

SECURITIES AND EXCHANGE COMMISSION

FORM FWP

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SUBJECT COMPANY

UBS AG

CIK: [1114446](#) | IRS No.: **000000000** | State of Incorporation: **V8** | Fiscal Year End: **1231**
Type: **FWP** | Act: **34** | File No.: [333-178960](#) | Film No.: **13522382**
SIC: **6021** National commercial banks

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STAMFORD CT 06901*

Business Address
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FILED BY

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ISSUER FREE WRITING PROSPECTUS
Filed Pursuant to Rule 433
Registration Statement No. 333-178960
Dated January 10, 2013



UBS AG \$• Return Optimization Securities

Linked to a Global Fund Basket due on or about January 16, 2015

Investment Description

UBS AG Return Optimization Securities (the “Securities”) are unsubordinated, unsecured debt securities issued by UBS AG (“UBS” or the “Issuer”) linked to the performance of a weighted basket (the “underlying basket”) of exchange traded funds (each, a “basket equity”). If the basket return is positive, UBS will repay your principal amount at maturity plus pay a return equal to 3.0 times the basket return, up to the maximum gain of at least 27.00% (to be determined on the trade date). If the basket return is zero, UBS will repay the full principal amount at maturity. However, if the basket return is negative, you will be exposed to the underlying basket’s decline from the trade date to the final valuation date and UBS will repay less than the full principal amount at maturity, if anything, resulting in a loss on your investment that is proportionate to the negative basket return. **Investing in the Securities involves significant risks. The Securities do not pay interest. You may lose some or all of your principal amount. Any payment on the Securities, including any repayment of principal, is subject to the creditworthiness of the Issuer. If the Issuer were to default on its payment obligations you may not receive any amounts owed to you under the Securities and you could lose your entire investment.**

Features

- ❑ **Enhanced Growth Potential:** At maturity, the Securities enhance any positive basket return up to the maximum gain. If the basket return is negative, investors will be exposed to the negative basket return at maturity.
- ❑ **Full Downside Market Exposure at Maturity:** You will be exposed to any decline in the underlying basket from the trade date to the final valuation date. If the basket return is negative, UBS will repay less than the full principal amount at maturity, if anything, resulting in a loss to investors that is proportionate to the negative basket return. Any payment on the Securities, including any repayment of principal, is subject to the creditworthiness of the Issuer.

Key Dates*

Trade Date	January 11, 2013
Settlement Date	January 16, 2013
Final Valuation Date**	January 12, 2015
Maturity Date**	January 16, 2015

* Expected. See page 4 for additional details.

** Subject to postponement in the event of a market disruption event. See “Maturity Date” and “Final Valuation Date” under “General Terms of the Securities” in the Return Optimization Securities product supplement.

NOTICE TO INVESTORS: THE SECURITIES ARE SIGNIFICANTLY RISKIER THAN CONVENTIONAL DEBT INSTRUMENTS. THE ISSUER IS NOT NECESSARILY OBLIGATED TO REPAY THE FULL PRINCIPAL AMOUNT OF THE SECURITIES AT MATURITY, AND THE SECURITIES HAVE DOWNSIDE MARKET RISK SIMILAR TO THE UNDERLYING BASKET. THIS MARKET RISK IS IN ADDITION TO THE CREDIT RISK INHERENT IN PURCHASING A DEBT OBLIGATION OF UBS. YOU SHOULD NOT PURCHASE THE SECURITIES IF YOU DO NOT UNDERSTAND OR ARE NOT COMFORTABLE WITH THE SIGNIFICANT RISKS INVOLVED IN INVESTING IN THE SECURITIES.

YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED UNDER “KEY RISKS” BEGINNING ON PAGE 5 AND UNDER “RISK FACTORS” BEGINNING ON PAGE PS-15 OF THE RETURN OPTIMIZATION SECURITIES PRODUCT SUPPLEMENT BEFORE PURCHASING ANY SECURITIES. EVENTS RELATING TO ANY OF THOSE RISKS, OR OTHER RISKS AND UNCERTAINTIES, COULD ADVERSELY AFFECT THE MARKET VALUE OF, AND THE RETURN ON YOUR SECURITIES. YOU MAY LOSE SOME OR ALL OF YOUR INVESTMENT IN THE SECURITIES.

Security Offering

These preliminary terms relate to Return Optimization Securities linked to a weighted basket of exchange traded funds consisting of (i) SPDR® S&P 500® ETF Trust, (ii) iShares® MSCI EAFE Index Fund and (iii) iShares® MSCI Emerging Markets Index Fund, each of which we refer to as a “basket equity” and collectively as the “underlying basket.” The return on the Securities is subject to, and will not exceed, the “maximum gain” or the corresponding “maximum payment at maturity per Security”, both of which will be determined on the trade date. The Securities are offered at a minimum investment of \$1,000, or 100 Securities at \$10.00 per Security, and integral multiples of \$10.00 in excess thereof.

Basket Equities (Weighting)	Maximum Payment at			CUSIP	ISIN
	Maximum Gain*	Maturity per Security*	Initial Basket Level		
SPDR® S&P 500® ETF Trust (40%), iShares® MSCI EAFE Index Fund (40%), iShares® MSCI Emerging Markets Index Fund (20%)	27.00%	\$12.70	100	90271B165	US90271B1659

* The actual maximum gain and maximum payment at maturity per Security will be determined on the trade date and will not be less than the expected maximum gain and maximum payment at maturity per Security set forth herein for the offering of the Securities.

See “Additional Information about UBS and the Securities” on page 2. The Securities will have the terms specified in the Return Optimization Securities (“ROS”) product supplement relating to the Securities, dated January 10, 2013, the accompanying prospectus and this free writing prospectus.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these Securities or passed upon the adequacy or accuracy of this free writing prospectus, the ROS product supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense. The Securities are not deposit liabilities of UBS AG and are not FDIC insured.

	Issue Price to Public	Underwriting Discount	Proceeds to UBS AG
Per Security	\$10.00	\$0.20	\$9.80
Total	\$•	\$•	\$•

UBS Financial Services Inc.

UBS Investment Bank

Additional Information about UBS and the Securities

UBS has filed a registration statement (including a prospectus, as supplemented by a product supplement for the Securities), with the Securities and Exchange Commission, or SEC, for the offering to which this free writing prospectus relates. Before you invest, you should read these documents and any other documents relating to this offering that UBS has filed with the SEC for more complete information about UBS and this offering. You may obtain these documents without cost by visiting EDGAR on the SEC website at www.sec.gov. Our Central Index Key, or CIK, on the SEC website is 0001114446. Alternatively, UBS will arrange to send you the prospectus and the ROS product supplement if you so request by calling toll-free 877-387-2275.

You may access these documents on the SEC website at www.sec.gov as follows:

- ♦ Product supplement for Return Optimization Securities dated January 10, 2013:

<http://www.sec.gov/Archives/edgar/data/1114446/000119312513009048/d464877d424b2.htm>

- ♦ Prospectus dated January 11, 2012:

<http://www.sec.gov/Archives/edgar/data/1114446/000119312512008669/d279364d424b3.htm>

References to “UBS,” “we,” “our” and “us” refer only to UBS AG and not to its consolidated subsidiaries. In this free writing prospectus, “Securities” refer to the Return Optimization Securities that are offered hereby, unless the context otherwise requires. Also, references to the “ROS product supplement” mean the UBS product supplement, dated January 10, 2013, and references to “accompanying prospectus” mean the UBS prospectus titled “Debt Securities and Warrants,” dated January 11, 2012.

This free writing prospectus, together with the documents listed above, contains the terms of the Securities and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in “Key Risks” beginning on page 5 and in “Risk Factors” in the accompanying product supplement, as the Securities involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before deciding to invest in the Securities.

