



EDGA & EDGX STOCK EXCHANGES			
Regulatory Information Circular			
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**Subject: ETRACS Internet IPO ETN due July 19, 2041**  
**Monthly 2xLeveraged ETRACS Internet IPO ETN due July 19, 2041**

### **Background Information on the Notes**

As more fully explained in the Registration Statement No. 333-156695 for UBS AG Exchange Traded Access Securities (“E-TRACS” or “Securities”) ETNs, the Securities are linked to the performance of an index, as described below. The purpose of this Information Circular is to outline various rules and policies that will be applicable to trading the Securities. For a more complete description of the Securities and the payment at maturity, the UBS Internet IPO Index (“Index”), early repurchase provisions, early repurchase mechanics, valuation, fees and risk factors, consult the Registration Statement. The Index is intended to measure the performance of a subset of internet companies listed on the New York Stock Exchange or The Nasdaq Stock Market, Inc. that satisfy specified market capitalization and other eligibility requirements. The Index provides exposure specifically to those internet companies that have been publicly traded for less than three years. The Index is a total return index.

### **Description of the Notes**

#### *ETRACS Internet IPO ETN*

The ETRACS Internet IPO ETN due July 19, 2041 (the “1x Securities”) provide exposure to the performance of the Index, reduced by the Accrued Tracking Fee based on a rate of 0.65% per annum. Investors will receive a cash payment at maturity, upon exercise by UBS of its call right or upon early acceleration (as described further in the Registration Statement), based on, with respect to the 1x Securities, the performance of the Index less the Accrued Fees. Payment at maturity or call, upon acceleration or upon early redemption is subject to the creditworthiness of UBS. In addition, the actual and perceived creditworthiness of UBS will affect the market value, if any, of the Securities prior to maturity, call, acceleration or early redemption.

#### *Monthly 2xLeveraged ETRACS Internet IPO ETN*

The Monthly 2xLeveraged ETRACS Internet IPO ETN due July 19, 2041 (the “2x Securities”) provide a monthly compounded two times leveraged exposure to the performance of the Index, reduced by (i) the Accrued Tracking Fee and (ii) the Accrued Financing Charges. The 2x Securities are two times leveraged with respect to the Index and, as a result, investors will benefit from two times any beneficial, but will be exposed to two times any adverse, performance of the Index. Investors will receive a cash payment at maturity, upon exercise by UBS of its call right or upon early acceleration, based on the leveraged performance of the

Index less the Accrued Fees, as described in the Registration Statement. The client will receive a cash payment upon early redemption based on the leveraged performance of the Index less the Accrued Fees, less, in each case, the Redemption Fee. Payment at maturity or call upon acceleration or upon early redemption is subject to the creditworthiness of UBS. In addition, the actual and perceived creditworthiness of UBS will affect the market value, if any, of the Securities prior to maturity, call, acceleration or early redemption.

### **Principal Risks**

Investment in the Securities will involve significant risks including leverage risk, market risk, call risk, credit of issuer risk, and risk of the potential over-concentration in a particular industry. The Securities are not secured debt and are riskier than ordinary unsecured debt securities. In addition, the 2x Securities are two times leveraged with respect to the Index and, as a result, will benefit from two times any beneficial, but will be exposed to two times any adverse, monthly performance of the Index. As described in more detail in the Registration Statement, the trading price of the Securities may vary considerably before the Maturity Date due to events that are difficult to predict and beyond the issuer's control. Investing in the Securities is not equivalent to investing directly in the Index Constituents or the Index itself. Additional risks are described in the Registration Statement.

As described in more detail in the Registration Statement, the Securities are senior unsecured debt obligations of the issuer, UBS, and are not, either directly or indirectly, an obligation of or guaranteed by any third party. Any payment to be made on the Securities including any payment at maturity or call, or upon early redemption, depends on the ability of UBS to satisfy its obligations as they come due.

### **Early Redemption**

Subject to the minimum redemption amount of 400,000 Securities, upon early redemption, an investor will receive per Security a cash payment on the relevant Redemption Date equal to (a) the product of (i) the Principal Amount and (ii) the Index Performance Ratio as of the Redemption Valuation Date plus (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Redemption Valuation Date if on the Redemption Valuation Date the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, plus (c) the Adjusted Coupon Amount, if any, minus (d) the Adjusted Tracking Fee Shortfall, if any, as of the Redemption Valuation Date, minus (e) the Redemption Fee Amount.

### **Indicative Value**

As determined by the Security Calculation Agent as of any date of determination, the Indicative Value is an amount per Security, equal to the product of (i) 0.125% and (ii) the Current Indicative Value as of the immediately preceding Index Business Day.

### **Exchange Rules Applicable to Trading in the Notes**

The ETNs are considered equity securities, thus rendering trading in the Securities subject to the Exchanges' existing rules governing the trading of equity securities.

