

Upromise Investments, Inc.

(An Indirect Wholly-Owned Subsidiary of SLM Corporation)

**Financial Statements and Supplementary
Schedules Pursuant to Securities and Exchange
Commission Rule 17a-5 as of December 31, 2011
and For the Year then Ended**



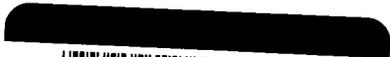
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Schedules Pursuant to Securities and Exchange
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2011 AND ENDING December 31, 2011
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: upromis Investments, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

95 Wells Avenue

(No. and Street)

Newton
(City)

MA
(State)

02459
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Kathleen Borowy

(617) 454-6784

(Area Code Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Pricewaterhouse Coopers LLP

(Name - if individual, state last, first, middle name)

1800 Tysons Blvd

Mc Lean

VA

22102

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Kathleen Borowy, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Upromise Investments, Inc., as of December 31, 2011, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Kathleen Borowy
Signature
Chief Financial Officer
Title

[Signature]
Notary Public

My Commission Expires: 10/27/2016.

This report ** contains (check all applicable boxes):

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Upromise Investments, Inc.
(An Indirect Wholly-Owned Subsidiary of SLM Corporation)
Financial Statements and Supplementary Schedules
Index
December 31, 2011

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Report of Independent Auditors

To the Shareholder of Upromise Investments, Inc.:

In our opinion, the accompanying statement of financial condition and the related statements of income, changes in stockholder's equity, and cash flows present fairly, in all material respects, the financial position of Upromise Investments, Inc. (the "Company") at December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note 3 to the financial statements, Upromise Investments, Inc. has significant material transactions with affiliated companies. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

February 17, 2012

Upromise Investments, Inc.
(An Indirect Wholly-Owned Subsidiary of SLM Corporation)
Statement of Financial Condition
December 31, 2011

Assets	
Cash	\$ 12,059,432
Cash segregated under federal and other regulations	553,464
Accounts receivable	2,290,111
Capitalized contract acquisition costs, net of accumulated amortization of \$477,750	992,250
Prepaid expenses	417,497
Securities owned, not readily marketable, at estimated fair value	7,239
Deferred tax asset	576,024
Total assets	<u>\$ 16,896,017</u>
 Liabilities and Stockholder's Equity	
Due to related parties, net	\$ 1,846,115
Accrued expenses	368,750
Taxes payable to Parent	2,985,561
Total liabilities	<u>5,200,426</u>
Commitments and contingencies (Note 7)	
Common stock, \$.01 par; 100 shares authorized, issued and outstanding	1
Additional paid-in capital	844,396
Retained earnings	10,851,194
Total stockholder's equity	<u>11,695,591</u>
Total liabilities and stockholder's equity	<u>\$ 16,896,017</u>

The accompanying notes are an integral part of these financial statements.

Upromise Investments, Inc.
(An Indirect Wholly-Owned Subsidiary of SLM Corporation)
Statement of Income
Year Ended December 31, 2011

Revenues

Service fees	\$	18,152,889
Underwriting fees		<u>623,378</u>
Total revenues	\$	<u>18,776,267</u>

Expenses

Compensation and benefits		5,476,357
Professional fees		1,068,153
Promotional expenses		2,762,052
General and administrative		507,358
Computer operations		1,023,762
Occupancy		<u>432,429</u>
Total expenses	\$	<u>11,270,111</u>
Net income before provision for income taxes		7,506,156
Provision for income taxes		<u>2,994,861</u>
Net income	\$	<u>4,511,295</u>

The accompanying notes are an integral part of these financial statements.

Upromise Investments, Inc.
(An Indirect Wholly-Owned Subsidiary of SLM Corporation)
Statement of Changes in Stockholder's Equity
Year Ended December 31, 2011

	<u>Common Stock</u> <u>Shares</u>	<u>Amount</u>	<u>Additional</u> <u>Paid-in Capital</u>	<u>Retained</u> <u>Earnings</u>	<u>Total</u>
Balance at December 31, 2010	100	\$ 1	\$ 844,396	\$ 15,339,899	\$ 16,184,296
Net income	-	-	-	4,511,295	4,511,295
Dividend paid	-	-	-	(9,000,000)	(9,000,000)
Balance at December 31, 2011	<u>100</u>	<u>\$ 1</u>	<u>\$ 844,396</u>	<u>\$ 10,851,194</u>	<u>\$ 11,695,591</u>

The accompanying notes are an integral part of these financial statements.