The Securities may be suitable for you if:

- ♦ You fully understand the risks inherent in an investment in the Securities, including the risk of loss of your entire initial investment.
- ♦ You can tolerate a loss of all or a substantial portion of your investment and are willing to make an investment that has the same downside market risk as the underlying basket.
- ♦ You believe the underlying basket will appreciate over the term of the Securities and that the appreciation is unlikely to exceed an amount equal to the maximum gain (the actual maximum gain will be determined on the trade date and is expected to be, but will not be less than, at least 27.00%).
- ♦ You understand and accept that your potential return is limited to the maximum gain and you would be willing to invest in the Securities if the maximum gain was set equal to at least 27.00% (the actual maximum gain will be determined on the trade date and is expected to be, but will not be less than, 27.00%).
- ♦ You can tolerate fluctuations in the price of the Securities prior to maturity that may be similar to or exceed the downside fluctuations in the level of the underlying basket.
- ♦ You do not seek current income from your investment and are willing to forgo dividends paid on the basket equities.
- ♦ You are willing to hold the Securities to maturity, a term of approximately 2 years, and accept that there may be little or no secondary market for the Securities.
- ♦ You are willing to assume the credit risk of UBS for all payments under the Securities, and understand that if UBS defaults on its obligations you may not receive any amounts due to you including any repayment of principal.

The Securities may not be suitable for you if:

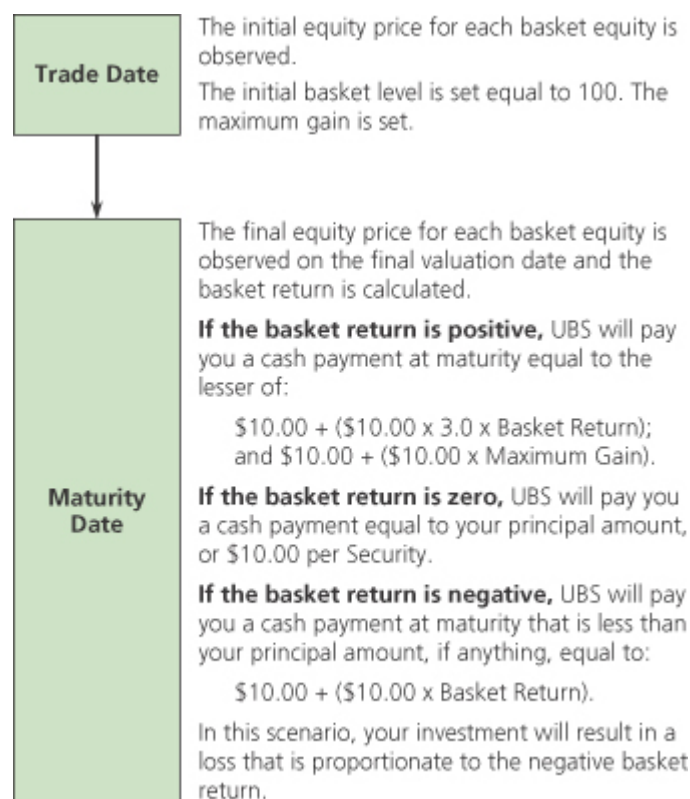
- ♦ You do not fully understand the risks inherent in an investment in the Securities, including the risk of loss of your entire initial investment.
- ♦ You require an investment designed to provide a full return of principal at maturity.
- ♦ You cannot tolerate a loss of all or a substantial portion of your investment and are unwilling to make an investment that has the same downside market risk as the underlying basket.
- ♦ You believe that the level of the underlying basket will decline during the term of the Securities and is likely to close below the initial basket level on the final valuation date, or you believe the underlying basket will appreciate over the term of the Securities by more than the maximum gain.
- ♦ You seek an investment that has unlimited return potential without a cap on appreciation or you are unwilling to invest in the Securities if the maximum gain is set equal to at least 27.00% (the actual maximum gain will be determined on the trade date and is expected to be, but will not be less than, 27.00%).
- ♦ You cannot tolerate fluctuations in the price of the Securities prior to maturity that may be similar to or exceed the downside fluctuations in the level of the underlying basket.
- ♦ You seek current income from this investment or prefer to receive the dividends paid on the basket equities.
- ♦ You are unable or unwilling to hold the Securities to maturity, a term of approximately 2 years, or you seek an investment for which there will be an active secondary market.
- ♦ You are not willing to assume the credit risk of UBS for all payments under the Securities.

The investor suitability considerations identified above are not exhaustive. Whether or not the Securities are a suitable investment for you will depend on your individual circumstances and you should reach an investment decision only after you and your investment, legal, tax, accounting and other advisors have carefully considered the suitability of an investment in the Securities in light of your particular circumstances. You should also review “Key Risks” beginning on page 5 of this free writing prospectus and the more detailed “Risk Factors” beginning on PS-15 of the ROS product supplement for risks related to an investment in the Securities.

Indicative Terms

Issuer	UBS AG, London Branch
Principal Amount	\$10.00 per Security (subject to a minimum investment of 100 Securities)
Term	Approximately 2 years. In the event that we make any change to the expected trade date and settlement date, the final valuation date and maturity date will be changed to ensure that the stated term of the Securities remains the same.
Maximum Gain	At least 27.00%. The actual maximum gain will be set on the trade date and is expected to be, but will not be less than, 27.00%.
Multiplier	3.0
Underlying Basket	The Securities are linked to a weighted basket consisting of (i) SPDR® S&P 500® ETF Trust (“SPDR”), (ii) iShares® MSCI EAFE Index Fund (“EFA Fund”) and (iii) iShares® MSCI Emerging Markets Index Fund (“EEM Fund”) (each, a “basket equity”).
Basket Weightings	With respect to: (i) SPDR: 40%, (ii) EFA Fund: 40% and (iii) EEM Fund: 20%.
Payment at Maturity (per Security)	<p>If the basket return is positive, UBS will pay you an amount in cash equal to:</p> $\$10.00 + (\$10.00 \times \text{the lesser of } (3.0 \times \text{Basket Return}) \text{ and } (\text{Maximum Gain}))$ <p>If the basket return is zero, UBS will pay you an amount in cash equal to your principal amount:</p> $\$10.00$ <p>If the basket return is negative, UBS will pay you an amount that is less than your principal amount, if anything, resulting in a loss on your investment that is proportionate to the negative basket return:</p> $\$10.00 + (\$10.00 \times \text{Basket Return})$
Basket Return	$\frac{\text{Final Basket Level} - \text{Initial Basket Level}}{\text{Initial Basket Level}}$
Initial Basket Level	Set equal to 100 on the trade date.
Final Basket Level	<p>The basket closing level on the final valuation date. On the final valuation date, the basket closing level will be calculated as follows:</p> $100 \times [1 + (\text{SPDR return} \times 40\%) + (\text{EFA Fund return} \times 40\%) + (\text{EEM Fund return} \times 20\%)],$ <p>where the return for each basket equity is equal to the basket equity return of the respective basket equity.</p>

Investment Timeline



Basket Equity Return With respect to each basket equity, the percentage change from the respective initial equity price to the respective final equity price, calculated as follows:

$$\frac{\text{Final Equity Price} - \text{Initial Equity Price}}{\text{Initial Equity Price}}$$

Initial Equity Price With respect to each basket equity, the closing price for such basket equity on the trade date, as determined by the calculation agent.

Final Equity Price With respect to each basket equity, the closing price for such basket equity on the final valuation date, as determined by the calculation agent.

INVESTING IN THE SECURITIES INVOLVES SIGNIFICANT RISKS. YOU MAY LOSE SOME OR ALL OF YOUR PRINCIPAL AMOUNT. ANY PAYMENT ON THE SECURITIES, INCLUDING ANY REPAYMENT OF PRINCIPAL, IS SUBJECT TO THE CREDITWORTHINESS OF UBS. IF UBS WERE TO DEFAULT ON ITS PAYMENT OBLIGATIONS, YOU MAY NOT RECEIVE ANY AMOUNTS OWED TO YOU UNDER THE SECURITIES AND YOU COULD LOSE YOUR ENTIRE INVESTMENT.

