

continued listing guidelines under Sections 1001–1003⁷ of the *Company Guide*. The Notes are senior non-convertible debt securities of UBS AG (“UBS”). The Notes will have a term of not less than one, nor more than ten years. UBS will issue the Notes in denominations of whole units (a “Unit”), with each Unit representing a single Note. The original public offering price will be \$1,000 per Unit. The Notes will entitle the owner at maturity to receive an amount based upon the percentage change of the Index, subject to a guaranteed minimum amount of \$1,000 if the Index declines up to 20% during the term. At maturity, if the value of the Index has increased over the term of the Notes, a beneficial owner will be entitled to receive a payment on the Notes equal to the principal amount

plus 100% of the percentage change of the Index, subject to a maximum return amount of 100%⁸ (“Maximum Return Amount”). If the percentage change of the Index over the term of the Notes is between 0% and –20%, a holder of the Notes will receive the full principal amount of \$1,000 per Unit. However, if the return of the Index is less than –20%, a holder will receive a payment at maturity of the original principal amount reduced by 1% for each percentage point that the percentage change in the Index is below –20%. Accordingly, the Notes provide “partial principal protection” with the potential for holders to lose 80% of their investment if the Index sustains a loss of 100%. The Notes are also not callable by the Issuer.

The payment that a holder or investor of a Note will be entitled to receive (the “Redemption Amount”) depends on the change of the level of the Index during the term of the Notes as measured by the final and initial index levels. The Index final level is the level of the S&P 500 at the close of the market five (5) business days before the maturity date of the Notes indicated in the prospectus, unless the final valuation date and the maturity date are postponed due to a market disruption event (the “Final Level”).⁹ The Index initial level is the closing level of the S&P 500 on the date the Notes are priced for initial sale to the public (the “Initial Level”).

If the Final Level is greater than the Initial Level, the Redemption Amount per Unit will equal:

$$\$10 + \left(\$30 \times \left(\frac{\text{Ending Value} - \text{Starting Value}}{\text{Starting Value}} \right) \right) \text{ not to exceed the Capped Value.}$$

If the percentage change of the Index is between 0% and –20%, the Redemption Amount per Unit will equal \$1,000.

If the percentage change of the Index is less than –20%, the Redemption Amount per Unit will equal:

$$\$10 \times \left(\frac{\text{Ending Value}}{\text{Starting Value}} \right)$$

The Notes are cash-settled in U.S. dollars and do not give the holder any right to receive a portfolio security, dividend payments or any other ownership right or interest in the portfolio or index of securities comprising the Index. The Notes are designed for investors who want to participate or gain exposure to the Index, subject to a maximum return

amount, while partially limiting their investment risk, and who are willing to forego market interest payments on the Notes during such term and are willing to accept a limited return. The Commission has previously approved the listing of securities and related options linked to the performance of the Index.¹⁰

As of June 11, 2003, the market capitalization of the securities included in the S&P 500 ranged from a high of \$305.3 billion to a low of \$388.5 million. The average daily trading volume for these same securities for the last six (6) months ranged from a high of 50.3 million shares to a low of 148,223 shares. The Index value will be disseminated at least once every fifteen (15) seconds throughout the trading day.

Because the Notes are issued in \$1,000 denominations, the Amex’s existing floor trading rules will apply to the trading of the Notes. First, pursuant to Amex Rule 411, the Exchange will impose a duty of due diligence on its members and member firms to learn the essential facts relating to every customer prior to trading the Notes.¹¹ Second, even though the Exchange’s debt trading rules apply,¹² the Notes will be subject to the equity margin rules of the Exchange.¹³ Third, the Exchange will, prior to trading the Notes, distribute a circular to the membership providing guidance with regard to member firm compliance responsibilities (including suitability recommendations) when handling transactions in the Notes and highlighting the special risks and characteristics of the Notes. With

Section 101 of the *Company Guide*, the Exchange will require the issuer to have the following: (1) Assets in excess of \$200 million and stockholders equity of at least \$10 million, or (2) assets in excess of \$100 million and stockholders’ equity of at least \$20 million.

⁷ The Exchange’s continued listing guidelines are set forth in Sections 1001 through 1003 of Part 10 to the Exchange’s *Company Guide*. Section 1002(b) of the *Company Guide* states that the Exchange will consider removing from listing any security where, in the opinion of the Exchange, it appears that the extent of public distribution or aggregate market value has become so reduced to make further dealings on the Exchange inadvisable. With respect to continued listing guidelines for distribution of the Notes, the Exchange will rely, in part, on the guidelines for bonds in Section 1003(b)(iv), Section 1003(b)(iv)(A) provides that the Exchange will normally consider suspending dealings in, or removing from the list, a security if the aggregate market value or the principle amount of bonds publicly held is less than \$400,000.

⁸ Amex staff clarified that the maximum return amount for the proposed Notes is \$1,000 per Unit or 100%. Telephone conversation between Jeffrey P. Burns, Associate General Counsel, Amex and Tim Fox, Attorney, Commission on June 24, 2003.

⁹ Amex staff confirmed that both the maturity date and the final valuation date would move as a result of a market disruption event. Telephone conversation between Jeffery P. Burns, Associate General Counsel, Amex, and Tim Fox, Attorney, Commission on June 24, 2003.

¹⁰ See Securities Exchange Act Release Nos. 19907 (June 24, 1983), 48 FR 30814 (July 5, 1983) (SR-CBOE-83-08) (approving the listing and trading of options on the S&P 500 Index on the CBOE); 31591 (December 11, 1992), 57 FR 60253 (December 18, 1992) (SR-Amex-92-18) (approving the listing and trading of Portfolio Depositary Receipts based on the S&P 500 Index on the Amex); 27382 (October 26, 1989), 54 FR 45834 (October 31, 1989) (SR-NYSE-89-05) (approving the listing and trading of Exchange Stock Portfolios based on the value of the S&P 500 Index on the NYSE); 30394

(February 21, 1992), 57 FR 7409 (March 2, 1992) (SR-Amex-90-06) (approving the listing and trading of a unit investment trust linked to the S&P 500 Index); 47911 (May 22, 2003), 68 FR 32558 (May 30, 2003) (SR-Amex-2003-46) (approving the listing and trading of notes linked to the S&P 500 on the Amex); and 47983 (June 4, 2003), 68 FR 35032 (June 11, 2003) (SR-Amex-2003-45) (approving the listing and trading of a note issued by CSFB linked to S&P 500 on the Amex).

¹¹ Amex rule 411 requires that every member, member firm or member corporation use due diligence to learn the essential facts, relative to every customer and to every order or account accepted.

¹² Amex staff represented that the relevant debt trading rules are contained in Amex Rules 100–140. Telephone conversation between Jeffery P. Burns, Associate General Counsel, Amex and Tim Fox, Attorney, Commission on June 24, 2003.

¹³ See Amex Rule 462.