

Report Prepared On: 08/02/13

Structured Product Details

Name	Return Optimization Securities linked to Phila Housing Index
Issue Size	\$5.39 million
Issue Price	\$10
Term	36 Months
Annualized Coupon	0.00%
Pricing Date	February 12, 2010
Issue Date	February 18, 2010
Valuation Date	February 12, 2013
Maturity Date	February 19, 2013
Issuer	UBS
CDS Rate	86.79 bps
Swap Rate	1.73%
Reference Asset	the Phila Housing Index
Initial Level	104.98
Dividend Rate	2.05%
Implied Volatility	33.30%
Delta¹	0.7
Fair Price at Issue	\$8.80
Realized Return	16.74%
CUSIP	902661750
SEC Link	www.sec.gov/Archives/edgar/data/1114446/000139340110000097/c174345_690450-424b2.htm

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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Return Optimization Securities linked to Phila Housing Index

Description

UBS issued \$5.39 million of Return Optimization Securities linked to Phila Housing Index on February 18, 2010 at \$10 per note.

These notes are UBS-branded Buffered PLUS securities that do not pay periodic coupons, but instead pay a single amount at maturity depending on the final level of the Phila Housing Index.

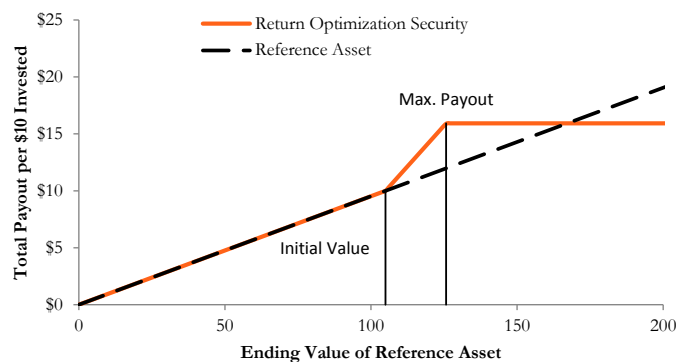
If on February 12, 2013 the Phila Housing Index level is higher than 104.98, but lower than 125.71, the notes pay a return equal to the percentage increase in the Phila Housing Index multiplied by 3.0, up to a cap of 59.25%. If on February 12, 2013 the refe is below 104.98 but not below 104.98, investors receive \$10 face value per note. If the Phila Housing Index level on February 12, 2013 is lower than 104.98, investors receive face value per note reduced by the amount the reference asset is below 104.98 as a percent of the initial level, 104.98.

Valuation

This product can be valued as a combination of a note from UBS, one short out-of-the-money put option, three long at-the-money call options, and three short out-of-the-money call options. For reasonable valuation inputs this note was worth \$8.80 when it was issued on February 18, 2010 because the value of the options investors gave UBS plus the interest investors would have received on UBS's straight debt was worth \$1.20 more than the options investors received from UBS.

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

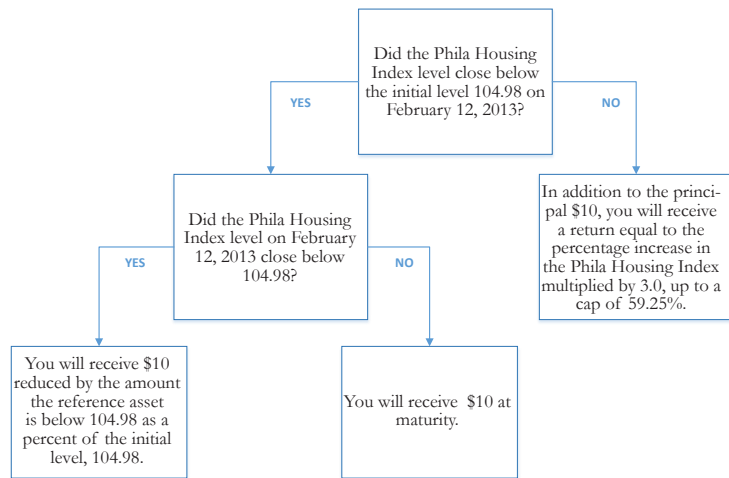


The payoff diagram shows the final payoff of this note given the Phila Housing Index level (horizontal axis). For comparison, the dashed line shows the payoff if you invested in the Phila Housing Index directly.

Principal Payback Table

The Phila Housing Index	Note Payoff
0.00	\$0.00
10.50	\$1.00
21.00	\$2.00
31.49	\$3.00
41.99	\$4.00
52.49	\$5.00
62.99	\$6.00
73.49	\$7.00
83.98	\$8.00
94.48	\$9.00
104.98	\$10.00
115.48	\$13.00
125.98	\$15.93
136.47	\$15.93
146.97	\$15.93
157.47	\$15.93

Maturity Payoff Diagram

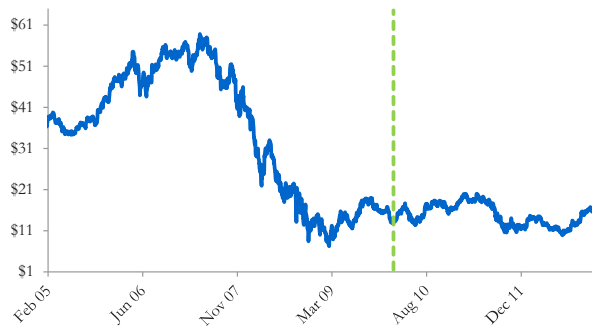


The contingent payoffs of this Return Optimization Security.

