on the Reuters service, or any successor service, on the page designated as “LIBOR01” (formerly known as Moneyline Telerate page 3750) or any replacement page or pages on which London interbank rates of major banks for the relevant index currency are displayed.

“Reuters screen USAUCTION10 or USAUCTION11 page” means the display on the Reuters service, or any successor service, on the page designated as “USAUCTION10” or “USAUCTION11” or any replacement page or pages on which U.S. Treasury auction rates are displayed.

“Reuters screen US PRIME 1 page” means the display on the Reuters service, or any successor service, on the page designated as “US PRIME 1” or any replacement page or pages on which prime rates or base lending rates of major U.S. banks are displayed.

If, when this offering circular uses the terms designated CMT Reuters page, H.15 (519), H.15 daily update, Reuters screen EURIBOR01 page, Reuters screen FEDCMT page, Reuters screen FEDFUNDS1 page, Reuters screen FRBCMT page, Reuters screen USAUCTION10 page, Reuters screen USAUCTION11 page, Reuters screen LIBO page, Reuters screen LIBOR01 page, Reuters screen US PRIME 1 page or Reuters page, this offering circular refers to a particular heading or headings on any of those pages, those references include any successor or replacement heading or headings as determined by the calculation agent.

#### **Overdue Payments**

Interest on registered notes not punctually paid or duly provided for will cease to be payable to the person in whose name the note is registered at the close of business on the relevant record date and will be payable to the person in whose name the note is registered at the close of business on a special record date to be fixed by the fiscal agent. Interest on any overdue principal and (to the extent legally enforceable) any overdue installment of interest in respect of a note will be payable at the applicable rate per annum stated, or calculated pursuant to the interest formula set forth, in the applicable note.

#### **Indexed Notes**

An issuing branch may from time to time offer indexed notes having an indexed principal amount payable on the maturity date and/or indexed coupon amounts payable on each interest payment date, which are determined by reference to one or more indexes that may be related to (i) one or more indexed currencies (such indexed notes are called currency indexed notes); (ii) one or more indexed commodities (such indexed notes are called commodity indexed notes); (iii) one or more securities indexes (such indexed notes are called securities indexed notes); or (iv) such other indexes, prices or economic measures as are described in the applicable pricing supplement. The relevant index or indexes, the method or formula for determining the indexed principal amount and/or the indexed coupon amount, and, if required, historical and other information concerning the underlying assets (as described below) will be set forth in the applicable pricing supplement, together with a description of any material U.S. federal income tax consequences relevant to the holding of such indexed notes. “Underlying assets” means:

- the currencies or composite currencies related to a currency indexed note,
- the commodity or commodities related to a commodity indexed note,
- the securities or the securities index or indexes related to a securities indexed note, or
- the other indexes, prices or economic measures related to an indexed note.

Unless otherwise specified in the applicable pricing supplement, the indexed coupon amount on an indexed note will be payable by the issuing branch based on the amount designated in the applicable pricing supplement as the “face amount” of such indexed note. The applicable pricing supplement will describe whether the principal amount of the related indexed note that would be payable upon redemption, repayment or acceleration prior to maturity will be the

face amount of such indexed note, the indexed principal amount of such indexed note at the time of redemption or repayment, or another amount specified in such pricing supplement.

If the determination of the indexed principal amount and/or the indexed coupon amount of an indexed note is based on an index calculated or announced by an original index calculation agent and the original index calculation agent either suspends the calculation or announcement of the index or changes the basis upon which the index is calculated (other than changes consistent with policies in effect at the time such indexed note was issued and permitted changes described in the applicable pricing supplement), then the index will be calculated for purposes of the indexed note by the substitute index calculation agent, which may be the issuing branch or an agent or one of their affiliates, on the same basis, and subject to the same conditions and controls, as applied to the original index calculation agent. If for any reason the index cannot be calculated on the same basis and subject to the same conditions and controls as applied to the original index calculation agent, then the indexed principal amount and/or the indexed coupon amount of the indexed note will be calculated in the manner specified in the applicable pricing supplement. Any determination by the substitute index calculation agent will be binding on all parties in the absence of manifest error.

### **Zero Coupon Notes**

If the interest rate specified in the applicable pricing supplement is “zero,” the note will be a zero coupon note and will not bear interest, except that any outstanding principal amount of the note not paid when due will bear interest from the maturity date at a rate per annum equal to the accrual yield set forth in the applicable pricing supplement. This interest will continue to accrue (to the extent permitted by applicable law both before and after judgment) until the earlier of:

- the day on which all sums due in respect of such note up to that day are received by or on behalf of the holder of such note; and
- the day on which the fiscal agent has notified the holder of receipt of all sums due in respect the note up to that date.

### **Extension of Maturity**

If specified in the applicable pricing supplement, the issuing branch will have the option to extend the stated maturity for one or more periods of whole years up to but not beyond the final maturity date specified in the applicable pricing supplement. This type of note is called an extendible note. The period of time as to which the issuing branch may extend the maturity is called the extension period. The following procedures will apply to extendible notes, unless otherwise indicated in the applicable pricing supplement.

The issuing branch may extend the maturity of an extendible note by notifying the paying agent between 45 and 60 days before the stated maturity then in effect. The stated maturity may be the original stated maturity, as described in the applicable pricing supplement, or a maturity that the issuing branch has previously extended by following these procedures. If the issuing branch notifies the paying agent that it will extend the maturity, the paying agent will send a notice to each holder by first class mail, postage prepaid, or by other means agreed upon between the issuing branch and the paying agent, at least 30 days before the stated maturity then in effect. The notice sent by the paying agent will set forth the following information:

- the issuing branch’s election to extend the maturity of the extendible note;
- the extended maturity date or, if the maturity date had previously been extended, the new extended maturity date;
- the interest rate that will apply during the extension period or, in the case of a floating rate note, the spread and/or spread multiplier, if any, applicable during the extension period; and
- the provisions, if any, for redemption and repayment during the extension period.

Once the paying agent has mailed the notice to each holder, the extension of the maturity date will take place automatically. All of the terms of the note will be the same as the terms of the note as originally issued, except those terms that are described in the notice sent by the paying agent to each holder and except as described in the following paragraph.

Not later than 10:00 A.M., New York City time, on the twentieth calendar day before the maturity date then in effect for an extendible note or, if that day is not a business day, on the next succeeding business day, the issuing branch may revoke the interest rate set forth in the extension notice sent by the paying agent to each holder and establish a higher interest rate for the extension period. If the issuing branch elects to establish a higher interest rate, the paying agent will send a notice to each holder by first class mail, postage prepaid, or by other means agreed between the issuing branch and the paying agent, of the higher interest rate in the case of a floating rate note, the higher spread and/or spread multiplier, if any. The notice of the higher rate cannot be revoked. All extendible notes as to which the maturity date has been extended will bear the higher rate for the extension period, whether or not tendered for repayment.

If the issuing branch elects to extend the maturity date of an extendible note, each holder may elect repayment of all or part of its note on the maturity date then in effect at a price equal to the principal amount plus any accrued and unpaid interest to that date. To elect repayment, a holder must give notice to the paying agent between 25 and 35 days before the maturity date in effect. The notice must consist of either:

- the note along with the completed form entitled “Option to Elect Repayment,” which is attached to the note; or
- a telegram, facsimile transmission or letter from a member of a national securities exchange, the National Association of Securities Dealers, Inc. or a commercial bank or trust company in the United States setting forth the name of the holder, the principal amount of the note, the principal amount of the note to be repaid, the certificate number or a description of the tenor and terms of the note, a statement that the option to elect repayment is being elected and a guarantee that the note, together with the completed form entitled “Option to Elect Repayment” will be received by the paying agent no later than the fifth business day after the date of the telegram, facsimile transmission or letter. The telegram, facsimile transmission or letter will become effective upon receipt, by that fifth business day, of the note and complete form.

The holder may revoke the election of repayment by sending to the paying agent written notice by 3:00 P.M., New York City time, on the twentieth day before the maturity date then in effect or, if that day is not a business day, on the next succeeding business day.

So long as any series of outstanding notes are admitted to trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the issuer will communicate any extension of the maturity date of an extendible note as soon as possible to the Luxembourg Stock Exchange.

## **Redemption, Repayment and Purchase**

The notes will not be subject to redemption at the option of the issuing branch or repayment at the option of a noteholder, except as specified below and/or in the applicable pricing supplement, in each case subject to compliance with applicable laws and regulations.

### **Redemption for Tax Reasons**

Unless otherwise specified in the applicable pricing supplement, the issuing branch or successor office, as the case may be, may, on giving not more than 60 nor less than 30 days’ notice to the fiscal agent (which notice shall be irrevocable), redeem the notes of any series issued by that issuing branch or successor office, as the case may be, at a redemption price equal to the early redemption amount plus any related additional amounts, in each case with respect to the notes being redeemed, if the issuing branch or successor office, as the case may be, determines that, as a result of any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of a relevant jurisdiction (as defined below) or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the later of the Issue Date of such notes or the date a successor office assumes the obligations under such note, if applicable, the issuing branch or successor office, as the case may be, has or will become obligated to pay

## Description of Notes We May Offer

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additional amounts with respect to the notes of that series as described below under “Additional Amounts.” The fiscal agent will notify the noteholders at least 20 days prior to the date fixed for any such redemption. Prior to giving any notice of redemption for tax reasons as described in this paragraph, the issuing branch or successor office, as the case may be, must deliver to the fiscal agent:

- a certificate stating that the issuing branch is entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to the right of the issuing branch to redeem have occurred; and
- an opinion of counsel to such effect based on such statement of facts.

However, no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the issuing branch or successor office, as the case may be, would be obligated to pay the additional amounts if a payment in respect of the notes or any coupons were then due.

The term “relevant jurisdiction” means:

- the United States and Switzerland; and
- if a branch or agency of UBS AG located outside the United States and Switzerland is substituted for the issuing branch as the primary obligor of the relevant series of notes as described under “Description of Notes We May Offer— Substitution of Issuer” below (such branch or agency, the “successor office”), the country in which the successor office is located.

### **Redemption at the Option of the Issuing Branch**

If so specified in the applicable pricing supplement, the issuing branch may, on giving (unless otherwise specified in the applicable pricing supplement) not more than 60 nor less than 30 days’ notice to the fiscal agent (which notice will be irrevocable), redeem some or all of the outstanding notes of any series on the optional redemption date(s) and at the optional redemption amount(s) specified in the applicable pricing supplement together, if applicable, with accrued interest. Unless otherwise specified in the applicable pricing supplement, the fiscal agent will notify the noteholders at least 20 days prior to the optional redemption date. In the case of a partial redemption of definitive notes of any series, the notes to be repaid will be selected individually by lot not more than 60 days prior to the date fixed for redemption and a list of the notes called for redemption will, in the case of bearer notes, be published in accordance with the provisions of the fiscal agency agreement and, in the case of registered notes, be notified to the noteholders, not less than 20 days prior to such date unless otherwise specified in the applicable pricing supplement. In the case of a partial redemption of notes of any series that are represented by a global note, the relevant notes will be redeemed in accordance with the rules of DTC, Euroclear and/or Clearstream, as applicable.

### **Repayment at the Option of the Noteholder**

If so specified in the applicable pricing supplement, upon the holder of any note giving to the fiscal agent in accordance with the provisions of the fiscal agency agreement not more than 60 nor less than 20 days’ notice (or as otherwise specified in the pricing supplement) (which notice will be irrevocable), the note will be repaid by the issuing branch on any optional repayment date specified in the applicable pricing supplement in whole or in part (provided that any remaining principal amount thereof must be at least equal to the minimum denomination specified in the applicable pricing supplement) at the optional repayment amount specified in the applicable pricing supplement together, if applicable, with accrued interest.

If, at any time during which the notes to be issued under the program are listed on the Luxembourg Stock Exchange or traded on the Euro MTF, notice to redeem such notes is given as described in “—Notice to Redeem” below, such notice will describe the procedure by which the noteholders may redeem such notes at an office or agent of the issuing branch in Luxembourg, which would be appointed by the issuing branch for such purpose.

### **Redemption of Temporary Global Notes**

If any date fixed for redemption or repayment of a bearer note with a maturity of more than 183 days is a date prior to the exchange date, the right of beneficial owners to receive payment of the portion of the redemption price or repayment amount, as applicable, that represents interest will be subject to receipt of certifications regarding non-U.S. beneficial ownership in the form required for the exchange of interests in a temporary global note, as described below under “Form of Notes; Title — Bearer Notes.”

**Notices to Redeem**

Notices to redeem notes will be given in accordance with the terms of the fiscal agency agreement and will specify the date fixed for redemption, the applicable redemption price, the place or places of payment, that payment will be made upon presentation and surrender of the notes to be redeemed (or portion thereof in the case of a partial redemption of a registered note), together, in the case of a definitive bearer note, with any related coupons maturing subsequent to the date fixed for redemption, and that on and after that date interest on the notes to be redeemed will cease to accrue. If the redemption is made for tax reasons as discussed under “Redemption for Tax Reasons” above, such notice will also state that the conditions precedent to redemption have occurred and state that the issuing branch has elected to redeem the relevant notes due to the occurrence of the tax-related events discussed above. At any time during which the notes to be issued under the program are listed on the Luxembourg Stock Exchange, notices to redeem notes will also be made available on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>) or in a daily newspaper of general circulation in Luxembourg.

**Early Redemption/Repayment Amounts**

Unless otherwise specified in the applicable pricing supplement, in connection with (x) a redemption of notes (other than indexed notes) for tax reasons as discussed under “Redemption for Tax Reasons” above or (y) a redemption or repayment of zero coupon notes prior to the maturity date, the notes will be redeemed or repaid at an amount (the “early redemption/repayment amount”), computed as follows:

- in the case of notes issued at an issue price of 100% of their principal amount, at their principal amount in the relevant specified currency, together with, in the case of fixed rate notes and floating rate notes, interest accrued to the date fixed for redemption;
- in the case of notes (other than zero coupon notes) issued with an issue price greater or less than 100% of their principal amount, at the amount set forth in the applicable pricing supplement; or
- in the case of zero coupon notes, at an amount (the “amortized face amount”) equal to:
  - the sum of (x) the reference price specified in the applicable pricing supplement and (y) the result of the accrual yield specified in the applicable pricing supplement (compounded annually) being applied to the reference price from (and including) the issue date to (but excluding) the date fixed for redemption or repayment; or
  - if the amount payable in respect of any zero coupon note upon redemption or repayment of the note is not paid when due, the amount due and repayable in respect of such note will be the amortized face amount of such note computed as provided above, except that the subparagraph above will be applied as though the references in that subparagraph to the date fixed for redemption or repayment or the date upon which the zero coupon note becomes due and repayable were replaced by references to the date (reference date) that is the earlier of:
    - the day on which all sums due in respect of the note up to that day are received by or on behalf of the holder of the note; and
    - the date on which the full amount of the monies repayable has been received by the fiscal agent and notice to that effect has been given (in accordance with the terms of the fiscal agency agreement).

The computation of the amortized face amount in accordance with the above subparagraph will continue to be made (to the extent permitted by applicable law both before and after judgment) until the reference date unless the reference date falls on or after the maturity date, in which case the amount due and repayable will be the principal amount of the note together with interest at an annual rate equal to the accrual yield specified in the applicable pricing supplement. Interest will continue to accrue (to the extent permitted by applicable law both before and after judgment) until the reference date.

**Indexed Notes**

The early redemption/repayment amount payable in respect of principal of an indexed note upon redemption or repayment prior to maturity will be the face amount, the indexed principal amount or such other amount as is

specified in the applicable pricing supplement and may be determined by reference to an index and/or a formula (which may include a basket of currencies) specified in the applicable pricing supplement. If the early redemption/repayment amount payable on an indexed note on early redemption or repayment in respect of principal only, principal and interest or interest only, is to be determined in whole or in part by reference to an index and/or a formula, the applicable pricing supplement will set out details of the computation of the early redemption/repayment amount.

### **Purchase of Notes by the Issuing Branch; Cancellation**

UBS AG may, to the extent permitted by applicable law, at any time purchase notes in the open market or by tender at any price. Any note so purchased may, at the discretion of UBS AG, be held, resold or surrendered to the fiscal agent for cancellation.

