



Investment Climate in the Region

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SECTION 1

The Rise of Latin America

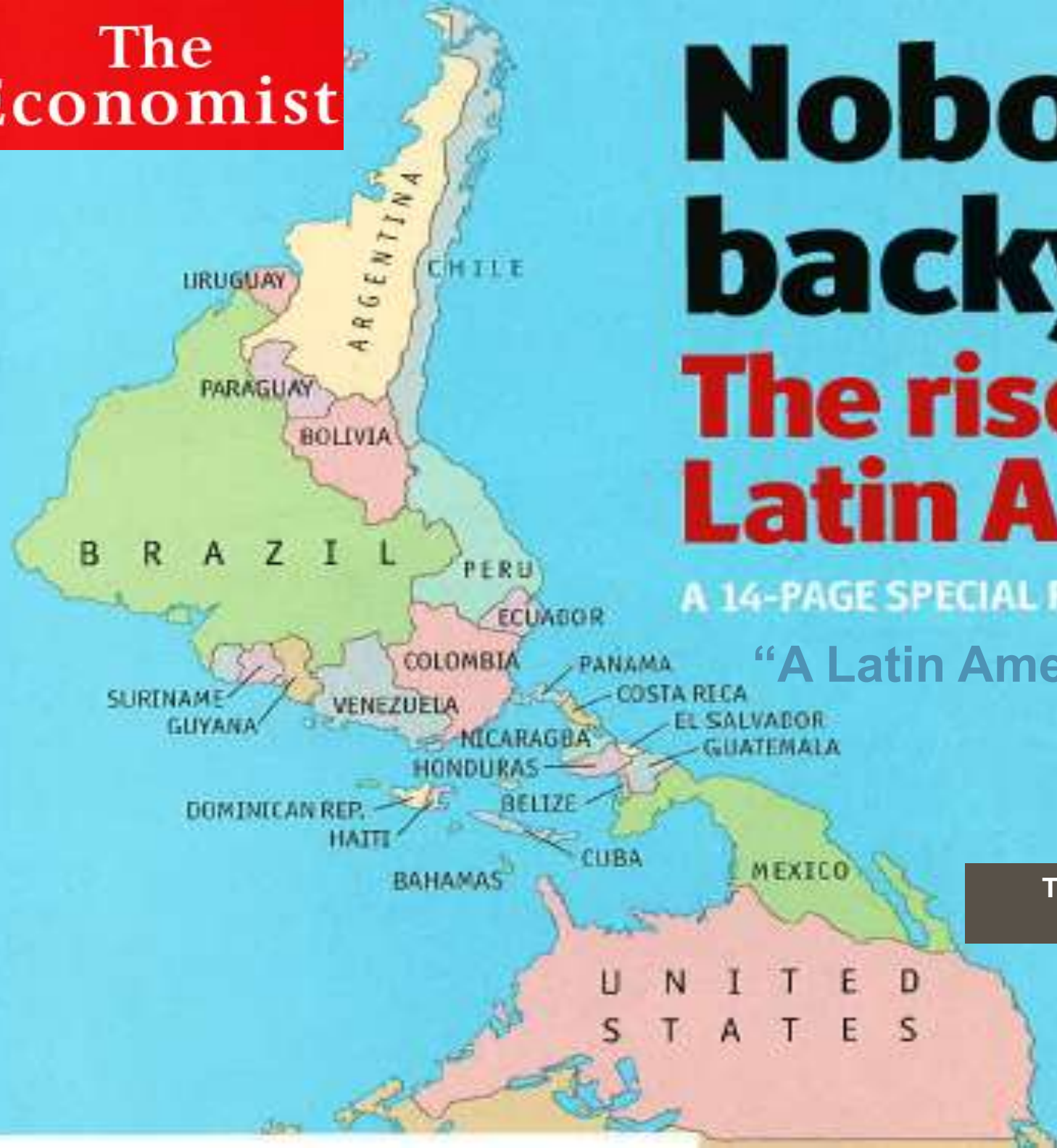
Nobody's backyard

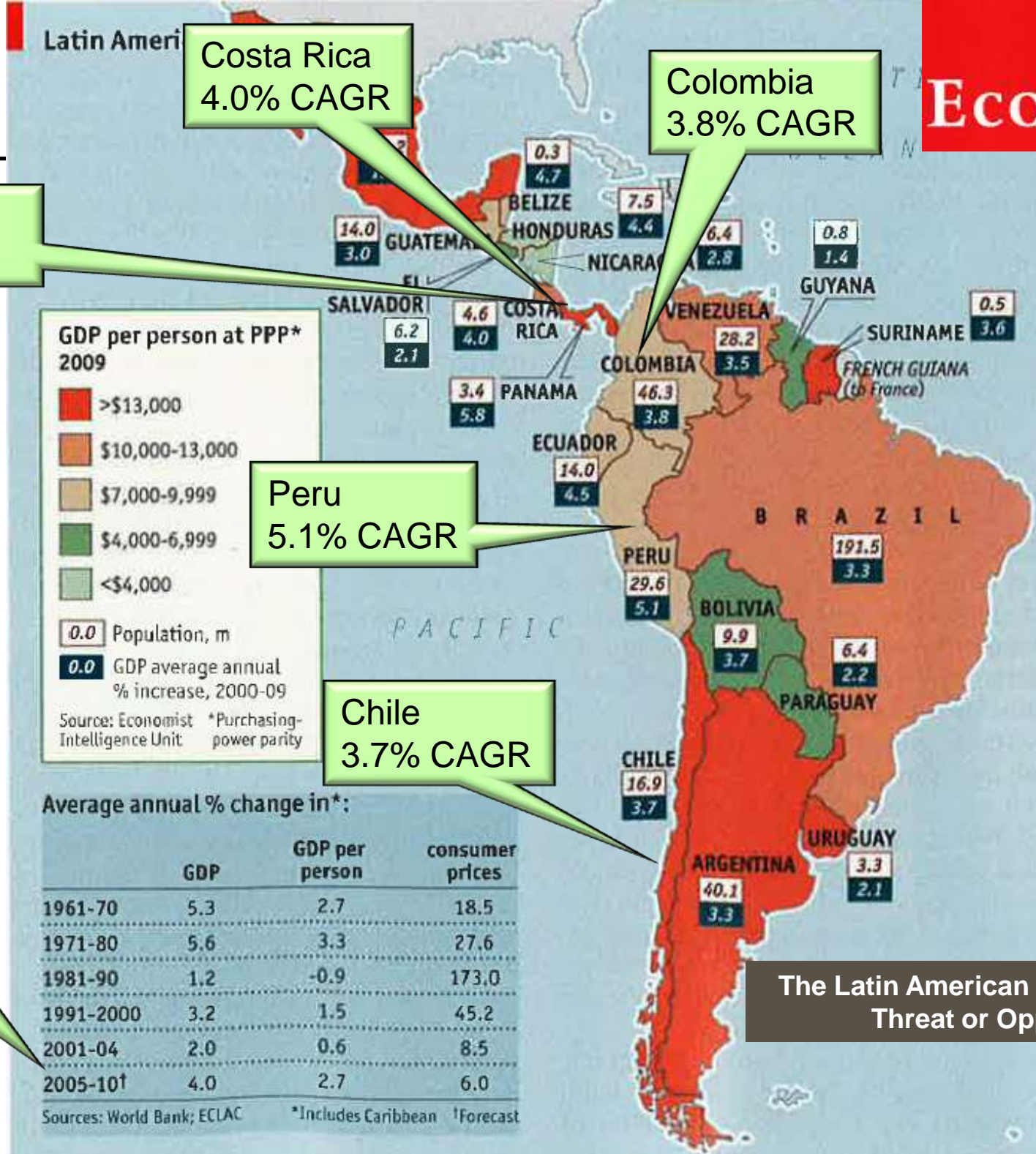
The rise of Latin America

A 14-PAGE SPECIAL REPORT

“A Latin American decade?”

The Latin American Decade:
Threat or Opportunity?





Panama
5.8%
CAGR

Costa Rica
4.0% CAGR

Colombia
3.8% CAGR

Peru
5.1% CAGR

Chile
3.7% CAGR

LATAM
2005-10:
4% CAGR

The Latin American Economic Boom:
Threat or Opportunity?



“The Hispanicization of America”

Sep '10

A Hispanic USA:
Threat or Opportunity?