Analysis

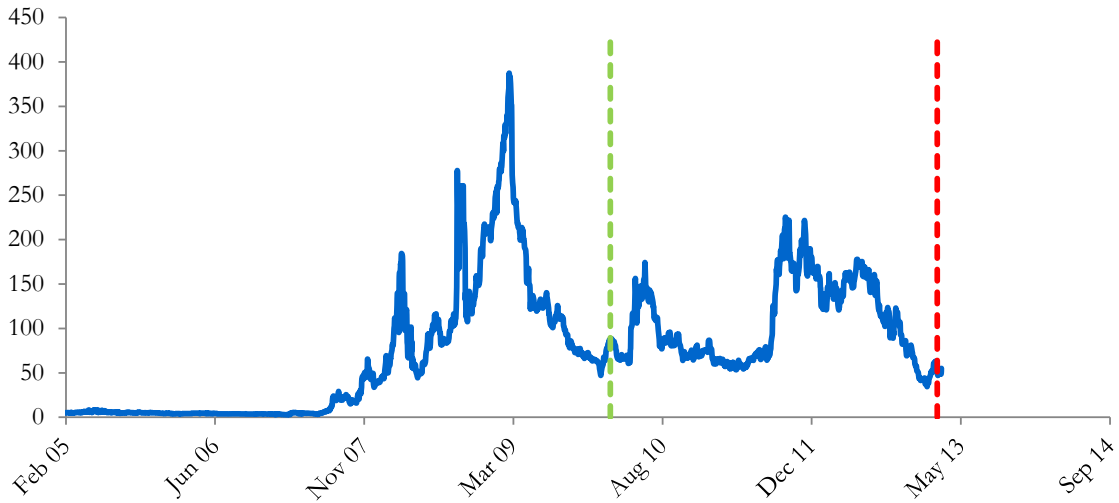
This Return Optimization Security pays investors the increase in the Phila Housing Index multiplied by 3.0 capped at 59.25%, but if the Phila Housing Index declines over the term of the note, investors will suffer losses equal to the percentage decline in the Phila Housing Index. In addition, investors bear the credit risk of UBS. Investors purchasing this Return Optimization Security effectively sell at-the-money put and out-of-the-money call options to UBS, buy at-the-money call options, and a zero-coupon note from UBS. This Return Optimization Security is fairly priced if and only if the market value of the options investors received from UBS equals the market value of the options investors gave UBS plus the interest investors would have received on UBS's straight debt.

UBS's Stock Price



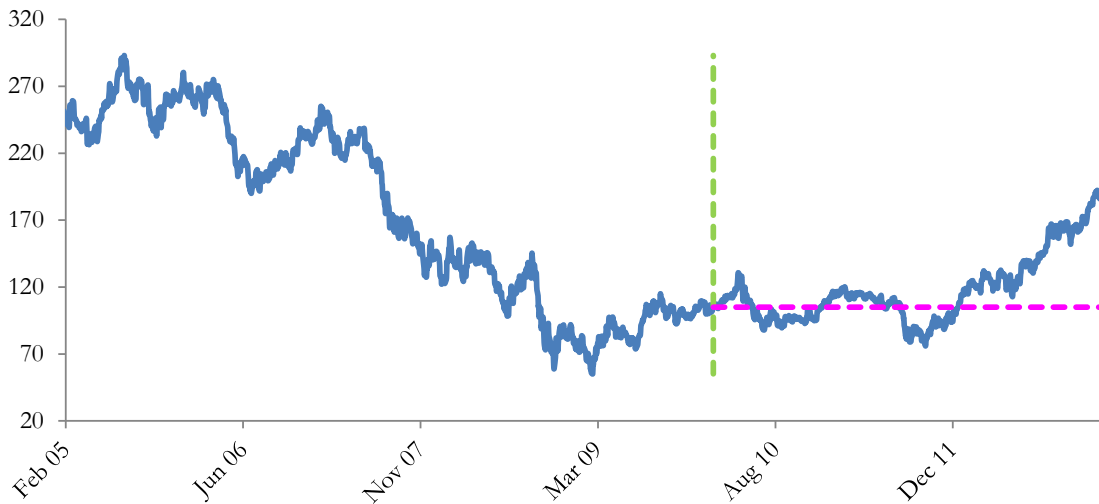
The graph above shows the adjusted closing price of the issuer UBS for the past several years. The stock price of the issuer is an indication of the financial strength of UBS. The adjusted price shown above incorporates any stock split, reverse stock split, etc.

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 Return Optimization Security. Fluctuations in UBS's CDS rate impact the market value of the notes in the secondary market.

