

Report Prepared On: 01/10/13

Structured Product Details

Name	Yield Optimization Notes with Contingent Protection linked to Wynn Resorts, Ltd.
Issue Size	\$11.43 million
Issue Price	\$97.65
Term	6 Months
Annualized Coupon	19.30%
Pricing Date	January 15, 2008
Issue Date	January 18, 2008
Valuation Date	July 15, 2008
Maturity Date	July 18, 2008
Issuer	UBS
CDS Rate	30.59 bps
Swap Rate	3.79%
Reference Asset	Wynn Resorts, Ltd.'s stock
Initial Level	\$97.65
Trigger Price	\$58.59
Conversion Price	\$57.28
Dividend Rate	7.80%
Implied Volatility	56.35%
Delta¹	0.31
Fair Price at Issue	\$97.54
Realized Return	-24.81%
CUSIP	902623214
SEC Link	www.sec.gov/Archives/edgar/data/1114446/000139340108000023/v099853_69097-424b2.htm

Yield Optimization Notes with Contingent Protection linked to Wynn Resorts, Ltd.

Description

UBS issued \$11.43 million of Yield Optimization Notes with Contingent Protection linked to Wynn Resorts, Ltd. on January 18, 2008 at \$97.65 per note.

These notes are UBS-branded single observation reverse convertibles. Single observation reverse convertibles pay periodic interest coupons and at maturity convert into shares of the reference security if the price of the reference security at the notes' maturity is below the trigger price determined when the notes were issued.

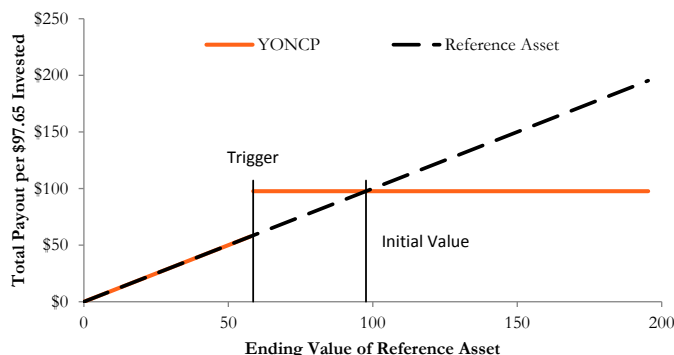
These 6-month notes pay monthly coupons at an annualized rate of 19.30%. In addition to the quarterly coupons, on July 18, 2008 investors will receive the market value of one share of Wynn Resorts, Ltd.'s stock if on July 15, 2008 Wynn Resorts, Ltd.'s stock closes below \$58.59 (60% of Wynn Resorts, Ltd.'s stock price on January 15, 2008). Otherwise, investors will receive the \$97.65 face value per note.

Valuation

This UBS single observation reverse convertible linked to Wynn Resorts, Ltd.'s stock can be valued as a combination of a note from UBS and a short European out-of-the-money cash-or-nothing put option, and a short European out-of-the-money put option on Wynn Resorts, Ltd.'s stock. For reasonable valuation inputs this note was worth \$97.54 per \$97.65 when it was issued on January 18, 2008 because investors were effectively being paid only \$7.30 for giving UBS options which were worth \$7.41.

There is no active secondary market for most structured products. Structured products, including this note, therefore are much less liquid than simple stocks, bonds, notes and mutual funds. Investors are likely to receive less than the structured product's estimated market value if they try to sell the structured product prior to maturity. Our valuations do not incorporate this relative lack of liquidity and therefore should be considered an upper bound on the value of the structured product.

Payoff Curve at Maturity



The payoff diagram shows the final payoff of this note given Wynn Resorts, Ltd.'s stock price (horizontal axis). For comparison, the dashed line shows the payoff if you invested in Wynn Resorts, Ltd.'s stock directly.

Related Research

Research Papers:

www.slcg.com/research.php

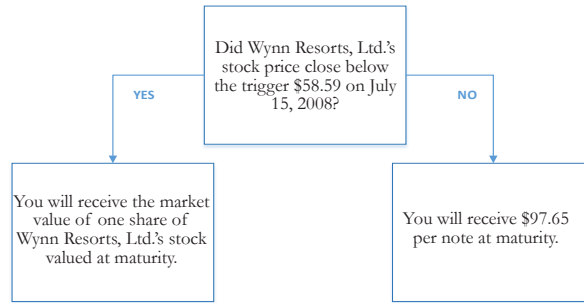
- "Are Structured Products Suitable for Retail Investors?" December 2006.
- "Structured Products in the Aftermath of Lehman Brothers," November 2009.
- "What TiVo and JP Morgan Teach Us about Reverse Convertibles," June 2010.

