

Report Prepared On: 04/29/13

**Structured Product Details**

<b>Name</b>	Buffered Return Optimization Securities linked to Market Vectors Gold Miners ETF
<b>Issue Size</b>	\$4.04 million
<b>Issue Price</b>	\$10
<b>Term</b>	24 Months
<b>Annualized Coupon</b>	0.00%
<b>Pricing Date</b>	February 24, 2012
<b>Issue Date</b>	February 29, 2012
<b>Valuation Date</b>	February 24, 2014
<b>Maturity Date</b>	February 28, 2014
<b>Issuer</b>	UBS
<b>CDS Rate</b>	122.11 bps
<b>Swap Rate</b>	0.62%
<b>Reference Asset</b>	Market Vectors Gold Miners ETF's stock
<b>Initial Level</b>	\$56.46
<b>Dividend Rate</b>	0.27%
<b>Implied Volatility</b>	32.84%
<b>Delta<sup>1</sup></b>	0.48
<b>Fair Price at Issue</b>	\$9.50
<b>CUSIP</b>	9026M0218
<b>SEC Link</b>	<a href="http://www.sec.gov/Archives/edgar/data/1114446/000119312512084159/d307194d424b2.htm">www.sec.gov/Archives/edgar/data/1114446/000119312512084159/d307194d424b2.htm</a>

**Buffered Return Optimization Securities linked to Market Vectors Gold Miners ETF**

**Description**

UBS issued \$4.04 million of Buffered Return Optimization Securities linked to Market Vectors Gold Miners ETF on February 29, 2012 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 Market Vectors Gold Miners ETF's stock.

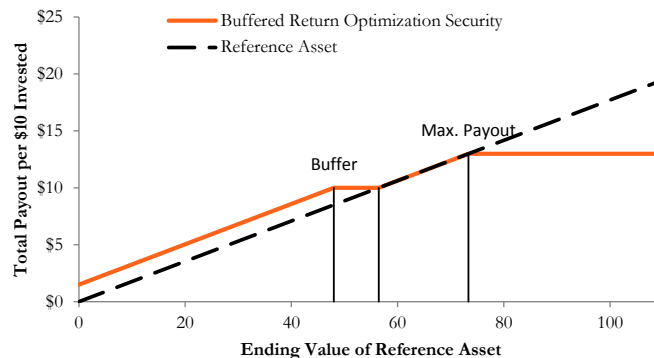
If on February 24, 2014 Market Vectors Gold Miners ETF's stock price is higher than \$56.46, but lower than \$73.34, the notes pay a return equal to the percentage increase in Market Vectors Gold Miners ETF's stock, up to a cap of 29.90%. If on February 24, 2014 the reffe is below \$56.46 but not below \$47.99, investors receive \$10 face value per note. If Market Vectors Gold Miners ETF's stock price on February 24, 2014 is lower than \$47.99, investors receive face value per note reduced by the amount the reference asset is below \$47.99 as a percent of the initial level, \$56.46.

**Valuation**

This product can be valued as a combination of a note from UBS, one short out-of-the-money put option, one long at-the-money call option, and one short out-of-the-money call option. For reasonable valuation inputs this note was worth \$9.50 when it was issued on February 29, 2012 because the value of the options investors gave UBS plus the interest investors would have received on UBS's straight debt was worth \$0.50 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 Market Vectors Gold Miners ETF's stock price (horizontal axis). For comparison, the dashed line shows the payoff if you invested in Market Vectors Gold Miners ETF's stock directly.