Upromise Investments, Inc.
(An Indirect Wholly-Owned Subsidiary of SLM Corporation)
Statement of Cash Flows
Year Ended December 31, 2011

Cash flows from operating activities

Net income	\$ 4,511,295
Adjustments to reconcile net income to net cash provided by operating activities:	
Unrealized gain on securities	(120)
Increase in cash segregated under federal and other regulations	(10)
Decrease in accounts receivable	430,458
Decrease in capitalized contract acquisition costs	147,000
Decrease in prepaid expenses	66,562
Increase in deferred tax asset	9,300
Increase in due to related parties, net	408,411
Decrease in accrued expenses	(119,609)
Decrease in taxes payable to Parent	(736,402)
Total adjustments	<u>205,591</u>
Net cash provided by operating activities	<u>4,716,885</u>

Cash flows from financing activities

Dividend paid	<u>(9,000,000)</u>
Net cash used in financing activities	

Net decrease in cash	(4,283,115)
Cash, beginning of year	<u>16,342,547</u>
Cash, end of year	<u><u>\$ 12,059,432</u></u>

Cash disbursements made for:

Income taxes paid to Parent	<u><u>\$ 3,721,962</u></u>
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The accompanying notes are an integral part of these financial statements.

Upromise Investments, Inc.
(An Indirect Wholly-Owned Subsidiary of SLM Corporation)
Notes to Financial Statements
December 31, 2011

1. Organization and Nature of Business

Upromise Investments, Inc. (the "Company") is a Delaware corporation and a wholly-owned subsidiary of Upromise, Inc. (the "Parent"), which is a wholly-owned subsidiary of SLM Corporation ("SLM"). The Company is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority, Municipal Securities Rulemaking Board, Securities Investor Protection Corporation and National Securities Clearing Corporation.

The Parent was purchased by SLM on August 22, 2006. The purchase accounting has not been pushed down for purposes of stand-alone financial statement presentation.

The Company has agreements to provide program management, transfer and servicing agent and administration services for various college savings programs ("529 Plans"). The 529 Plans are named after section 529 of the Internal Revenue Code and are sponsored by state agencies ("States"). As permitted under these contracts, the Company has executed agreements with Upromise Investment Advisors, LLC ("UIA") under which UIA will provide the advisory, transfer and servicing agent functions for these 529 Plans. The Company and UIA are affiliated through common ownership.

The underlying assets in the 529 Plans are invested in mutual funds, exchange-traded funds, FDIC-insured savings accounts or separate accounts ("underlying investments") recommended by the Company. The Company has entered into agreements with various leading investment managers who are responsible for the day-to-day management of the underlying investments. The majority of the assets in the Company's 529 Plans are invested by The Vanguard Group in proprietary funds of the firm.

Upromise Investments, Inc.
(An Indirect Wholly-Owned Subsidiary of SLM Corporation)
Notes to Financial Statements
December 31, 2011

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company prepares its financial statements on the accrual basis of accounting. The financial statements have been presented in accordance with generally accepted accounting principles in the United States of America ("GAAP").

FASB Accounting Standards Codification

The Company adopted, as of July 1, 2009, the Financial Accounting Standards Board's ("FASB's") Accounting Standards Codification ("ASC") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. The ASC does not change authoritative guidance. Accordingly, implementing the ASC did not change any of the Company's accounting, and therefore, did not have an impact on the results of the Company.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management periodically assesses the accuracy of these estimates and assumptions. Actual results could differ from those estimates.

Cash

Cash includes demand bank deposits only.

Cash Segregated Under Federal and Other Regulations

The Company maintains a separate account for the exclusive benefit of customers in accordance with SEC Rule 15c3-3, as determined by periodic computations. Rule 15c3-3 allows the Company to maintain the required amounts in cash or qualified securities. As of December 31, 2011 the amount of cash in this account was \$53,464.