Key Risks

An investment in the Securities involves significant risks. Some of the risks that apply to the Securities are summarized here, but we urge you to read the more detailed explanation of risks relating to the Securities generally in the “Risk Factors” section of the ROS product supplement. We also urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the Securities.

- ♦ **Risk of loss** – The Securities differ from ordinary debt securities in that the issuer will not necessarily pay the full principal amount of the Securities. You will be exposed to any decline in the underlying basket from the initial basket level to the final basket level. Therefore, if the basket return is negative, you will lose some or all of your initial investment in an amount proportionate to the decline in the level of the underlying basket from the trade date to the final valuation date. You could lose some or all of your investment at maturity.
- ♦ **The multiplier applies only at maturity** – You should be willing to hold your Securities to maturity. If you are able to sell your Securities prior to maturity in the secondary market, the price you receive will likely not reflect the full economic value of the multiplier or the Securities and the return you realize may be less than 3.0 times the underlying basket’s return even if such return is positive and does not exceed the maximum gain. You can receive the full benefit of the multiplier and earn the potential maximum return from UBS only if you hold your Securities to maturity.
- ♦ **Your potential return on the Securities is limited to the maximum gain** – The return potential of the Securities is limited to the maximum gain of at least 27.00% (actual maximum gain to be determined on the trade date and is expected to be, but will not be less than, 27.00%). Therefore, you will not benefit from any positive basket return in excess of an amount that, when multiplied by the multiplier, exceeds the maximum gain, and your return on the Securities may be less than it would be in a direct investment in the underlying basket or the basket equities.
- ♦ **No interest payments** – UBS will not pay any interest with respect to the Securities.
- ♦ **Credit risk of UBS** – The Securities are unsubordinated, unsecured debt obligations of the issuer, UBS, and are not, either directly or indirectly, an obligation of any third party. Any payment to be made on the Securities, including any repayment of principal, depends on the ability of UBS to satisfy its obligations as they come due. As a result, the actual and perceived creditworthiness of UBS may affect the market value of the Securities and, in the event UBS were to default on its obligations, you may not receive any amounts owed to you under the terms of the Securities and you could lose your entire initial investment.
- ♦ **Market risk** – The price of any basket equity can rise or fall sharply due to factors specific to that basket equity or the issuer of such basket equity or the securities constituting the assets of the basket equity issuers. These factors may include stock price volatility, earnings, financial conditions, corporate, industry and regulatory developments, management changes and decisions and other events, as well as general market factors, such as general stock market volatility and levels, interest rates and economic and political conditions. We urge you to review financial and other information filed periodically by the basket equity issuers with the SEC.
- ♦ **Changes in closing prices of the basket equities may offset each other** – The Securities are linked to a weighted basket comprised of the basket equities. Where the final equity price of one or more of the basket equities increases relative to the corresponding initial equity price(s), the final equity price of one or more of the other basket equities may not increase by the same amount or may even decline. Therefore, in calculating the final basket level, increases in the price of one or more of the basket equities may be moderated, or offset, by lesser increases or declines in the price of one or more of the other basket equities. This affect is further amplified by the differing weights of the basket equities. The more heavily weighted basket equities, namely SPDR and EFA Fund, will have a larger impact on the basket return than EEM Fund, the lesser weighted basket equity.
- ♦ **Owning the Securities is not the same as owning the basket equities** – The return on your Securities may not reflect the return you would realize if you actually owned the basket equities. For instance, you will not receive or be entitled to receive any dividend payments or other distributions during the term of the Securities, and any such dividends or

distributions will not be factored into the calculation of the payment at maturity on your Securities. In addition, as an owner of the Securities, you will not have voting rights or any other rights that holders of the basket equities may have.

- ♦ **No assurance that the investment view implicit in the Securities will be successful** – It is impossible to predict whether and the extent to which the level of the underlying basket will rise or fall. There can be no assurance that the level of the underlying basket will rise above the initial basket level. The final basket level of the underlying basket will be influenced by complex and interrelated political, economic, financial and other factors that affect the issuers of the basket equities or the securities constituting the assets of the basket equity issuers. You should be willing to accept the risks of owning equities in general and the basket equities in particular, and the risk of losing some or all of your initial investment.
- ♦ **There is no affiliation between UBS and the issuers of the constituent stocks of the underlying equity (the “underlying equity constituent stock issuers”), and UBS is not responsible for any disclosure by such issuers** – We are not affiliated with the underlying equity constituent stock issuers. However, we and our affiliates may currently or from time to time in the future engage in business with the underlying equity constituent stock issuers. Nevertheless, neither we nor our affiliates assume any responsibility for the accuracy or the completeness of any information about the underlying equity or the underlying equity constituent stock issuers. You, as an investor in the Securities, should make your own investigation into the underlying equity and the underlying equity constituent stock issuers. The underlying equity constituent stock issuers are not involved in the Securities offered hereby in any way and have no obligation of any sort with respect to your Securities. The underlying equity constituent stock issuers have no obligation to take your interests into consideration for any reason, including when taking any corporate actions that might affect the value of your Securities.

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- ♦ **There may be little or no secondary market for the Securities** – The Securities will not be listed or displayed on any securities exchange or any electronic communications network. There can be no assurance that a secondary market for the Securities will develop. UBS Securities LLC and other affiliates of UBS may make a market in the Securities, although they are not required to do so and may stop making a market at any time. The price, if any, at which you may be able to sell your Securities prior to maturity could be at a substantial discount from the issue price and to the intrinsic value of the product; and as a result, you may suffer substantial losses.
 - ♦ **The calculation agent can make adjustments that affect the payment to you at maturity** – For certain corporate events affecting a basket equity, the calculation agent may make adjustments to the initial equity price of the affected basket equity. However, the calculation agent will not make an adjustment in response to all events that could affect a basket equity. If an event occurs that does not require the calculation agent to make an adjustment, the value of the Securities may be materially and adversely affected. In addition, all determinations and calculations concerning any such adjustments will be made by the calculation agent. You should be aware that the calculation agent may make any such adjustment, determination or calculation in a manner that differs from that discussed in the product supplement as necessary to achieve an equitable result. Following a delisting or discontinuance of a basket equity, the amount you receive at maturity may be based on a share of another exchange traded fund. The occurrence of these events and the consequent adjustments may materially and adversely affect the value of the Securities. For more information, see the section “General Terms of the Securities – Antidilution Adjustments” and “General Terms of the Securities – Delisting, Discontinuance or Modification of an ETF”. Regardless of any of the events discussed above, any payment on the Securities is subject to the creditworthiness of UBS.
 - ♦ **The value of any basket equity may not completely track the value of the securities in which such exchange traded fund invests** – Although the trading characteristics and valuations of any basket equity will usually mirror the characteristics and valuations of the securities in which such exchange traded fund invests, its value may not completely track the value of such securities. The value of any basket equity will reflect transaction costs and fees that the securities in which that exchange traded fund invests do not have. In addition, although a basket equity may be currently listed for trading on an exchange, there is no assurance that an active trading market will continue for such basket equity or that there will be liquidity in the trading market.
 - ♦ **Fluctuation of NAV** – The net asset value (the “NAV”) of an exchange traded fund may fluctuate with changes in the market value of such exchange traded fund’s securities holdings. The market prices of the basket equities may fluctuate in accordance with changes in NAV and supply and demand on the applicable stock exchanges. In addition, the market price of a basket equity may differ from its NAV per share; the basket equities may trade at, above or below their NAV per share.
 - ♦ **Failure of one or more basket equities to track the level of their applicable underlying indices** – While each basket equity is designed and intended to track the level of a specific index (an “underlying index”), various factors, including fees and other transaction costs, will prevent each basket equity from correlating exactly with changes in the level of such underlying index. Accordingly, the performance of each basket equity will not be equal to the performance of its underlying index during the term of the Securities.
 - ♦ **The Securities are subject to currency exchange rate risk** – The EFA Fund and the EEM Fund both invest in securities that are traded and quoted in foreign currencies on non-U.S. markets. Therefore, holders of the Securities will be exposed to currency exchange rate risk with respect to the currencies in which such securities trade. The values of the currencies of the countries in which the EFA Fund or EEM Fund may invest may be subject to a high degree of fluctuation due to changes in interest rates, the effects of monetary policies issued by the United States, foreign governments, central banks or supranational entities, the imposition of currency controls or other national or global political or economic developments. An investor’s net exposure will depend on the extent to which the relevant non-U.S. currencies strengthen or weaken against the U.S. dollar and the relative weight of each non-U.S. security in the portfolios of EFA Fund and EEM Fund. If, taking into account such weighting, the U.S. dollar strengthens against the relevant non-U.S. currencies, the value of securities in which EFA Fund and EEM Fund invest will be adversely affected and the value of the Securities may decrease.