Puerto Rico “Five years of contraction”

- Bankruptcies historic high (esp. construction, retail) (1131 in May)
- Construction permits sharply down
- Job loss to continue (17%)
- Stimulus measures “ineffective”
- Performance near Haiti and Venezuela
- Although some indications of improvement:
 - Electric power consumption up
 - New vehicle sales up
 - Tourism up

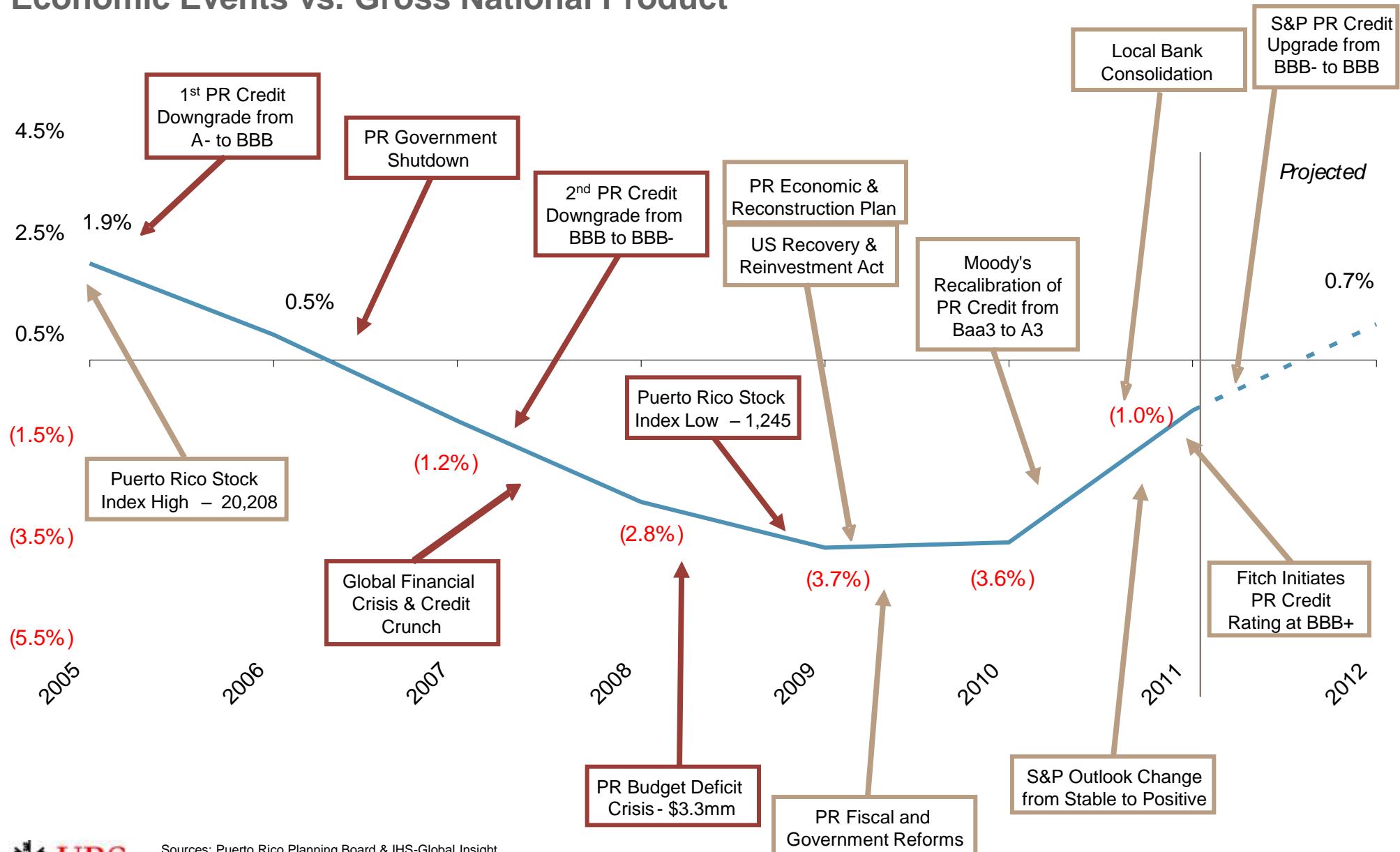
Puerto Rico's Lost Decade:
Threat or Opportunity?

SECTION 2

Local Investment Climate

Local Investment Climate - Economic Overview

Economic Events vs. Gross National Product



Sources: Puerto Rico Planning Board & IHS-Global Insight. Commonwealth Report March 2011.

Note: 2012 figures are estimates from the PR Planning Board and IHS-Global Insight as of March 2011.

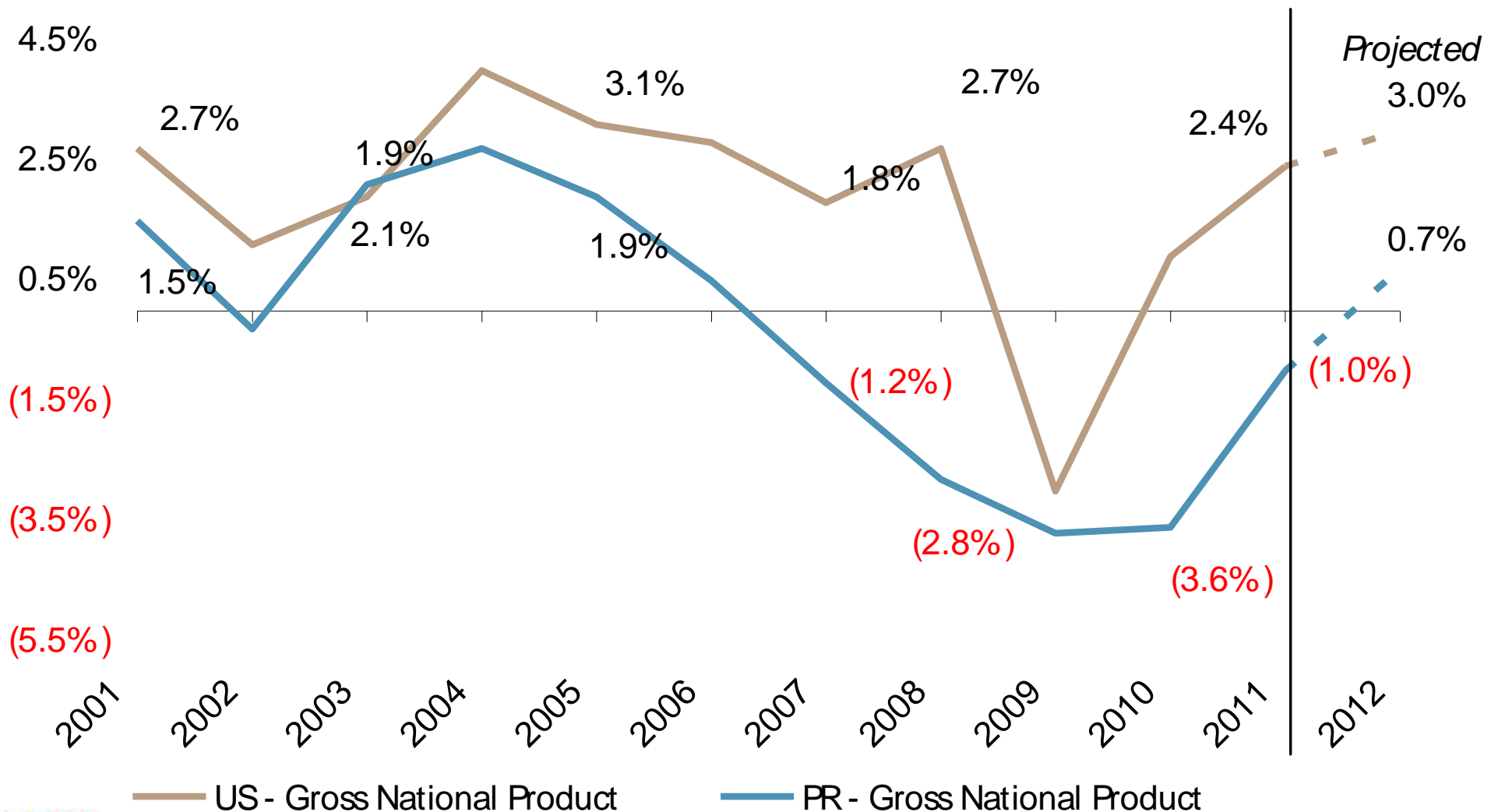
Note: UBS Financial Services Incorporated of Puerto Rico does not provide legal or tax advice.