In 2010, the Company opened a restricted cash account designated as collateral for any obligations or overdrafts in connection with the bank that performs same day funds settlements through the National Securities Clearing Corporation ("NSCC") on behalf of the Company. The Company funded this account with the minimum balance required by the bank of \$500,000. As of December 31, 2011 the amount of cash in this account was \$500,000

Accounts Receivable

All accounts receivable are expected to be collected within one year. Management monitors receivable balances with clients and establishes an allowance for balances where collection appears unlikely. In addition, for accounts where collectability is uncertain, management records an allowance for uncollectible accounts receivable to reflect management's best estimate of expected recovery. As of December 31, 2011 there are no accounts where collection appears unlikely or collectability is uncertain. Further, there were no accounts charged off in 2011.

Revenue Recognition

Service fees represent the distribution fee component of the program management fees earned under the 529 Plan agreements. Distribution fees are earned for the broker-dealer related activities

Upromise Investments, Inc.
(An Indirect Wholly-Owned Subsidiary of SLM Corporation)
Notes to Financial Statements
December 31, 2011

performed by the Company intended to result in the sale of 529 Plan units. The fees are calculated daily, and paid monthly, based upon the net assets in the underlying investments or the number of funded accounts in the 529 Plans. Underwriting revenues represent the portion of the sales load that the Distributor (the Company) is paid on Advisor Plan Class A contributions. The underwriting fee is calculated at the time the contribution is made and paid to the Company weekly.

Income Taxes

The Company is included in the consolidated income tax returns filed by SLM. The Company provides for current and deferred income taxes as if it were a separate taxpayer. Deferred income taxes are recognized for the future tax consequences of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year end, based on enacted tax rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is established when necessary to reduce deferred tax assets to an amount which is more likely than not realizable. Current and deferred tax liabilities are recorded as receivable from or payable to the Parent. To the extent that the Company does not pay any resulting tax provision to the Parent or receive any resulting tax benefit from the Parent, such provision/benefit will be deemed a contribution/distribution and be recorded as Additional paid-in capital.

The Company adopted new provisions of ASC 740, "Income Taxes" (formerly FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes"), on January 1, 2007. Under ASC 740, an uncertain tax position is recognized only if it is more likely than not to be sustained upon examination based on the technical merits of the position. The amount of tax benefit recognized in the financial statements is the largest amount of benefit that is more than fifty percent likely of being sustained upon ultimate settlement of the uncertain tax position. The Company recognizes interest related to unrecognized tax benefits, if any, in income tax expense and penalties, if any, in operating expenses.

Accounting for Stock-Based Compensation

On January 1, 2006, the Company adopted the provisions of ASC 718, "Compensation-Stock Compensation," and began recognizing stock-based compensation cost in its consolidated statements of income using the fair value based method.

ASC 718 requires that the excess tax benefits from tax deductions on the exercise of share-based payments exceeding the deferred tax assets from the cumulative compensation cost previously recognized be classified as cash inflows from financing activities in the consolidated statement of cash flows. There was no excess tax benefit for the year ended December 31, 2011.

SLM grants stock-based compensation to Company employees under its equity compensation plans in effect at the relevant time. Awards may be in the form of stock, stock options, or restricted stock.

Stock-based compensation cost related to stock options recognized in the statement of income for the year ended December 31, 2011 was \$330,581 and included in compensation and benefits on the statement of income. The related income tax benefit for the year ended December 31, 2011 was \$117,752. As of December 31, 2011, there was \$56,542 of total unrecognized compensation cost related to stock options, which is expected to be recognized over a weighted average period of 1.5 years.

Upromise Investments, Inc.
(An Indirect Wholly-Owned Subsidiary of SLM Corporation)
Notes to Financial Statements
December 31, 2011

Intangible Assets

Intangible assets in prior years related to an acquired brokerage license, which was deemed to have an indefinite life and, therefore, amortization ceased January 1, 2002 in accordance with ASC 350, "Intangibles – Goodwill and Other", (formerly SFAS No. 142, "Goodwill and Other Intangible Assets"). The Company reviewed the asset for potential impairment and has concluded that there is no impairment as of December 31, 2011.