- ♦ **The Securities are subject to non-U.S. securities market risk** – The Securities are linked to an underlying basket which includes shares of the EFA Fund and EEM Fund and therefore, are subject to risks associated with non-U.S. securities markets. An investment in securities linked directly or indirectly to the value of securities issued by non-U.S. companies involves particular risks. Generally, non-U.S. securities markets may be more volatile than U.S. securities markets, and market developments may affect non-U.S. markets differently from U.S. securities markets. Direct or indirect government intervention to stabilize these non-U.S. markets, as well as cross shareholdings in non-U.S. companies, may affect trading prices and volumes in those markets. There is generally less publicly available information about non-U.S. companies than about those U.S. companies that are subject to the reporting requirements of the SEC, and non-U.S. companies are subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies. Securities prices in non-U.S. countries are subject to political, economic, financial and social factors that may be unique to the particular country. These factors, which could negatively affect the non-U.S. securities markets, include the possibility of recent or future changes in the non-U.S. government's economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other non-U.S. laws or restrictions applicable to non-U.S. companies or investments in non-U.S. equity securities and the possibility of fluctuations in the rate of exchange between currencies. Moreover, certain aspects of a particular non-U.S. economy may differ favorably or unfavorably from the U.S. economy in important respects, such as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency. Finally, it will likely be more costly and difficult to enforce the laws or regulations of a non-U.S. country or exchange.
- ♦ **The Securities are subject to emerging markets risk** – The Securities are linked to an underlying basket which includes shares of the EEM Fund and therefore, are subject to emerging markets risk. Investments in securities linked directly or indirectly to emerging market equity securities involve many risks, including, but not limited to: economic, social, political, financial and military conditions in the emerging market; regulation by national, provincial, and local governments; less liquidity and smaller market capitalizations than exist in the case of many large U.S. companies; different accounting and disclosure standards; and political uncertainties. Securities of emerging

market companies may be more volatile and may be affected by market developments differently than U.S. companies. Government interventions to stabilize securities markets and cross-shareholdings may affect prices and volume of trading of the securities of emerging market companies. Economic, social, political, financial and military factors could, in turn, negatively affect such companies' value. These factors could include changes in the emerging market government's economic and fiscal policies, possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to the emerging market companies or investments in their securities, and the possibility of fluctuations in the rate of exchange between currencies. Moreover, emerging market economies may differ favorably or unfavorably from the U.S. economy in a variety of ways, including growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency. You should carefully consider the risks related to emerging markets, to which the Securities are susceptible, before making a decision to invest in the Securities.

- ♦ **Price of Securities prior to maturity** – The market price of the Securities will be influenced by many unpredictable and interrelated factors, including the level of the underlying basket; the price volatility of the basket equities; the dividend rate paid on the basket equities; the time remaining to the maturity of the Securities; interest rates in the markets; geopolitical conditions and economic, financial, political and regulatory or judicial events; and the creditworthiness of UBS.
- ♦ **Impact of fees on the secondary market price of the Securities** – Generally, the price of the Securities in the secondary market is likely to be lower than the issue price to public since the issue price to public included, and the secondary market prices are likely to exclude, commissions, hedging costs or other compensation paid with respect to the Securities.
- ♦ **Potential UBS impact on price** – Trading or transactions by UBS or its affiliates in the basket equities and/or over-the-counter options, futures or other instruments with return linked to the performance of the basket equities, may adversely affect the market prices of the basket equities and, therefore, the market value of the Securities.
- ♦ **Potential conflict of interest** – UBS and its affiliates may engage in business with the issuers of the basket equities, or the issuers of securities constituting assets of the basket equity issuers, which may present a conflict between the obligations of UBS and you, as a holder of the Securities. There are also potential conflicts of interest between you and the calculation agent, which will be an affiliate of UBS.
- ♦ **Potentially inconsistent research, opinions or recommendations by UBS** – UBS and its affiliates publish research from time to time on financial markets and other matters that may influence the value of the Securities, or express opinions or provide recommendations that are inconsistent with purchasing or holding the Securities. Any research, opinions or recommendations expressed by UBS or its affiliates may not be consistent with each other and may be modified from time to time without notice. Investors should make their own independent investigation of the merits of investing in the Securities and the underlying basket to which the Securities are linked.
- ♦ **Dealer incentives** – UBS and its affiliates act in various capacities with respect to the Securities. We and our affiliates may act as a principal, agent or dealer in connection with the sale of the Securities. Such affiliates, including the sales representatives, will derive compensation from the distribution of the Securities and such compensation may serve as an incentive to sell these Securities instead of other investments. We will pay total underwriting compensation of \$0.20 per Security to any of our affiliates acting as agents or dealers in connection with the distribution of the Securities.
- ♦ **Uncertain tax treatment** – Significant aspects of the tax treatment of the Securities are uncertain. You should consult your tax advisor about your own tax situation. See “What Are the Tax Consequences of the Securities” beginning on page 17.

Hypothetical Examples and Return Table of the Securities at Maturity

The examples and table below illustrate the Payment at Maturity for a \$10.00 Security on a hypothetical offering of the Securities, with the following assumptions (the actual terms for the Securities will be set on the trade date; amounts may have been rounded for ease of analysis):

Investment Term:	Approximately 2 years
Basket Starting Level:	100
Multiplier:	3.00
Maximum Gain:**	27.00%
Range of Underlying Basket Performance:*	75% to -75%

* The underlying basket performance range is provided for illustrative purposes only. The actual basket return may be below -75% and you therefore may lose up to 100% of your investment in the Securities

** The actual maximum gain will be determined on the trade date and is expected to be, but will not be less than, 27.00%.

Final Basket Level	Basket Return*	Payment at Maturity	Security Total Return at Maturity
175.000	75.00%	\$12.70	27.00%
170.000	70.00%	\$12.70	27.00%
165.000	65.00%	\$12.70	27.00%
160.000	60.00%	\$12.70	27.00%
155.000	55.00%	\$12.70	27.00%
150.000	50.00%	\$12.70	27.00%
145.000	45.00%	\$12.70	27.00%
140.000	40.00%	\$12.70	27.00%
135.000	35.00%	\$12.70	27.00%
130.000	30.00%	\$12.70	27.00%
125.000	25.00%	\$12.70	27.00%
120.000	20.00%	\$12.70	27.00%
115.000	15.00%	\$12.70	27.00%
109.000	9.00%	\$12.70	27.00%
105.000	5.00%	\$11.50	15.00%
100.000	0.00%	\$10.00	0.00%
95.000	-5.00%	\$9.50	-5.00%
90.000	-10.00%	\$9.00	-10.00%
85.000	-15.00%	\$8.50	-15.00%
80.000	-20.00%	\$8.00	-20.00%
75.000	-25.00%	\$7.50	-25.00%
70.000	-30.00%	\$7.00	-30.00%
65.000	-35.00%	\$6.50	-35.00%
60.000	-40.00%	\$6.00	-40.00%
55.000	-45.00%	\$5.50	-45.00%
50.000	-50.00%	\$5.00	-50.00%
45.000	-55.00%	\$4.50	-55.00%
40.000	-60.00%	\$4.00	-60.00%
35.000	-65.00%	\$3.50	-65.00%
30.000	-70.00%	\$3.00	-70.00%
25.000	-75.00%	\$2.50	-75.00%

* The basket return excludes any cash dividend payments on the basket equities.