### **Additional Amounts**

Payments under the notes and any related coupons will be made without deduction or withholding for or on account of any present or future tax, duty, assessment or governmental charge imposed upon or as a result of such payments by a relevant jurisdiction (or any political subdivision or taxing authority thereof or therein) (“taxes”), unless required by law. To the extent any such taxes are so levied or imposed, the issuing branch will, subject to the exceptions and limitations set forth below, pay such additional amounts to the holder of any note or coupon who is not a resident of the relevant jurisdiction or any political subdivision or taxing authority thereof or therein as may be necessary in order that every net payment of the principal of and interest on the note or coupon and any other amounts payable on the note or coupon, after withholding for or on account of the taxes imposed upon or as a result of such payment, will not be less than the amount provided for in the note or coupon to be then due and payable. However, the issuing branch will not be required to make any payment of additional amounts to any holder in such case for or on account of:

- any such taxes that would not have been so imposed but for (a) the existence of any present or former connection between the holder (or between a fiduciary, settlor, beneficiary, member or shareholder of the holder, if such holder is an estate, a trust, a partnership or a corporation) and the relevant jurisdiction (or any political subdivision or taxing authority thereof or therein) including the holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein or (b) the presentation by or on behalf of the holder of that note or coupon, where presentation is required, for payment on a date more than 15 days after the date on which such payment became due and payable or the date on which the payment is duly provided for, whichever occurs later;
- any estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, duty, assessment or governmental charge;
- any taxes that are payable other than by withholding from payments on or in respect of any note or coupon;
- any taxes that would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence or identity of the holder or beneficial owner of such note or coupon, if such compliance is required by statute or by regulation of or on behalf of the relevant jurisdiction or any political subdivision or taxing authority thereof or therein as a precondition to relief or exemption from such tax, assessment or other governmental charge; or
- any combination of the items above.

Furthermore, no additional amounts will be paid with respect to any payment on a note or coupon to a holder who is a fiduciary or partnership or other than the sole beneficial owner of the payment to the extent the payment would be required by the laws of the relevant jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the additional amounts if such beneficiary, settlor, member or beneficial owner had been the holder of the note or coupon.

For purposes of this offering circular, any references to principal of and/or interest on the notes will be deemed to include a reference to any relevant additional amounts payable in respect of those notes.

## Status of Obligations

### Senior Notes

The obligations of UBS AG and the issuing branch under senior notes will rank *pari passu* with all other unsecured indebtedness of UBS AG and the issuing branch for money borrowed that is not contractually subordinated to the payment of those obligations, including unsecured deposit obligations, except for obligations entitled to statutory priority in the event of liquidation upon insolvency.

### Subordinated Notes

Subordinated notes will be unsecured and subordinated obligations of UBS AG and the issuing branch. If UBS AG is dissolved or liquidated, subordinated notes will rank subordinate to deposit liabilities and the other liabilities of the issuing branch and UBS AG as a whole, except liabilities that by their terms rank equally with or subordinate to the subordinated notes.

The principal of, and interest payable on, the subordinated notes will be subordinated in right of payment:

- upon the occurrence of any event of default with respect to the subordinated notes, to the prior payment in full of the deposit liabilities of UBS AG and all other liabilities of UBS AG (including all deposit liabilities and other liabilities of the issuing branch, the head office and all offices of UBS AG wherever located), except those liabilities that by their terms rank *pari passu* with or are subordinated to the subordinated notes,
- if the Stamford branch is the issuing branch and the Commissioner takes possession of the business and property of the Stamford branch at a time when the OCC has not taken possession of all of the property and assets of UBS AG in the United States, to the prior payment in full of the deposit and other liabilities of the Stamford branch, except those liabilities that by their terms rank *pari passu* with or are subordinated to the subordinated notes, and
- if the OCC takes possession of all of the property and assets of UBS AG in the United States, to the prior payment in full of the deposit and other liabilities of all of the branches and agencies of UBS AG in the United States, except those liabilities that by their terms rank *pari passu* with or are subordinated to the subordinated notes.

With respect to subordinated notes issued by the New York branch or the Stamford branch, under the terms of any subordinated notes, the holders of such notes will, by their acceptance of the subordinated notes, irrevocably waive their rights to any preference to which they may become entitled under Section 36a-428n(e) of the Connecticut General Statutes (in the case of subordinated notes issued by the Stamford branch), under Section 4(j) of the IBA or under any other similar law to the extent necessary to give effect to the subordination provisions of the subordinated notes. See “Regulation and Supervision of the Branches in the United States.”

In order to implement these subordination provisions, a holder of a subordinated note issued by the New York branch or the Stamford branch by its acceptance of the subordinated note will be deemed to have agreed that should the Commissioner or the OCC, as the case may be, take possession or be in possession of the business and property of such branch at a time when proceedings with respect to the insolvency or liquidation of UBS AG have occurred and are continuing, then the Commissioner or the OCC, as the case may be, will apply any amounts that would be due to the holders of subordinated notes of that branch in the absence of the subordination provisions:

- first, to the payment in full of all deposit liabilities and all other liabilities of that branch and, if the OCC has taken possession, of all the other branches and agencies of UBS AG in the United States (other than the subordinated notes and other obligations of that branch (or the U.S. branches and agencies of UBS AG) that rank *pari passu* with or that are subordinated to the subordinated notes) and to any other claim accorded priority under any U.S. federal or Connecticut state law that is then due and payable, the priorities to be ascribed among those claims to be determined in accordance with those laws, and

- thereafter, to pay any amount remaining to any receiver or similar official in insolvency of UBS AG with similar powers appointed with respect to UBS AG or its assets for application, (a) first, to payment in full of all claims of depositors and other obligations of UBS AG ranking senior in right of payment to the subordinated notes and (b) thereafter, to the payment, equally and ratably, of amounts due and owing on the subordinated notes (whether pursuant to the terms of the subordinated notes or otherwise) and all obligations of UBS AG ranking *pari passu* in right of payment with the subordinated notes.

Each holder of a subordinated note issued by the New York branch or the Stamford branch, by its acceptance thereof, will be deemed to have also agreed that should the Commissioner or the OCC, as the case may be, take possession or be in possession of the business and property of that branch at any time when no proceedings with respect to the insolvency or liquidation with respect to UBS AG have occurred and are continuing, the Commissioner or the OCC, as the case may be, will apply the assets of that branch:

- first, to payment in full of all deposit liabilities of that branch and all other liabilities of that branch and, if the OCC has taken possession, of all the other branches and agencies of UBS AG in the United States (other than the subordinated notes and other obligations of that branch (or the U.S. branches and agencies of UBS AG) that rank *pari passu* with or that are subordinated to the subordinated notes) and to any other claim accorded priority under any U.S. federal or Connecticut state law which is then due and payable, the priorities to be ascribed among those claims to be determined in accordance with those laws,
- second, to the payment, equally and ratably, of amounts then due and owing on the subordinated notes and all obligations ranking *pari passu* in right of payment with the subordinated notes, and
- thereafter, to pay any amount remaining to UBS AG.

As a consequence of these subordination provisions, if proceedings with respect to the insolvency or liquidation with respect to UBS AG should occur, and/or if the Commissioner or the OCC, as the case may be, should take possession of the business or property of the New York branch or the Stamford branch, the holders of subordinated notes may recover less ratably than the holders of deposit liabilities or the holders of other unsubordinated liabilities of UBS AG or the affected branch. Moreover, holders of subordinated notes issued by such branch would likely be required to pursue their claims on the subordinated notes in proceedings with respect to UBS AG in Switzerland. To the extent that holders of subordinated notes are entitled to any recovery with respect to subordinated notes in any Swiss proceedings, the holders might not be entitled in such proceedings to a recovery in U.S. dollars and might be entitled only to a recovery in Swiss francs.

### **Elimination of Rights of Set-off and Counterclaim Under Subordinated Notes**

Subject to applicable law, no noteholder holding a subordinated note may exercise or claim any right of set-off, counterclaim, compensation or retention in respect of any amount owed to it by UBS AG, arising under or in connection with the subordinated notes and each such noteholder will, by virtue of subscribing for, purchasing or holding any subordinated note, be deemed to have waived all such rights of set-off, counterclaim, compensation or retention.

### **Default, Remedies and Waiver of Default**

You will have special rights if an event of default with respect to your series of notes occurs and is not cured, as described in this subsection.

#### **Senior Notes**

**Events of Default.** Unless otherwise specified in the applicable pricing supplement, the following will be events of default with respect to any series of senior notes:

- default in the payment of any principal or any premium (including delivering any security or other property deliverable) on any senior notes of that series at their stated maturity;
- default in the payment of interest on any senior notes of that series within 30 days after it becomes due and payable;

- default in the performance or breach of any covenant of UBS AG or any issuing branch contained in the fiscal agency agreement or in any senior notes issued under the fiscal agency agreement, which continues for 60 days after we receive a notice of default stating that we are in breach and requiring us to remedy the breach. The written notice must be sent to UBS AG by the fiscal agent as provided in the fiscal agency agreement; and
- certain events of insolvency or reorganization of, or the appointment of a conservator, receiver or liquidator of UBS AG or the issuing branch, or substantially all of the property of UBS AG or the issuing branch, which continue and remain in effect for the periods of time specified in the fiscal agency agreement.

**Remedies If an Event of Default Occurs.** Unless otherwise specified in the applicable pricing supplement, if an event of default with respect to the senior notes occurs and is continuing, the holders of not less than 25% in principal amount of the outstanding senior notes may declare the principal amount of all senior notes due and payable by written notice to UBS AG and to the fiscal agent. Upon such declaration and notice, the principal amount, together with accrued interest thereon to the date of payment, will become due and payable on the day that is seven days after such notice. At any time after a declaration of acceleration with respect to the senior notes has been made, but before a judgment or decree for payment of money due has been obtained, the holders of a majority in principal amount of the outstanding senior notes may by written notice to UBS AG and the fiscal agent rescind and annul the declaration and its consequences if all payments due (other than those due as a result of such acceleration) have been made and all events of default with respect to senior notes have been cured or waived.

In the case of senior notes that are zero coupon notes, the amount payable upon acceleration will be equal to the early redemption/payment amount with respect to those notes that would be payable if the date of acceleration were the early redemption date for those notes.

Unless otherwise specified in the applicable pricing supplement, the fiscal agency agreement provides that the fiscal agent will, within 30 days after the occurrence of a default with respect to the senior notes, give to the holders of the senior notes notice of all uncured or non-waived defaults of which a responsible officer of the fiscal agent has actual knowledge or of which the fiscal agent has written notice (the term “default” being defined to include the failure to pay principal or interest without grace periods or notice); *provided that*, except in the case of default in payment of principal or interest in respect of any senior notes, the fiscal agent will be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or responsible officers of the fiscal agent in good faith determines that the withholding of the notice is in the interests of such holders of notes; and *provided, further*, that in the case of a default involving the breach of a covenant in the fiscal agency agreement or the notes, no such notice will be given until at least 30 days after its occurrence.

#### **Subordinated Notes**

**Events of Default.** Unless otherwise specified in the applicable pricing supplement, the following will be events of default in respect of the subordinated notes:

- a court or agency or supervisory authority in Switzerland having jurisdiction in respect of UBS AG institutes a proceeding or entered a decree or order for the appointment of a receiver or liquidator in any bankruptcy, insolvency, rehabilitation, readjustment of debt, marshaling of assets and liabilities, or similar arrangements involving UBS AG or all or substantially all of its property, or for the winding up of or liquidation of its affairs, and such proceeding, decree or order is not vacated or remains in force undischarged or unstayed for a period of 60 days, or
- UBS AG files a petition to take advantage of any insolvency statute or voluntarily suspend payment of its obligations.

**Remedies If an Event of Default Occurs.** Unless otherwise specified in the applicable pricing supplement, each subordinated note will provide that if an event of default in respect of the subordinated note has occurred and is continuing, the holder of that note may declare the principal of that subordinated note, together with any unpaid accrued interest, to be due and payable by written notice to UBS AG and the fiscal agent. Upon the declaration and notice, the principal amount, together with accrued interest to the date of payment, will become due and payable upon the day that is seven days after such notice. There will be no right of acceleration in the case of a default in the payment of interest on, or other amounts owing under, the subordinated notes or a default in the performance of any other covenant of the issuing branch or UBS AG in the subordinated notes.

In the case of subordinated notes that are zero coupon notes, the amount payable upon acceleration will be equal to the early redemption/payment amount with respect to those notes that would be payable if the date of acceleration were the early redemption date for those notes.

### **Undertaking for Costs**

The fiscal agency agreement permits any court, in its discretion, to require that any noteholder or group of noteholders that brings suit for the enforcement of any right or remedy under the fiscal agency agreement, any note, or against the fiscal agent for any action taken, suffered or omitted by it as fiscal agent must pay the costs of the suit, unless the noteholder or group of noteholders holds in the aggregate more than 10% in principal amount of the outstanding notes of any relevant series. The court may also, in its discretion, assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by that party. However, the court may not impose such costs on a noteholder in any suit for the enforcement of the payment of the principal of or interest on any note on or after its maturity.

### **Modifications, Waivers and Amendments**

There are three types of changes that we can make to the fiscal agency agreement and the notes of any series.

#### **Changes Not Requiring Approval of Holders**

Unless otherwise specified in the applicable pricing supplement, the fiscal agency agreement and the notes of the relevant series may be modified or amended without the consent of any holder of the note of the series for the purposes of curing any ambiguity, or curing, correcting or supplementing any defective or inconsistent provisions, or in any other manner that the fiscal agent and UBS AG may mutually deem necessary or desirable and that will not adversely affect the interests of the holders of the notes of such series in any material respect.

#### **Changes Requiring Majority Approval**

Other modifications and amendments to, or waiver of future compliance with or a past default by the issuing branch under, the fiscal agency agreement or the notes of a series may be made either with the consent of the holders of at least the majority in aggregate principal amount of the notes of such series at the time being outstanding or by the adoption of a resolution at a meeting of holders held in accordance with the provisions of the fiscal agency agreement. Any such modifications, amendments or waivers will be conclusive and binding on all holders of the notes and coupons, if any, of such series or of all the notes and coupons, if any, issued under the fiscal agency agreement, as applicable, whether or not they have given such consent or were present at such meeting, and on all future holders of notes and coupons of such series or of all the notes and coupons issued under the fiscal agency agreement, as applicable, whether or not notation of such modifications, amendments or waivers is made upon those notes or coupons. Any instrument given by or on behalf of any holder of a note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of that note and any coupons appertaining thereto.

#### **Changes Requiring Each Holder's Approval**

No modification or amendment and no waiver of any covenants or defaults may, without the written consent or the affirmative vote of the holder of each note of such series:

- change the stated maturity of the principal of or any installment of interest on any such note;
- reduce the principal amount of, or interest on, any note of such series;
- change the obligation of the issuing branch to pay additional amounts with respect to any such note;
- change the currency of payment of principal of or interest on any note of such series;
- reduce the percentage of the principal amount of notes of such series at the time outstanding necessary to modify or amend the notes of that series, or to waive any future compliance or past default by the issuing branch with respect to notes of that series or reduce the percentage of notes of such series required for the taking of action or the quorum required at any meeting of holders of notes of such series at which a resolution is adopted;

- modify the issuing branch's obligation to maintain a fiscal agent or paying agents and transfer agents in accordance with the provisions of the fiscal agency agreement; or
- in the case of a series of subordinated notes, modify or amend the terms of the subordination of that series of subordinated notes.

#### **Procedures for Voting by Holders**

Unless otherwise specified in the applicable pricing supplement, at any meeting of the holders of the notes of a series or of all the notes, as applicable, called for any of the above purposes, persons entitled to vote 50% in aggregate principal amount of the notes of such series or of all the notes issued under the fiscal agency agreement, as applicable, at the time outstanding will constitute a quorum. Any holder of a note entitled to more than one vote will not be required to cast all those votes in the same manner. In the absence of a quorum, the meeting may be adjourned for a period of not less than 10 days. At a meeting or an adjourned meeting duly convened and at which a quorum is present, any resolution to modify or amend the fiscal agency agreement or the notes, or to waive compliance with, any of the covenants, conditions or events referred to above will be effectively passed if passed by the persons entitled to vote a majority in aggregate principal amount of the notes of such series or of all the notes issued under the fiscal agency agreement, as applicable, represented and voting at the meeting.

#### **Form, Exchange and Transfer of Notes**

##### **Registered Notes**

Notes to be issued in registered form will be issued either:

- in the form of one or more global notes in fully registered form without interest coupons; or
- if specified in the applicable pricing supplement, in definitive registered form.

The fiscal agent, as registrar, will keep a register for the registered notes. Each registered note will be numbered serially with an identifying number that will be recorded in the register. In this offering circular, "noteholder" and "holder" mean, in the case of a registered note, the person in whose name the note is registered in the register.

Title to registered notes will pass by and upon registration in the register. A registered note may be transferred in whole or in part in an authorized denomination upon the surrender of the note, together with the form of transfer endorsed on it duly completed and executed, at the office of the registrar or the office of any transfer agent. In the case of a transfer of only part of a registered note, a new registered note in respect of the balance not transferred will be issued to the transferor. Each new registered note to be issued upon a transfer of notes will, within three business days of receipt of such form of transfer, be delivered to the transferee at the office of the registrar or such transfer agent or mailed at the risk of the transferee to the address specified in the form of transfer.