Local Investment Climate - Economic Overview

Gross National Product: USA vs. Puerto Rico – A growing divergence...

Average difference from 2001 to 2005: 1.0%

Average difference from 2006 to 2011: 3.2%



Sources: Puerto Rico Planning Board & IHS-Global Insight.
Commonwealth Report March 2011.

Note: 2012 figures are estimates from the PR Planning Board and IHS-Global Insight as of March 2011.

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Local Investment Climate - General Obligation Bonds

Rating Upgrade from Standard & Poor's to "BBB" from "BBB-"

Rating Upgrade

- On March 7, 2011 Standard & Poor's increased the credit rating of the Commonwealth of Puerto Rico – General Obligation bonds to "BBB" from "BBB-"
 - 1st credit upgrade by Standard & Poor's in Puerto Rico history
 - 1st Positive rating action after six consecutive downgrades or "negative" outlooks since 2000
 - 1st Upgrade to any US state since 2009 (Louisiana)
 - S&P also assigns a "stable" outlook to the Commonwealth debt

Outlook Reflection

- The Rating Upgrade reflects the following:
 1. 17% reduction in Government payroll expenditures
 2. Recently approved tax measures to help reduce the current budget deficit
 3. Recent implementation of Revenue enhancement measures
 4. Strong ties to US economy

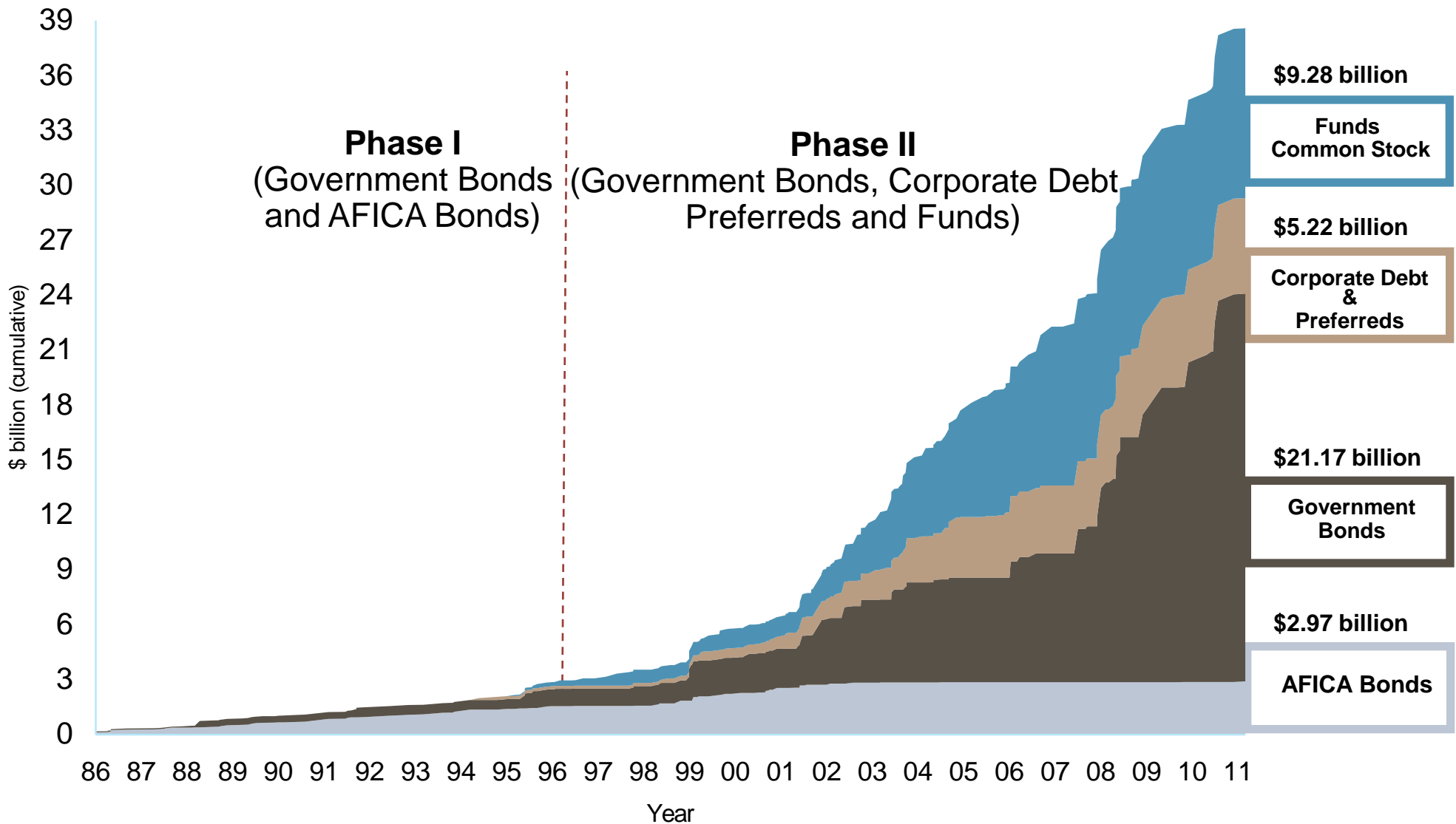
"The upgrade is based on our view of the commonwealth's recent revenue performance and continued efforts to achieve fiscal and budgetary balance. We believe that the collections from the recently enacted excise tax, which have exceeded the government's expectations, will provide the commonwealth with additional flexibility to continue to narrow the budget gap and achieve structurally balanced budgets in the next two years"
Standard & Poor's Commentary



Source: Standard & Poor's, *Credit Rating Upgrade to "BBB"* (March 7, 2010).

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Local Investment Climate - Evolution of Capital Markets



Includes: Local market AFICAs and Puerto Rico Government bonds, (ii) corporate notes and preferred stocks (except equity-linked notes issued by local banks and securities related to the funds' leverage program), and (iii) closed-end and open-end funds that invest in fixed income securities. Source: GDB, UBS, Santander, and Popular (4/1/11).

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Local Investment Climate – Investor Profile

Profile of Local Investors (individuals and corporations)