## **Trading Hours**

Trading in the securities on EDGA and EDGX Exchanges (the “Exchanges”) is on a UTP basis and is subject to the Exchanges equity trading rules. The securities will trade from 8:00 a.m. until 8:00 p.m. Eastern Time. Members trading the securities during the Extended Market Sessions (Pre-opening and Post-closing sessions) are exposed to the risk of the lack of the calculation or dissemination of underlying index value or intraday indicative value (“IIV”). For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in the Extended Market hours. Since the underlying index value and IIV are not calculated or widely disseminated during Extended Market hours, an investor who is unable to calculate implied values for certain derivative securities products during Extended Market hours may be at a disadvantage to market professionals.

## **Trading Halts**

The Exchanges will halt trading in the securities in accordance with Exchange Rules 14.1(c)(4). The grounds for a halt under this Rule include a halt by the primary market because it stops trading the securities and/or a halt because dissemination of the IIV or applicable currency spot price has ceased, or a halt for other regulatory reasons. In addition, the Exchanges will stop trading the securities if the primary market de-lists the securities.

## **Suitability**

Trading in the securities on the Exchanges will be subject to the provisions of EDGA and EDGX Exchange Rules 3.7. Members recommending transactions in the securities to customers should make a determination that the recommendation is suitable for the customer. In addition, Members must possess sufficient information to satisfy the “know your customer” obligation that is embedded in Exchange Rules 3.7.

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

## **Delivery of a Prospectus**

Pursuant to federal securities laws, investors purchasing shares must receive a prospectus prior to or concurrently with the confirmation of a transaction. Investors purchasing shares directly from the Fund (by delivery of the Deposit Amount) must also receive a prospectus.

Prospectuses may be obtained through the Distributor or on the [Fund's website](#). The Prospectus does not contain all of the information set forth in the registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about the Fund, please refer to the Trust's registration statement.

## **No-Action Relief Under Federal Securities Regulations**

The Securities and Exchange Commission has issued no-action relief from certain provisions of and rules under the Securities Exchange Act of 1934 (the "Exchange Act"), regarding trading in Barclays Index-Linked Securities (File No. TP 06-71) (SEC Letter dated May 30, 2006) for securities with structures similar to that of the securities described herein (the "No-Action Letter"). As what follows is only a summary of the relief outlined in the Letter, the Exchange also advises interested members to consult the No-Action Letter, for more complete information regarding the matters covered therein.

## **Regulation M Exemptions**

Generally, Rules 101 and 102 of Regulation M is an anti-manipulation regulation that, subject to certain exemptions, prohibits a "distribution participant" and the issuer or selling security holder, in connection with a distribution of securities, from bidding for, purchasing, or attempting to induce any person to bid for or purchase, any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities, and affiliated purchasers of such persons.

The Letter states that the SEC Division of Trading and Markets will not recommend enforcement action under Rule 101 of Regulation M against persons who may be deemed to be participating in a distribution of the notes to bid for or purchase the notes during their participation in such distribution.

Rule 102 of Regulation M prohibits issuers, selling security holders, or any affiliated purchaser of such person from bidding for, purchasing, or attempting to induce any person to bid for or purchase a covered security during the applicable restricted period in connection with a distribution of securities effected by or on behalf of an issuer or selling security holder. Rule 100 of Regulation M defines "distribution" to mean any offering of securities that is distinguished from ordinary trading transactions by the magnitude of the offering and the presence of special selling efforts and selling methods.

The Letter states that the SEC Division of Trading and Markets will not recommend enforcement action under Rule 102 of Regulation M against Barclays and its affiliated purchasers who bid for or purchase or redeem notes during the continuous offering of the notes.

## **Section 11(d)(1) of the Exchange Act; Exchange Act Rule 11d1-2**

Section 11(d)(1) of the Exchange Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he or she participated as a member of a selling syndicate or group within thirty days prior to such transaction. The Letter states that the SEC Division of Trading and Markets will not recommend enforcement action under Section 11(d)(1) of the Exchange Act against broker-dealers who treat the notes, for purposes of Rule 11d1-2, as "securities issued by a registered . . . open-end investment company as defined in the Investment Company Act" and thereby, extend credit or maintain or arrange for the extension or maintenance of credit on the notes that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption

contained in the rule.

**This Regulatory Information Circular is not a statutory Prospectus. Members should consult the Securities' Registration Statement, SAI, Prospectus and the ETNs' [website](#) for relevant information.**

## Appendix A

<b>Ticker</b>	<b>Fund Name</b>	<b>CUSIP</b>
EIPO	ETRACS Internet IPO ETN due July 19, 2041	90268A774
EIPL	Monthly 2xLeveraged ETRACS Internet IPO ETN	90268A766