Transfers of registered notes will be effected without charge by or on behalf of the issuing branch, the fiscal agent or the relevant transfer agent, but upon payment (or the giving of such indemnity as the fiscal agent or the transfer agent may require) in respect of any tax or other governmental charges that may be imposed in relation to it. At the option of a noteholder on written request and subject to applicable laws and regulations, registered notes may be exchanged for registered notes of any authorized denominations and of equal aggregate principal amount upon surrender of the relevant notes with the form of transfer endorsed on it duly completed and executed. Registered notes may not be exchanged for bearer notes. All transfers and exchanges of registered notes will be made subject to the detailed regulations concerning transfer and exchanges of notes set forth in the fiscal agency agreement.

No noteholder may require, and the registrar and the transfer agent will not register, the transfer of a registered note to be registered during the period between the record date for any payment of principal or interest on that note and the date on which the payment is due.

Unless otherwise specified in the applicable pricing supplement, global registered notes will be deposited on or prior to their issue date with the fiscal agent, as custodian for DTC, and registered in the name of Cede & Co., as DTC's nominee. These global registered notes will be credited on their issue date to:

## Description of Notes We May Offer

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- the accounts of the relevant agents, dealers, underwriters or purchasers of the notes at DTC or such other accounts as the agents, dealers, underwriters or purchasers may direct; and/or
- the accounts of the relevant agents, dealers, underwriters or purchasers of the notes at Euroclear or Clearstream or such other accounts as the agents, dealers, underwriters or purchasers may direct.

If the applicable pricing supplement so specifies, registered notes that are offered and sold outside of the United States will be deposited on or prior to their issue date with a common depository for Euroclear and Clearstream and registered in the name of the common depository or its nominee. The London paying agent will deliver these registered notes to the common depository for credit on their issue date to the accounts of the relevant agents, dealers, underwriters or purchasers of the notes or to such other accounts as the agents, dealers, underwriters or purchasers may direct.

### Bearer Notes

Notes to be issued in bearer form will be issued either:

- in the form of a temporary global note or a permanent global note, each without interest coupons; or
- in certain events described below under “Legal Ownership and Book-Entry Issuance—Holder’s Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated,” in definitive form.

Title to bearer notes will pass by delivery. In this offering circular, “noteholder” and “holder” mean, in the case of a bearer note, the bearer of the note. Bearer notes of one denomination may be exchanged for bearer notes of another denomination.

Unless otherwise specified in the applicable pricing supplement, bearer notes will initially be issued in the form of a temporary global note, which will be deposited with the common depository, for credit on their issue date to the accounts of the relevant agents, dealers, underwriters or purchasers of the notes at Euroclear and Clearstream or such other accounts as the agents, dealers, underwriters or purchasers of such notes may direct.

Bearer notes may not be offered or sold, directly or indirectly, in connection with their original issuance or prior to the exchange date referred to below, in the United States, or to or for the account of any United States person (as defined below), other than to certain persons described in the United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(1)(iii)(B). An offer or sale will be considered to be made to a person within the United States if the offeror or seller of the notes has an address within the United States for the offeree or purchaser with respect to the offer or sale. Bearer notes may not be delivered in the United States. “United States person” means a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision of the United States, an estate the income of which is subject to U.S. federal income tax without regard to its source, a trust if a court within the United States is able to exercise primary supervision over the administration of the trust or one or more United States persons has the authority to control all substantial decisions of the trust or any person that is treated as a United States person for U.S. federal income tax purposes. “United States” includes the states of the United States of America, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

Interests in a temporary global note will be exchangeable, in whole or in part, for interests in a permanent global note representing notes of the same series on or after the date (the “exchange date”) that is the 40th day after the issue date of the notes upon certification of non-U.S. beneficial ownership as set forth in the fiscal agency agreement. Notwithstanding the foregoing, if indicated in the applicable pricing supplement, bearer notes with a maturity of not more than 183 days may initially be represented by a permanent global note.

The following legend will appear on all temporary global notes, permanent global notes and any other notes issued in bearer form (except on notes having a maturity of not more than 183 days) and on any coupons: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code of 1986, as amended.” The sections referred to in the legend provide that, with certain exceptions, a U.S. taxpayer will not be

permitted to deduct any loss, and will not be eligible for capital gain treatment with respect to any gain, realized on a sale, exchange or redemption of a bearer note or any coupon.

Alternatively, the following legend will appear on all permanent global notes and other bearer notes (and any related coupons) having a maturity of not more than 183 days:

“By accepting this obligation, the holder represents and warrants that it is not a United States person (other than an exempt recipient described in Section 6049(b)(4) of the Internal Revenue Code of 1986, as amended (the “Code”) and the Treasury Regulations issued thereunder) and that it is not acting for or on behalf of a United States person (other than an exempt recipient described in Section 6049(b)(4) of the Code and the Treasury Regulations issued thereunder).”

This legend is required for U.S. backup withholding tax and information reporting purposes.

#### **Recognition as Owner of a Note**

The holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss), and no person will be liable for so treating the holder.

#### **Replacement of Notes**

If any notes or coupons become mutilated or defaced or are destroyed, lost or stolen, the fiscal agent will authenticate and deliver a new note (with appropriate coupons attached), on such terms as the issuing branch and the fiscal agent may require, in exchange and substitution for the mutilated or defaced note or the note to which the mutilated or defaced coupon was attached or in lieu of and in substitution for the destroyed, lost or stolen note or the note to which the destroyed, lost or stolen coupon was attached. In every case of mutilation, defacement, destruction, loss or theft, the applicant for a substitute note will furnish to the issuing branch and the fiscal agent such indemnity as the issuing branch and the fiscal agent may require and evidence to their satisfaction of the destruction, loss or theft of the note or coupon and of its ownership. In every case of mutilation or defacement of a note or coupon, the holder must surrender the mutilated or defaced note or coupon to the fiscal agent. In addition, prior to the issuance of any substitute note or coupon, the issuing branch may require the payment of a sum sufficient to cover any related tax or other governmental charge that may be imposed and any other related expenses (including the reasonable fees and expenses of the fiscal agent and its counsel and counsel to the issuing branch). If any note that has matured or will mature within 30 days or any coupon that has become due and payable or will become payable within 30 days becomes mutilated or defaced or is apparently destroyed, lost or stolen, the issuing branch may pay or authorize payment of the same without issuing a substitute note or coupon, as applicable.

#### **Payment Mechanics**

##### **Payments on Definitive Registered Notes**

Unless otherwise specified in the applicable pricing supplement or as set forth below under “—Conversion of Non-U.S. Dollar Specified Currency Payments to U.S. Dollars,” payments of principal and interest, if any, payable at maturity or upon redemption in respect of registered notes will be made in the specified currency in which the notes are payable by check drawn on, or by transfer to an account maintained by the noteholder with, a bank in the United States (if the relevant specified currency is U.S. dollars) or the principal financial center of the country issuing the relevant specified currency, against presentation and surrender of the note at the specified office of the paying agent. Payments of interest in respect of registered notes (other than interest payable at maturity or upon redemption) will be made to the persons shown on the register at the close of business on the record date.

Unless otherwise specified in the applicable pricing supplement or as set forth below under “—Conversion of Non-U.S. Dollar Specified Currency Payments to U.S. Dollars,” payments of interest in respect of each registered note on any interest payment date other than at maturity or upon redemption will be made in the specified currency in which the notes are payable by check drawn on a bank in the principal financial center of the country issuing the relevant specified currency and mailed to the holder (or to the first named of joint holders) of the note at the holder’s address appearing in the register maintained by the registrar. Upon written application by any holder of at least \$10,000,000 principal amount of registered notes (or its equivalent in the specified currency as at the relevant payment date) to the specified office of any paying agent not later than the record date preceding the relevant payment date, the

payment of interest may be made by wire transfer to an account maintained by the holder with a bank in the United States (if the relevant specified currency is U.S. dollars) or the principal financial center of the country issuing the relevant specified currency.

### **Payments on Definitive Bearer Notes**

Unless otherwise specified in the applicable pricing supplement, payments of principal at maturity or upon redemption in respect of definitive bearer notes will be made in the specified currency in which the notes are payable by check drawn on, or by transfer to an account maintained by the noteholder with, a bank in the principal financial center of the country issuing the relevant specified currency against presentation and surrender of the notes at the specified office of the paying agent outside the United States.

Unless otherwise specified in the applicable pricing supplement, payments of interest in respect of definitive bearer notes on any interest payment date other than at maturity or upon redemption will be made against surrender of the relevant coupons at the specified office of the paying agent outside the United States. Unless otherwise specified in the applicable pricing supplement, payments of interest in respect of each definitive bearer note will be made in the specified currency in which the note is payable by check drawn on a bank in the principal financial center of the country issuing the relevant currency. Upon written application by any holder of at least \$10,000,000 principal amount of definitive bearer notes (or its equivalent in the specified currency as at the relevant payment date) to the specified office of any paying agent not later than 15 days preceding the relevant payment date, the payment of interest may be made by wire transfer to an account maintained by the holder with a bank in the principal financial center of the country issuing the relevant specified currency, but the payment will be made only against presentation and surrender of the relevant coupons at the specified office of a paying agent outside the United States. As used in this paragraph and in the following paragraph, the term “United States” means the United States of America, including the states and the District of Columbia, its territories and its possessions.

If payment in respect of bearer notes denominated in U.S. dollars at the offices of all paying agents outside the United States becomes illegal or is effectively precluded because of the imposition of exchange controls or similar restrictions on the full payment or receipt of such amounts due in U.S. dollars, UBS AG will appoint an office or agent in the United States at which such payment will be made.

Definitive bearer notes must be presented for payment upon redemption prior to maturity together with all related unmatured coupons; if any coupons are not presented together with the notes, then, in the case of fixed rate notes, the amount of any missing unmatured coupon will be deducted from the sum due for payment, and in the case of floating rate notes or other notes, the surrender of any missing unmatured coupon or coupons may be waived by UBS AG and the paying agent if they are furnished with such security or indemnity as they may require to save each of them and each other paying agent of UBS AG harmless. If a deduction is made from the redemption price because of a missing unmatured coupon and then, prior to five years after the redemption date, the bearer of the coupon surrenders the coupon at a place specified for redemption, the bearer will be entitled to receive the amount that was deducted. Except as provided in the preceding sentence, any unmatured coupons, whether attached to or missing from any notes surrendered for redemption, will become void at the redemption date for the notes.

### **Payments on DTC Global Notes**

Unless otherwise specified in the applicable pricing supplement or as set forth below under “—Conversion of Non-U.S. Dollar Specified Currency Payments to U.S. Dollars,” payments of the principal of, and interest on, each global registered note held through DTC will be made in the specified currency in which the note is payable to or to the order of DTC or its nominee as the registered holder of the global registered note. UBS AG understands that DTC or its nominee, upon receipt of any such payment, will immediately credit DTC participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global registered note as shown on the records of DTC or its nominee. UBS AG also understands that payments by DTC participants to owners of beneficial interests in the global registered note held through those DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held in bearer form or registered in “street name” for the accounts of customers. These payments will be the responsibility of such DTC participants.

### **Payments on Euroclear/Clearstream Global Notes**

Unless otherwise specified in the applicable pricing supplement, payments of principal of, and interest on, each global registered note held through Euroclear or Clearstream will be made in the specified currency in which the

note is payable to the common depository or its nominee, as the registered holder of the global registered note. The common depository will allocate the payments to Euroclear or Clearstream for the portion of the global registered note held for its account by the common depository.

Unless otherwise specified in the applicable pricing supplement, payments of principal and interest in respect of a temporary global note will be made outside the United States in the specified currency in which the note is payable to the common depository on behalf of Euroclear and Clearstream with respect to the portion of the temporary global note held for their accounts by the common depository, but only upon receipt by the fiscal agent or the London paying agent of written certification as to the non-U.S. beneficial ownership of the temporary global note as required by U.S. treasury regulations.

Similarly, unless otherwise specified in the applicable pricing supplement, payments of principal and interest in respect of a permanent global note will be made outside the United States in the specified currency in which the note is payable to the common depository on behalf of Euroclear and Clearstream with respect to the portion of the permanent global note held for their accounts by the common depository. No certification as to non-U.S. beneficial ownership will be required.

UBS understands that each of Euroclear and Clearstream will undertake to credit all amounts received by it with respect to principal or interest as described above to the respective accounts of the beneficial owners of interests in any global note held through it on the date on which the amounts are paid to it. Any such amounts received by Euroclear or Clearstream and not paid by them as described above will be returned to the fiscal agent immediately prior to the expiration of two years after their receipt of those amounts.

Neither UBS AG nor any paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in global notes or for maintaining, supervising or reviewing any records relating to such ownership interests.

#### **Payments Generally**

All payments on the notes will be subject to any applicable fiscal or other laws and regulations. No commissions or expenses will be charged to the noteholders in respect of those payments.

#### **Paying Agents**

U.S. Bank Trust National Association has been appointed as the initial paying agent and transfer agent and UBS AG, acting through its London branch, has been appointed as the London paying agent for global notes held through Euroclear or Clearstream. UBS AG reserves the right to vary or terminate the appointment of any paying agent at any time and to appoint additional paying agents. As long as any notes are outstanding, however, UBS AG will maintain (i) a fiscal agent and (ii) a registrar, paying agent and transfer agent in New York City (which may be the fiscal agent). In addition, so long as any series of outstanding notes are admitted to trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, UBS AG will maintain a paying agent and transfer agent in Luxembourg with respect to those notes. The issuer has initially appointed Dexia Banque Internationale à Luxembourg as its Luxembourg paying agent and transfer agent.

In acting under the fiscal agency agreement and in connection with the notes, each of the paying agents is acting solely as agent of UBS AG and does not assume any obligation toward or relationship of agency or trust for or with the owner or holder of any note, except that it must hold any funds it receives for payment of principal of or interest on the notes in trust and apply those funds as set forth in this offering circular, but it need not segregate those funds from other funds that it holds, except as required by law.

For a description of the duties and the immunities and rights of each of the paying agents under the fiscal agency agreement, please refer to the fiscal agency agreement. The obligations of each of the paying agents to the owners or holders of notes are subject to the immunities and rights set forth in the fiscal agency agreement.

#### **Conversion of Non-U.S. Dollar Specified Currency Payments to U.S. Dollars**

Unless otherwise specified in the applicable pricing supplement, any holder of a definitive registered note or any owner of a beneficial interest in a global registered note held through DTC, in each case payable in a specified currency other than U.S. dollars, may elect to receive amounts payable by the issuing branch in respect of the note in U.S. dollars. Holders of definitive registered notes may make this election by submitting a written request for the

## **Description of Notes We May Offer**

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payment in this manner to the fiscal agent at its corporate trust office in New York City on or prior to the applicable record date or at least fifteen calendar days prior to the maturity date, as the case may be. The written request may be mailed, hand delivered or sent by facsimile transmission. Holders of such notes may elect to receive all or a specified portion of all future payments in U.S. dollars and need not file a separate election for each payment. The election will remain in effect until revoked by written notice to the fiscal agent, but written notice of revocation must be received by the fiscal agent on or prior to the applicable record date or at least fifteen calendar days prior to the maturity date, as the case may be.

An owner of an interest in a global registered note held through DTC that wishes to make an election to receive non-U.S. dollar specified currency payments in U.S. dollars must notify the DTC participant through which it owns its interest on or prior to the applicable record date or at least fifteen calendar days prior to the maturity date, as the case may be, of that election. The DTC participant must notify DTC of the election on or prior to the third business day after the record date or at least twelve calendar days prior to the maturity date, as the case may be, and DTC must notify the fiscal agent of such election on or prior to the fifth business day after the record date or at least ten calendar days prior to the maturity date, as the case may be. If complete instructions are received by the DTC participant from the owner and forwarded by the DTC participant to DTC, and by DTC to the fiscal agent, on or prior to such dates, then the owner will receive such payments in U.S. dollars.

Any U.S. dollar amount to be received by a noteholder making an election as provided above will be based on the highest bid quotation in The City of New York received by the fiscal agent at approximately 11:00 A.M., New York City time, on the second business day preceding the applicable payment date from three recognized foreign exchange dealers (one of whom may be the fiscal agent) selected by the fiscal agent and approved by the issuing branch for the sale by the quoting dealer of U.S. dollars for the specified currency for settlement on the applicable payment date in the aggregate amount of such U.S. dollars payable to all noteholders making such election and at which the applicable dealer commits to execute a contract. All currency exchange costs will be borne by the noteholders receiving such payments by deductions from such payments. If three such bid quotations are not available, payments will be made in the specified currency.

### **Payments When the Specified Currency is Not Available**

Except as described above, if payment in respect of a note is required to be made in a specified currency other than U.S. dollars and the currency is unavailable due to the imposition of exchange controls or other circumstances beyond the issuing branch's control, or is no longer used by the government of the country issuing the currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the note will be made in U.S. dollars until the currency is again available or so used. The amounts payable on any date in that currency will be converted into U.S. dollars on the second business day prior to that date on the basis of the most recently available market exchange rate for the currency or as otherwise specified in the applicable pricing supplement.