Local Investment Climate - Municipal Market

Over \$8.1 billion in local municipal financing since 2009

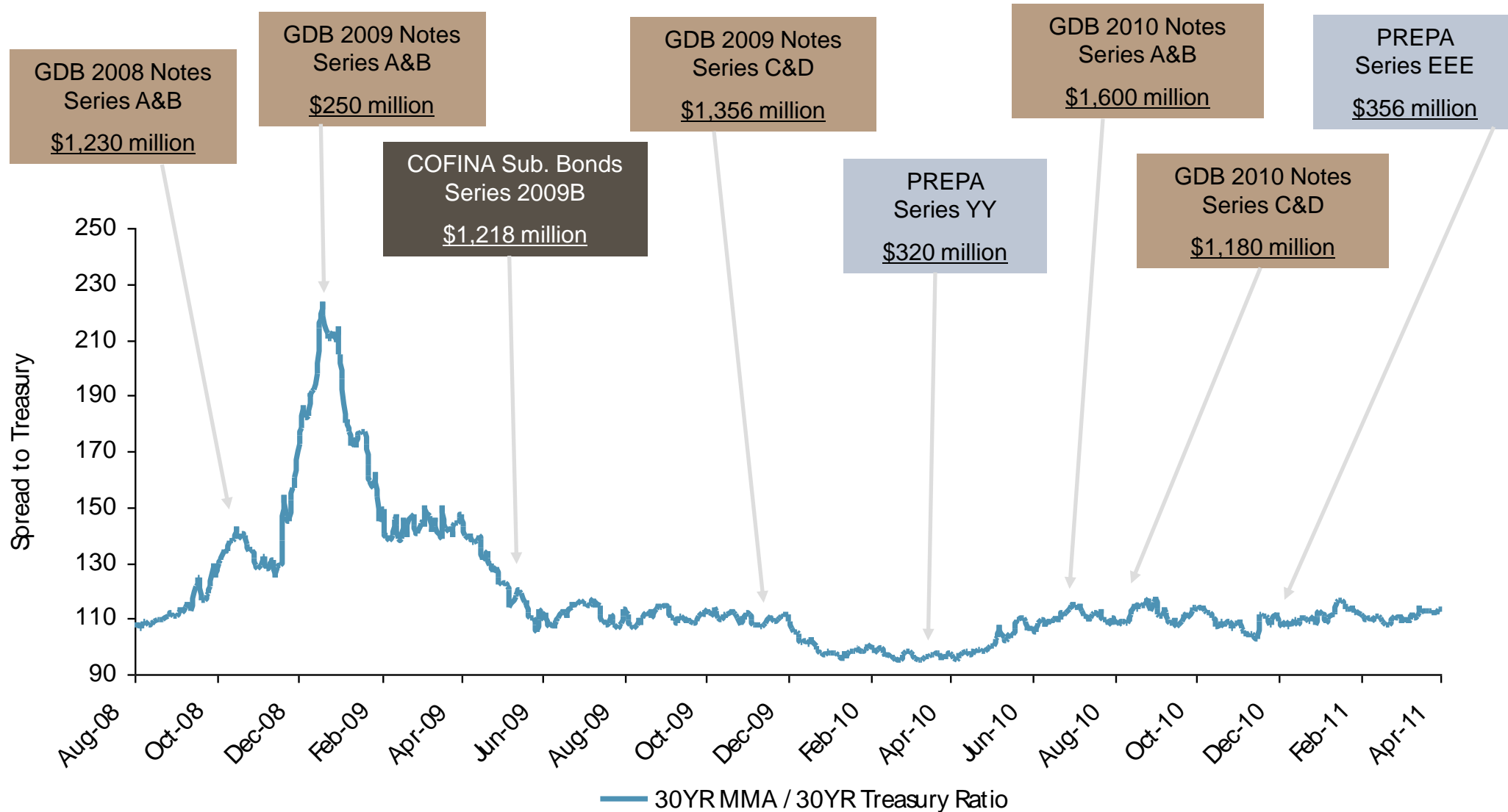
- Five (5) billion plus issuances have been financed in the local market since 2009:
 - \$1.18 bn – Government Development Bank Senior Notes Series C&D (8/10)
 - \$1.60 bn – Government Development Bank Senior Notes Series A&B (7/10)
 - \$1.36 bn – Government Development Bank Senior Notes Series C&D (12/09 and 1/10)
 - \$1.22 bn – Puerto Rico Sales Tax Financing Corporation (COFINA 2), Series 2009B (6/09)
 - \$1.48 bn – Government Development Bank Senior Notes Series A&B (1/09)
- Three (3) Build America Bond transactions were executed in the local market:
 - \$355.7 mm – PR Electric Power Authority: Power Revenue Bonds, Series EEE (12/10)
 - \$182.2 mm - Puerto Rico Sales Tax Financing Corporation (COFINA 2), Series 2010D&E (6/10)
 - \$320.2 mm - PR Electric Power Authority: Power Revenue Bonds, Series YY (4/10)
- Three (3) AFICA transactions have been executed in the local market since 2009, including the largest in over 10 years:
 - \$59.65 mm – Industrial Revenue Refunding Bonds, 2011 Series A (Galeria Tower at San Patricio Project)

Local Municipal Financings Since 2009

Date	Issuer	Issue	Issue Size (\$mm)
Mar 2011	AFICA (Caparra Hills, Inc.)	Galeria Tower Project - 2011A	\$ 59.65
Mar 2011	AFICA (Coco Beach Resort)	Coco Beach Resort Project - 2011A	26.10
Dec 2010	PR Electric Power Authority	Power Revenue Bonds Series EEE (BABs)	355.73
Aug 2010	Government Development Bank	2010 Notes Series C&D	1,182.89
July 2010	Government Development Bank	2010 Notes Series A&B	1,600.00
June 2010	PR Sales Tax Financing Corp.	Subordinated Bonds Series 2010 D&E (BAB)	182.19
May 2010	PR Electric Power Authority	Power Revenue Bonds Series BBB	76.80
Apr 2010	PR Electric Power Authority	Power Revenue Bonds Series YY (BABs)	320.18
Jan 2010	AFICA (Caparra Center Associates)	San Patricio Plaza Project - 2009A	21.78
Dec 2009	Government Development Bank	2009 Notes Series C&D	1,356.08
Jun 2009	PR Sales Tax Financing Corp.	Subordinated Bonds Series 2009B	1,217.92
Jan 2009	Government Development Bank	2009 Notes Series B	285.47
Jan 2009	Government Development Bank	2009 Notes Series A&B	1,480.00
Total			\$ 8,164.77

Local Investment Climate – Capital Market Liquidity

Funding and liquidity provided at peak of financial crisis and during the ongoing recession...



Local Investment Climate - Private Issuers / Transactions

The local capital market has the ability to provide significant funding to private sector entities



AEELA
Senior Notes Offering
\$55,520,000
August 2005



Universal
7.15% Pfd. Stock Class B
\$115,000,000
December 2005



Triple-S
Senior Notes Offering
\$95,000,000
January 2006



Popular North America
EDB Notes – Private Placement
\$275,000,000
December 2007



Triple-S
Initial Public Offering
\$203,000,000
December 2007



Popular Inc.
8.25% Pfd. Stock Series B
\$400,000,000
May 2008



Doral Financial.
Exchange Offer to Common Stock
\$105,600,000
May 2009



Popular Inc.
Exchange Offer to Common Stock
\$934,000,000
August 2009



Doral Financial.
Exchange Offer to Common Stock
\$52,200,000
October 2009



First BanCorp
Exchange Offer to Common Stock
\$487,053,200
August 2010



Dorado Beach
DBR Dorado Owner (Dorado Beach)
Senior Notes
\$166,132,814
July 2010