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Principal Payback Table

Wynn Resorts, Ltd.'s Stock	Note Payoff
\$0.00	\$0.00
\$9.77	\$9.77
\$19.53	\$19.53
\$29.30	\$29.30
\$39.06	\$39.06
\$48.83	\$48.83
\$58.59	\$97.65
\$68.36	\$97.65
\$78.12	\$97.65
\$87.89	\$97.65
\$97.65	\$97.65
\$107.42	\$97.65
\$117.18	\$97.65
\$126.95	\$97.65
\$136.71	\$97.65
\$146.48	\$97.65

Maturity Payoff Diagram



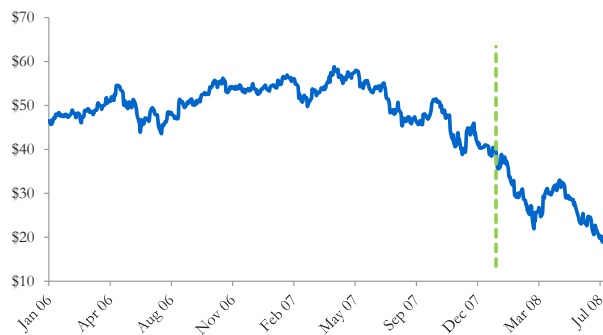
The contingent payoffs of this Yield Optimization Note with Contingent Protection.

Analysis

This single observation reverse convertible's 19.30% coupon rate is higher than the yield UBS paid on its straight debt but, in addition to UBS's credit risk, investors bear the risk that they will receive shares of Wynn Resorts, Ltd.'s stock when those shares are worth substantially less than the face value of the note at maturity.

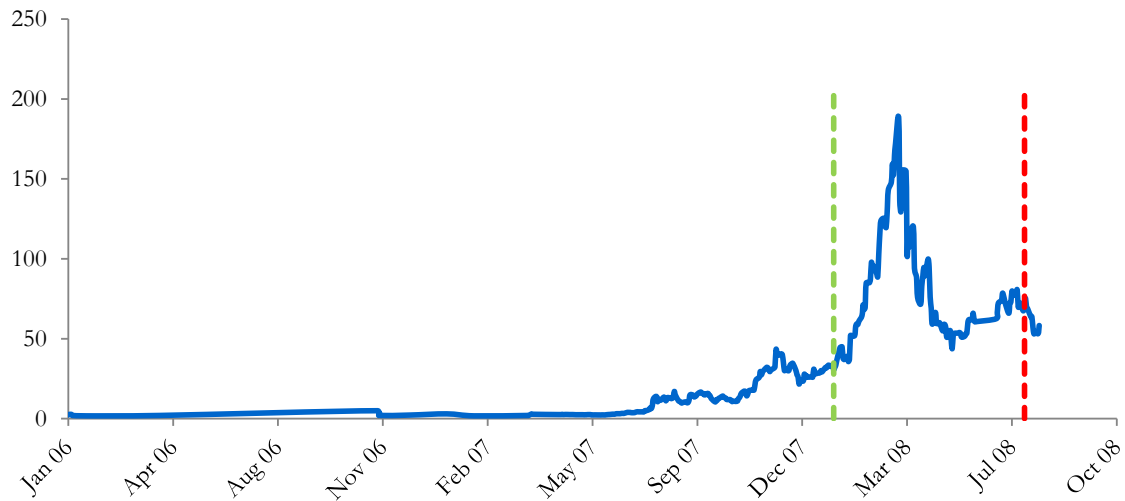
Investors purchasing these reverse convertibles effectively sell put options to UBS and post the note's issue price as collateral to secure satisfaction of the investors' obligations under the option contracts. UBS pays investors a "coupon" that is part payment for the put options and part interest on the investors' posted collateral. This reverse convertible is fairly priced if and only if the difference between the reverse convertible's "coupon rate" and interest paid on UBS's straight debt equals the value of the put option investors are giving to UBS. Whether this reverse convertible is suitable or not is identically equivalent to whether selling put options on the reference stock at the option premium being paid by UBS was suitable for the investor.

