

Report Prepared On: 02/02/13

**Structured Product Details**

**Name** Trigger Yield Optimization Notes  
 linked to Las Vegas Sands Corp

**Issue Size** \$149,969  
**Issue Price** \$59.63  
**Term** 8 Months  
**Annualized Coupon** 11.91%

**Pricing Date** April 18, 2012  
**Issue Date** April 23, 2012  
**Valuation Date** December 18, 2012  
**Maturity Date** December 21, 2012

**Issuer** UBS  
**CDS Rate** 104.51 bps  
**Swap Rate** 0.84%

**Reference Asset** Las Vegas Sands Corp's  
 stock  
**Initial Level** \$59.63  
**Trigger Price** \$48.90  
**Conversion Price** \$46.90  
**Dividend Rate** 0.42%  
**Implied Volatility** 39.03%  
**Delta<sup>1</sup>** 0.42

**Fair Price at Issue** \$57.39  
**Realized Return** -20.21%

**CUSIP** 90268R439  
**SEC Link** [www.sec.gov/Archives/edgar/  
 data/1114446/000111444612004776/  
 stp441642f\\_1fwp.htm](http://www.sec.gov/Archives/edgar/data/1114446/000111444612004776/stp441642f_1fwp.htm)

**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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**Trigger Yield Optimization Notes linked  
 to Las Vegas Sands Corp**

**Description**

UBS issued \$149,969 of Trigger Yield Optimization Notes linked to Las Vegas Sands Corp on April 23, 2012 at \$59.63 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.

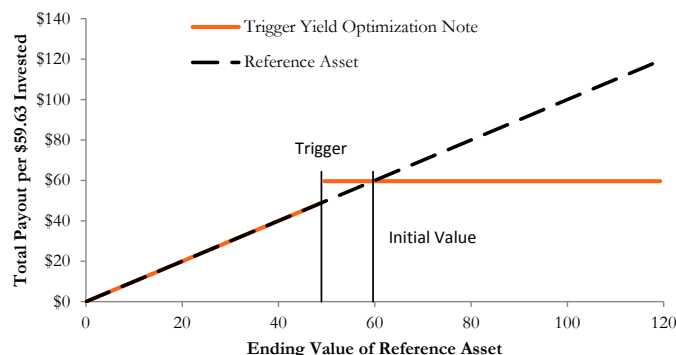
These 8-month notes pay monthly coupons at an annualized rate of 11.91%. In addition to the monthly coupons, on December 21, 2012 investors will receive the market value of one share of Las Vegas Sands Corp's stock if on December 18, 2012 Las Vegas Sands Corp's stock closes below \$48.90 (82% of Las Vegas Sands Corp's stock price on April 18, 2012). Otherwise, investors will receive the \$59.63 face value per note.

**Valuation**

This UBS single observation reverse convertible linked to Las Vegas Sands Corp's stock can be valued as a combination of a note from UBS and a short European out-of-the-money cash-or-nothing binary put option, and a short European out-of-the-money put option on Las Vegas Sands Corp's stock. For reasonable valuation inputs this note was worth \$57.39 per \$59.63 when it was issued on April 23, 2012 because investors were effectively being paid only \$3.96 for giving UBS options which were worth \$6.20.

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**

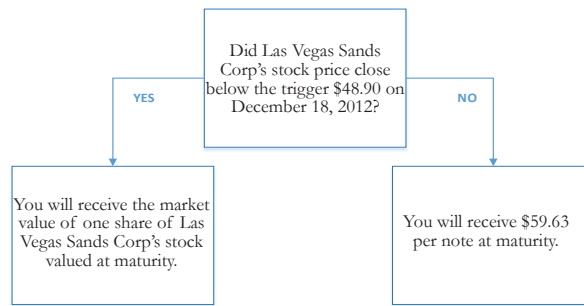


The payoff diagram shows the final payoff of this note given Las Vegas Sands Corp's stock price (horizontal axis). For comparison, the dashed line shows the payoff if you invested in Las Vegas Sands Corp's stock directly.