The "market exchange rate" for any currency means (i) the noon buying rate in New York City for cable transfers in the currency as certified for customs purposes by the Federal Reserve Bank of New York, or (ii) if the Federal Reserve Bank of New York does not certify a noon buying rate for the currency, the rate quoted or published by the relevant central bank as the rate for buying the currency in U.S. dollars, or (iii) if no such rate is quoted or published, the rate determined by the fiscal agent based on a quotation or an average of quotations given to the fiscal agent by commercial banks that conduct foreign exchange operations or based on such other method as the fiscal agent may reasonably determine. Any payment in respect of the note made under these circumstances in U.S. dollars will not constitute an event of default.

All determinations referred to above made by the issuing branch, the fiscal agent or the calculation agent, as the case may be, will be at its sole discretion and will, in the absence of manifest error, be conclusive for all purposes and binding on holders of notes.

### **Payments on Days That are Not Business Days**

If the stated maturity of a note or any interest or other payment date falls on a day that is not a business day, the affected payment will be made on the next succeeding business day with the same force and effect as if it were made on the date on which the payment was due. No interest will accrue from and after the original due date.

In addition, if the due date for payment of any amount in respect of any note is not a business day at any place of presentation, then the noteholder will not be entitled to payment in that place of the amount due until the next following business day at that place.

#### **Return of Unclaimed Funds**

Unless otherwise specified in the applicable pricing supplement, any monies paid by the issuing branch or UBS AG to the fiscal agent or any other paying agent under the fiscal agency agreement for the payment of any amounts in respect of notes and remaining unclaimed after the expiration of two years following the date on which the amount becomes due and payable will be returned to the issuing branch or UBS AG upon written request. After that two-year period, the holder of the note, as an unsecured general creditor, must look only to the issuing branch and UBS AG for the payment of these amounts. All liability of the fiscal agent (or any other paying agent) with respect to those amounts will immediately cease.

In addition, if funds unclaimed after two years are returned by a fiscal agent to the issuing branch as provided in the fiscal agency agreement, a party making a claim for those monies against UBS AG in Switzerland would be subject to a period of limitation under Swiss law of ten years for the payment of principal and five years for the payment of interest, commencing on the date when the payments were originally due.

#### **Notices**

Unless otherwise specified in the applicable pricing supplement, notices to holders of registered notes will be in writing and mailed first class, postage prepaid, to their registered addresses appearing on the register and will be deemed to have been given on the date of the mailing.

Unless otherwise specified in the applicable pricing supplement, notices to holders of bearer notes will be published in an English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times*.

So long as any series of outstanding notes are admitted to trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the issuer will also publish notices to the holders of the notes in a leading newspaper having general circulation in Luxembourg. It is expected that such publication will be made in the *d'Wort*. Such notices may also be published on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>.

Any notice published in a newspaper will be deemed to have been given on the date of the publication, or if published more than once, on the date of its first publication.

Notwithstanding the foregoing, unless otherwise specified in the applicable pricing supplement, so long as a temporary global note, permanent global note or global registered note is held on behalf of Euroclear and Clearstream, there may be substituted for such publication in such newspaper the delivery of the relevant notice to Euroclear and Clearstream for communication by them to the holders of interests in the relevant note.

Neither the failure to give notice nor any defect in any notice given to any particular holder of a note will affect the sufficiency of any notice with respect to other notes.

Notice to be given by any holder of a note must be in writing and given by sending the writing, together with the related note or notes, to the fiscal agent or any paying agent. While any notes are represented by a temporary global note, permanent global note or global registered note, notice may be given by any holder of an interest in the note to the fiscal agent or any paying agent via DTC, Euroclear and/or Clearstream, as the case may be, in such manner as the fiscal agent or paying agent, as the case may be, and DTC, Euroclear and/or Clearstream, as the case may be, may approve for this purpose.

#### **Judgment Currency**

Unless otherwise specified in the applicable pricing supplement, the issuing branch will, to the fullest extent it may do so under applicable law, indemnify the holders of the notes against certain losses incurred as a result of any

judgment or order being given or made for any amount due under the notes and the judgment or order being expressed and paid in a currency other than the applicable specified currency.

### **Consent to Jurisdiction, Service of Process and Immunity**

UBS AG will irrevocably submit to the exclusive jurisdiction of any U.S. federal or New York State court sitting in the Borough of Manhattan, New York City, for the purpose of any suit, action or proceeding against it arising out of or related to the notes or the fiscal agency agreement (a “proceeding”). UBS AG will irrevocably waive, to the fullest extent permitted by law, any objection that it may have to the laying of the venue of any such proceedings brought in such a court and any claim that any such proceedings have been brought in an inconvenient forum. UBS AG agrees that final judgment in any proceedings brought in such a court will be conclusive and binding upon UBS AG and may be enforced in any court the jurisdiction of which it is subject by a suit upon such judgment, so long as service of process is effected upon UBS AG in the manner specified in the fiscal agency agreement or as otherwise permitted by law.

As long as any note or coupon remains outstanding, UBS AG will at all times have an authorized agent in the Borough of Manhattan, New York City, upon whom process may be served in connection with any proceedings.

UBS AG will irrevocably waive and agree not to plead any immunity from the jurisdiction of any U.S. federal or New York State court sitting in the Borough of Manhattan, New York City, to which it may be or become entitled in any proceeding.

### **Substitution of Issuer**

Unless otherwise specified in the applicable pricing supplement, the issuing branch and UBS AG may, upon at least 30 days’ and not more than 60 days’ notice, substitute a branch or agency of UBS AG other than the issuing branch as the primary obligor of the notes issued by such issuing branch, so long as:

- the obligations of the issuing branch under the notes issued by that issuing branch and the fiscal agency agreement are expressly assumed by such branch or agency of UBS AG (the “successor office”), and this assumption is evidenced by an instrument satisfactory in form and substance to the fiscal agent;
- no registration under the Securities Act, and no qualification of an indenture under the Trust Indenture Act, is required in connection with such assumption;
- such assumption by the successor office is made in compliance with all applicable legal and regulatory requirements; and
- UBS AG delivers to the fiscal agent an officer’s certificate stating that such assumption by the successor office and the instrument evidencing such assumption comply with the conditions set forth above and an opinion of independent counsel of recognized standing stating that the assumption by the successor office and the instrument evidencing such assumption comply with the second condition above.

UBS AG does not believe that such a substitution would affect the U.S. federal income tax consequences applicable to any holders of the notes. It is possible, however, that the Internal Revenue Service or other tax authority could take a contrary view. Upon the assumption of the obligations of the issuing branch under the notes and the fiscal agency agreement by a successor office, the successor office will be substituted for the issuing branch for the purposes of the notes and the fiscal agency agreement.

### **The Fiscal Agent**

As of the date of this offering circular, U.S. Bank Trust National Association is the fiscal agent under the fiscal agency agreement. U.S. Bank Trust National Association has provided commercial banking and other services to us and our affiliates in the past and may do so in the future. Among other things, U.S. Bank Trust National Association holds debt securities issued by us and serves as trustee or agent with regard to other obligations of UBS AG or its subsidiaries.

Unless otherwise specified in the applicable pricing supplement, the fiscal agent will be under no obligation to take any action or perform any duties other than those specifically set forth in the fiscal agency agreement.

The fiscal agent may resign at any time or be removed at any time with respect to the notes of any applicable series by the issuing branch. Any successor fiscal agent must be a bank or trust company organized and doing business under the laws of the United States or the State of New York, in good standing and having an established place of business in the Borough of Manhattan, New York City, with a combined capital and surplus of at least \$50,000,000, subject to supervision and examination by U.S. federal or New York state authorities and authorized under such laws to exercise corporate trust powers.

The fiscal agency agreement further provides that any corporation or bank resulting from any merger, conversion or consolidation to which the fiscal agent is a party will be the successor fiscal agent, so long as the corporation or bank is otherwise qualified and eligible under the fiscal agency agreement. The successor will become the successor fiscal agent without filing or executing any paper or taking any further act on the part of any party to the fiscal agency agreement.

Notwithstanding the foregoing, unless otherwise specified in the applicable pricing supplement, UBS AG may, in lieu of or in addition to appointing and maintaining a fiscal agent, undertake to perform itself, directly or through any subsidiary, any or all of the functions of the fiscal agent under the fiscal agency agreement.

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## Legal Ownership and Book-Entry Issuance

In this section, we describe special considerations that will apply to registered notes issued in global—*i.e.*, book-entry—form. First we describe the difference between legal ownership and indirect ownership of registered notes. Then we describe special provisions that apply to global notes.

### **Who Is the Legal Owner of a Registered Security?**

Each note in registered form will be represented either by a certificate issued in definitive form to a particular investor or by one or more global notes representing the entire issuance of notes. We refer to those who have notes registered in their own names, on the books that we or the fiscal agent or other agent maintain for this purpose, as the “holders” of those notes. These persons are the legal holders of the notes. We refer to those who, indirectly through others, own beneficial interests in notes that are not registered in their own names as indirect owners of those notes. As we discuss below, indirect owners are not legal holders, and investors in notes issued in book-entry form or in street name will be indirect owners.

### **Book-Entry Owners**

Unless otherwise specified in the applicable pricing supplement, we will issue each note in book-entry form only. This means notes will be represented by one or more global notes registered in the name of a financial institution that holds them as depository on behalf of other financial institutions that participate in the depository’s book-entry system. These participating institutions, in turn, hold beneficial interests in the securities on behalf of themselves or their customers.

Under the fiscal agency agreement, only the person in whose name a note is registered is recognized as the holder of that note. Consequently, for notes issued in global form, we will recognize only the depository as the holder of the notes and we will make all payments on the notes, including deliveries of any property other than cash, to the depository. The depository passes along the payments it receives to its participants, which in turn pass the payments along to their customers who are the beneficial owners. The depository and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the notes.

As a result, investors will not own notes directly. Instead, they will own beneficial interests in a global note, through a bank, broker or other financial institution that participates in the depository’s book-entry system or holds an interest through a participant. As long as the notes are issued in global form, investors will be indirect owners, and not holders, of the notes.

### **Street Name Owners**

We may terminate a global note or issue notes initially in non-global form. In these cases, investors may choose to hold their notes in their own names or in street name. Notes held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those notes through an account he or she maintains at that institution.

For notes held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the notes are registered as the holders of those notes and we will make all payments on those notes, including deliveries of any property other than cash, to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold notes in street name will be indirect owners, not holders, of those notes.

### **Legal Holders**

Our obligations, as well as any obligations of the fiscal agent and any other third parties employed by us, run only to the holders of the notes. We do not have obligations to investors who hold indirect interests in global notes, in street

name or by any other indirect means. This will be the case whether an investor chooses to be an indirect owner of a note or has no choice because we are issuing the notes only in global form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for that payment or notice even if that holder is required, under agreements with depository participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose—for example, to amend the fiscal agency agreement for a series of notes or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of the notes—we would seek the approval only from the holders, and not the indirect owners, of the relevant notes. Whether and how the holders contact the indirect owners is up to the holders.

When we refer to “you” in this offering circular, we mean those who invest in the securities being offered by this offering circular, whether they are the holders or only indirect owners of those notes. When we refer to “your notes” in this offering circular, we mean the notes in which you will hold a direct or indirect interest.

### **Special Considerations for Indirect Owners**

If you hold notes through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- whether and how you can instruct it to exercise any rights to redeem or require repayment of any note or any other rights under any note;
- how it would handle a request for the holders’ consent, if ever required;
- whether and how you can instruct it to send you notes registered in your own name so you can be a holder, if that is permitted with respect to any notes;
- how it would exercise rights under the notes if there were a default or other event triggering the need for holders to act to protect their interests; and
- if the securities are in book-entry form, how the depository’s rules and procedures will affect these matters.

### **What Is a Global Security?**

Unless otherwise specified in the applicable pricing supplement, each note issued in book-entry form will be represented by a global note that we deposit with and register in the name of one or more financial institutions or clearing systems, or their nominees, that we select. A financial institution or clearing system that we select for any note for this purpose is called the “depository” for that security. A note will usually have only one depository but it may have more.

Each series of securities will have one or more of the following as the depositories:

- The Depository Trust Company, New York, New York;
- a financial institution holding the securities on behalf of Euroclear S.A./ N.V.;
- a financial institution holding the securities on behalf of Clearstream Banking, *société anonyme*; and
- any other clearing system or financial institution named in the applicable pricing supplement.

The depositories named above may also be participants in one another’s systems. Thus, for example, if DTC is the depository for a global security, investors may hold beneficial interests in that security through Euroclear or Clearstream, as DTC participants.

The depositary or depositaries for your securities will be named in the applicable pricing supplement; if none is named, the depositary will be DTC.

A global note may represent one or any other number of individual notes. Generally, all notes represented by the same global note will have the same terms. We may, however, issue a global note that represents multiple notes that have different terms and are issued at different times. We call this kind of global note a master global note. Your pricing supplement will not indicate whether your notes are represented by a master global note.

If the pricing supplement for a particular security indicates that the security will be issued in global form only, then the security will be represented by a global security at all times unless and until the global security is terminated. A global note may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under “—Holder’s Option to Obtain a Non-Global Note; Special Situations When a Global Note Will Be Terminated.” If termination occurs, we may issue the securities through another book-entry clearing system or decide that the securities may no longer be held through any book-entry clearing system.

### Special Considerations for Global Notes

As an indirect owner, an investor’s rights relating to a global note will be governed by the account rules of the depositary and those of the investor’s financial institution or other intermediary through which it holds its interest (such as Euroclear or Clearstream, if DTC is the depositary), as well as general laws relating to securities transfers. As described under “—Book-Entry Owners” above, we do not recognize this type of investor or any intermediary as a holder of notes and instead deal only with the depositary that holds the global note.

### Legal Ownership and Book-Entry Issuance

If securities are issued only in the form of a global security, an investor should be aware of the following:

- An investor cannot require the notes to be registered in his or her own name, and cannot obtain non-global certificates for his or her interest in the notes, except in the special situations we describe below.
- An investor will be an indirect holder and must look to his or her own bank or broker for payments on the note and protection of his or her legal rights relating to the notes, as we describe above under “—Who Is the Legal Owner of a Registered Security?”
- An investor may not be able to sell interests in the notes to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form.
- An investor may not be able to pledge his or her interest in a global note in circumstances where certificates representing the notes must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective.
- The depositary’s policies will govern payments, deliveries, transfers, exchanges, notices and other matters relating to an investor’s interest in a global note, and those policies may change from time to time. We, the fiscal agent and any paying agents will have no responsibility for any aspect of the depositary’s policies, actions or records of ownership interests in a global note. We, the fiscal agent and any paying agents also do not supervise the depositary in any way.
- The depositary will require that those who purchase and sell interests in a global note within its book-entry system use immediately available funds and your broker or bank may require you to do so as well.
- Financial institutions that participate in the depositary’s book-entry system and through which an investor holds its interest in the global notes, directly or indirectly, may also have their own policies affecting payments, deliveries, transfers, exchanges, notices and other matters relating to the notes, and those policies may change from time to time. For example, if you hold an interest in a global note through Euroclear or Clearstream, when DTC is the depositary, Euroclear or Clearstream, as applicable, will require those who purchase and sell interests in that note through them to use immediately available funds and comply with other policies and

procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the policies or actions or records of ownership interests of any of those intermediaries.

### **Holder’s Option to Obtain a Non-Global Note; Special Situations When a Global Note Will Be Terminated**

If we issue any series of notes in book-entry form but we choose to give the beneficial owners of that series the right to obtain non-global notes, any beneficial owner entitled to obtain non-global notes may do so by following the applicable procedures of the depository, any transfer agent or registrar for that series and that owner’s bank, broker or other financial institution through which that owner holds its beneficial interest in the notes. If you are entitled to request a non-global note and wish to do so, you will need to allow sufficient lead time to enable us or our agent to prepare the requested certificate.

In addition, in a few special situations described below, a global note will be terminated and interests in it will be exchanged for certificates in non-global form representing the notes it represented. After that exchange, the choice of whether to hold the notes directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global note transferred on termination to their own names, so that they will be holders. We have described the rights of holders and street name investors above under “—Who Is the Legal Owner of a Registered Note?”

### **Issue of Definitive Notes**

If:

- in the case of global registered notes held through DTC, DTC notifies UBS AG that it is unwilling or unable to continue as a depository or at any time ceases to be a “clearing agency” registered under the Exchange Act, and a successor depository is not appointed by UBS AG within 90 days of such notice;
- in the case of global registered notes held through Euroclear or Clearstream, both Euroclear and Clearstream are closed for business for a continuous period of 14 days or both Euroclear and Clearstream announce intentions permanently to cease business or in fact do so, and a successor or successors is not appointed by UBS AG within 90 days from the commencement of such closure, announcement or cessation of business; or
- the issuing branch in its sole discretion determines that a global registered note will be exchanged for notes in definitive registered form;

then interests in the global registered note will be transferred to the persons designated by DTC in the form of definitive registered notes without coupons in authorized denominations. In these circumstances, the issuing branch will cause sufficient definitive registered notes to be executed and delivered to the fiscal agent for completion, authentication and dispatch to the relevant holders. A person having an interest in a global registered note must provide the fiscal agent with a written order containing instructions and such other information as the issuing branch and the fiscal agent may require to complete, execute and deliver such definitive registered notes.