**Related Research**

**Research Papers:**

[www.slcg.com/research.php](http://www.slcg.com/research.php)

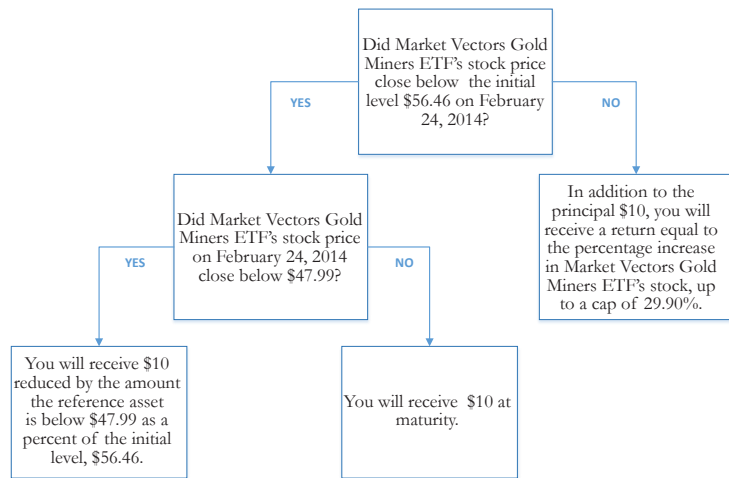
- "Are Structured Products Suitable for Retail Investors?" December 2006.
- "Structured Products in the Aftermath of Lehman Brothers," November 2009.
- "What TiVo and JP Morgan Teach Us about Reverse Convertibles," June 2010.

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**Principal Payback Table**

Market Vectors Gold Miners ETF's Stock	Note Payoff
\$0.00	\$1.50
\$5.65	\$2.50
\$11.29	\$3.50
\$16.94	\$4.50
\$22.58	\$5.50
\$28.23	\$6.50
\$33.88	\$7.50
\$39.52	\$8.50
\$45.17	\$9.50
\$50.81	\$10.00
<b>\$56.46</b>	<b>\$10.00</b>
\$62.11	\$11.00
\$67.75	\$12.00
\$73.40	\$12.99
\$79.04	\$12.99
\$84.69	\$12.99

**Maturity Payoff Diagram**

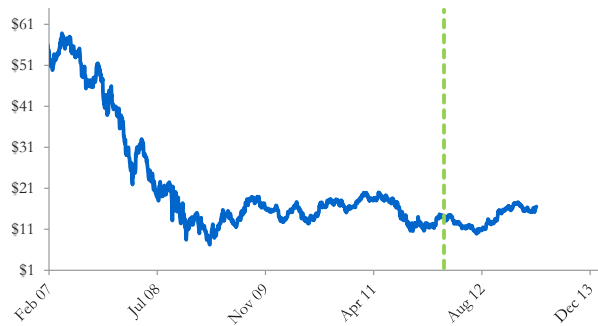


*The contingent payoffs of this Buffered Return Optimization Security.*

**Analysis**

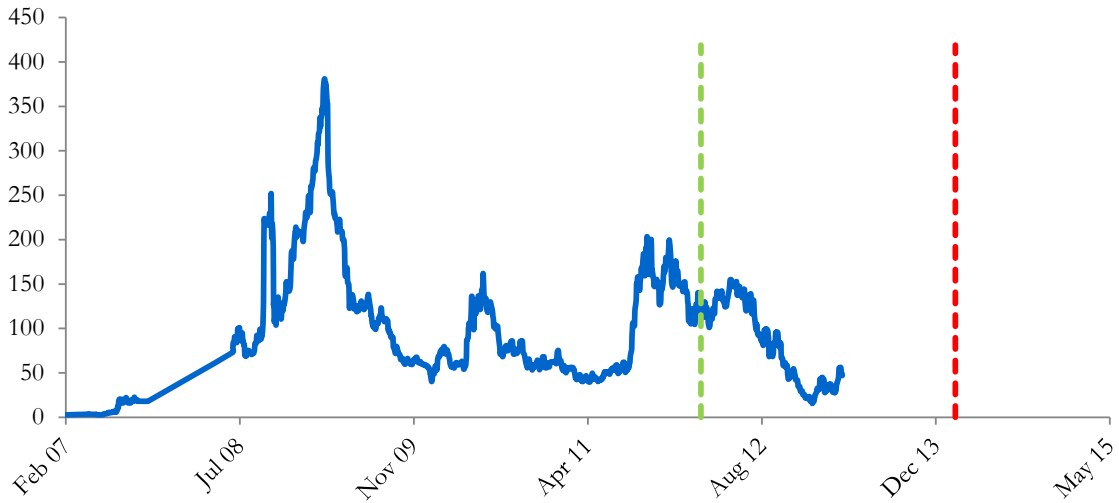
This Buffered Return Optimization Security pays investors the increase in Market Vectors Gold Miners ETF's stock capped at 29.90%, but if Market Vectors Gold Miners ETF's stock declines over the term of the note, investors will suffer losses equal to the percentage decline in Market Vectors Gold Miners ETF's stock. In addition, investors bear the credit risk of UBS. Investors purchasing this Buffered 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 Buffered 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**