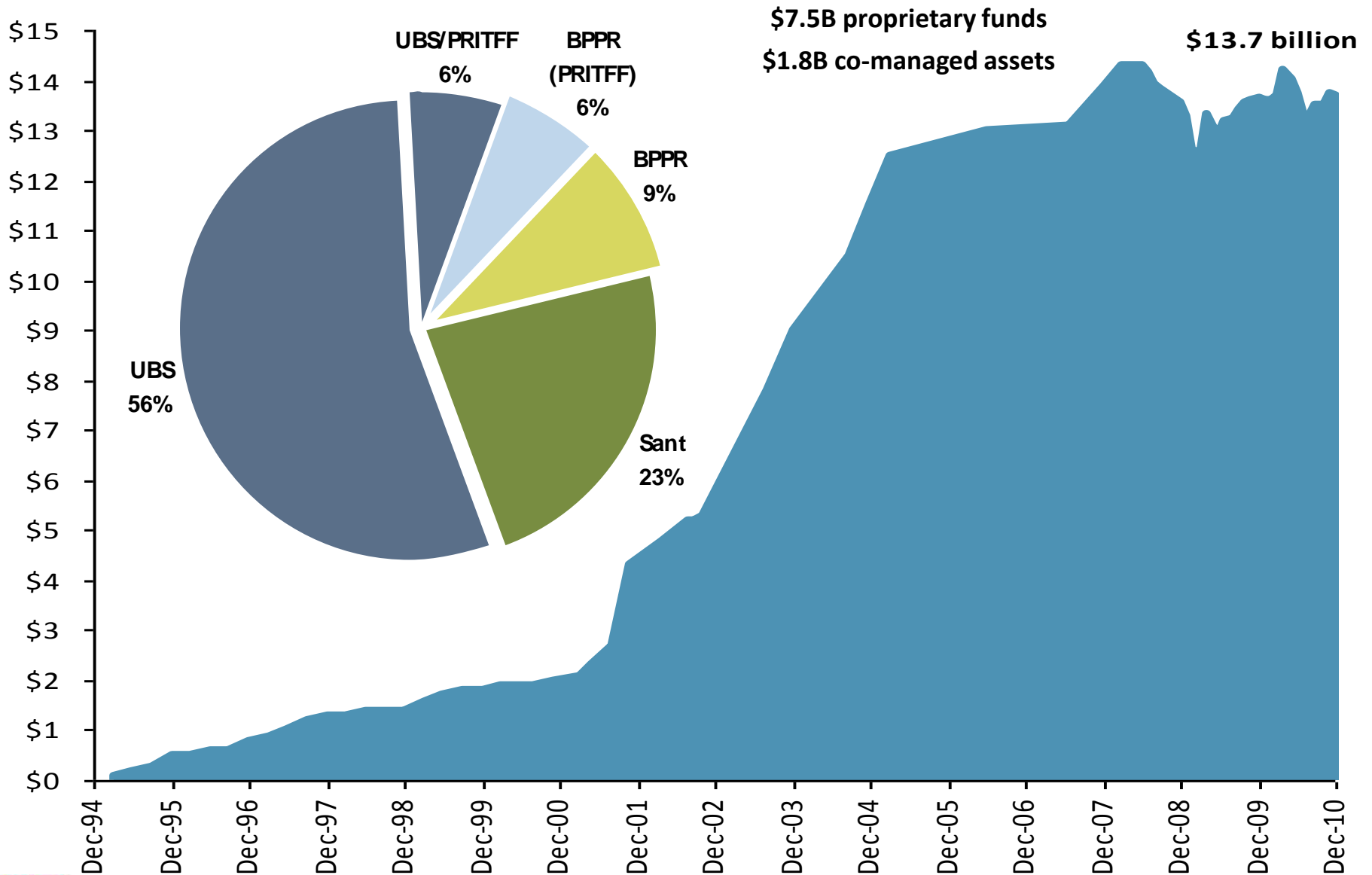


AEELA
Private Sale of Portfolio
\$69,424,737
December 2010



UBS Asset Managers of Puerto Rico

Approximately \$13.7 billion in Assets under Management

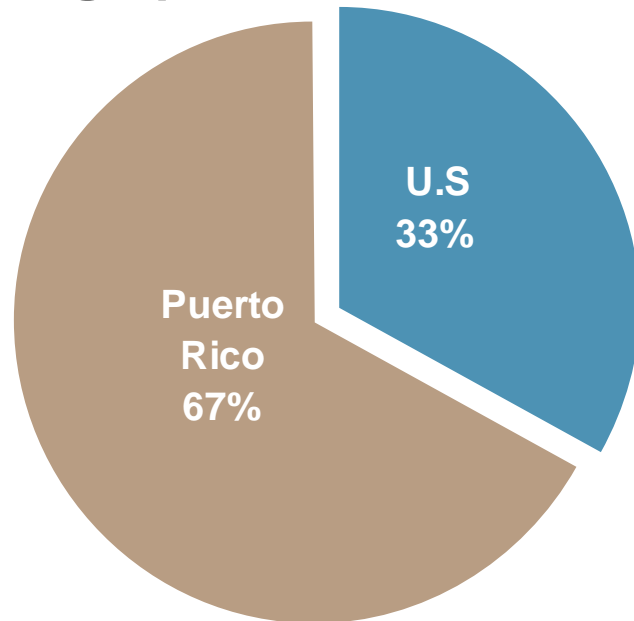


Source: As of December 31, 2010. UBS Asset Managers of PR, Santander Asset Managers of PR and Popular Asset Managers of PR.

UBS Asset Managers of Puerto Rico

Broad offering of fixed income fund products to meet diverse client needs

Geographic Diversification



Leverage up to 50%

Typical PR Investments:	Typical US Investments:
PR Municipals	Govt. Agencies
PR MBS	US MBS
PR AFICA	Fed Home Loan Bank
	US Municipals

Credit Segmentation

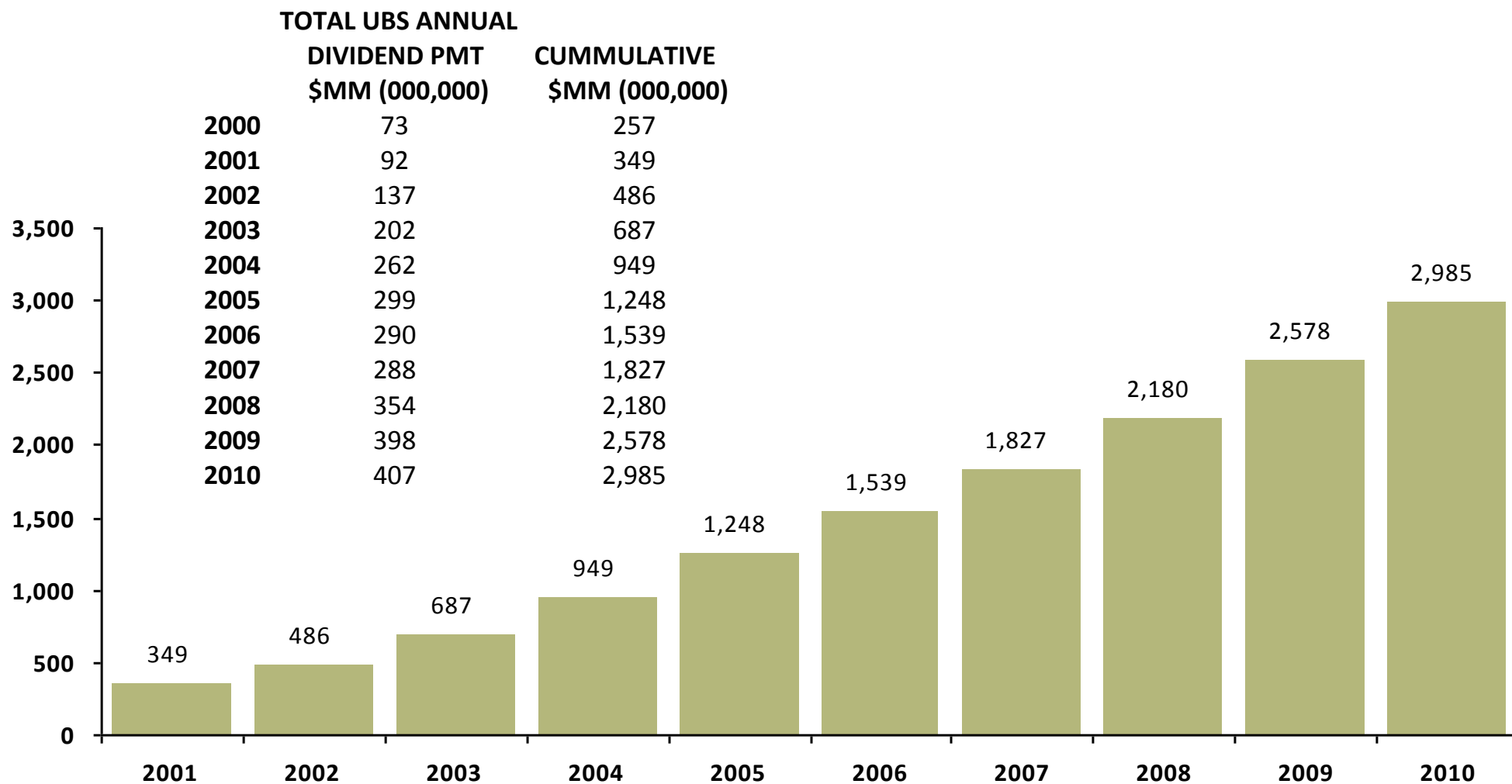
Fund Category	Num of Funds
AAA at least 95% in AAA securities	5
Traditional (PRITFF , Tax-Free) at least 95% investment grade	10
Enhanced Yield (PRFIF) at least 80% investment grade up to 20% High Yield	6
Mortgage Backed at least 95% investment grade up to 45% in non-conforming mtge loans at least 80% in MBS and US Gov't Agencies	1
GNMA at least 90% in AAA securities at least 60% in GNMA at least 80% in GNMA and US Gov't Agencies	1



Source: UBS Asset Managers of Puerto Rico. This material is for informational purposes only and is not an offer to buy or sell shares of the UBS Puerto Rico Funds. Fund shares can only be purchased by Puerto Rico residents as defined in the Fund prospectus. You should carefully review the prospectus before buying Fund shares.