Definitive bearer notes with coupons attached, if applicable, will be issued in exchange for beneficial interests in permanent global notes:

- if both Euroclear and Clearstream are closed for business for a continuous period of 14 days or both Euroclear and Clearstream announce intentions permanently to cease business or do in fact do so, and a successor or successors is not appointed by UBS AG within 90 days from the commencement of such closure, announcement or cessation of business; or
- if the issuing branch determines that the permanent global note will be exchanged in full for definitive bearer notes, or
- upon request of any beneficial owner.

Definitive bearer notes will be issued in authorized denominations, subject to compliance with all applicable legal and regulatory requirements.

### **Considerations Relating to Euroclear and Clearstream**

Euroclear and Clearstream are securities clearance systems in Europe. Both systems clear and settle securities transactions between their participants through electronic, book-entry delivery of securities against payment.

Euroclear and Clearstream may be depositaries for a global note. In addition, if DTC is the depositary for a global security, Euroclear and Clearstream may hold interests in the global note as participants in DTC.

As long as any global note is held by Euroclear or Clearstream as depositary, you may hold an interest in the global note only through an organization that participates, directly or indirectly, in Euroclear or Clearstream. If Euroclear or Clearstream is the depositary for a global note and there is no depositary in the United States, you will not be able to hold interests in that global security through any securities clearance system in the United States.

Payments, deliveries, transfers, exchanges, notices and other matters relating to the securities made through Euroclear or Clearstream must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. We have no control over those systems or their participants and we take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, on one hand, and participants in DTC, on the other hand, when DTC is the depositary, would also be subject to DTC's rules and procedures.

### **Special Timing Considerations for Transactions in Euroclear and Clearstream**

Investors will be able to make and receive through Euroclear and Clearstream payments, deliveries, transfers, exchanges, notices and other transactions involving any notes held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in notes through these systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream may need to make special arrangements to finance any purchases or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than would be the case for transactions within one clearing system.

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## Considerations Relating to Indexed Notes

We use the term “indexed notes” to mean notes whose value is linked to an underlying property or index, including equity, commodity and credit indexed notes and equity, commodity, currency and credit-linked notes. Indexed notes may present a high level of risk, and those who invest in some indexed notes may lose their entire investment. In addition, the treatment of indexed notes for U.S. federal income tax purposes is often unclear due to the absence of any authority specifically addressing the issues presented by any particular indexed note. Thus, if you propose to invest in indexed notes, you should independently evaluate the federal income tax consequences of purchasing an indexed note that apply in your particular circumstances. You should also read “U.S. Tax Considerations” for a discussion of U.S. tax matters.

### **Investors in Indexed Notes Could Lose Their Investment**

The amount of principal and/or interest payable on an indexed note and the cash value or physical settlement value of a physically settled note will be determined by reference to the price, value or level of one or more securities, currencies, commodities or other properties, any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance, and/or one or more indices or baskets of any of these items. We refer to each of these as an “index.” The direction and magnitude of the change in the price, value or level of the relevant index will determine the amount of principal and/or interest payable on an indexed note and the cash value or physical settlement value of a physically settled note. The terms of a particular indexed note may or may not include a guaranteed return of a percentage of the face amount at maturity or a minimum interest rate. Thus, if you purchase an indexed note, you may lose all or a portion of the principal or other amount you invest and may receive no interest on your investment.

### **The Issuer of a Security or Currency That Serves as an Index Could Take Actions That May Adversely Affect an Indexed Note**

The issuer of a security that serves as an index or part of an index for an indexed note will have no involvement in the offer and sale of the indexed note and no obligations to the holder of the indexed note. The issuer may take actions, such as a merger or sale of assets, without regard to the interests of the holder. Any of these actions could adversely affect the value of a note indexed to that security or to an index of which that security is a component.

If the index for an indexed note includes a non-U.S. dollar currency or other asset denominated in a non-U.S. dollar currency, the government that issues that currency will also have no involvement in the offer and sale of the indexed note and no obligations to the holder of the indexed note. That government may take actions that could adversely affect the value of the note. See “Considerations Relating to Notes Denominated or Payable in or Linked to a Non-U.S. Dollar Currency—Government Policy Can Adversely Affect Currency Exchange Rates and an Investment in a Non-U.S. Dollar Note” below for more information about these kinds of government actions.

### **An Indexed Note May Be Linked to a Volatile Index, Which Could Hurt Your Investment**

Some indices are highly volatile, which means that their value may change significantly, up or down, over a short period of time. The amount of principal or interest that can be expected to become payable on an indexed note may vary substantially from time to time. Because the amounts payable with respect to an indexed note are generally calculated based on the value or level of the relevant index on a specified date or over a limited period of time, volatility in the index increases the risk that the return on the indexed note may be adversely affected by a fluctuation in the level of the relevant index.

The volatility of an index may be affected by political or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these events or activities could adversely affect the value of an indexed note.

## **An Index to Which a Note is Linked Could Be Changed or Become Unavailable**

Some indices compiled by us or our affiliates or third parties may consist of or refer to several or many different securities, commodities or currencies or other instruments or measures. The compiler of such an index typically reserves the right to alter the composition of the index and the manner in which the value or level of the index is calculated. An alteration may result in a decrease in the value of or return on an indexed note that is linked to the index. The indices for our indexed notes may include published indices of this kind or customized indices developed by us or our affiliates in connection with particular issues of indexed notes.

A published index may become unavailable, or a customized index may become impossible to calculate in the normal manner, due to events such as war, natural disasters, cessation of publication of the index or a suspension or disruption of trading in one or more securities, commodities or currencies or other instruments or measures on which the index is based. If an index becomes unavailable or impossible to calculate in the normal manner, the terms of a particular indexed note may allow us to delay determining the amount payable as principal or interest on a note or the settlement value of an indexed note, or we may use an alternative method to determine the value of the unavailable index. Alternative methods of valuation are generally intended to produce a value similar to the value resulting from reference to the relevant index. It is unlikely, however, that any alternative method of valuation we use will produce a value identical to the value that the actual index would produce. If we use an alternative method of valuation for a note linked to an index of this kind, the value of the note, or the rate of return on it, may be lower than it otherwise would be.

Some indexed notes are linked to indices that are not commonly used or that have been developed only recently. The lack of a trading history may make it difficult to anticipate the volatility or other risks associated with an indexed note of this kind. In addition, trading in these indices or their underlying stocks, commodities or currencies or other instruments or measures, or options or futures contracts on these stocks, commodities or currencies or other instruments or measures, may be limited, which could increase their volatility and decrease the value of the related indexed notes or their rates of return.

## **We May Engage in Hedging Activities That Could Adversely Affect an Indexed Note**

In order to hedge an exposure on a particular indexed note, we may, directly or through our affiliates, enter into transactions involving the securities, commodities or currencies or other instruments or measures that underlie the index for that note, or involving derivative instruments, such as swaps, options or futures, on the index or any of its component items. By engaging in transactions of this kind, we could adversely affect the value of an indexed note. It is possible that we could achieve substantial returns from our hedging transactions while the value of the indexed note may decline.

## **Information About Indices May Not Be Indicative of Future Performance**

If we issue an indexed note, we may include historical information about the relevant index in the applicable pricing supplement. Any information about indices that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in the relevant index that may occur in the future.

## **We May Have Conflicts of Interest Regarding an Indexed Note**

UBS Securities LLC and our other affiliates may have conflicts of interest with respect to some indexed notes. UBS Securities LLC and our other affiliates may engage in trading, including trading for hedging purposes, for their proprietary accounts or for other accounts under their management, in indexed notes and in the securities, commodities or currencies or other instruments or measures on which the index is based or in other derivative instruments related to the index or its component items. These trading activities could adversely affect the value of indexed notes. We and our affiliates may also issue or underwrite securities or derivative instruments that are linked to the same index as one or more indexed securities. By introducing competing products into the marketplace in this manner, we could adversely affect the value of an indexed note.

UBS Securities LLC or another of our affiliates may serve as calculation agent for the indexed notes and may have considerable discretion in calculating the amounts payable in respect of the notes. To the extent that UBS Securities

LLC or another of our affiliates calculates or compiles a particular index, it may also have considerable discretion in performing the calculation or compilation of the index. Exercising discretion in this manner could adversely affect the value of an indexed note based on the index or the rate of return on the note.

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## Considerations Relating to Notes Denominated or Payable in or Linked to a Non-U.S. Dollar Currency

If you intend to invest in a non-U.S. dollar note—*e.g.*, a note whose principal and/or interest is payable in a currency other than U.S. dollars or that may be settled by delivery of or reference to a non-U.S. dollar currency or property denominated in or otherwise linked to a non-U.S. dollar currency—you should consult your own financial and legal advisors as to the currency risks entailed by your investment. Notes of this kind may not be an appropriate investment for investors who are unsophisticated with respect to non-U.S. dollar currency transactions.

The information in this offering circular is directed primarily to investors who are U.S. residents or whose base currency is the U.S. dollar. Investors who are not U.S. residents or whose base currency is not the U.S. dollar should consult their own financial and legal advisors about currency-related risks particular to their investment.

### **An Investment in a Non-U.S. Dollar Note Involves Currency-Related Risks**

An investment in a non-U.S. dollar note entails significant risks that are not associated with a similar investment in a note that is payable solely in U.S. dollars and where settlement value is not otherwise based on a non-U.S. dollar currency. These risks include the possibility of significant changes in rates of exchange between the U.S. dollar and the various non-U.S. dollar currencies or composite currencies and the possibility of the imposition or modification of foreign exchange controls or other conditions by either the United States or non-U.S. governments. When payments are made in the non-U.S. dollar currency, the total principal plus interest in that currency may be less than the initial principal invested on a U.S. dollar basis, if converted back into U.S. dollars at the then-current spot price, despite any interest or enhanced yield that may have been earned. These risks generally depend on factors over which we have no control, such as economic and political events and the supply of and demand for the relevant currencies in the global markets.

### **There Are Limited Facilities for Non-U.S. Dollar Currencies in the United States**

At the present time, there are limited facilities in the United States for the conversion of U.S. dollars into foreign currencies, currency units or composite currencies and vice versa, and commercial banks generally do not offer non-U.S. dollar checking or savings account facilities in the United States. The agents are prepared to arrange for the conversion of U.S. dollars into the non-U.S. dollar specified currency in which a note may be denominated in order to enable the purchaser to pay for the note, provided that a request is made to the applicable agent on or prior to the third business day preceding the date of delivery of the note, or by such other day as determined by such agent. Each such conversion will be made by the applicable agent on such terms and subject to such conditions, limitations and charges as the agent may from time to time establish in accordance with its regular foreign exchange practices. All costs of conversion will be borne by the purchaser of such note denominated in a non-U.S. dollar specified currency.

### **Changes in Currency Exchange Rates Can Be Volatile and Unpredictable**

Rates of exchange between the U.S. dollar and many other currencies have been highly volatile, and this volatility may continue and perhaps spread to other currencies in the future. Fluctuations in currency exchange rates could adversely affect an investment in a note denominated in, or where value is otherwise linked to, a specified currency other than U.S. dollars. Depreciation of the specified currency against the U.S. dollar could result in a decrease in the U.S. dollar-equivalent value of payments on the note, including the principal payable at maturity or settlement value payable upon exercise. That in turn could cause the market value of the note to fall. Depreciation of the specified currency against the U.S. dollar could result in a loss to the investor on a U.S. dollar basis.

### **Government Policy Can Adversely Affect Currency Exchange Rates and an Investment in a Non-U.S. Dollar Note**

Currency exchange rates can either float or be fixed by sovereign governments. From time to time, governments use a variety of techniques, such as intervention by a country's central bank or imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Governments may also issue a new currency to replace an

existing currency or alter the exchange rate or exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing non-U.S. dollar notes is that their yields or payouts could be significantly and unpredictably affected by governmental actions. Even in the absence of governmental action directly affecting currency exchange rates, political or economic developments in the country issuing the specified currency for a non-U.S. dollar note or elsewhere could lead to significant and sudden changes in the exchange rate between the U.S. dollar and the specified currency. These changes could affect the value of the note as participants in the global currency markets move to buy or sell the specified currency or U.S. dollars in reaction to these developments.

Governments have imposed from time to time and may in the future impose exchange controls or other conditions, including taxes, with respect to the exchange or transfer of a specified currency that could affect exchange rates as well as the availability of a specified currency for a note at its maturity or on any other payment date. In addition, the ability of a holder to move currency freely out of the country in which payment in the currency is received or to convert the currency at a freely determined market rate could be limited by governmental actions.

### **Non-U.S. Dollar Notes May Permit Us to Make Payments in U.S. Dollars or Delay Payment If We Are Unable to Obtain the Specified Currency**

Notes payable in a currency other than U.S. dollars may provide that, if the other currency is subject to convertibility, transferability, market disruption or other conditions affecting its availability at or about the time when a payment on the notes comes due because of circumstances beyond our control, we will be entitled to make the payment in U.S. dollars or delay making the payment. These circumstances could include the imposition of exchange controls or our inability to obtain the other currency because of a disruption in the currency markets. If we made payment in U.S. dollars, the exchange rate we would use would be determined in the manner described above under “Description of Notes We May Offer—Payment Mechanics for Debt Securities—How We Will Make Payments Due in Other Currencies—When the Specified Currency Is Not Available” and “Description of Warrants We May Offer—Payment Mechanics for Warrants—How We Will Make Payments Due in Other Currencies—When the Specified Currency Is Not Available.” A determination of this kind may be based on limited information and would involve significant discretion on the part of our foreign exchange agent. As a result, the value of the payment in U.S. dollars an investor would receive on the payment date may be less than the value of the payment the investor would have received in the other currency if it had been available, or may be zero. In addition, a government may impose extraordinary taxes on transfers of a currency. If that happens, we will be entitled to deduct these taxes from any payment on notes payable in that currency.

### **We Will Not Adjust Non-U.S. Dollar Securities to Compensate for Changes in Currency Exchange Rates**

Except as described above, we will not make any adjustment or change in the terms of a non-U.S. dollar note in the event of any change in exchange rates for the relevant currency, whether in the event of any devaluation, revaluation or imposition of exchange or other regulatory controls or taxes or in the event of other developments affecting that currency, the U.S. dollar or any other currency. Consequently, investors in non-U.S. dollar securities will bear the risk that their investment may be adversely affected by these types of events.

### **In a Lawsuit for Payment on a Non-U.S. Dollar Note, an Investor May Bear Currency Exchange Risk**

The notes will be governed by New York law. Under Section 27 of the New York Judiciary Law, a state court in the State of New York rendering a judgment on a note denominated in a currency other than U.S. dollars would be required to render the judgment in the specified currency; however, the judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on a note denominated in a currency other than U.S. dollars, investors would bear currency exchange risk until judgment is entered, which could be a long time.

In courts outside of New York, investors may not be able to obtain judgment in a specified currency other than U.S. dollars. For example, a judgment for money in an action based on a non-U.S. dollar note in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of the currency in which any particular note is denominated into U.S. dollars will depend upon various factors, including which court renders the judgment.

**Information About Exchange Rates May Not Be Indicative of Future Performance**

If we issue a non-U.S. dollar note, we may include in the applicable pricing supplement currency disclosure that provides information about historical exchange rates for the relevant non-U.S. dollar currency or currencies. Any information about exchange rates that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future. That rate will likely differ from the exchange rate used under the terms that apply to a particular note.

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# Taxation

## United States Taxation

***United States Internal Revenue Service Circular 230 Notice:*** To ensure compliance with Internal Revenue Service Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this offering circular or any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the United States Internal Revenue Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.

This section describes the material United States federal income tax consequences of owning the notes we are offering. It applies to you only if you acquire notes in the offering or offerings governed by this offering circular and you hold your notes as capital assets for tax purposes. This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,
- a bank,
- a life insurance company,
- a tax-exempt organization,
- a person that owns notes that are a hedge or that are hedged against interest rate or currency risks,
- a person that owns notes as part of a straddle or conversion transaction for tax purposes, or
- a United States holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section deals only with notes that are due to mature 30 years or less from the date on which they are issued. Any additional United States federal income tax consequences, the United States federal income tax consequences of owning notes that are due to mature more than 30 years from their date of issue and the United States federal income tax consequences of owning Indexed Notes will be discussed in an applicable pricing supplement. This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

If a partnership holds the notes, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the notes should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the notes.