Capitalized Contract Acquisition Costs

A contract acquisition payment of \$1,470,000 was made in connection with the State of Indiana 529 plan agreements, executed in September 2008. The payment has been capitalized as an asset. The asset is amortized on a straight-line basis over the life of the 10 year contract, and the amortization is recorded as contra-revenue. During the year ended December 31, 2011, amortization of the contract acquisition payment totaled \$147,000, resulting in total accumulated amortization of \$477,750. Management evaluates this asset annually for impairment. Since there have been no changes to the State of Indiana 529 plan agreement since inception of the contract, no impairment was recognized during the year ended December 31, 2011.

Prepaid Expenses

Prepaid expenses include advance commissions, prepaid licenses, and other upfront fees. As of December 31, 2011, the majority of prepaid expenses related to advance commissions paid by the Company to advisors on Class C shares sold to participants in various 529 plans. These amounts are paid by the Company monthly and capitalized. The assets are amortized on a straight-line basis over one year, consistent with the period over which the Company is paid distribution fees related to these shares. The amortization is recorded as contra-revenue.

3. Related Party Transactions

The Company is a member of a group of affiliated companies and has material transactions and relationships with members of the group. Due to these relationships, it is possible that the terms of these transactions are not the same as those that would result among wholly unrelated parties.

Dividend

In 2011, the Company declared and paid a cash dividend to the Parent of \$90,000 per share, or \$9,000,000, on the 100 outstanding shares of common stock of the Company.

Transactions with SLM

SLM pays substantially all the accounts payable and payroll on behalf of the Company and SLM is reimbursed through the Due to related parties, net account on a routine basis. SMI, a wholly owned subsidiary of SLM, provides general overhead services, such as (but not limited to) the cost of processing centralized accounts payable and payroll, as well as accounting and financial planning services, to the Company which are charged by SMI to the Company. At December 31, 2011, the net amount of cash owed from the Company to SLM was \$25,899, and is shown in Due to related parties, net.

Transactions with the Parent

The Company has an expense sharing arrangement whereby the Parent will provide for substantially all facilities related, and technical support functions such as desktop and other network

Upromise Investments, Inc.
(An Indirect Wholly-Owned Subsidiary of SLM Corporation)
Notes to Financial Statements
December 31, 2011

support functions for the Company. Facilities related expenses for the year totaled \$380,050, and technical support expenses totaled \$183,086. These costs are included in occupancy and computer operations expense, respectively, within the statement of income. At December 31, 2011, the net amount of cash owed from the Company to the Parent was \$3,039,812, and is shown in Due to related parties, net.

Transactions with UIA

In general, the Company and UIA jointly enter into contracts with State Trustees of the 529 Plans. Under the terms of the contracts, the Company is generally responsible for program management and distribution services for the respective 529 Plans. All broker-dealer related expenses are incurred directly by the Company. Other operating expenses are shared between the Company and UIA pursuant to an expense sharing agreement whereby 30% of the shared expenses are allocated to the Company. In 2011, the 30% allocation represented \$8,197,357 in expenses which are included in compensation and benefits, computer operations, professional fees, promotional expenses and general and administrative costs within the statement of income. The majority of these expenses are paid by SLM and reimbursed by the Company on a routine basis. Costs which are specifically incurred by the Company or UIA are expensed accordingly and not shared.

The Company also receives contract payments on behalf of UIA, and UIA receives payments on behalf of the Company, for certain 529 plans. Fees for services performed for these 529 Plans by both the Company and UIA are remitted in the aggregate to the Company or UIA. The Company accounts for the UIA portion of these payments as pass-through activity and net cash is remitted on a monthly basis, in arrears. At December 31, 2011, the net amount of cash owed from UIA to the Company was \$1,167,797, and is shown in Due to related parties, net.

Income Taxes

Income taxes calculated for the Company on a separate company basis (See Note 5 below) are paid through the Parent. At December 31, 2011, taxes payable to the Parent were \$2,985,561.