UBS PR Closed-End Funds - Dividend

Closed-end funds vs. key indices



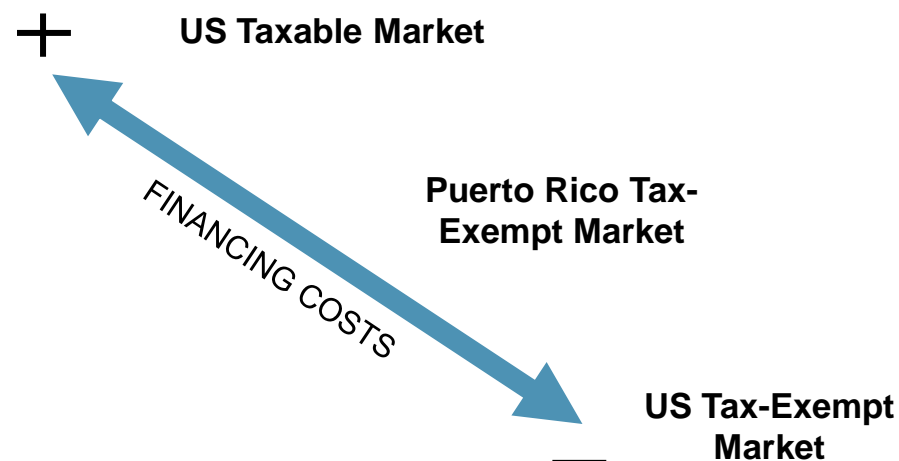
SECTION 3

Financing Alternatives

Financing Alternatives - US and Local Capital Markets

Puerto Rico has access to various capital markets that provide lower costs of financing

- The use of proceeds for public purpose will determine the market available to issue debt
 - US tax-exempt market provides the lowest costs for financing
 - If the financing does not qualify for the US tax-exempt market, the local tax-exempt market provides lower costs than the US Taxable market
- Credit of the Issuer is very Important in the local market
 - Investment Grade: BBB- / Baa3 or better)



Financing Alternatives - Local Financing Alternatives

The local market provides attractive financing alternatives for infrastructure projects

- Local commercial banking market
 - Large historic banking market on-island but limited history of large scale project lending
 - International lenders with a major on-island presence include:
 - BBVA
 - Santander
 - Scotia Bank
 - Many of the on-island lenders are still recovering from the credit crisis and are currently not lending but capacity may return
 - Some infrastructure lenders do not consider Puerto Rico to be the US market and will not lend to the local market

- Issuance through Government Entities
 - Interest is tax-exempt
 - Special / Limited Purpose Obligations issued by:
 - AFICA – Industrial Developments
 - Special Facility Revenue Bonds
 - Local Public Corporations
 - PR Highways and Transportation Authority
 - PR Aqueduct and Sewer Authority
 - PR Electric Power Authority

Financing Alternatives - AFICA

AFICA Overview

- The Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority (AFICA), was established in 1977 as a public corporation affiliated to the Government Development Bank for Puerto Rico to provide access to tax-exempt financing for economic development projects.
- Qualified private projects, in a wide range of industrial, tourism, commercial, medical, and educational related areas, have access to borrow low-cost funds at tax-exempt fixed rates for up to 30 years
- Interest paid on AFICA Bonds (“AFICA Bonds” or the “Bonds”) is exempt from Federal and Puerto Rico income taxes for bona fide residents of Puerto Rico and local corporations
- The Puerto Rico tax-exempt market, accessed through the issuance of AFICA Bonds, is one of the lowest cost dollar sources of capital in the world
- The primary investors for AFICA Bonds issued in Puerto Rico include individuals, local mutual funds, local corporations, and financial institutions
- The AFICA market generally requires an investment grade rating on the Bonds

Source: The Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority (AFICA) and UBS Financial Services Inc. of Puerto Rico.

Note: UBS Financial Services Incorporated of Puerto Rico does not provide legal or tax advice.



Financing Alternatives - AFICA

Benefits and Considerations of AFICA Financings

Advantages

- Tax-exempt 30-year fixed rate debt provides maximum interest rate protection
- Maximum annual debt service is usually lower than commercial loans
- Provides for a 30-year amortization schedule
- Financing funded at issuance for all the projects

Disadvantages

- Higher interest cost than current floating rate based loans
- Timing: potentially longer process
- Disclosure requirements
- Annual rating agency maintenance fees

Note: UBS Financial Services Incorporated of Puerto Rico does not provide legal or tax advice.


Historical AFICA Transactions with UBS Participation

AFICA allows financing to a broad spectrum of industries and sectors including Universities, Shopping Centers, Hotels, Industrials, Office Buildings, Hospitals...


Caparra Hills, Inc.
 \$59,649,744.50 - AFICA
 Industrial Revenue Refunding Bonds, 2011 Series A
 (Galeria Tower at San Patricio Project)
Lead Manager

Caparra Hills, Inc.
 \$52,230,680 - AFICA
 Industrial Revenue Bonds, 2002 Series A
 (Galeria Tower at San Patricio Project)
Lead Manager


 \$130,000,694 - AFICA
 Industrial Revenue Bonds, 2001 Series A and B
 (El Nuevo Dia Project)
Lead Manager


 \$25,130,000 - AFICA
 Higher Education Revenue Bonds, Series 2001
 (University of the Sacred Heart Project)
Lead Manager


 \$38,335,000 - AFICA
 Tourism Revenue Bonds, 2000 Series A
 (Costa Sur Golf & CC and Ponce Hilton Project)
Co-Manager


 \$30,000,000 - AFICA
 Tourism Revenue Bonds, 2000 Series A
 (Palmas del Mar Country Club Project)
Lead Manager


 \$19,000,000 - AFICA
 Tourism Revenue Refunding Bonds, 1998 Series A
 (The Hampton Inn & Suites Project)
Co-Manager



 \$86,290,000 - AFICA
 Tourism Revenue Bonds, 2000 Series A
 (Paradisus Coco Beach Resort Project)
Joint Lead Manager


 \$38,400,000 - AFICA
 Tourism Revenue Bonds, 2000 Series A and Series B
 (Embassy Suites Hotel & Casino San Juan Project)
Co-Manager


 \$75,330,000 - AFICA
 Tourism Revenue Bonds, 1999 Series A
 (Cayo Largo InterContinental Beach Resort Project)
Co-Senior Manager


 \$37,615,000 - AFICA
 Industrial Revenue Bonds, 2002 Series A
 (Humacao Judicial Center Project)
Joint Lead Manager


 \$26,225,000 - AFICA
 Industrial Revenue Bonds, 1998 Series A
 (Edificio Corp. del Fondo del Seguro Carolina Project)
Joint Lead Manager


 \$146,584,370 - AFICA
 Tourism Revenue Refunding Bonds, 1998 Series A
 (The Westin Rio Mar Beach Resort Project)
Joint Lead Manager


 \$27,130,000 - AFICA
 Tourism Revenue Refunding Bonds, 1998 Series A
 (Martineau Bay Resort Project)
Co-Manager

Ashford Presbyterian Hospital
 \$26,225,000 - AFICA
 Industrial Revenue Bonds, 1997 Series A
 (Ashford Presbyterian Hospital Parking Project)
Lead Manager

Case Study – AFICA Galeria Tower at San Patricio

\$59.6 million in AFICA Refunding Bonds – Largest local AFICA issued in over 10 years

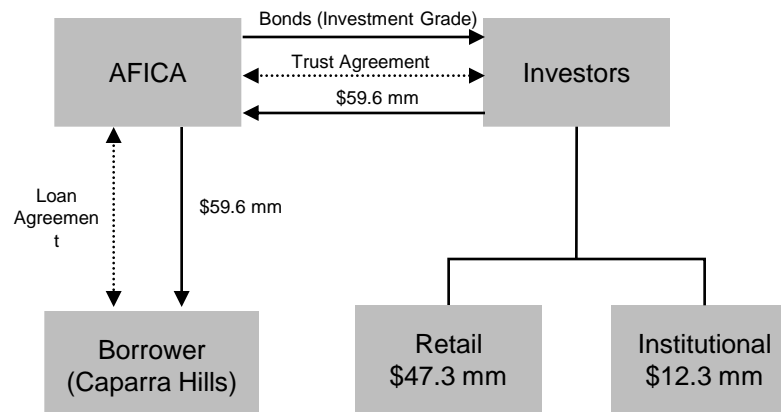
Asset Overview

- Company organized under the laws of Puerto Rico to construct, develop and operate three office and specialty mall properties in Puerto Rico
 - Company issued in 2002, \$52.2 million in AFICA debt to finance the development of an office tower and parts of its shopping centers
- The Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority (AFICA) program was established in 1977, affiliated to GDB, to provide access to tax-exempt / investment grade financing for economic development projects
 - AFICA serves solely as an issuing conduit for local qualified borrowers for purpose of issuing bonds pursuant to a trust agreement between AFICA and a trustee