***Please consult your own tax advisor concerning the consequences of owning these notes in your particular circumstances under the Code and the laws of any other taxing jurisdiction.***

### United States Holders

This subsection describes the tax consequences to a United States holder. You are a United States holder if you are a beneficial owner of a note and you are:

- a citizen or resident of the United States,

- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

If you are not a United States holder, this subsection does not apply to you and you should refer to “— United States Alien Holders” below.

### **Payments of Interest**

Except as described below in the case of interest on a discount note that is not qualified stated interest each as defined below under “— Original Issue Discount — General”, you will be taxed on any interest on your note, whether payable in U.S. dollars or a foreign currency, including a composite currency or basket of currencies other than U.S. dollars, as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for tax purposes.

*Cash Basis Taxpayers.* If you are a taxpayer that uses the cash receipts and disbursements method of accounting for tax purposes and you receive an interest payment that is denominated in, or determined by reference to, a foreign currency, you must recognize income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

*Accrual Basis Taxpayers.* If you are a taxpayer that uses an accrual method of accounting for tax purposes, you may determine the amount of income that you recognize with respect to an interest payment denominated in, or determined by reference to, a foreign currency by using one of two methods. Under the first method, you will determine the amount of income accrued based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year.

If you elect the second method, you would determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if you receive a payment of interest within five business days of the last day of your accrual period or taxable year, you may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that you actually receive the interest payment. If you elect the second method, it will apply to all debt instruments that you hold at the beginning of the first taxable year to which the election applies and to all debt instruments that you subsequently acquire. You may not revoke this election without the consent of the Internal Revenue Service.

When you actually receive an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of your note, denominated in, or determined by reference to, a foreign currency for which you accrued an amount of income, you will recognize ordinary income or loss measured by the difference, if any, between the exchange rate that you used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

### **Original Issue Discount**

*General.* If you own a note, other than a short-term note with a term of one year or less, it will be treated as a discount note issued at an original issue discount if the amount by which the note's stated redemption price at maturity exceeds its issue price is more than a *de minimis* amount. Generally, a note's issue price will be the first price at which a substantial amount of notes included in the issue of which the note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. A note's stated redemption price at maturity is the total of all payments provided by the note that are not payments of qualified stated interest. Generally, an interest payment on a note is qualified stated interest if it is one of a series of stated interest payments on a note that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the note. There are special rules for variable rate notes that are discussed under “— Variable Rate Notes”.

In general, your note is not a discount note if the amount by which its stated redemption price at maturity exceeds its issue price is less than the *de minimis* amount of 1/4 of 1% of its stated redemption price at maturity multiplied by the number of complete years to its maturity. Your note will have *de minimis* original issue discount if the amount of the excess is less than the *de minimis* amount. If your note has *de minimis* original issue discount, you must include the *de minimis* amount in income as stated principal payments are made on the note, unless you make the election described below under “— Election to Treat All Interest as Original Issue Discount”. You can determine the includible amount with respect to each such payment by multiplying the total amount of your note’s *de minimis* original issue discount by a fraction equal to:

- the amount of the principal payment made

divided by:

- the stated principal amount of the note.

Generally, if your discount note matures more than one year from its date of issue, you must include original issue discount, or OID, in income before you receive cash attributable to that income. The amount of OID that you must include in income is calculated using a constant-yield method, and generally you will include increasingly greater amounts of OID in income over the life of your note. More specifically, you can calculate the amount of OID that you must include in income by adding the daily portions of OID with respect to your discount note for each day during the taxable year or portion of the taxable year that you hold your discount note. You can determine the daily portion by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. You may select an accrual period of any length with respect to your discount note and you may vary the length of each accrual period over the term of your discount note. No accrual period, however, may be longer than one year and each scheduled payment of interest or principal on the discount note must occur on either the first or final day of an accrual period.

You can determine the amount of OID allocable to an accrual period by:

- multiplying your discount note’s adjusted issue price at the beginning of the accrual period by your note’s yield to maturity, and then
- subtracting from this figure the sum of the payments of qualified stated interest on your note allocable to the accrual period.

You must determine the discount note’s yield to maturity on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. Further, you determine your discount note’s adjusted issue price at the beginning of any accrual period by:

- adding your discount note’s issue price and any accrued OID for each prior accrual period, and then
- subtracting any payments previously made on your discount note that were not qualified stated interest payments.

If an interval between payments of qualified stated interest on your discount note contains more than one accrual period, then, when you determine the amount of OID allocable to an accrual period, you must allocate the amount of qualified stated interest payable at the end of the interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, you must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. You may compute the amount of OID allocable to an initial short accrual period by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

The amount of OID allocable to the final accrual period is equal to the difference between:

- the amount payable at the maturity of your note, other than any payment of qualified stated interest, and

- your note's adjusted issue price as of the beginning of the final accrual period.

*Acquisition Premium.* If you purchase your note for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on your note after the purchase date but is greater than the amount of your note's adjusted issue price, as determined above under "— General", the excess is acquisition premium. If you do not make the election described below under "— Election to Treat All Interest as Original Issue Discount", then you must reduce the daily portions of OID by a fraction equal to:

- the excess of your adjusted basis in the note immediately after purchase over the adjusted issue price of the note divided by:
  - the excess of the sum of all amounts payable, other than qualified stated interest, on the note after the purchase date over the note's adjusted issue price.

*Pre-Issuance Accrued Interest.* An election may be made to decrease the issue price of your note by the amount of pre-issuance accrued interest if:

- a portion of the initial purchase price of your note is attributable to pre-issuance accrued interest,
- the first stated interest payment on your note is to be made within one year of your note's issue date, and
- the payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on your note.

*Notes Subject to Contingencies Including Optional Redemption.* Your note is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, you must determine the yield and maturity of your note by assuming that the payments will be made according to the payment schedule most likely to occur if:

- the timing and amounts of the payments that comprise each payment schedule are known as of the issue date, and
- one of such schedules is significantly more likely than not to occur.

If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, you must include income on your note in accordance with the general rules that govern contingent payment obligations. These rules will be discussed in the applicable pricing supplement.

Notwithstanding the general rules for determining yield and maturity, if your note is subject to contingencies, and either you or we have an unconditional option or options that, if exercised, would require payments to be made on the note under an alternative payment schedule or schedules, then:

- in the case of an option or options that we may exercise, we will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on your note, and
- in the case of an option or options that you may exercise, you will be deemed to exercise or not exercise an option or combination of options in the manner that maximizes the yield on your note.

If both you and we hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. You may determine the yield on your note for the purposes of those calculations by using any date on which your note may be redeemed or repurchased as the maturity date and the amount payable on the date that you chose in accordance with the terms of your note as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules then, except to the extent that a portion of your note is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, you must redetermine the yield and maturity of your note by treating your note as having been retired and reissued on the date of the change in circumstances for an amount equal to your note's adjusted issue price on that date.

*Election to Treat All Interest as Original Issue Discount.* You may elect to include in gross income all interest that accrues on your note using the constant-yield method described above under “— General”, with the modifications described below. For purposes of this election, interest will include stated interest, OID, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium, described below under “— Notes Purchased at a Premium,” or acquisition premium.

If you make this election for your note, then, when you apply the constant-yield method:

- the issue price of your note will equal your cost,
- the issue date of your note will be the date you acquired it, and
- no payments on your note will be treated as payments of qualified stated interest.

Generally, this election will apply only to the note for which you make it; however, if the note has amortizable bond premium, you will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, that you hold as of the beginning of the taxable year to which the election applies or any taxable year thereafter. Additionally, if you make this election for a market discount note, you will be treated as having made the election discussed below under “— Market Discount” to include market discount in income currently over the life of all debt instruments that you currently own or later acquire. You may not revoke any election to apply the constant-yield method to all interest on a note or the deemed elections with respect to amortizable bond premium or market discount notes without the consent of the Internal Revenue Service.

*Variable Rate Notes.* Your note will be a variable rate note if:

- your note's issue price does not exceed the total noncontingent principal payments by more than the lesser of:
  1. .015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date, or
  2. 15% of the total noncontingent principal payments; and
- your note provides for stated interest, compounded or paid at least annually, only at:
  1. one or more qualified floating rates,
  2. a single fixed rate and one or more qualified floating rates,
  3. a single objective rate, or
  4. a single fixed rate and a single objective rate that is a qualified inverse floating rate.

Your note will have a variable rate that is a qualified floating rate if:

- variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which your note is denominated; or
- the rate is equal to such a rate multiplied by either:
  1. a fixed multiple that is greater than 0.65 but not more than 1.35, or

2. a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and
- the value of the rate on any date during the term of your note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If your note provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of the note, the qualified floating rates together constitute a single qualified floating rate.

Your note will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the note or are not reasonably expected to significantly affect the yield on the note.

Your note will have a variable rate that is a single objective rate if:

- the rate is not a qualified floating rate,
- the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the issuer or a related party, and
- the value of the rate on any date during the term of your note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

Your note will not have a variable rate that is an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of your note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of your note's term.

An objective rate as described above is a qualified inverse floating rate if:

- the rate is equal to a fixed rate minus a qualified floating rate, and
- the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

Your note will also have a single qualified floating rate or an objective rate if interest on your note is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

- the fixed rate and the qualified floating rate or objective rate have values on the issue date of the note that do not differ by more than 0.25 percentage points, or
- the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

Commercial paper rate notes, prime rate notes, LIBOR notes, EURIBOR notes, treasury rate notes, CMT rate notes, CD rate notes, and federal funds rate notes generally will be treated as variable rate notes under these rules.

In general, if your variable rate note provides for stated interest at a single qualified floating rate or objective rate, or one of those rates after a single fixed rate for an initial period, all stated interest on your note is qualified stated interest. In this case, the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for your note.

If your variable rate note does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, you generally must determine the interest and OID accruals on your note by:

- determining a fixed rate substitute for each variable rate provided under your variable rate note,

- constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above,
- determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and
- adjusting for actual variable rates during the applicable accrual period.

When you determine the fixed rate substitute for each variable rate provided under the variable rate note, you generally will use the value of each variable rate as of the issue date or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on your note.

If your variable rate note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period, you generally must determine interest and OID accruals by using the method described in the previous paragraph. However, your variable rate note will be treated, for purposes of the first three steps of the determination, as if your note had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of your variable rate note as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

*Short-Term Notes.* In general, if you are an individual or other cash basis United States holder of a short-term note, you are not required to accrue OID, as specially defined below for the purposes of this paragraph, for United States federal income tax purposes unless you elect to do so (although it is possible that you may be required to include any stated interest in income as you receive it). If you are an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer who so elects, you will be required to accrue OID on short-term notes on either a straight-line basis or under the constant-yield method, based on daily compounding. If you are not required and do not elect to include OID in income currently, any gain you realize on the sale or retirement of your short-term note will be ordinary income to the extent of the accrued OID, which will be determined on a straight-line basis unless you make an election to accrue the OID under the constant-yield method, through the date of sale or retirement. However, if you are not required and do not elect to accrue OID on your short-term notes, you will be required to defer deductions for interest on borrowings allocable to your short-term notes in an amount not exceeding the deferred income until the deferred income is realized.

When you determine the amount of OID subject to these rules, you must include all interest payments on your short-term note, including stated interest, in your short-term note's stated redemption price at maturity.

*Foreign Currency Discount Notes.* If your discount note is denominated in, or determined by reference to, a foreign currency, you must determine OID for any accrual period on your discount note in the foreign currency and then translate the amount of OID into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States holder, as described under “— United States Holders — Payments of Interest”. You may recognize ordinary income or loss when you receive an amount attributable to OID in connection with a payment of interest or the sale or retirement of your note.

#### **Market Discount**

You will be treated as if you purchased your note, other than a short-term note, at a market discount, and your note will be a market discount note if:

- you purchase your note for less than its issue price as determined above under “— General”, and
- the difference between the note's stated redemption price at maturity or, in the case of a discount note, the note's revised issue price, and the price you paid for your note is equal to or greater than 1/4 of 1% of your note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the note's maturity. To determine the revised issue price of your note for these purposes, you generally add any OID that has accrued on your note to its issue price.

If your note's stated redemption price at maturity or, in the case of a discount note, its revised issue price, exceeds the price you paid for the note by less than 1/4 of 1% multiplied by the number of complete years to the note's maturity, the excess constitutes *de minimis* market discount, and the rules discussed below are not applicable to you.

You must treat any gain you recognize on the maturity or disposition of your market discount note as ordinary income to the extent of the accrued market discount on your note. Alternatively, you may elect to include market discount in income currently over the life of your note. If you make this election, it will apply to all debt instruments with market discount that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke this election without the consent of the Internal Revenue Service. If you own a market discount note and do not make this election, you will generally be required to defer deductions for interest on borrowings allocable to your note in an amount not exceeding the accrued market discount on your note until the maturity or disposition of your note.

You will accrue market discount on your market discount note on a straight-line basis unless you elect to accrue market discount using a constant-yield method. If you make this election, it will apply only to the note with respect to which it is made and you may not revoke it.

### Notes Purchased at a Premium

If you purchase your note for an amount in excess of its principal amount, you may elect to treat the excess as amortizable bond premium. If you make this election, you will reduce the amount required to be included in your income each year with respect to interest on your note by the amount of amortizable bond premium allocable to that year, based on your note's yield to maturity. If your note is denominated in, or determined by reference to, a foreign currency, you will compute your amortizable bond premium in units of the foreign currency and your amortizable bond premium will reduce your interest income in units of the foreign currency. Gain or loss recognized that is attributable to changes in exchange rates between the time your amortized bond premium offsets interest income and the time of the acquisition of your note is generally taxable as ordinary income or loss. If you make an election to amortize bond premium, it will apply to all debt instruments, other than debt instruments the interest on which is excludible from gross income, that you hold at the beginning of the first taxable year to which the election applies or that you thereafter acquire, and you may not revoke it without the consent of the Internal Revenue Service. See also "Original Issue Discount — Election to Treat All Interest as Original Issue Discount".

### Purchase, Sale and Retirement of the Notes

Your tax basis in your note will generally be the U.S. dollar cost, as defined below, of your note, adjusted by:

- adding any OID or market discount, *de minimis* original issue discount and *de minimis* market discount previously included in income with respect to your note, and then
- subtracting any payments on your note that are not qualified stated interest payments and any amortizable bond premium applied to reduce interest on your note.

If you purchase your note with foreign currency, the U.S. dollar cost of your note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if you are a cash basis taxpayer, or an accrual basis taxpayer if you so elect, and your note is traded on an established securities market, as defined in the applicable Treasury regulations, the U.S. dollar cost of your note will be the U.S. dollar value of the purchase price on the settlement date of your purchase.

You will generally recognize gain or loss on the sale or retirement of your note equal to the difference between the amount you realize on the sale or retirement and your tax basis in your note. If your note is sold or retired for an amount in foreign currency, the amount you realize will be the U.S. dollar value of such amount on the date the note is disposed of or retired, except that in the case of a note that is traded on an established securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realized based on the U.S. dollar value of the foreign currency on the settlement date of the sale.

You will recognize capital gain or loss when you sell or retire your note, except to the extent:

- described above under "— Original Issue Discount — Short-Term Notes" or "— Market Discount,"

- attributable to accrued but unpaid interest,
- the rules governing contingent payment obligations apply, or
- attributable to changes in exchange rates as described below.

Capital gain of a non-corporate United States holder that is recognized in taxable years beginning before January 1, 2011 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year.

You must treat any portion of the gain or loss that you recognize on the sale or retirement of a note as ordinary income or loss to the extent attributable to changes in exchange rates. You take exchange gain or loss into account, however, only to the extent of the total gain or loss you realize on the transaction.

#### **Exchange of Amounts in Other Than U.S. Dollars**

If you receive foreign currency as interest on your note or on the sale or retirement of your note, your tax basis in the foreign currency will equal its U.S. dollar value when the interest is received or at the time of the sale or retirement. If you purchase foreign currency, you generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of your purchase. If you sell or dispose of a foreign currency, including if you use it to purchase notes or exchange it for U.S. dollars, any gain or loss recognized generally will be ordinary income or loss.

#### **Indexed Notes and Renewable, Extendible and Amortizing Notes**

The applicable pricing supplement will discuss any special United States federal income tax rules with respect to notes the payments on which are determined by reference to any index and other notes that are subject to the rules governing contingent payment obligations which are not subject to the rules governing variable rate notes and with respect to any renewable and extendible notes and with respect to any notes providing for the periodic payment of principal over the life of the note.

#### **United States Alien Holders**

This subsection describes the tax consequences to a United States alien holder. You are a United States alien holder if you are the beneficial owner of a note and are, for United States federal income tax purposes:

- a nonresident alien individual,
- a foreign corporation,
- a foreign partnership, or
- an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a note.

If you are a United States holder, this subsection does not apply to you.