**Principal Payback Table**

Las Vegas Sands Corp's Stock	Note Payoff
\$0.00	\$0.00
\$5.96	\$5.96
\$11.93	\$11.93
\$17.89	\$17.89
\$23.85	\$23.85
\$29.82	\$29.82
\$35.78	\$35.78
\$41.74	\$41.74
\$47.70	\$47.70
\$53.67	\$59.63
<b>\$59.63</b>	<b>\$59.63</b>
\$65.59	\$59.63
\$71.56	\$59.63
\$77.52	\$59.63
\$83.48	\$59.63
\$89.45	\$59.63

**Maturity Payoff Diagram**



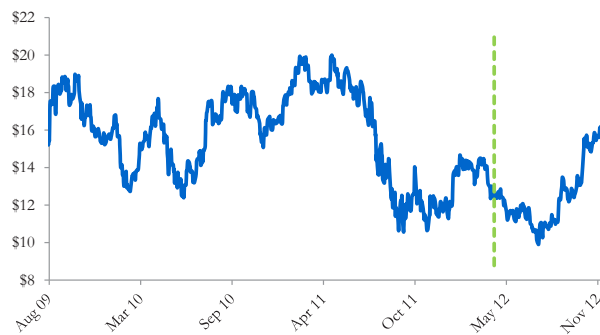
*The contingent payoffs of this Trigger Yield Optimization Note.*

**Analysis**

This single observation reverse convertible's 11.91% 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 Las Vegas Sands Corp'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**



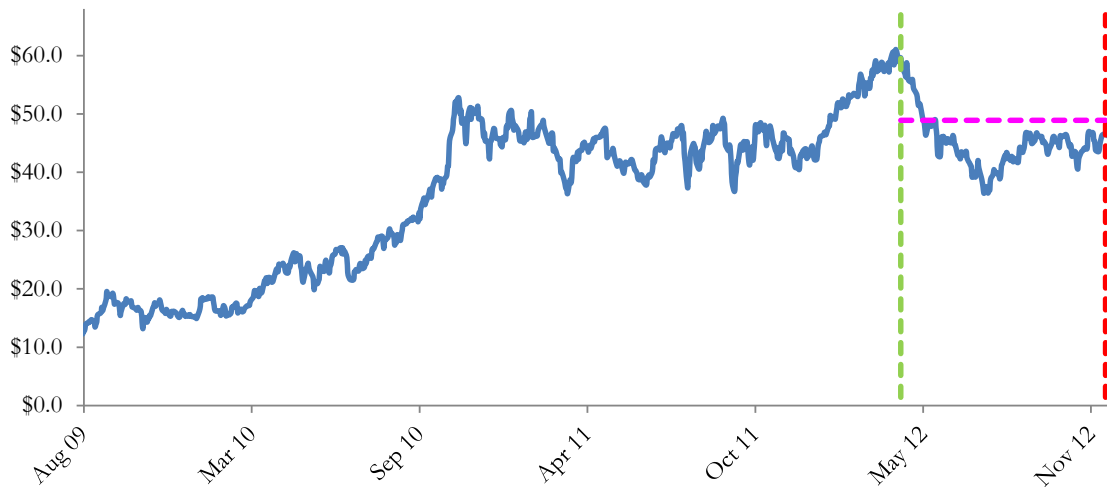
*The graph above shows the adjusted closing price of the issuer UBS for the past several years. The stock price of the issuer is an indication of the financial strength of UBS. The adjusted price shown above incorporates any stock split, reverse stock split, etc.*

**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 Trigger Yield Optimization Note. Fluctuations in UBS's CDS rate impact the market value of the notes in the secondary market.*

**Las Vegas Sands Corp's Stock Price**

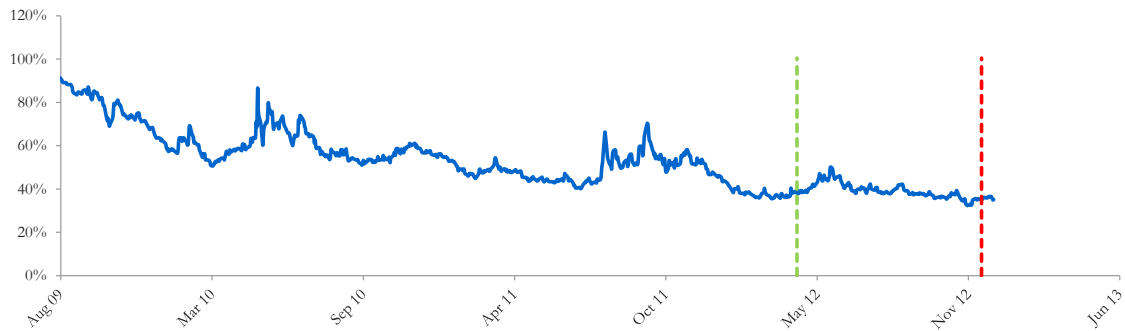


*The graph above shows the historical levels of Las Vegas Sands Corp's stock for the past several years. The final payoff of this note is determined by Las Vegas Sands Corp's stock price at maturity. Higher fluctuations in Las Vegas Sands Corp's stock price correspond to a greater uncertainty in the final payout of this Trigger Yield Optimization Note.*