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Example 1 – On the final valuation date, the underlying basket closes 5% above the initial basket level. Since the basket return is 5%, UBS will pay you $3.00 \times$ the basket return, or a 15% total return, and the payment at maturity per \$10.00 principal amount of the Securities will be calculated as follows:

$$\$10.00 + (\$10.00 \times 3.00 \times 5\%) = \$10.00 + \$1.50 = \$11.50$$

Example 2 – On the final valuation date, the underlying basket closes 35% above the initial basket level. Since $3.00 \times$ the basket return of 35% is more than the maximum gain of 27.00%, UBS will pay you the maximum gain of 27.00%, and the payment at maturity is equal to \$12.70 per Security.

Example 3 – On the final valuation date, the final basket level is equal to the initial basket level. Since the basket return is 0%, UBS will repay the full principal amount and the payment at maturity is equal to \$10.00 per Security.

Example 4 – On the final valuation date, the underlying basket closes 45% below the initial basket level. Since the basket return is -45%, UBS will pay you less than the full principal amount and the payment at maturity per Security is as follows:

$$\$10.00 + (\$10.00 \times -45\%) = \$5.50$$

Accordingly, if the final basket level is below the initial basket level, UBS will pay you less than the full principal amount, if anything, resulting in a loss on your investment that is proportionate to the negative basket return. You may lose up to 100% of your principal.

Basket Information

All disclosures contained in this free writing prospectus regarding each basket equity are derived from publicly available information. UBS has not conducted any independent review or due diligence of any publicly available information with respect to each basket equity. You should make your own investigation into each basket equity.

Included on the following pages is a brief description of the issuers of the respective basket equities. This information has been obtained from publicly available sources. Set forth below is a table that provides the quarterly high and low closing prices for each of the basket equities. The information given below is for the four calendar quarters in each of 2009, 2010, 2011 and 2012. Partial data is provided for the first calendar quarter of 2013. We obtained the closing price information set forth below from the Bloomberg Professional® service (“Bloomberg”) without independent verification. You should not take the historical prices of the basket equities as an indication of future performance.

Each of the basket equities is registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Companies with securities registered under the Exchange Act are required to file financial and other information specified by the SEC periodically. Information filed by the respective issuers of the basket equities with the SEC can be reviewed electronically through a website maintained by the SEC. The address of the SEC’s website is <http://www.sec.gov>. Information filed with the SEC by the respective issuers of the basket equities under the Exchange Act can be located by reference to its SEC file number provided below. In addition, information filed with the SEC can be inspected and copied at the Public Reference Section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of this material can also be obtained from the Public Reference Section, at prescribed rates.

We have derived all information contained in this free writing prospectus regarding the SPDR® S&P 500® ETF Trust (the “SPDR”) from publicly available information. Such information reflects the policies of, and is subject to change by, PDR Services LLC, the sponsor of the SPDR and State Street Bank and Trust Company, the trustee of the SPDR (the “Trustee”). UBS has not undertaken an independent review or due diligence of any publicly available information regarding the SPDR.

The SPDR is a unit investment trust that issues securities called “Trust Units” or “Units” of the SPDR (the “SPDRs”), each of which represents a fractional undivided ownership interest in the SPDR. The SPDR is designed to generally correspond to the price and yield performance, before fees and expenses, of the S&P 500® Index. The Trustee on a nondiscretionary basis adjusts the composition of the portfolio of stocks held by the SPDR to conform to changes in the composition and/or weighting structure of the S&P 500® Index. Although the SPDR may at any time fail to own certain securities included within the S&P 500® Index, the SPDR will be substantially invested in the constituent stocks of the S&P 500® Index.

The S&P 500® Index was developed by Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. (“S&P”) and is calculated, maintained and published by S&P. S&P is under no obligation to continue to publish, and may discontinue or suspend the publication of the S&P 500® Index at any time. The S&P 500® Index is composed of five-hundred (500) selected stocks of United States companies, all of which are listed on national stock exchanges and spans over 24 separate industry groups. Since 1968, the S&P 500® Index has been a component of the U.S. Commerce Department’s list of Leading Indicators that track key sectors of the U.S. economy.

As of September 30, 2012, ordinary operating expenses of the SPDR are expected to accrue at an annual rate of 0.0945% of the SPDR’s daily net asset value. Expenses of the SPDR reduce the net value of the assets held by the SPDR and, therefore, reduce the value of each SPDR.

As of September 30, 2012, the SPDR held stocks of U.S. companies in the following industry sectors: Information Technology (20.11%), Financials (14.60%), Health Care (12.00%), Energy (11.30%), Consumer Discretionary (11.03%), Consumer Staples (10.86%), Industrials (9.82%), Utilities (3.51%), Materials (3.50%) and Telecommunication Services (3.28%).

Information filed by the SPDR with the SEC under the Securities Act of 1933 and the Investment Company Act of 1940 can be found by reference to its SEC file number: 033-46080 and 811-06125. The SPDR’s website is <https://www.spdrs.com/product/fund.seam?ticker=spy>. Shares of the SPDR are listed on the NYSE Arca under ticker symbol “SPY.”

Information from outside sources is not incorporated by reference in, and should not be considered part of, this free writing prospectus or any accompanying prospectus. UBS has not conducted any independent review or due diligence of any publicly available information with respect to the SPDR.

Historical Information

The following table sets forth the quarterly high and low closing prices for the SPDR, based on the daily closing prices as reported by Bloomberg, without independent verification. UBS has not undertaken an independent review or due diligence of any publicly available information obtained from Bloomberg. The closing price of the SPDR on January 7, 2013 was \$145.92. The actual initial equity price will be the closing price of the SPDR on the trade date. ***Past performance of the basket equity is not indicative of the future performance of the basket equity.***

Quarter Begin	Quarter End	Quarterly High	Quarterly Low	Quarterly Close
1/2/2009	3/31/2009	\$93.44	\$68.11	\$79.44
4/1/2009	6/30/2009	\$95.09	\$81.00	\$91.92
7/1/2009	9/30/2009	\$107.33	\$87.95	\$105.56
10/1/2009	12/31/2009	\$112.67	\$102.54	\$111.44
1/4/2010	3/31/2010	\$117.40	\$105.87	\$116.99
4/1/2010	6/30/2010	\$121.79	\$103.22	\$103.22
7/1/2010	9/30/2010	\$114.79	\$102.20	\$114.12
10/1/2010	12/31/2010	\$125.92	\$113.75	\$125.78
1/3/2011	3/31/2011	\$134.57	\$126.21	\$132.51
4/1/2011	6/30/2011	\$136.54	\$126.81	\$131.97
7/1/2011	9/30/2011	\$135.46	\$112.26	\$113.17
10/3/2011	12/30/2011	\$128.68	\$109.93	\$125.50
1/3/2012	3/30/2012	\$141.61	\$127.49	\$140.72
4/2/2012	6/30/2012	\$141.79	\$128.10	\$136.27
7/2/2012	9/28/2012	\$147.24	\$133.51	\$143.93
10/1/2012	12/31/2012	\$146.27	\$135.70	\$142.52
1/2/2013*	1/7/2013*	\$146.45	\$145.73	\$145.92

* As of the date of this free writing prospectus, available information for the first calendar quarter of 2013 includes data for the period from January 2, 2013 through January 7, 2013. Accordingly, the “Quarterly High,” “Quarterly Low” and “Quarterly Close” data indicated are for this shortened period only and do not reflect complete data for the first calendar quarter of 2013.