UBS's Stock Price



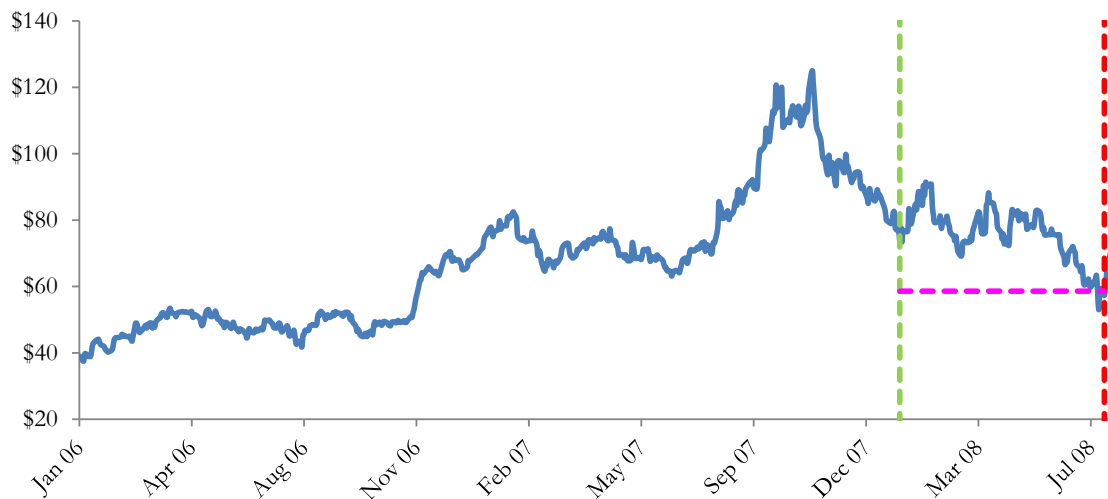
The graph above shows the adjusted closing price of the issuer UBS for the past several years. The stock price of the issuer is an indication of the financial strength of UBS. The adjusted price shown above incorporates any stock split, reverse stock split, etc.

UBS's CDS Rate



Credit default swap (CDS) rates are the market price that investors require to bear credit risk of an issuer such as UBS. CDS rates are usually given in basis points (bps). One basis point equals 0.01%. Higher CDS rates reflect higher perceived credit risk, higher required yields, and therefore lower market value of UBS's debt, including outstanding Yield Optimization Note with Contingent Protection. Fluctuations in UBS's CDS rate impact the market value of the notes in the secondary market.

Wynn Resorts, Ltd.'s Stock Price

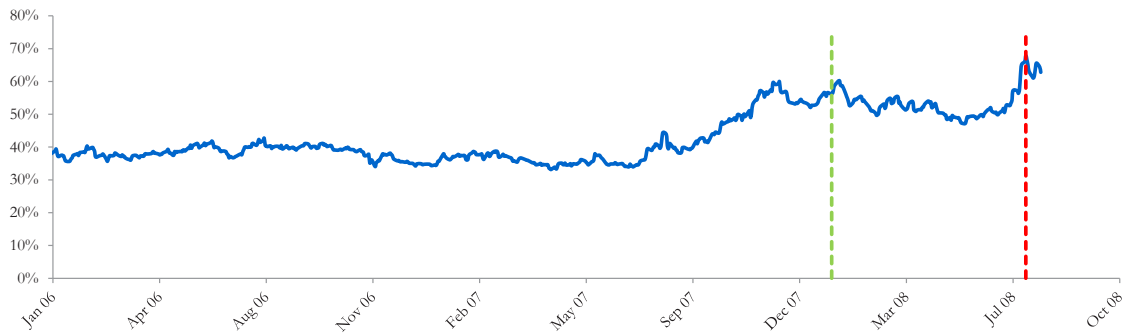


The graph above shows the historical levels of Wynn Resorts, Ltd.'s stock for the past several years. The final payoff of this note is determined by Wynn Resorts, Ltd.'s stock price at maturity. Higher fluctuations in Wynn Resorts, Ltd.'s stock price correspond to a greater uncertainty in the final payout of this Yield Optimization Note with Contingent Protection.