4. Net Capital Requirements

The Company is subject to the SEC's Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by the Rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$250,000 or 2% of debit balances arising from customer transactions. At December 31, 2011, the Company had net capital of \$6,912,468 which was \$6,662,468 in excess of its required net capital of \$250,000.

5. Income Taxes

Federal and state income taxes are calculated as if the Company filed a separate income tax return. The components of the provision for income taxes are as follows:

Upromise Investments, Inc.
(An Indirect Wholly-Owned Subsidiary of SLM Corporation)
Notes to Financial Statements
December 31, 2011

Current Provision	<u>2011</u>
Federal	\$ 2,350,083
State	<u>637,834</u>
Total Current Provision	<u>\$ 2,987,917</u>
Deferred Provision	
Federal	\$ 13,714
State	<u>(6,770)</u>
Total Deferred Provision	<u>6,944</u>
Provision for Income Tax Expense	<u>\$ 2,994,861</u>

The effective tax rate is 39.90% and varies from the U.S. federal statutory rate of 34% due to the impact of state taxes, net of federal benefit. The Company has a current tax liability to its Parent of \$2,985,561. The deferred tax asset of \$576,024 is primarily related to the federal benefit of state tax liabilities to be settled with the Parent, de minimis computer hardware and software costs, and stock compensation differences.

The Company has no uncertain tax positions as of December 31, 2011.

6. Defined Contribution Plan

The SLM 401(k) Retirement Savings Plan covers substantially all employees of the Company. Effective October 1, 2008 SLM matches on an annual basis up to 100 percent on the first 3 percent of contributions and 50 percent on the next 2 percent of contributions after one year of service, and all eligible employees received a 1 percent core employer contribution.

Aggregate SLM contributions to these plans for employees of the Company totaled \$177,236 for the year ended December 31, 2011.

7. Commitments and Contingencies

The Company's program management contracts with the States include certain representations and warranties and provide general indemnifications in the event the Company's negligent acts, willful misconduct or fraud result in any direct losses suffered by the States. The Company's maximum exposure under these arrangements is unknown, as it would involve claims that have not yet occurred. The Company expects any risk of liability associated with such guarantees to be remote.

The Company is subject to various claims, lawsuits and other actions that arise in the normal course of business. Management believes that these claims, lawsuits or other actions will not have a material adverse effect on its business, financial condition or results of operations.

The Company, pursuant to certain of its program management contracts, has annual commitments to pay marketing and administrative costs for the respective States. The total future contractual

Upromise Investments, Inc.
(An Indirect Wholly-Owned Subsidiary of SLM Corporation)
Notes to Financial Statements
December 31, 2011

commitments for the Company are \$2,350,292. The following schedule summarizes the annual commitments:

2012	\$	396,750
2013		388,500
2014		388,500
2015		341,625
2016 and thereafter		<u>834,917</u>
Total	\$	<u>2,350,292</u>

The total future commitment is \$13,087,292, of which \$10,737,000 is allocated to UIA, and not shown above.

8. Concentrations and Risks

The Company generates the majority of its revenues by providing services to various 529 Plans. Fees for such services are primarily asset-based and, as a result, the Company's revenues may fluctuate based on the performance of financial markets or legislative changes impacting the 529 college savings market, in general.

For the year ended December 31, 2011, revenue from three 529 Plans accounted for 57% of total revenue. Two of these three 529 Plans representing 47% of 2011 revenue are subject to renewal in 2018, while the third 529 Plan, representing 10% of 2011 revenue, is subject to renewal in 2012, based on State procurement rules.

The Company maintains its cash balances with a major national depository institution, in amounts which may exceed the insurance limits of the Federal Deposit Insurance Corporation. The Company is subject to credit risk should this financial institution be unable to fulfill its obligations. The Company has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on such deposits.

9. Subsequent Events

The Company has evaluated any events subsequent to December 31, 2011, and their impact on the reported results and disclosures, through February 17, 2012, the date these financial statements were issued. No material significant events were identified.