The graph below illustrates the performance of SPDR from January 3, 2000 through January 7, 2013, based on information from Bloomberg. ***Past performance of the basket equity is not indicative of the future performance of the basket equity.***



We have derived all information contained in this free writing prospectus regarding the iShares® MSCI EAFE Index Fund (“EFA Fund”) from publicly available information. Such information reflects the policies of, and is subject to changes by BlackRock Fund Advisors (“BFA”), the investment advisor of the EFA Fund. UBS has not undertaken an independent review or due diligence of any publicly available information regarding the EFA Fund.

The EFA Fund is one of the separate investment portfolios that constitute iShares Trust. The EFA Fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the MSCI EAFE® Index. The EFA Fund will at all times invest at least 90% of its assets in the securities of the MSCI EAFE® Index and American depositary receipts based on securities of the MSCI EAFE® Index. The EFA Fund also may invest its other assets in securities not in the MSCI EAFE® Index, futures contracts, options on futures contracts, options and swaps related to the MSCI EAFE® Index, as well as cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates.

BFA uses a representative sampling strategy to manage the EFA Fund. Representative sampling is an indexing strategy that involves investing in a representative sample of the securities included in the MSCI EAFE® Index that collectively has an investment profile similar to the MSCI EAFE® Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on market capitalization and industry weightings), fundamental characteristics (such as return variability and yield), and liquidity measures similar to those of the MSCI EAFE® Index. The EFA Fund may or may not hold all of the securities that are included in the MSCI EAFE® Index.

The MSCI EAFE® Index was developed by Morgan Stanley Capital International Inc. (“MSCI”) and is calculated, maintained and published by MSCI. MSCI is under no obligation to continue to publish, and may discontinue or suspend the publication of the MSCI EAFE® Index at any time. The MSCI EAFE® Index has been developed by MSCI as an equity benchmark for international stock performance.

As of September 30, 2012, ordinary operating expenses of the EFA Fund are expected to accrue at an annual rate of 0.34% of the EFA Fund’s daily net asset value. Expenses of the EFA Fund reduce the net value of the assets held by the EFA Fund and, therefore, reduce the value of the shares of EFA Fund.

As of September 30, 2012, the EFA Fund includes stocks from Europe, Australasia (Australia and Asia) and the Far East, including the following 29 developed markets: Australia, Austria, Belgium, Bermuda, Cayman Islands, China, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Jersey, Luxembourg, Macau, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. As of September 30, 2012, the EFA Fund’s three largest industries were financials, industrials and consumer staples.

Information filed by iShares Trust with the SEC under the Securities Act of 1933, the Investment Company Act of 1940 and where applicable, the Securities Exchange Act of 1934 can be found by reference to its SEC file number: 333-92935 and 811-09729. The EFA Fund’s website is http://us.ishares.com/product_info/fund/overview/EFA.htm. Shares of the EFA Fund are listed on the NYSE Arca under ticker symbol “EFA.”

Information from outside sources is not incorporated by reference in, and should not be considered part of, this free writing prospectus or any accompanying prospectus. UBS has not conducted any independent review or due diligence of any publicly available information with respect to the EFA Fund.

Historical Information

The following table sets forth the quarterly high and low closing prices for the EFA Fund, based on the daily closing prices as reported by Bloomberg, without independent verification. UBS has not undertaken an independent review or due diligence of any publicly available information obtained from Bloomberg. The closing price of the EFA Fund on January 7, 2013 was \$57.23. The actual initial equity price will be the closing price of the EFA Fund on the trade date. **Past performance of the basket equity is not indicative of the future performance of the basket equity.**

Quarter Begin	Quarter End	Quarterly High	Quarterly Low	Quarterly Close
1/2/2009	3/31/2009	\$45.44	\$31.69	\$37.59
4/1/2009	6/30/2009	\$49.04	\$38.57	\$45.81
7/1/2009	9/30/2009	\$55.81	\$43.91	\$54.70
10/1/2009	12/31/2009	\$57.28	\$52.66	\$55.30
1/4/2010	3/31/2010	\$57.96	\$50.45	\$56.00
4/1/2010	6/30/2010	\$58.03	\$46.29	\$46.51
7/1/2010	9/30/2010	\$55.42	\$47.09	\$54.92
10/1/2010	12/31/2010	\$59.46	\$54.25	\$58.23
1/3/2011	3/31/2011	\$61.91	\$55.31	\$60.09
4/1/2011	6/30/2011	\$63.87	\$57.10	\$60.14
7/1/2011	9/30/2011	\$60.80	\$46.66	\$47.75
10/3/2011	12/30/2011	\$55.57	\$46.45	\$49.53
1/3/2012	3/30/2012	\$55.80	\$49.15	\$54.90
4/2/2012	6/30/2012	\$55.51	\$46.55	\$49.96
7/2/2012	9/28/2012	\$55.15	\$47.62	\$53.00
10/1/2012	12/31/2012	\$56.88	\$51.96	\$56.82
1/2/2013*	1/7/2013*	\$57.77	\$57.18	\$57.23

* As of the date of this free writing prospectus, available information for the first calendar quarter of 2013 includes data for the period from January 2, 2013 through January 7, 2013. Accordingly, the “Quarterly High,” “Quarterly Low” and “Quarterly Close” data indicated are for this shortened period only and do not reflect complete data for the first calendar quarter of 2013.

The graph below illustrates the performance of EFA Fund from August 22, 2002 through January 7, 2013, based on information from Bloomberg. **Past performance of the basket equity is not indicative of the future performance of the basket equity.**



iShares® MSCI Emerging Markets Index Fund

We have derived all information contained in this free writing prospectus regarding the iShares® MSCI Emerging Markets Index Fund (“EEM Fund”) from publicly available information. Such information reflects the policies of, and is subject to changes by BlackRock Fund Advisors (“BFA”), the investment advisor of the EEM Fund. UBS has not undertaken an independent review or due diligence of any publicly available information regarding the EEM Fund.

The EEM Fund is one of the separate investment portfolios that constitute the iShares Trust. The EEM Fund seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of publicly traded securities in the MSCI Emerging Markets® Index. The EEM Fund will at all times invest at least 80% of its assets in the securities of the MSCI Emerging Markets® Index and American depositary receipts based on securities of the MSCI Emerging Markets® Index. The EEM Fund also may invest its other assets in securities not in the MSCI Emerging Markets® Index, futures contracts, options on futures contracts, options and swaps related to the MSCI Emerging Markets® Index, as well as cash and cash equivalents, including shares of money market funds affiliated with BFA or its affiliates.

BFA uses a representative sampling strategy to manage the EEM Fund. Representative sampling is an indexing strategy that involves investing in a representative sample of the securities included in the MSCI Emerging Markets® Index that collectively has an investment profile similar to the MSCI Emerging Markets® Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on market capitalization and industry weightings), fundamental characteristics (such as return variability and yield), and liquidity measures similar to those of the MSCI Emerging Markets® Index. The EEM Fund may or may not hold all of the securities that are included in the MSCI Emerging Markets® Index.

The MSCI Emerging Markets® Index was developed by Morgan Stanley Capital International Inc. (“MSCI”) and is calculated, maintained and published by MSCI. MSCI is under no obligation to continue to publish, and may discontinue or suspend the publication of the MSCI Emerging Markets® Index at any time. The MSCI Emerging Markets® Index has been developed by MSCI as an equity benchmark for international stock performance, and is designed to measure equity market performance in the global emerging markets.