Realized Payoff

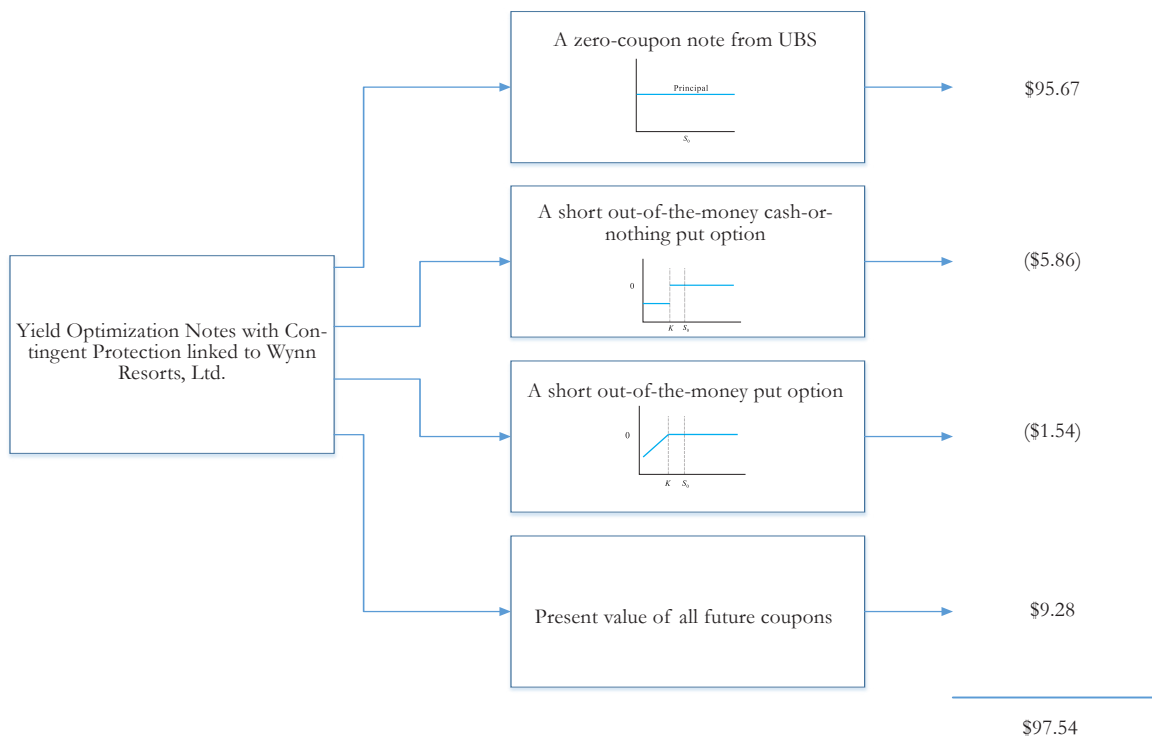
This note matured on July 18, 2008 and investors received \$75.61 per note (or equal to the value of one share of Wynn Resorts, Ltd. stock's closing price on July 15, 2008).

Reference Asset Wynn Resorts, Ltd.'s Stock's Implied Volatility



The annualized implied volatility of Wynn Resorts, Ltd.'s stock on January 15, 2008 was 56.35%, meaning that options contracts on Wynn Resorts, Ltd.'s stock were trading at prices that reflect an expected annual volatility of 56.35%. The higher the implied volatility, the larger the expected fluctuations of Wynn Resorts, Ltd.'s stock price and of the Note's market value during the life of the Notes.

Decomposition of this Yield Optimization Note with Contingent Protection



This note can be decomposed into different components, and each component can be valued separately. The chart above shows the value of each component of this Yield Optimization Note with Contingent Protection.

1. Delta measures the sensitivity of the price of the note to the Wynn Resorts, Ltd.'s stock price on January 15, 2008.
2. CDS rates can be considered a measure of the probability that an issuer will default over a certain period of time and the likely loss given a default. The lower the CDS rate, the lower the default probability. CDS rate is given in basis points (1 basis point equals 0.01%), and is considered as a market premium, on top of the risk-free rate, that investors require to insure against a potential default.
3. Fair price evaluation is based on the Black-Scholes model of the Wynn Resorts, Ltd.'s stock on January 15, 2008.
4. Calculated payout at maturity is only an approximation, and may differ from actual payouts at maturity.
5. Our evaluation does not include any transaction fees, broker commissions, or liquidity discounts on the notes.