



Information Circular: UBS AG

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

From: NASDAQ / BX / PHLX Listing Qualifications Department

Date: December 1, 2010

Index-Linked Notes	Symbol	CUSIP Number
UBS AG Exchange Traded Access Securities (ETRACS) Daily Long-Short VIX ETN	XVIX	902641596

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 regarding the Index.

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

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

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

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

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

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

controls; and (6) train registered persons regarding the features, risk and suitability of these products.

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

Inquiries regarding this Information Circular should be directed to:

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