This discussion assumes that the note or coupon is not subject to the rules of Section 871(h)(4)(A) of the Internal Revenue Code, relating to interest payments that are determined by reference to the income, profits, changes in the value of property or other attributes of the debtor or a related party.

Under United States federal income and estate tax law, and subject to the discussion of backup withholding below, if you are a United States alien holder of a note or coupon:

- we and other U.S. payors generally will not be required to deduct United States withholding tax from payments of principal, premium, if any, and interest, including OID, to you if, in the case of payments of interest:
  1. you do not actually or constructively own 10% or more of the total combined voting power of all classes of stock of UBS AG entitled to vote,
  2. you are not a controlled foreign corporation that is related to UBS AG through stock ownership, and

3. in the case of a note other than a bearer note, the U.S. payor does not have actual knowledge or reason to know that you are a United States person and:
    - a. you have furnished to the U.S. payor an Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are (or, in the case of a United States alien holder that is a partnership or an estate or trust, such forms certifying that each partner in the partnership or beneficiary of the estate or trust is) a non-United States person,
    - b. in the case of payments made outside the United States to you at an offshore account (generally, an account maintained by you at a bank or other financial institution at any location outside the United States), you have furnished to the U.S. payor documentation that establishes your identity and your status as the beneficial owner of the payment for United States federal income tax purposes and as a non-United States person,
    - c. the U.S. payor has received a withholding certificate (furnished on an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form) from a person claiming to be:
      - i. a withholding foreign partnership (generally a foreign partnership that has entered into an agreement with the Internal Revenue Service to assume primary withholding responsibility with respect to distributions and guaranteed payments it makes to its partners),
      - ii. a qualified intermediary (generally a non-U.S. financial institution or clearing organization or a non-U.S. branch or office of a U.S. financial institution or clearing organization that is a party to a withholding agreement with the Internal Revenue Service), or
      - iii. a U.S. branch of a non-U.S. bank or of a non-U.S. insurance company, and the withholding foreign partnership, qualified intermediary or U.S. branch has received documentation upon which it may rely to treat the payment as made to a non-United States person that is, for United States federal income tax purposes, the beneficial owner of the payment on the notes in accordance with U.S. Treasury regulations (or, in the case of a qualified intermediary, in accordance with its agreement with the Internal Revenue Service),
    - d. the U.S. payor receives a statement from a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business,
      - i. certifying to the U.S. payor under penalties of perjury that an Internal Revenue Service Form W-8BEN or an acceptable substitute form has been received from you by it or by a similar financial institution between you and it, and
      - ii. to which is attached a copy of the Internal Revenue Service Form W-8BEN or acceptable substitute form, or
    - e. the U.S. payor otherwise possesses documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations;
  4. in the case of a bearer note, the note is offered, sold and delivered in compliance with the restrictions described above under "Description of Notes We May Offer— Form of Notes; Title — Bearer Notes" and payments on the note are made in accordance with the procedures described above under Description of Notes — Payments and Paying Agents", and
- no deduction for any United States federal withholding tax will be made from any gain that you realize on the sale or exchange of your note or coupon.

Further, a note or coupon held by an individual who at death is not a citizen or resident of the United States will not be includible in the individual's gross estate for United States federal estate tax purposes if:

- the decedent did not actually or constructively own 10% or more of the total combined voting power of all classes of stock of UBS AG entitled to vote at the time of death, and

- the income on the note would not have been effectively connected with a U.S. trade or business of the decedent at the same time.

### **Treasury Regulations Requiring Disclosure of Reportable Transactions**

Treasury regulations require U.S. taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a “Reportable Transaction”). Under these regulations, if the notes are denominated in a foreign currency, a United States holder (or a United States alien holder that holds the notes in connection with a U.S. trade or business) that recognizes a loss with respect to the notes that is characterized as an ordinary loss due to changes in currency exchange rates (under any of the rules discussed above) would be required to report the loss on Internal Revenue Service Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is \$50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. You should consult with your tax advisor regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of notes.

### **Backup Withholding and Information Reporting**

In general, if you are a noncorporate United States holder, we and other payors are required to report to the Internal Revenue Service all payments of principal, any premium and interest on your note, and the accrual of OID on a discount note. In addition, we and other payors are required to report to the Internal Revenue Service any payment of proceeds of the sale of your note before maturity within the United States. Additionally, backup withholding will apply to any payments, including payments of OID, if you fail to provide an accurate taxpayer identification number, or you are notified by the Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax returns.

In general, if you are a United States alien holder, payments of principal, premium or interest, including OID, made by us and other payors to you will not be subject to backup withholding and information reporting, provided that the certification requirements described above under “— United States Alien Holders” are satisfied or you otherwise establish an exemption. However, we and other payors are required to report payments of interest on your notes on Internal Revenue Service Form 1042-S even if the payments are not otherwise subject to information reporting requirements. In addition, payment of the proceeds from the sale of notes effected at a U.S. office of a broker will not be subject to backup withholding and information reporting, provided that:

- the broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the broker:
  - an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form upon which you certify, under penalties of perjury, that you are not a United States person, or
  - other documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations, or
- you otherwise establish an exemption.

If you fail to establish an exemption and the broker does not possess adequate documentation of your status as a non-United States person, the payments may be subject to information reporting and backup withholding. However, backup withholding will not apply with respect to payments made outside the United States to an offshore account maintained by you unless the payor has actual knowledge that you are a United States person.

In general, payment of the proceeds from the sale of notes effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by you in the United States,
- the payment of proceeds or the confirmation of the sale is mailed to you at a U.S. address, or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

## Taxation

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unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of notes effected at a U.S. office of a broker) are met or you otherwise establish an exemption.

In addition, payment of the proceeds from the sale of notes effected at a foreign office of a broker will be subject to information reporting if the broker is:

- a United States person,
- a controlled foreign corporation for United States tax purposes,
- a foreign person 50% or more of whose gross income is effectively connected with the conduct of a U.S. trade or business for a specified three-year period, or
- a foreign partnership, if at any time during its tax year:
  - one or more of its partners are “U.S. persons”, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or
  - such foreign partnership is engaged in the conduct of a U.S. trade or business,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of notes effected at a U.S. office of a broker) are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

## Swiss Taxation

### General

Unless as otherwise stated in the applicable pricing supplement, this section describes the principal tax consequences under the laws of Switzerland for non-Swiss investors (*i.e.*, for investors who are not residents of Switzerland and have no permanent establishment or fixed place of business situated in Switzerland for Swiss tax purposes) of owning notes issued and booked by a non-Swiss branch of UBS AG, which has the status of a bank, and the proceeds from which are used outside Switzerland. This summary does not address the tax treatment of holders of the notes subject to special tax rules. It also does not address the tax treatment of Swiss investors (*i.e.*, for investors who are residents of Switzerland or have a permanent establishment or fixed place of business situated in Switzerland for Swiss tax purposes). The tax information set forth below is based on the opinion of Homburger AG, dated November 1, 2007, and has been approved by them for its accuracy.

The following summary is based on legislation as of the date of this offering circular and does not aim to be a comprehensive description of all the Swiss tax considerations that may be relevant to a decision to invest in the notes. The tax treatment for each noteholder depends on the particular situation. All investors and prospective investors are advised to consult with their professional tax advisors as to the respective tax consequences of the purchase, ownership and disposition of the notes.

### Swiss Income and Wealth Tax

Noteholders who are not residents of Switzerland and have no permanent establishment or fixed place of business situated in Switzerland to which the notes are attributable or to which the notes belong will not be subject to any Swiss federal, cantonal or communal corporate or individual income and capital or wealth tax or capital gains tax on the holding and disposition of the notes.

### Issuance Stamp Tax

Under the condition that UBS AG will book the notes in its Stamford branch, its New York branch or any other branch not situated in Switzerland and under the conditions that the respective branch has the status of a bank and

UBS AG does not use the proceeds of the sale of the notes in Switzerland, the issuance of the notes will not be subject to Swiss stamp tax on the issuance of securities.

### **Withholding Tax**

Under the condition that UBS AG will book the notes in its Stamford branch, its New York branch or any other branch not situated in Switzerland and under the conditions that the respective branch has the status of a bank and UBS AG does not use the proceeds of the sale of the notes in Switzerland, the payment of interest on and the redemption of the notes is not subject to Swiss withholding tax.

### **Securities Turnover Tax**

Dealings in notes with a duration of more than one year where a bank or another Swiss securities dealer (as defined in the Swiss Federal Stamp Tax Act) acts as an intermediary, or is a party, to the transaction may be subject to Swiss federal securities turnover tax at an aggregated rate of up to 0.3% of the purchase price of the notes.

However, no securities turnover tax will be imposed on transactions that are not carried out through a Swiss securities dealer or to which no Swiss securities dealer is a party. A branch of UBS AG situated, or a subsidiary of UBS AG resident, outside Switzerland, which, in each case, is not a member of Swiss stock exchange, will not be a Swiss securities dealer under the Swiss Federal Tax Act.

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## ERISA Matters

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), should consider the fiduciary standards of ERISA in the context of the plan’s particular circumstances before authorizing an investment in the notes. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan.

Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit an employee benefit plan, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Internal Revenue Code (together, “Plans”), from engaging in certain transactions involving “plan assets” with persons who are “parties in interest” under ERISA or “disqualified persons” under the Internal Revenue Code with respect to the plan. A violation of these “prohibited transaction” rules may result in excise tax or other liabilities under ERISA and Section 4975 of the Internal Revenue Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption. Therefore, a fiduciary of an employee benefit plan should also consider whether an investment in notes might constitute or give rise to a prohibited transaction under ERISA and the Internal Revenue Code. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), and non-U.S. plans (as described in Section 4(b)(4) of ERISA) generally are not subject to the requirements of ERISA or Section 4975 of the Internal Revenue Code, but may be subject to federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Internal Revenue Code (“Similar Laws”).

UBS AG, UBS Securities LLC and other affiliates of UBS AG may each be considered a party in interest or disqualified person with respect to many Plans. This could be the case, for example, if one of these companies is a service provider to a Plan. Special caution should be exercised, therefore, before notes are purchased by a Plan. In particular, the fiduciary of the Plan should consider whether exemptive relief is available under an applicable administrative or statutory exemption. The Department of Labor has issued five prohibited transaction class exemptions that could apply to exempt the purchase, sale and holding of notes from the prohibited transaction provisions of ERISA and the Internal Revenue Code. Those class exemptions are Prohibited Transaction Exemption 96-23 (for certain transactions determined by in-house asset managers), Prohibited Transaction Exemption 95-60 (for certain transactions involving insurance company general accounts), Prohibited Transaction Exemption 91-38 (for certain transactions involving bank collective investment funds), Prohibited Transaction Exemption 90-1 (for certain transactions involving insurance company separate accounts), and Prohibited Transaction Exemption 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, Section 408(b)(17) of ERISA and Section 4075(d)(20) of the Internal Revenue Code provide a limited exemption for the purchase and sale of securities, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan pays no more and receives no less than adequate consideration in connection with the transaction (the so-called “service provider exemption”).

Because UBS AG, UBS Securities LLC and other affiliates of UBS AG may be considered a party in interest with respect to many Plans, unless otherwise specified in the applicable pricing supplement, notes may not be purchased, held or disposed of by any Plan, any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity (a “Plan Asset Entity”), any person investing “plan assets” of any Plan or any plan subject to any Similar Laws, unless such purchase, holding or disposition is eligible for exemptive relief, including relief available under Prohibited Transaction Exemption 96-23, 95-60, 91-38, 90-1 or 84-14, or the service provider exemption or a similar exemption from Similar Laws. Unless specified in the applicable pricing supplement, any purchaser, including any fiduciary purchasing on behalf of a Plan, transferee or holder of notes will be deemed to have represented, in its corporate and fiduciary capacity, by its purchase and holding of notes that either (a) it is not a Plan or a Plan Asset Entity and is not purchasing such securities on behalf of or with “plan assets” of any Plan or with any assets of a governmental, church or non-U.S. plan that is subject to Similar Laws or (b) its purchase, holding and disposition are eligible for the relief available under one of the six exemptions referred to above (or in the case of a governmental, church or non-U.S. plan, a similar exemption from Similar Laws).

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing notes on behalf of or with “plan assets” of any employee benefit plan consult with their counsel regarding the consequences under ERISA and the Internal Revenue Code of the acquisition of notes and the availability of exemptive relief under any available exemptions, such as Prohibited Transaction Exemption 96-23, 95-60, 91-38, 90-1 or 84-14, the service provider exemption or a similar exemption from Similar Laws. Purchasers of notes have exclusive responsibility for ensuring that their purchase and holding of notes do not violate the fiduciary or prohibited transaction rules of ERISA or the Internal Revenue Code or any Similar Laws. The sale of any notes to a plan subject to ERISA or the Code or any Similar Laws is in no respect a representation by UBS AG or any of its affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by any such plan generally or any particular plan, or that such investment is appropriate for such plans generally or any particular plan.

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## Plan of Distribution

The notes are being offered on a continuing basis by UBS AG, acting through the issuing branch, through the agents, pursuant to a distribution agreement, as amended and restated as of November 1, 2007, among the issuing branches and UBS Securities LLC, as representative for the agents from time to time. The notes may also be sold to an agent, as principal, at a discount from their principal amount, for resale at varying prices related to prevailing market conditions at the time of resale to be determined by such agent or, if so agreed, on a fixed offering price basis. UBS AG, acting through the issuing branch, may also appoint additional agents, dealers or underwriters, offer notes on a syndicated placement basis and/or offer and sell the notes directly to investors on its own behalf in those jurisdictions where it is authorized to do so, in each case through a separate agreement or an amendment or supplement to the distribution agreement. The issuing branch will have the sole right to accept offers to purchase the notes and may reject any offer in whole or in part. Each agent will have the right to reject any offer to purchase the notes received by the agent in whole or in part. The issuing branch will pay each agent a commission ranging from 0% to 8% of the principal amount of notes, depending on their stated maturity, sold through that agent. No commission will be payable by any issuing branch to any agent on account of sales of notes made directly by the issuing branch.

In addition, the agents may offer, sell and resell the notes they have purchased as principal to other dealers. The agents may sell notes to any such dealer at a discount and, unless otherwise specified in the applicable pricing supplement, such discount allowed to any dealer will not be in excess of the discount to be received by such agent from the issuing branch. Unless otherwise agreed, any note sold to an agent as principal will be purchased by such agent at a price equal to 100% of its principal amount, and the issuing branch will pay to the agent a commission at the same percentage that is applicable to any agency sale of a note of the same maturity. Any such note may be resold by the agent to investors and other purchasers as described in this offering circular, and in connection with any such resale such agent may reallocate all or any portion of the commission received in connection with its purchase from the issuing branch. After the initial offering of notes, the offering price (in the case of a fixed price offering), concession and commission or discount may be changed.

In connection with an offering of notes purchased by one or more agents on a fixed offering price basis, persons participating in the offering (including those agents) may engage in transactions that stabilize, maintain or otherwise affect the market price of such notes. Such transactions may include stabilization transactions effected in accordance with Rule 104 of Regulation M under the Exchange Act, pursuant to which such persons may bid for or purchase such notes for the purpose of stabilizing the market price of such notes. Such agents also may create a short position for their respective accounts by selling more notes in connection with the offering than they are committed to purchase from the issuing branch, and in such case may purchase notes in the open market following completion of the offering to cover all or a portion of such short position. Such open market purchases are known as syndicate covering transactions. The agents may also impose a penalty bid, whereby selling concessions allowed to broker-dealers in respect of the notes sold in an offering may be reclaimed by the agents if such notes are repurchased by the agents in stabilizing or covering transactions. Any of the transactions described in this paragraph may result in the maintenance of the price of notes at a level above that which might otherwise prevail in the open market. None of the transactions described in this paragraph is required, and, if any are undertaken, they may be discontinued at any time.

UBS AG has agreed to indemnify each agent against, or to make contribution toward, certain civil liabilities, including, if applicable, liabilities under the Securities Act.

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF market of such exchange. Any particular series of notes will be traded on the Euro MTF market only if indicated in the applicable pricing supplement. UBS AG has reserved the right to list the notes on any other securities exchange(s). Each agent may make a market in the notes, but such agent is not obligated to do so and may discontinue any market-making at any time without notice. There can be no assurance that the notes offered hereby will be sold, that there will be a secondary market for any of the notes or liquidity in the secondary market if one develops.

The agents and their affiliates may engage in transactions with or perform investment and/or commercial banking services for UBS AG or the issuing branches in the ordinary course of business for which they have received customary compensation and expense reimbursement, and may do so again in the future. UBS Securities LLC is an affiliate of UBS AG and the issuing branches.

Unless otherwise specified in the applicable pricing supplement, notes denominated or payable in a specified currency other than U.S. dollars will not be sold in, or to residents of, the country that has as its legal tender such specified currency.

Each series of notes will also be subject to such additional selling restrictions as are specified in the applicable pricing supplement. Each of the agents has agreed or will agree that it will offer, sell or deliver such notes only in compliance with such additional selling restrictions.