**Realized Payoff**

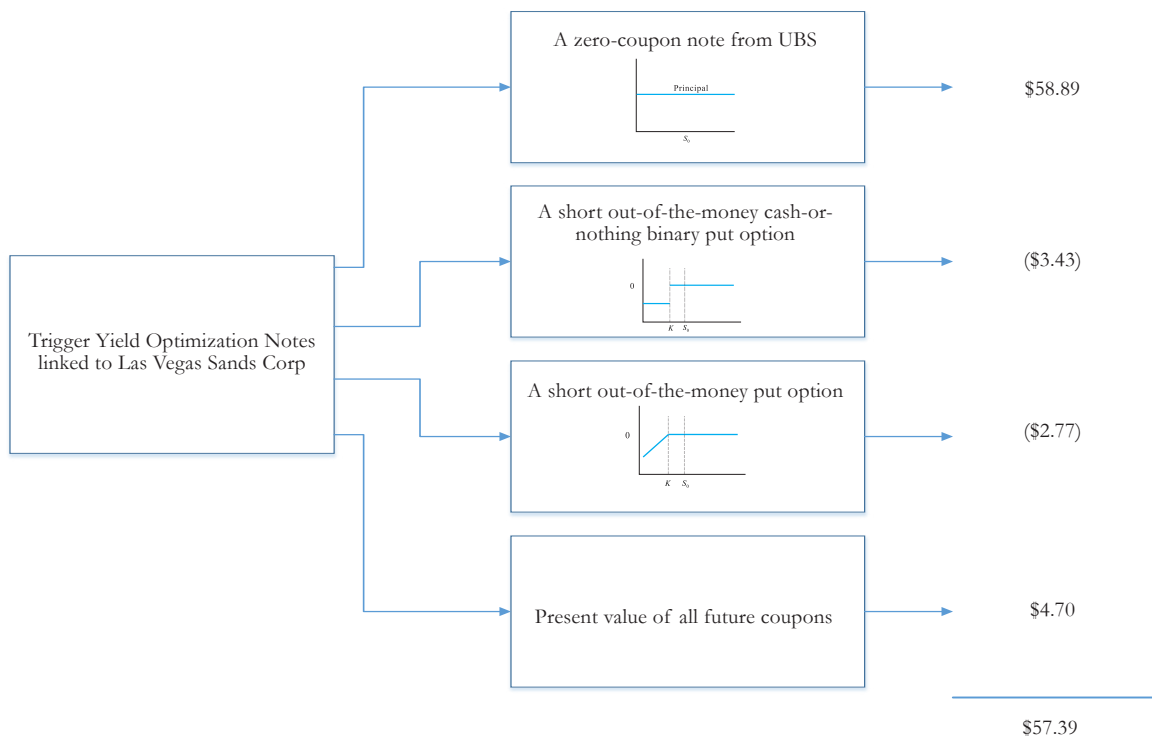
This note matured on December 21, 2012 and investors received \$46.90 per note (or equal to the value of one share of Las Vegas Sands Corp stock's closing price on December 18, 2012).

## Reference Asset Las Vegas Sands Corp's Stock's Implied Volatility



The annualized implied volatility of Las Vegas Sands Corp's stock on April 18, 2012 was 39.03%, meaning that options contracts on Las Vegas Sands Corp's stock were trading at prices that reflect an expected annual volatility of 39.03%. The higher the implied volatility, the larger the expected fluctuations of Las Vegas Sands Corp's stock price and of the Note's market value during the life of the Notes.

## Decomposition of this Trigger Yield Optimization Note



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 Trigger Yield Optimization Note.

1. Delta measures the sensitivity of the price of the note to the Las Vegas Sands Corp's stock price on April 18, 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 Las Vegas Sands Corp's stock on April 18, 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.