The Phila Housing Index Level

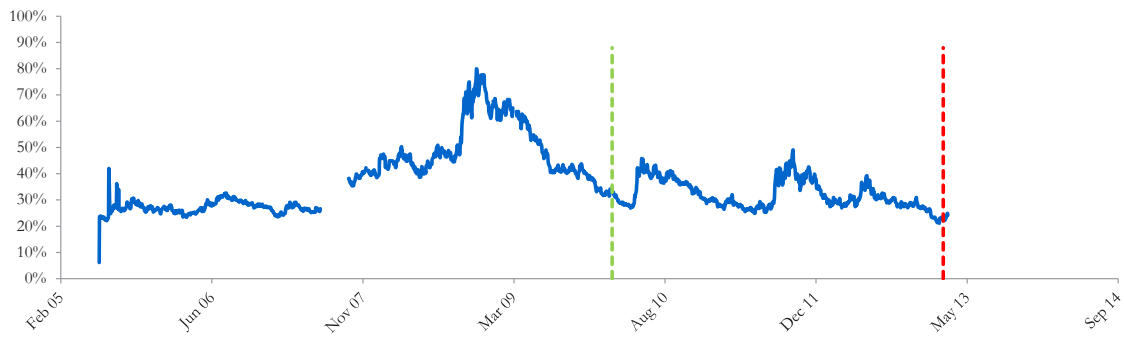


The graph above shows the historical levels of the Phila Housing Index for the past several years. The final payoff of this note is determined by the Phila Housing Index level at maturity. Higher fluctuations in the Phila Housing Index level correspond to a greater uncertainty in the final payout of this Return Optimization Security.

Realized Payoff

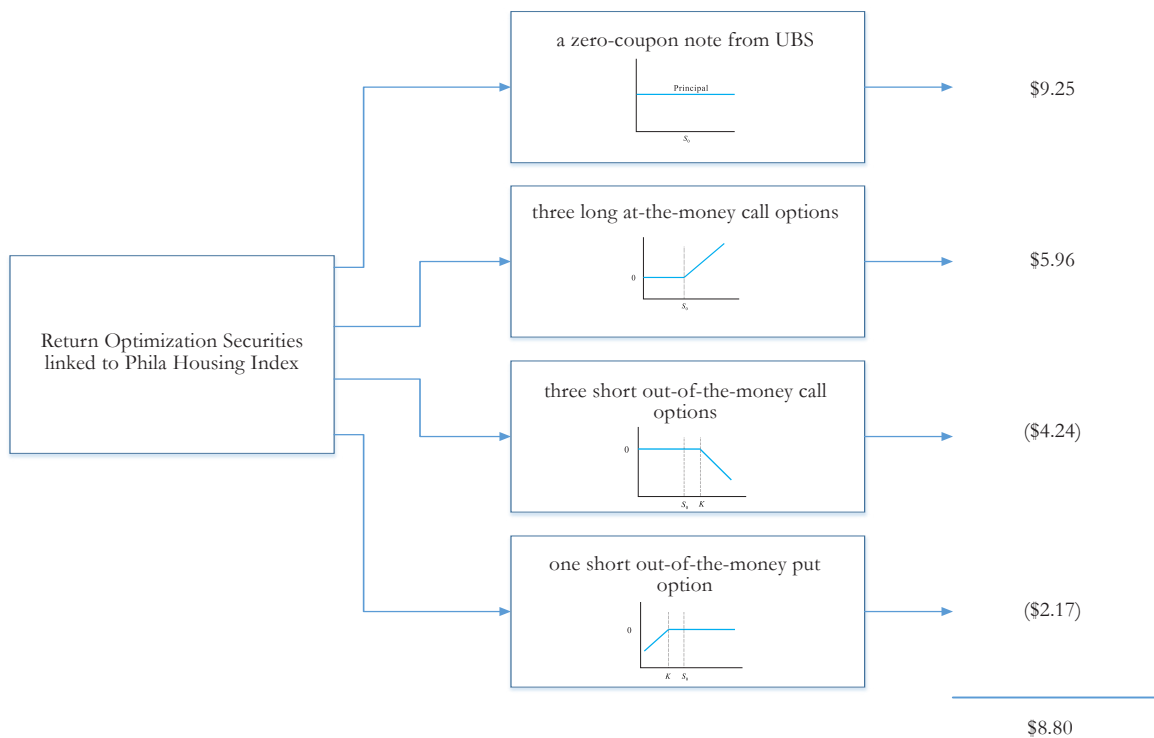
This note matured on February 19, 2013 and investors received \$15.93 per note.

Reference Asset The Phila Housing Index's Implied Volatility



The annualized implied volatility of the Phila Housing Index on February 12, 2010 was 33.30%, meaning that options contracts on the Phila Housing Index were trading at prices that reflect an expected annual volatility of 33.30%. The higher the implied volatility, the larger the expected fluctuations of the Phila Housing Index level and of the Note's market value during the life of the Notes.

Decomposition of this Return Optimization Security



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 Return Optimization Security.

1. Delta measures the sensitivity of the price of the note to the the Phila Housing Index level on February 12, 2010.
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 the Phila Housing Index on February 12, 2010.
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.