## **Selling Restrictions**

### **General**

Please review the following information carefully. Any notes purchased by any person for resale may not be offered in any jurisdiction in circumstances that would result in UBS AG being obliged to register any further offering circular or corresponding document relating to the notes in that jurisdiction. In particular, each purchaser of notes and each other person into whose hands this offering circular or any pricing supplement comes must comply with the restrictions described below and all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver notes or have in their possession or distribute such offering material, in all cases at their own expense, except to the extent that, as a result of changes in, or in the official interpretation of, any applicable legal or regulatory requirements, non-compliance would not result in any breach of the requirements set forth in this section. Each series of notes will also be subject to such additional selling restrictions as are specified in the applicable pricing supplement. Each of the agents has agreed or will agree that it will offer, sell or deliver such notes only in compliance with all applicable selling restrictions.

### **United States**

The notes have not been registered with the SEC and are offered pursuant to an exemption from registration under Section 3(a)(2) of the Securities Act. Accordingly, the fiscal agency agreement is not, and is not required to be, qualified under the Trust Indenture Act of 1939, as amended.

Bearer notes are subject to U.S. federal tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. treasury regulations. Terms used in this paragraph have the meanings given to them by the Internal Revenue Code and the related U.S. treasury regulations.

UBS Securities LLC is a wholly owned subsidiary of UBS AG. Rule 2720 of the Conduct Rules of the Financial Industry Regulatory Authority imposes certain requirements when a FINRA member such as UBS Securities LLC distributes an affiliated company's notes. UBS Securities LLC has advised UBS AG that this offering will comply with the applicable requirements of Rule 2720.

UBS Securities LLC will not confirm initial sales to accounts over which it exercises discretionary authority without the prior written approval of the customer.

### **United Kingdom**

In relation to each series of notes, each agent subscribing for or purchasing such notes represents, warrants and undertakes to UBS AG acting through the issuing branch issuer and each other (if any) that:

- (a) in relation to any notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has offered or sold and will not offer or sell any notes other than to persons:

- (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
  - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the notes would otherwise constitute a contravention of section 19 of the Financial Services & Markets Act 2000 (“FSMA”) by the issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not or would not, if the issuer was not an authorized person, apply to the issuer; and
  - (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

**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”), an offer to the public of any notes which are the subject of an offering contemplated by this offering circular may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any notes may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) 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 €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) by the agents to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of notes shall result in a requirement for the publication by UBS AG or any agent of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer 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 any notes to be offered so as to enable an investor to decide to purchase any 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.

**Japan**

Each agent understands that the notes have not been and will not be registered under the Securities Exchange Law of Japan and, accordingly, each agent has undertaken that it will not offer or sell any notes directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, or to others for reoffering or resale, directly or indirectly, in Japan or to a resident of Japan except under circumstances which will result in compliance with the applicable laws, regulations and guidelines promulgated by the relevant Japanese Governmental and Regulatory Authorities and in effect at the relevant time. Issues of notes denominated in Japanese yen are subject to post-facto reporting to the Minister of Finance of Japan.

**Jersey**

The notes:

- (i) may not be offered to, sold to or purchased by, persons resident for income tax purposes in Jersey (other than international business companies within the meaning of Article 123B of the Income Tax (Jersey) Law 1961 as amended, or financial institutions in the normal course of business); and
- (ii) in the case of registered notes, may not be transferred to persons resident for income tax purposes in Jersey (other than international business companies within the meaning Article 123B of the Income Tax (Jersey) Law 1961 as amended, or financial institutions in the normal course of business) unless the Registrar is satisfied that the beneficial owner thereof is not registered in Jersey for income tax purposes.

**Singapore**

No term sheet, offering circular or other issue documentation relating to the notes has been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”) under the Securities and Futures Act (Cap. 289) of Singapore (the “Securities and Futures Act”). Accordingly, the notes have not been and may not be offered or sold, nor may the term sheet, offering circular or any other document or material in connection with the offer or sale of the notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (1) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (2) to a relevant person (as defined in Section 275(2) of the Securities and Futures Act), or to a person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

**Hong Kong**

Each agent represents, warrants and undertakes to UBS AG that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

**Taiwan**

The notes may not be offered, sold or distributed in Taiwan to Taiwanese residents or entities incorporated in Taiwan other than in accordance with the laws and regulations of Taiwan. Each agent confirms that it will not onsell or distribute the notes in Taiwan to Taiwanese residents or entities incorporated in Taiwan other than in accordance with laws and regulations of Taiwan.

**Luxembourg**

The notes may not be offered or sold within the territory of the Grand Duchy of Luxembourg unless

- (a) a prospectus has been duly approved by the Commission de Surveillance du Secteur Financier (the “CSSF”) if Luxembourg is the home member state (as defined in the Law of 10 July 2005 on prospectuses for securities and implementing Directive 2003/71/EC of the European Parliament

and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the “Law”)); or

- (b) if Luxembourg is not the home member state, the CSSF has been notified by the competent authority in the home member state that the prospectus has been duly approved; or
- (c) the offer benefits from an exemption to, or constitutes a transaction not subject to, the requirement to publish a prospectus.

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## Validity of the Notes

Unless otherwise specified in the applicable pricing supplement, the validity of the notes will be passed upon for UBS AG and the issuing branch, with respect to New York law, by Sullivan & Cromwell LLP, New York, New York and for the agents, with respect to New York law, by Davis Polk & Wardwell. The respective opinions of Sullivan & Cromwell LLP and Davis Polk & Wardwell will be conditioned upon, and subject to certain assumptions regarding, future action required to be taken by UBS AG, the issuing branch and the fiscal agent in connection with the issuance and sale of any particular note, the specific terms of notes and other matters that may affect the validity of notes but which cannot be ascertained on the date of such opinions.

Unless otherwise specified in the applicable pricing supplement, the validity of the notes has been passed upon for UBS AG and the issuing branch with respect to Swiss law by Homburger AG, Zurich, Switzerland. The opinion of Homburger AG is conditioned upon, and is subject to, certain assumptions regarding in particular further action required to be taken by UBS AG, the issuing branch and the fiscal agent in connection with the issuance and sale of any particular note, the specific terms of the notes and other matters that may affect the validity of the notes but which could not be ascertained on the date of the opinion.

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## Experts

The consolidated balance sheets of UBS AG as at December 31, 2006 and December 31, 2005 and the related consolidated statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2006 incorporated by reference into this offering circular have been audited by Ernst & Young Ltd., independent auditors, as set forth in their report thereon incorporated by reference into this offering circular, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

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## Form of Pricing Supplement

In the case of any series of notes admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange, the pricing supplement relating to that series will constitute the Final Terms for those notes for purposes of the rules of the Luxembourg Stock Exchange. These Final Terms will be displayed on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>).

### FORM OF PRICING SUPPLEMENT

#### [FINAL TERMS]

#### PRICING SUPPLEMENT NO.

(To Offering Circular dated November 1, 2007)

[Date]

#### UBS AG, [NEW YORK] [STAMFORD] BRANCH MEDIUM-TERM NOTES

*[If the notes are admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange: This Pricing Supplement constitutes the Final Terms for the notes described below.]*

*[Include whichever of the following apply:]*

1. Series designation and number:
2. Issue Date:
3. (a) Aggregate Principal Amount:  
(b) Issue Price: [generally expressed as a percentage of Principal Amount]
4. Authorized Denomination(s):
5. Specified Currency or Specified Currencies:
6. Booking Branch:
7. Interest/Payment Basis: and if more than one, the dates during which each Interest/Payment Basis will apply: [Fixed Rate Note basis/Floating Rate Note basis/Zero Coupon Note basis/Indexed Note basis/Multi-Currency Note basis]
8. Interest Commencement Date (if other than the Issue Date):
9. Maturity Date:
10. Maturity Date Principal Payment Amount: % of Principal Amount
11. Notes payable in installments:
  - (a) Installment Dates:
  - (b) Installment Amounts: % per in Principal Amount
12. Fixed Rate Notes:

- (a) Fixed Rate of Interest: % per annum
  - (b) Fixed Interest Payment Dates (if other than May 15 and November 15):
  - (c) Record Dates (if other than the fifteenth day before the relevant Fixed Interest Payment Date):
  - (d) Initial Fixed Interest Payment Date:
  - (e) Basis for computing interest for a period other than a full year, if different than specified in the Conditions:
  - (f) Other terms for computing interest:
13. Floating Rate Notes:
- (a) Reference Rate: [CD Rate/CMT Rate/Commercial Paper Rate/Federal Funds Rate/LIBOR/Prime Rate/Treasury Rate/other variable rate]
  - (b) Index Maturity:
  - (c) Relevant Screen Page (if Designated CMT Reuters Page is FEDCMT, also specify “week” or “month”):
  - (d) Spread:
  - (e) Spread Multiplier:
  - (f) Minimum Interest Rate: % per annum
  - (g) Maximum Interest Rate: % per annum
  - (h) Initial Interest Rate: % per annum
  - (i) Floating Interest Payment Dates (if Interest Reset Periods are daily, weekly or monthly, specify whether Floating Interest Payment Dates are monthly or quarterly):
  - (j) Initial Floating Interest Payment Date:
  - (k) Record Dates (if other than the fifteenth day before the relevant Floating Interest Payment Date):
  - (l) Interest Reset Period:
  - (m) Interest Rate Reset Dates:
  - (n) Interest Determination Dates, if different from those specified in the Conditions:
14. Zero Coupon Notes:
- (a) Accrual Yield: % per annum

- (b) Reference Price:
  - (c) Any other formula/basis of determining amount payable:
15. Indexed Notes:
- (a) Index: [explain]
  - (b) Indexed Principal Amount:
  - (c) Indexed Coupon Amount:
  - (d) Formula:
  - (e) Indexed Currency:
  - (f) Indexed Commodity:
  - (g) Stock Index:
  - (h) Other price or economic measures relating to Index:
  - (i) Face Amount:
  - (j) Early Indexed Note Redemption/Repayment Amount:
  - (k) Original Index Calculation Agent:
  - (l) Substitute Index Calculation Agent:
  - (m) Method for calculating amounts if Index cannot be calculated as originally contemplated:
  - (n) Historical and other information related to Index or Underlying Assets:
  - (o) Material U.S. Federal tax consequences particular to holding of the Notes:
16. Multi-Currency Notes:
- (a) Rate of Exchange:
  - (b) Provisions where calculation by reference to Rate of Exchange is impossible and/or impracticable:
  - (c) Person at whose option any Specified Currency or Currencies is or are to be payable:
17. Redemption:
- (a) At option of Issuer (other than for tax reasons) (Yes/No):
  - (b) Optional Redemption Date(s):
  - (c) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):

- (d) Minimum Redemption Amount:
  - (e) Higher Redemption Amount:
  - (f) Notice Period (if different from that specified in Condition 8(b)):
18. Optional Repayment:
- (a) Repayment at option of holder (Yes/No):
  - (b) Optional Repayment Dates:
  - (c) Optional Repayment Amount(s) and method, if any, of calculation of such amount(s):
  - (d) Notice Period (if different from that specified in Condition 8(c)):
19. Early Redemption/Repayment Amount(s) payable on redemption for taxation reasons or an Event of Default and/or the method of calculating the same (if different from that specified in Condition 8):
20. Status of Obligations (i.e., whether Notes are Senior Notes or Subordinated Notes):
21. Calculation Agent (if other than the Fiscal Agent):
22. Details related to any relevant stabilizing manager:
23. Additional selling restrictions: [give details]
24. Other terms or special conditions or modifications:
25. Applicable definition of Business Day (if different from that specified in the Conditions):
26. As applicable:
- Euroclear and Clearstream common code:
  - ISIN number:
  - CUSIP number:
  - CINS number:
27. Details of additional/alternative clearance system for the Notes:
28. Whether the Notes are convertible automatically/at option of Issuer and/or Noteholders into Notes of another Interest/ Payment Basis: [date of automatic conversion/option may be exercised; details of Interest/Payment Basis and other relevant terms]
29. Notes to be listed on any securities exchange: [Yes/No. If yes, give details]
30. Form of Notes: [Registered/Bearer: Temporary Global/Permanent Global/DTC Global]

Registered/Euroclear/Clearstream  
Global/Registered/  
Definitive/Registered/Definitive  
Bearer]

- 31. Clearance and Settlement
- 32. Intended use of proceeds, if other than as described in the Offering Circular:
- 33. Method of distribution (syndicated/non-syndicated):
- 34. Name(s) of the Agent(s) or syndicate of Agent(s) that are to offer and sell the Notes to be issued:

Agent	Principal Amount of the notes
● .....	\$●
● .....	\$●
Total.....	<u>\$●</u>

- 35. Commission Payable: ●%
- 36. Notes considered to be issued with original issue discount for U.S. federal tax purposes: [Yes/No. If yes, give details]
  - (a) Yield to maturity:
  - (b) Amount of original issue discount:
  - (c) Formula/basis for determining amount payable upon redemption:
- 37. Notes considered “contingent payment debt instruments” (Yes/No):  
If “Yes,” the following are the material U.S. federal tax consequences particular to the holding of such Notes:

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## General Information

### Authorization

UBS AG has obtained or will obtain from time to time all necessary consents, approvals and authorizations in connection with the issue and performance of the notes. The program became effective on July 19, 2002, and was relaunched on November 1, 2007.

### Listing Information

Application has been made to list the notes to be issued under the program on the Official List of the Luxembourg Stock Exchange and to trade certain series of notes on the Euro MTF market of such exchange. The Luxembourg listing agent is Dexia Banque Internationale à Luxembourg, 69, route d'Esch, L-2953 Luxembourg.

### Litigation

UBS AG is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which UBS AG is aware) during the 12 months before the date of this offering circular that may have, or have had in the recent past, a material adverse effect on the financial position or profitability of UBS AG and its subsidiaries taken as a whole.

### Material Change

There has been no material adverse change in the financial position or prospects of UBS AG and its subsidiaries taken as a whole and no significant change in the financial position of UBS AG since December 31, 2006.

### 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 its ability to meet its obligations to the investors in relation to the notes.

### Paying Agent

So long as any series of outstanding notes are admitted to trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the issuer will maintain a paying agent and transfer agent in Luxembourg. The issuer has initially appointed Dexia Banque Internationale à Luxembourg as its Luxembourg paying agent and transfer agent.

### Documents Available

So long as any series of outstanding notes are admitted to trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, copies of the following documents may be inspected at the registered office of UBS AG and the office of the paying agent in Luxembourg and, in the case of items (ii), (iii), (vi) and (vii) below, will be available free of charge from the office of the paying agent in Luxembourg:

- (i) the Articles of Association of UBS AG;
- (ii) this offering circular;
- (iii) any amendment or supplement to this offering circular and any supplementary listing particulars published since the date of this offering circular;
- (iv) the fiscal agency agreement;
- (v) the distribution agreement;

- (vi) the published audited consolidated accounts and audit report of the UBS Group for the financial years ended December 31, 2005 and December 31, 2006 and the unaudited quarterly interim financial statements for the periods ended March 31, 2007, June 30, 2007 and September 30, 2007;
- (vii) the pricing supplement for each series of notes that is admitted to trading on the Euro MTF market.

UBS AG does not publish non-consolidated financial statements on a branch basis, and thus such financial statements are not available.

### **Clearing Systems**

The applicable pricing supplement will specify which clearing system or systems (including DTC, Euroclear and/or Clearstream) have accepted the relevant notes for clearance and provide any further relevant information about the relevant system or systems.

### **Updating of the Offering Circular**

UBS AG will, in connection with the listing of the notes for trading on the Euro MTF market, so long as any series of outstanding notes are admitted to trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, in the event of any material change in the financial condition of UBS AG that is not reflected in this offering circular or in the documents incorporated by reference into it, prepare a supplement to this offering circular or publish a new offering circular for use in connection with any subsequent issue of notes to be listed for trading on the Euro MTF market. If the terms of the program are modified or amended (other than with respect to a particular issue of notes) in a manner that would make this offering circular as supplemented, inaccurate or misleading, UBS AG will prepare a further supplement to this offering circular or publish a new offering circular for use in connection with any subsequent issue of notes.

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Switzerland

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**UBS AG  
New York Branch  
Stamford Branch**

**MEDIUM-TERM NOTES**

**UBS Securities LLC**

No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this offering circular or the applicable pricing supplement and, if given or made, such other information or representations must not be relied upon as having been authorized. Neither this offering circular or any pricing supplement constitutes an offer to sell, or the solicitation of an offer to buy, any of the offered securities by anyone in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. None of the delivery of this offering circular or any pricing supplement at any time nor any sales made under any such documents shall create any implication that there has been no change in the affairs of the branches or UBS AG since the date of this offering circular or such pricing supplement or that the information contained herein or therein is correct as of any time subsequent to such respective dates.