As of September 30, 2012, ordinary operating expenses of the EEM Fund are expected to accrue at an annual rate of 0.67% of the EEM Fund’s daily net asset value. Expenses of the EEM Fund reduce the net value of the assets held by the EEM Fund and, therefore, reduce the value of the shares of the EEM Fund.

As of September 30, 2012, the EEM Fund held stocks from the following 22 emerging markets (and the United States): Brazil, Chile, China, Colombia, the Czech Republic, Egypt, Hong Kong, Hungary, India, Indonesia, Luxembourg, Malaysia, Mexico, Peru, the Philippines, Poland, the Russian Federation, South Africa, South Korea, Taiwan, Thailand and Turkey. As of September 30, 2012, the EEM Fund’s three largest industry concentrations were financials, information technology and energy.

Information filed by the iShares, Inc. with the SEC under the Securities Act of 1933, the Investment Company Act of 1940 and where applicable, the Securities Exchange Act of 1934 can be found by reference to its SEC file number: 033-97598 and 811-09102. The EEM Fund’s website is http://us.ishares.com/product_info/fund/overview/EEM.htm. Shares of the EEM Fund are listed on the NYSE Arca under ticker symbol “EEM.”

Information from outside sources is not incorporated by reference in, and should not be considered part of, this free writing prospectus or any accompanying prospectus. UBS has not conducted any independent review or due diligence of any publicly available information with respect to the EEM Fund.

Historical Information

The following table sets forth the quarterly high and low closing prices for the EEM Fund, based on the daily closing prices as reported by Bloomberg, without independent verification. UBS has not undertaken an independent review or due diligence of any publicly available information obtained from Bloomberg. The closing price of the EEM Fund on January 7, 2013 was \$44.65. The actual initial equity price will be the closing price of the EEM Fund on the trade date. ***Past performance of the basket equity is not indicative of the future performance of the basket equity.***

Quarter Begin	Quarter End	Quarterly High	Quarterly Low	Quarterly Close
1/2/2009	3/31/2009	\$27.09	\$19.94	\$24.81
4/1/2009	6/30/2009	\$34.64	\$25.65	\$32.23
7/1/2009	9/30/2009	\$39.29	\$30.75	\$38.91
10/1/2009	12/31/2009	\$42.07	\$37.56	\$41.50
1/4/2010	3/31/2010	\$43.22	\$36.83	\$42.12
4/1/2010	6/30/2010	\$43.98	\$36.16	\$37.32
7/1/2010	9/30/2010	\$44.77	\$37.59	\$44.77
10/1/2010	12/31/2010	\$48.58	\$44.77	\$47.62
1/3/2011	3/31/2011	\$48.69	\$44.63	\$48.69
4/1/2011	6/30/2011	\$50.21	\$45.50	\$47.60
7/1/2011	9/30/2011	\$48.46	\$34.95	\$35.07
10/3/2011	12/30/2011	\$42.80	\$34.36	\$37.94
1/3/2012	3/30/2012	\$44.76	\$38.23	\$42.94
4/2/2012	6/30/2012	\$43.54	\$36.68	\$39.19
7/2/2012	9/28/2012	\$42.37	\$37.42	\$41.32
10/1/2012	12/31/2012	\$44.35	\$40.14	\$44.35
1/2/2013*	1/7/2013*	\$45.20	\$44.65	\$44.65

* As of the date of this free writing prospectus, available information for the first calendar quarter of 2013 includes data for the period from January 2, 2013 through January 7, 2013. Accordingly, the “Quarterly High,” “Quarterly Low” and “Quarterly Close” data indicated are for this shortened period only and do not reflect complete data for the first calendar quarter of 2013.

The graph below illustrates the performance of EEM Fund from August 27, 2003 through January 7, 2013, based on information from Bloomberg. ***Past performance of the basket equity is not indicative of the future performance of the basket equity.***



What Are the Tax Consequences of the Securities?

The United States federal income tax consequences of your investment in the Securities are uncertain. Some of these tax consequences are summarized below, but we urge you to read the more detailed discussion in “Supplemental U.S. Tax Considerations” beginning on page PS-47 of the ROS product supplement and discuss the tax consequences of your particular situation with your tax advisor.

There are no statutory provisions, regulations, published rulings or judicial decisions addressing the characterization for U.S. federal income tax purposes of securities with terms that are substantially the same as the Securities. Pursuant to the terms of the Securities, UBS and you agree, in the absence of a statutory, regulatory, administrative or judicial ruling to the contrary, to characterize your Securities as a pre-paid derivative contract with respect to the underlying basket. If your Securities are so treated, subject to the discussion below with respect to “constructive ownership” transactions and “PFICs” you should generally recognize long-term capital gain or loss upon the sale or maturity of your Securities in an amount equal to the difference between the amount you receive at such time and the amount you paid for your Securities.

In the opinion of our counsel, Cadwalader, Wickersham & Taft LLP, it would be reasonable to treat your Securities in the manner described above. However, because there is no authority that specifically addresses the tax treatment of the Securities, it is possible that your Securities could alternatively be treated for tax purposes in the manner described under “Supplemental U.S. Tax Considerations – Alternative Treatments” on page PS-49 of the ROS product supplement.

A “constructive ownership transaction” includes a contract under which an investor will receive payment equal to or credit for the future value of any equity interest in a regulated investment company (such as the shares of a basket equity). Under the “constructive ownership” rules, if an investment in securities is treated as a “constructive ownership transaction,” any long-term capital gain recognized by a U.S. holder (as defined under “Supplemental U.S. Tax Consideration” on page PS-47 of the ROS product supplement) in respect of a security will be recharacterized as ordinary income to the extent such gain exceeds the amount of “net underlying long-term capital gain” (as defined in Section 1260 of the Internal Revenue Code of 1986, as amended (the “Code”)) of the U.S. holder (the “Excess Gain”). In addition, an interest charge will also apply to any deemed underpayment of tax in respect of any Excess Gain to the extent such gain would have resulted in gross income inclusion for the U.S. holder in taxable years prior to the taxable year of the sale, exchange or maturity of the security (assuming such income accrued such that the amount in each successive year is equal to the income in the prior year increased at a constant rate equal to the applicable federal rate as of the date of sale, exchange or maturity of the security).

Although the matter is not clear, there exists a risk that an investment in securities that are linked to the underlying basket that contains shares in exchange traded funds (“ETFs”) will be treated as a “constructive ownership transactions.” If such treatment applies, it is not entirely clear to what extent any long-term capital gain recognized by a U.S. holder in respect of a security will be recharacterized as ordinary income. Moreover, because the U.S. holder does not share in distributions made on ETFs in the underlying basket referenced by the Securities, such distributions should be excluded from the calculation of the amount and character of gain, if any, that would have been realized had the U.S. holder held the shares of ETFs directly. Accordingly, U.S. holders should consult their tax advisors regarding the potential application of the “constructive ownership” rules.

We will not attempt to ascertain whether the issuer of any stock included in an underlying basket would be treated as a “passive foreign investment company (“PFIC”) within the meaning of Section 1297 of the Code. In the event that the issuer of any stock owned by one or more of the ETFs in the underlying basket were treated as a passive foreign investment company, certain adverse U.S. federal income tax consequences might apply. You should consult your tax advisor regarding the possible consequences to you in the event that one or more issuers of stock is or become a passive foreign investment company.

The Internal Revenue Service has recently released a notice that may affect the taxation of holders of the Securities. According to the notice, the Internal Revenue Service and the Treasury Department are actively considering whether the holder of an instrument such as the Securities should be required to accrue ordinary income on a current basis, and they are seeking taxpayer comments on the subject. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, holders of the Securities will ultimately be required to accrue income currently and this could be applied on a retroactive basis. The Internal Revenue Service and the Treasury Department are also considering other relevant issues, including whether additional gain or loss from such instruments should be treated as ordinary or capital, whether foreign holders of such instruments should be subject to withholding tax on any deemed income accruals, and whether the special “constructive ownership rules” of Section 1260 of the Code described above should be applied to such instruments. Holders are urged to consult their tax advisors concerning the significance, and the potential impact, of the above considerations. Except to the extent otherwise required by law, UBS intends to treat your Securities for United States federal income tax purposes in accordance with the treatment described above and under “Supplemental U.S. Tax Considerations” beginning on page PS-47 of the ROS product supplement, unless and until such time as the Treasury Department and Internal Revenue Service determine that some other treatment is more appropriate.