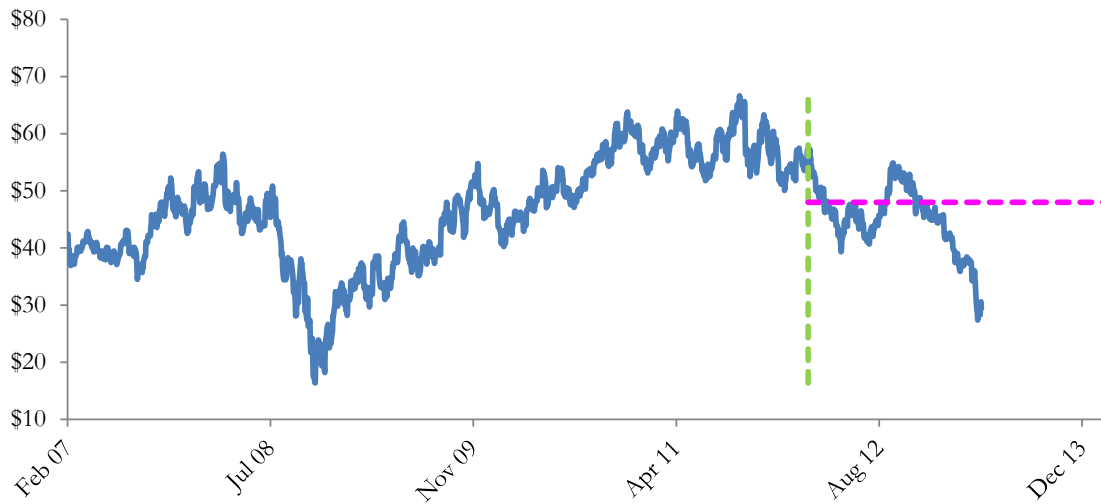
*The graph above shows the adjusted closing price of the issuer UBS for the past several years. The stock price of the issuer is an indication of the financial strength of UBS. The adjusted price shown above incorporates any stock split, reverse stock split, etc.*

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

**Market Vectors Gold Miners ETF's Stock Price**

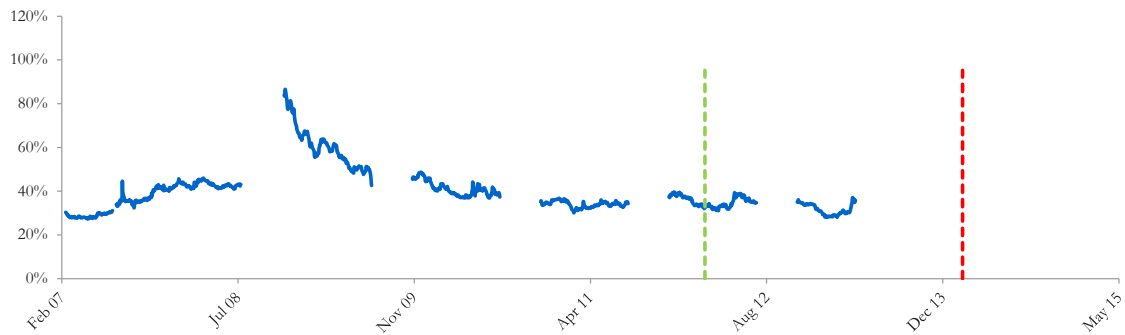


*The graph above shows the historical levels of Market Vectors Gold Miners ETF's stock for the past several years. The final payoff of this note is determined by Market Vectors Gold Miners ETF's stock price at maturity. Higher fluctuations in Market Vectors Gold Miners ETF's stock price correspond to a greater uncertainty in the final payout of this Buffered Return Optimization Security.*

