



BZX Information Circular 10-120
BYX Information Circular 10-021

Date: December 6, 2010

Re: UBS AG Exchange Traded Access Securities (E-TRACS)

Pursuant to Rule 14.1(c)(2) of the Rules of BATS Exchange, Inc. and BATS Y-Exchange, Inc. (the "Exchange"), this Information Circular is being issued to advise you that the following securities have been approved for trading on the Exchange as UTP Derivative Securities pursuant to Chapter XIV of the Exchange's Rules.

Security ("Notes")

Symbol

UBS AG Exchange Traded Access Securities
(E-TRACS) Daily Long-Short VIX ETN

XVIX

Commencement of Trading on the Exchange: December 7, 2010

Issuer/Trust: UBS AG

Issuer Website: <http://www.ibb.ubs.com>

Primary Listing Exchange: NYSE Arca

Primary Exchange Circular: RB-10-136 (December 1, 2010)

Registration Statement: No. 333-156695

The purpose of this information circular is to outline various rules and policies that will be applicable to trading in this new product on the Exchange, as well as to provide certain characteristics and features of the Notes.

Background Information on the Notes

UBS AG ("UBS" or the "Issuer") has issued Exchange Traded Access Securities ("E-TRACS" or "Notes") linked to the performance of the S&P 500 VIX Futures Term-Structure Index ER (the "Index"). The Notes were priced at \$25 each and mature on November 30, 2040.

The Index is a composite index that measures the return from taking a long position in the S&P 500 VIX Mid-Term Futures Index Excess Return (the "Mid-Term Index") with 100% weight, and taking a short, or inverse, position in the S&P 500 VIX Short-Term Futures Index Excess Return (the "Short-Term Index" and, together with the Mid-Term Index, the "Sub-Indices" or the "S&P 500 VIX Futures Indices") with 50% weight, and rebalancing the weights of the long and short positions daily. The performance of the Index is reduced by the Fee Amount of 0.85% per annum, and increased by the Financing Payment. Investing in the Notes involves significant risks. Investors may lose some or all of their principal at maturity, early redemption, acceleration, or upon exercise by the Issuer of its call right if the level of the Index, calculated as described in the prospectus, which measures the return from taking a 100% long position in the Mid-Term Index and taking a 50% short, or inverse, position in the Short-Term Index, rebalanced daily, declines or does not increase by an amount, together with the Financing Payment, sufficient to offset the combined negative effect of the Fee Amount and the Redemption Fee Amount, if applicable. The Notes are linked to the performance of the Index and, as a result, will benefit from any positive, but will also be

exposed to any negative, performance of the Index. Payment at maturity, upon early redemption, call or acceleration is subject to the credit worthiness of the Issuer. In addition, the actual or perceived creditworthiness of the Issuer will affect the market value, if any, of the Notes prior to maturity, early redemption, call or acceleration.

On any Trading Day on or after December 5, 2011 through and including the Maturity Date (the "Call Settlement Date"), UBS may at its option redeem all, but not less than all, issued and outstanding Notes. To exercise its Call Right, UBS must provide notice to the holders of the Securities not less than ten calendar days prior to the Call Settlement Date. Upon early redemption in the event UBS exercises this right, investors will receive on the Call Settlement Date a cash payment equal to the Current Principal Amount as of the applicable Valuation Date. If the amount so calculated is less than zero, the payment upon exercise of the Call Right will be zero. This cash payment is referred to as the "Call Settlement Amount."

If, at any time, the indicative value on any Index Business Day (i) equals \$5.00 or less or (ii) decreases in value at least 60% as compared to the closing indicative value on the previous Trading Day (each such date, an "Acceleration Date"), all issued and outstanding Notes will be automatically accelerated and mandatorily redeemed by UBS (even if the indicative value would later exceed \$5.00 or increase from the -60% level on such Acceleration Date or any subsequent Index Business Day) for a cash payment equal to the Current Principal Amount calculated on and as of the Acceleration Date. This cash payment is referred to as the "Acceleration Amount."

On the Maturity Date, investors will receive a cash payment per \$25 Face Amount of their Notes equal to the Current Principal Amount as of the Final Valuation Date.