Upromise Investments, Inc.
Schedule I - Computation of Net Capital under Rule 15c3-1 of the Securities and
Exchange Commission
December 31, 2011

Total ownership equity from Statement of Financial Condition	\$	11,695,590
Less - Nonallowable assets (see below)		4,775,883
Less - Other securities		7,239
Net capital		<u>6,912,468</u>
Less - Minimum net capital requirement (great of \$250,000 or 2% of aggregate debit items)		250,000
Excess net capital	\$	<u><u>6,662,468</u></u>

Total non-allowable assets from Statement of Financial Condition

Description		
Accounts receivable	\$	2,290,112
Capitalized contract acquisition costs		992,250
Prepaid expenses		417,497
Deferred tax asset		576,024
Cash segregated under federal and other regulations		500,000
	\$	<u><u>4,775,883</u></u>

**Reconciliation with Company's computation (included in Part II of
Form X-17A-5 filed by the Company on January 26, 2012)**

Net capital, as reported in the Company's Part II (unaudited) FOCUS report	\$	6,971,540
Adjustment to decrease deferred tax asset		9,299
Adjustment to decrease tax expense		9,312
Adjustment to increase compensation and severance		(77,683)
Net Capital per above	\$	<u><u>6,912,468</u></u>

Upromise Investments, Inc.
Schedule II - Computation for Determination of Reserve Requirements
Under Rule 15c3-1 of the Securities and Exchange Commission
December 31, 2011

Credit Balances

Free credit balances and other credit balances in customers'

security accounts \$ -

Total credit items \$ -

Statement Pursuant to Paragraph (d)(4) of Rule 17a-5 of the Securities and Exchange Commission

There are no material differences between this computation of reserve requirements and the corresponding calculation prepared by the Company and included in the Company's unaudited Part II FOCUS report filed by the Company on January 24, 2012.

Upromise Investments, Inc.
Schedule III - Information Relating to Possession or Control Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission
December 31, 2011

1. Customers' fully paid and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by the respondent within the time frames specified under Rule 15c3-3:	\$ -
A. Number of items	-
2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3:	\$ -
A. Number of items	-



**Report of Independent Auditors on Internal Control
Required By SEC Rule 17a-5(g)(1)**

To the Shareholder of Upromise Investments, Inc.:

In planning and performing our audit of the financial statements of Upromise Investments, Inc. (the "Company") as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate debits and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's previously mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.



A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2011 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

February 17, 2012



**Report of Independent Accountants on Securities Investor Protection Corporation
Assessment Required by SEC Rule 17a-5(e)(4)**

To Shareholder of Upromise Investments, Inc.:

In accordance with Rule 17a-5(e)(4) of the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) of the Securities Investor Protection Corporation (SIPC) of Upromise Investments, Inc. (the "Company") for the year ended December 31, 2011, which were agreed to by the Company, the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and the Securities Investor Protection Corporation (collectively, the "specified parties") solely to assist the specified parties in evaluating the Company's compliance with the applicable instructions of Form SIPC-7 during the year ended December 31, 2011. Management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments on page 1, items 2B and 2F of Form SIPC-7 with the respective cash disbursement records entries, as follows:
 - Item 2B of Form SIPC-7 - Compared item 2B of Form SIPC-7 with the total amount of check number 149 dated July 08, 2011 in the amount of \$23,734.17, noting no differences.
 - Item 2F of Form SIPC-7 - Compared item 2F of Form SIPC-7 with wire transfer number BIB7TP1COO1681 dated February 16, 2012 in the amount of \$23,206.50, noting no differences.
2. Compared the Total Revenue amount reported on page 3 of the audited Form X-17A-5 for the year ended December 31, 2011 to the Total revenue amount of \$18,776,267 reported on page 2, item 2a of Form SIPC-7, noting no differences.
3. The Company did not report any adjustments on page 2, items 2b and 2c of Form SIPC-7.
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers obtained in procedure 3, as follows:
 - a. Recalculated the mathematical accuracy of the SIPC Net Operating Revenues on page 2, line 2d and the General Assessment @ .0025 on page 2, line 2e of \$18,776,267 and \$46,940.67, respectively of the Form SIPC-7, noting no differences.



We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Company's preparation of Form SIPC 7- in accordance with the applicable instructions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the board of directors of Upromise Investments, Inc., the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and the Securities Investor Protection Corporation and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

February 17, 2012



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