Transaction Overview

- \$59.6 million in AFICA: Industrial Revenue Refunding Bonds, 2011 Series A delivered on March 30, 2011:
 - UBS Financial Services Inc. of Puerto Rico acted as sole managing underwriter in the transaction
 - Bonds issued to refund the AFICA: Industrial Revenue Bonds, 2002 Series A
 - All-in-TIC of 7.37%
 - 10-yr callable Bonds structured as Serial and Term Bonds (with sinking funds) maturing on or before 2041; payable on a monthly basis
 - Additional 15-yr callable Convertible Capital Appreciation Bond maturing in 22-years and convertible in 10-years
 - Bonds sold in the local market
 - Stand-alone investment grade credit rating of BBB- (Fitch)

Financing Structure



Sources and Uses of Funds

Sources	\$ mm	%
Bond Par Amount	\$ 59.6	96.4%
Original Issue Discount	(0.5)	(0.6%)
Equity Contribution	2.6	4.2%
Total Sources	\$ 61.8	100.0%

Uses	\$ mm	%
Refunding Deposits	\$ 52.9	85.6%
Debt Service Reserve Fund	7.0	11.3%
Cost of Issuance	0.3	0.5%
Underwriter's Discount	1.2	1.9%
Other Fees and Proceeds	0.3	0.5%
Total Uses	\$ 61.8	100.0%



Case Study - Dorado Beach Resort

\$342 million Note Purchase and Credit Agreement

Asset Overview

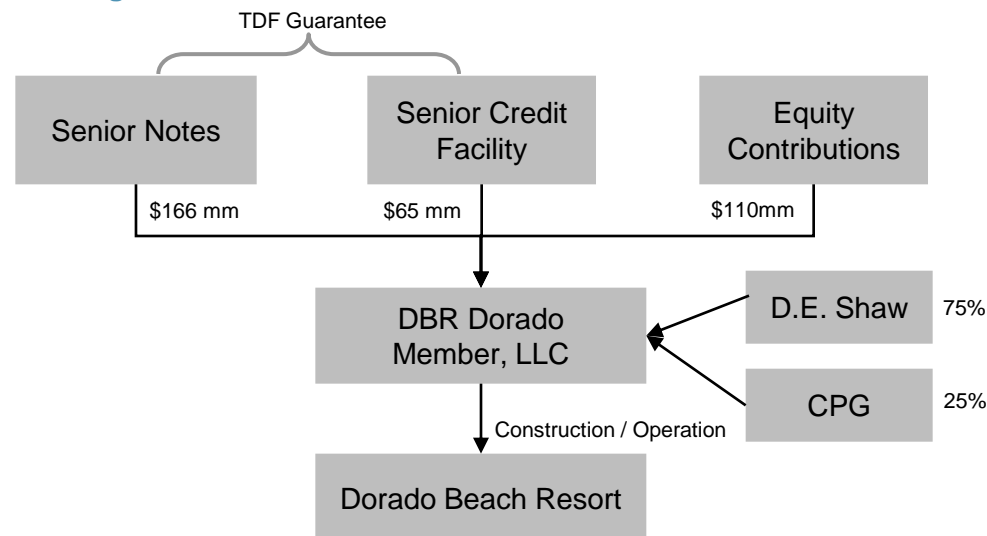
- The issuer DBR Dorado Member, LLC is a company formed in Puerto Rico effectively controlled by D.E. Shaw and Caribbean Property Group
 - Organized for the sole purpose of acquiring, developing, constructing and operating the property
- Dorado Beach is expected to be a 347 acre ocean-front resort in Dorado, Puerto Rico
 - Hotel Component: 110-rooms, a 18,000 sq ft reception building with a restaurant and spa facilities
 - Club Component: full restoration of the Dorado Beach Golf Club (36-holes in the aggregate)
 - Condo-Hotel Component: 13 “Ritz-Carlton Reserve”-branded units

Transaction Overview

- \$342 million Project delivered on July 14, 2010
- \$231,132,813 Note Purchase and Credit Agreement, guaranteed by the Tourism Development Fund (TDF) structured as follows:
 - \$166,132,813 Senior Notes acquired by UBS Funds (forward commitment purchase of investment grade notes)
 - Rate: 3-Month LIBOR plus 4.50%, (min. 6.25% per annum)
 - \$65,000,000 Senior Credit Facility acquired by FirstBank and Government Development Bank for Puerto Rico (GDB)
- \$110,571,256 in Equity contributions structured as follows:
 - \$69,839,250 in land and cash contributions
 - \$15,000,000 in capital contributed by Hotel Development Corp.
 - \$25,642,006 in local tax credits
- UBS Financial Services Incorporated of Puerto Rico acted as sole placement agent of the \$166 million Notes



Financing Structure



Sources and Uses of Funds

Sources	\$ mm	%
Senior Debt (GDB & FirstBank)	\$ 65.0	19.0%
Senior Notes (UBS Funds)	166.1	48.6%
Equity (Land)	37.8	11.1%
Equity (Cash)	32.2	9.4%
HDC Contribution	15.0	4.4%
Local Tax Credits	25.6	7.5%
Total Sources	\$ 341.7	100.0%

Uses	\$ mm	%
Land and Hard Costs	\$ 217.0	63.5%
FF&E	26.5	7.8%
Soft Costs	35.8	10.5%
Financing Costs and Contingency	62.4	18.3%
Total Uses	\$ 341.7	100.0%

SECTION 4

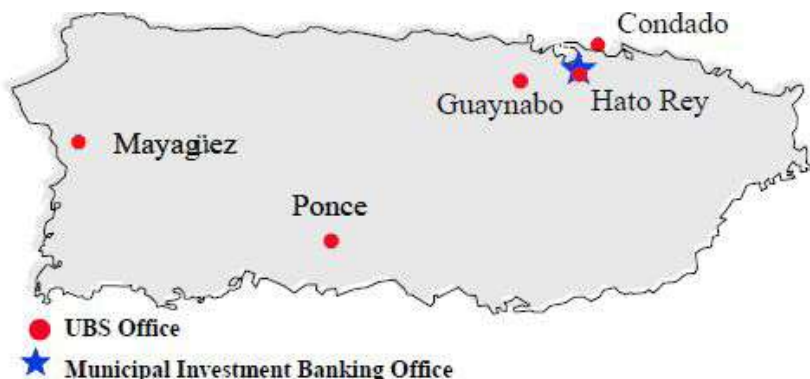
UBS International & Puerto Rico

UBS Puerto Rico – Local Presence

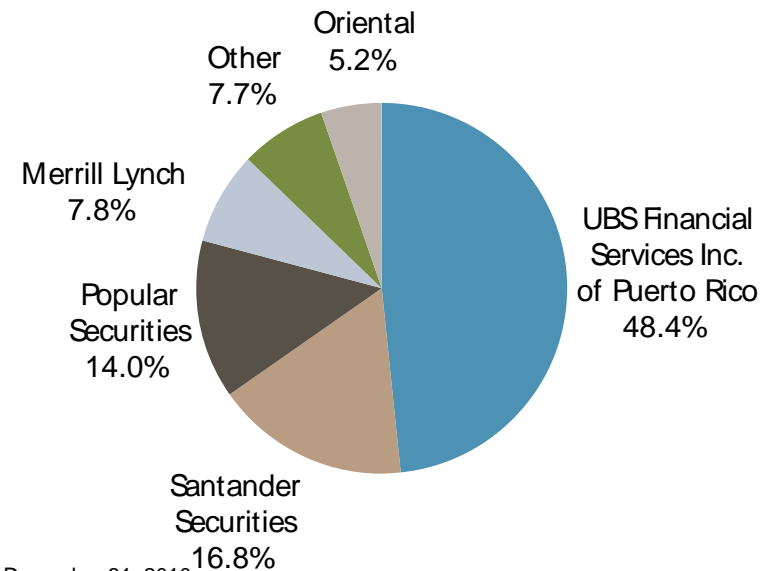
Commitment with Puerto Rico

- UBS Financial Services Incorporated of Puerto Rico is the longest standing full-service investment firm with over 45 years in Puerto Rico
- Leader in the full service securities industry with over \$15.4 billion in assets as of December 31, 2010 (48% market share)
- Our affiliate, UBS Trust Company of Puerto Rico, provides trust, asset management, and investment consulting services
- Five (5) branches located in Hato Rey, Condado, Caparra, Ponce, and Mayagüez
- UBS PR including its affiliate, UBS Trust Company of Puerto Rico, employs over 380 professionals and support personnel

Local Presence



Local Market Share (AuM)



Source: Office of the Commissioner of Financial Institutions of Puerto Rico. Data as of December 31, 2010.