The applicable Valuation Date means (i) with respect to an early redemption, the third Index Business Day prior to the related Redemption Date, which day is also the first Index Business Day following the date that a Redemption Notice and Redemption Confirmation are delivered in compliance with the redemption procedures, (ii) with respect to UBS's exercise of its "Call Right," the third Trading Day prior to the Call Settlement Date, (iii) with respect to an acceleration upon minimum indicative value, the Acceleration Date, and (iv) with respect to the Maturity Date, the Final Valuation Date. The "Final Valuation Date" will be the Trading Day that falls on November 27, 2040. If any of the applicable Valuation Dates, including the Final Valuation Date, are not a Trading Day, then such Valuation Date or Final Valuation Date will be the next succeeding Trading Day, not to exceed three Trading Days.

The Daily Index Factor on any Index Business Day will equal (i) the Index Closing Level on such Index Business Day divided by (ii) the Index Closing Level on the immediately preceding Index Business Day. The Daily Index Factor will equal one on any calendar day that is not an Index Business Day.

The closing level of the Index as reported on the NYSE and Bloomberg L.P.

On the Initial Trade Date, the Current Principal Amount is equal to \$25.00 per ETRAC. For each subsequent calendar day, the Current Principal Amount will equal:

$$\text{(Current Principal Amount on the previous calendar day} \times \text{Daily Index Factor)} + \text{Financing Payment} - \text{Fee Amount}$$

The Notes are subject to a "Fee Amount" per Security equal to 0.85% per annum. On the Initial Trade Date, the Fee Amount is equal to zero. On each subsequent calendar day, the Fee Amount equals the product of (i) 0.85% divided by 365 times (ii) the Current Principal Amount on the previous calendar day. If such day is not an Index Business Day, the Current Principal Amount will be calculated as of the immediately preceding Index Business Day.

Investors will receive a Financing Payment per ETRAC, which accrues on a daily basis. On the Initial Trade Date, the Financing Payment is equal to zero. On each subsequent calendar day, the Financing Payment equals the product of (i) the Financing Rate divided by 360 times (ii) the Current Principal

Amount on the previous calendar day. If such day is not an Index Business Day, the Current Principal Amount will be calculated as of the immediately preceding Index Business Day.

On any calendar day, the Financing Rate equals:

$$(((1 - (91/360) \times \text{T-Bill Rate})^{-1/91}) - 1) \times 360$$

The T-Bill rate equals the most recent published 91-day U.S. Treasury Bill auction rate, as published weekly on Monday and made effective the following Index Business Day, available from Bloomberg on page USB3MTA. The T-Bill rate is expressed as a percentage.

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

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

Exchange Rules Applicable to Trading in the Notes

Trading in the Notes on BATS is subject to BATS equity trading rules.

Trading Hours

The Notes will trade on BATS between 8:00 a.m. and 5:00 p.m. ET.

Please note that trading in the Notes during the Exchange's Pre-Opening and After Hours Trading Sessions may result in additional trading risks which include: (1) that the current underlying indicative value may not be updated during the Pre-Opening and After Hours Trading Sessions, (2) lower liquidity in the Pre-Opening and After Hours Trading Sessions may impact pricing, (3) higher volatility in the Pre-Opening and After Hours Trading Sessions may impact pricing, (4) wider spreads may occur in the Pre-Opening and After Hours Trading Sessions, and (5) because the indicative value is not calculated or widely disseminated during the Pre-Opening or After Hours Trading Sessions, an investor who is unable to calculate an implied value for the Shares in those sessions may be at a disadvantage to market professionals.

Suitability

Trading in the securities on BATS will be subject to the provisions of Exchange Rule 3.7. Members recommending transactions in the securities to customers should make a determination that the recommendation is suitable for the customer. Members should adopt appropriate procedures for the opening and maintaining of accounts, including the maintaining of records prescribed by any applicable regulatory organization and by the rules and regulations of the Commission.

Trading Halts

BATS will halt trading in the shares of a security in accordance with BATS Rule 14.1(c)(4). The grounds for a halt under BATS Rule 14.1(c)(4) include a halt by the primary market because the intraday indicative value of the security and/or the value of its underlying index are not being disseminated as required, or a halt for other regulatory reasons. In addition, BATS will stop trading the shares of a security if the primary market de-lists the security.

This Information Circular is not a statutory prospectus. BATS Members should consult the prospectus for a security and the security's website for relevant information.

Please contact Membership Services at 913.815.7002 with any inquiries regarding this Information Circular.