Moreover, in 2007, legislation was introduced in Congress that, if it had been enacted, would have required holders of Securities purchased after the bill was enacted to accrue interest income over the term of the Securities despite the fact that there will be no interest payments over the term of the Securities. It is not possible to predict whether a similar or identical bill will be enacted in the future, or whether any such bill would affect the tax treatment of your Securities.

Recent Legislation

Beginning in 2013, U.S. holders that are individuals, estates, and certain trusts will be subject to an additional 3.8% tax on all or a portion of their “net investment income,” which may include any gain realized with respect to the Securities, to the extent of their net investment income that when added to their other modified adjusted gross income, exceeds \$200,000 for an unmarried individual, \$250,000 for a married taxpayer filing a joint return (or a surviving spouse), or \$125,000 for a married individual filing a separate return. U.S. holders should consult their tax advisors with respect to their consequences with respect to the 3.8% Medicare tax.

Under recently enacted legislation, individuals (and to the extent provided in future regulations, entities) that own “specified foreign financial assets” may be required to file information with respect to such assets with their income tax returns, especially if such assets are held outside the custody of a U.S. financial institution. You are urged to consult your tax advisor as to the application of this legislation to your ownership of the Securities.

Non-United States Holders. If you are not a United States holder, subject to Section 871(m) and “FATCA” (discussed below) you should generally not be subject to United States withholding tax with respect to payments on your Securities but you may be subject to generally applicable information reporting and backup withholding requirements with respect to payments on your Securities unless you comply with certain certification and identification requirements as to your foreign status. Gain from the sale or exchange of a Security or settlement at maturity generally will not be subject to U.S. tax unless such gain is effectively connected with a trade or business conducted by the non-U.S. holder in the United States or unless the non-U.S. holder is a non-resident alien individual and is present in the U.S. for 183 days or more during the taxable year of such sale, exchange or settlement and certain other conditions are satisfied.

Section 871(m) of the Internal Revenue Code requires withholding (up to 30%, depending on whether a treaty applies) on certain financial instruments to the extent that the payments or deemed payments on the financial instruments are contingent upon or determined by reference to U.S.-source dividends. Under proposed U.S. Treasury Department regulations, certain payments that are contingent upon or determined by reference to U.S.-source dividends, including payments or adjustments for extraordinary dividends, with respect to equity-linked instruments, including the Securities, may be treated as dividend equivalents that are subject to U.S. withholding tax. If enacted in their current form, the regulations may impose a withholding tax on payments made on the Securities on or after January 1, 2014 that are treated as dividend equivalents. In that case, we (or the applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld. Further, Non-U.S. Holders may be required to provide certifications prior to, or upon the sale, redemption or maturity of the Securities in order to minimize or avoid U.S. withholding taxes.

Sections 1471 through 1474 of the Internal Revenue Code (which are commonly referred to as “FATCA”) generally impose a 30% withholding tax on certain U.S. source payments and “pass-thru” payments, i.e., certain payments that are attributable to assets that give rise to U.S.-source income or gain to certain persons. Pursuant to proposed Treasury regulations (and recent IRS announcement), the withholding and reporting requirements will generally apply to certain withholdable payments made after December 31, 2013, certain gross proceeds on sale or disposition occurring after December 31, 2016, and certain pass-thru payments made after December 31, 2016. If the proposed Treasury Department regulations are finalized in their current form, this withholding tax on withholdable payments and gross proceeds would not be imposed on payments pursuant to obligations (other than equities) that are outstanding on January 1, 2013 (and are not materially modified after December 31, 2012). Pursuant to a more recent statement by a Department of Treasury official, final Treasury Department regulations are expected to provide that this withholding tax on withholdable payments and gross proceeds would not be imposed on payments pursuant to obligations (other than equities) that are outstanding on January 1, 2014 (and are not materially modified on or thereafter). In addition, pursuant to a recent IRS announcement, this withholding tax would not be imposed on “pass-thru” payments pursuant to certain obligations (other than equities) that are outstanding as of six months after final regulations become effective with respect to such pass-thru payments (and such obligations are not subsequently modified). If, however, withholding is required as a result of future guidance, we (and any paying agent) will not be required to pay additional amounts with respect to the amounts so withheld. However, the IRS has

issued proposed regulations extending the FATCA “grandfathering” date such that FATCA withholding tax would not apply to any payment made under obligations outstanding on January 1, 2013 (and not materially modified after December 31, 2012). If these proposed regulations are adopted in their current form and the Securities are not materially modified, FATCA withholding generally should not be required on the Securities. If, however, withholding is required as a result of future guidance, we (and any paying agent) will not be required to pay additional amounts with respect to the amounts so withheld.

Significant aspects of the application of FATCA are not currently clear and the above description is based on proposed regulations and interim guidance. Investors should consult their own advisors about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

PROSPECTIVE PURCHASERS OF SECURITIES SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SECURITIES.

Supplemental Plan of Distribution (Conflicts of Interest)

We will agree to sell to UBS Financial Services Inc. and certain of its affiliates, together the “Agents,” and the Agents will agree to purchase, all of the Securities at the issue price less the underwriting discount indicated on the cover of the final pricing supplement, the document that will be filed pursuant to Rule 424(b) containing the final pricing terms of the Securities.

We or one of our affiliates may enter into swap agreements or related hedge transactions with one of our other affiliates or unaffiliated counterparties in connection with the sale of the Securities and UBS or its affiliates may earn additional income as a result of payments pursuant to the swap or related hedge transactions.

Conflicts of Interest – Each of UBS Securities LLC and UBS Financial Services Inc. is an affiliate of UBS and, as such, has a “conflict of interest” in this offering within the meaning of FINRA Rule 5121. In addition, UBS will receive the net proceeds (excluding the underwriting discount) from the initial public offering of the Securities, thus creating an additional conflict of interest within the meaning of Rule 5121. Consequently, the offering is being conducted in compliance with the provisions of Rule 5121. Neither UBS Securities LLC nor UBS Financial Services Inc. is permitted to sell Securities in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

Structured Product Categorization

To help investors identify appropriate Structured Products (“Structured Products”), UBS organizes its Structured Products into four categories: Protection Strategies, Optimization Strategies, Performance Strategies and Leverage Strategies. The Securities are classified by UBS as an Optimization Strategy for this purpose. The description below is intended to describe generally the four categories of Structured Products and the types of principal repayment features that may be offered on those products. This description should not be relied upon as a description of any particular Structured Product.

- ♦ **Protection Strategies** are structured to complement and provide the potential to outperform traditional fixed income instruments. These Structured Products are generally designed for investors with low to moderate risk tolerances.
- ♦ **Optimization Strategies** provide the opportunity to enhance market returns or yields and can be structured with full downside market exposure or with buffered or contingent downside market exposure. These structured products are generally designed for investors who can tolerate downside market risk.
- ♦ **Performance Strategies** provide efficient access to markets and can be structured with full downside market exposure or with buffered or contingent downside market exposure. These structured products are generally designed for investors who can tolerate downside market risk.
- ♦ **Leverage Strategies** provide leveraged exposure to the performance of an underlying asset. These Structured Products are generally designed for investors with high risk tolerances.

In order to benefit from any type of principal repayment feature, investors must hold the Securities to maturity.

Classification of Structured Products into categories is for informational purposes only and is not intended to guarantee particular results or performance.