**Realized Payoff**

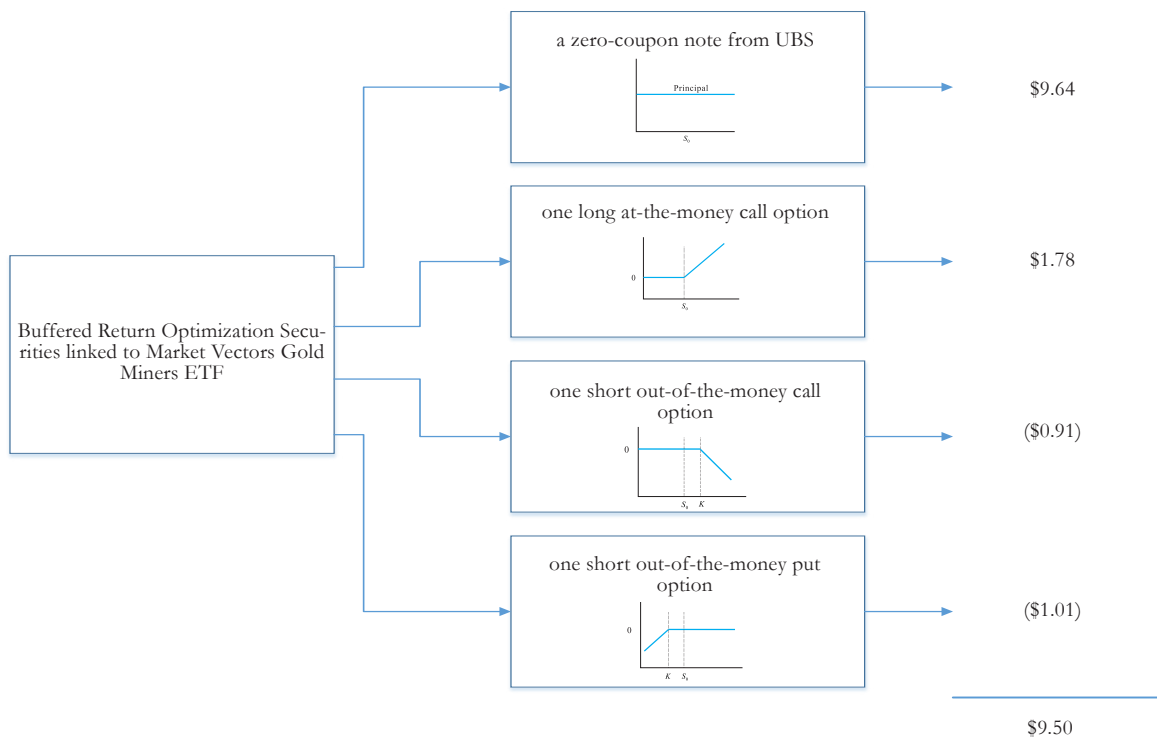
This product will mature on February 28, 2014.

## Reference Asset Market Vectors Gold Miners ETF's Stock's Implied Volatility



The annualized implied volatility of Market Vectors Gold Miners ETF's stock on February 24, 2012 was 32.84%, meaning that options contracts on Market Vectors Gold Miners ETF's stock were trading at prices that reflect an expected annual volatility of 32.84%. The higher the implied volatility, the larger the expected fluctuations of Market Vectors Gold Miners ETF's stock price and of the Note's market value during the life of the Notes.

## Decomposition of this Buffered 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 Buffered Return Optimization Security.

1. Delta measures the sensitivity of the price of the note to the Market Vectors Gold Miners ETF's stock price on February 24, 2012.
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 Market Vectors Gold Miners ETF's stock on February 24, 2012.
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.