Note: UBS Financial Services Incorporated of Puerto Rico does not provide legal or tax advice.

UBS International - Branch Locations

214 Advisors with total AuM of USD 23 billion

San Francisco

Financial advisors 12
 AuM USDb 2.0
 Markets Asia / Mex

San Diego

Financial advisors 28
 AuM USDb 2.7
 Markets Asia / Br / Mex

McAllen

Financial Advisors 4
 AuM USDb 0.7
 Market Mexico

Houston

Financial Advisors 31
 AuM USDb 2.5
 Market Mexico

New York

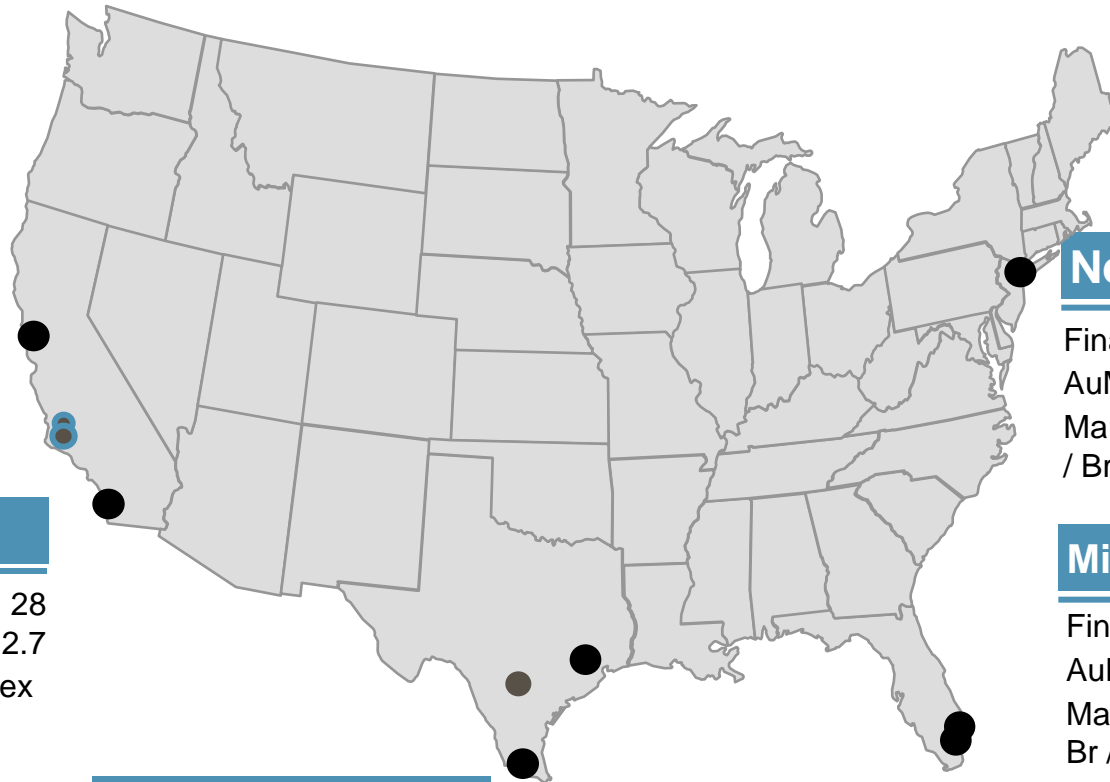
Financial Advisors 45
 AuM USDb 4.8
 Markets LatAm N / LatAm S / Br / Mex / Asia / EMEA

Miami

Financial Advisors 38
 AuM USDb 3.7
 Markets LatAm N / LatAm S / Br / Mex

Coral Gables

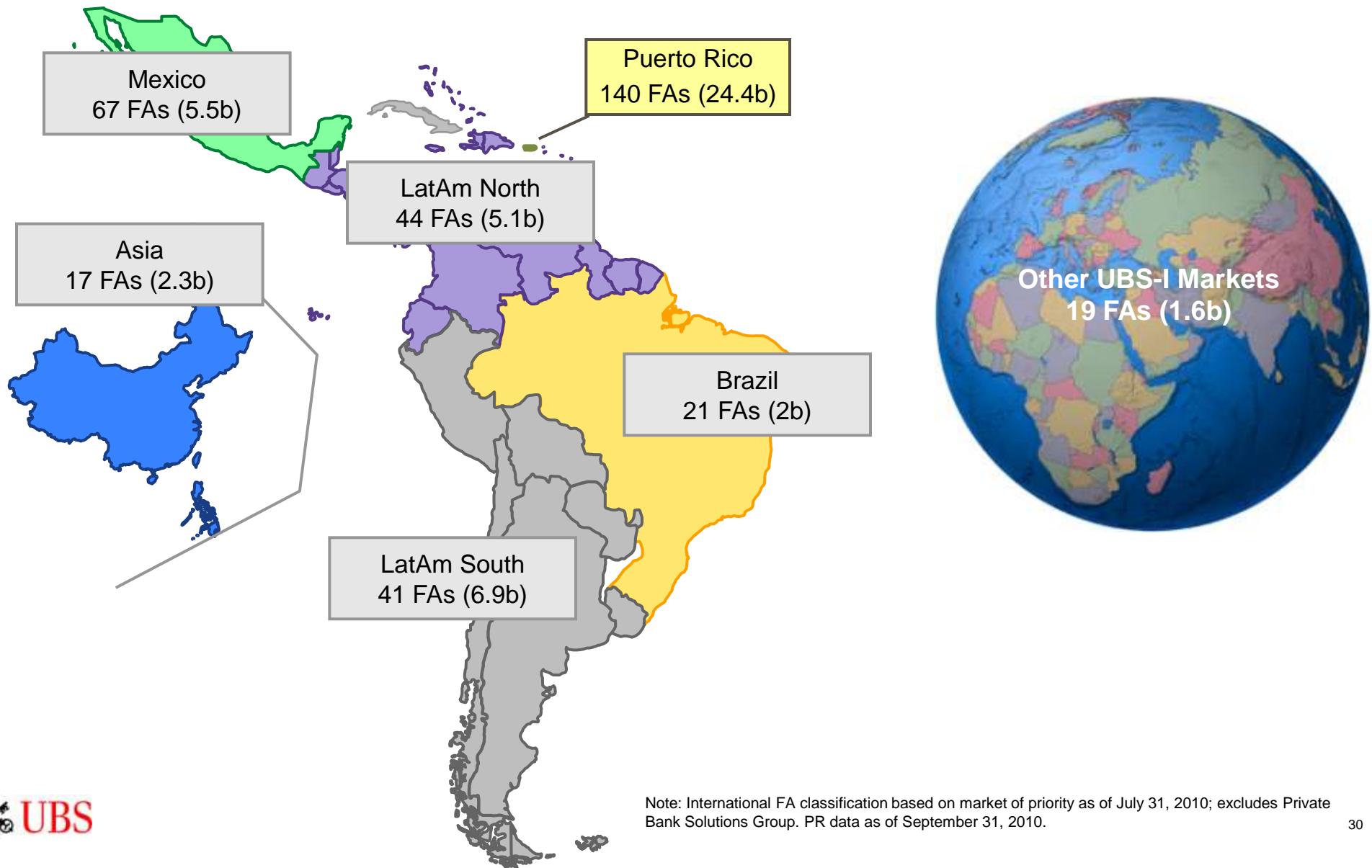
Financial Advisors 48
 AuM USDb 6.2
 Markets LatAm N / LatAm S / Br / Mex



Notes: 1) 214 Advisors, comprised of 206 Financial Advisors in the Branches, 7 CAs at the PBSG, 1 FA in the Mass Affluent Desk.
 2) Figures as of Sep 30, 2010, including international Bank Services Desks, exclude RIS Assets
 3) Blue dots depict Satellite Offices Beverly Hills, Pasadena and San Antonio.

UBS I&PR - Market Coverage

- 354 Financial Advisors overseeing more than \$47b in assets and servicing clients from 12 branches in the US and Puerto Rico



Note: International FA classification based on market of priority as of July 31, 2010; excludes Private Bank Solutions Group. PR data as of September 31, 2010.