

Universal Advisory Services, Inc.

Part 2A of Form ADV

The Brochure

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Updated: September 2014

This brochure provides information about the qualifications and business practices of Universal Advisory Services, Inc. (“UAS” or “the Company”). If you have any questions about the contents of this brochure, please contact us at 505-856-5600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about UAS is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Item 2 - Material Changes

Since the latest filing amending Form ADV Part 2A in March 2014, UAS has updated the information related to the Company's response to Item 9 addressing Disciplinary Information and added a supplement to this form disclosing the nature of the regulatory proceedings involving UAS.

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Item 4 - Advisory Business

UAS was founded in 1990 by Joseph Kopczynski, with Mr. Kopczynski and Mr. Kirk Hudson currently serving as the principal owners of UAS. As of February 29, 2013 the Company managed \$278.8 million on a discretionary basis on behalf of approximately 188 clients, and \$14,721,000 million on a non-discretionary basis on behalf of 46 clients.

INVESTMENT MANAGEMENT SERVICES

The Company provides professional portfolio management services to assist Clients in achieving their financial objectives. Client objectives, circumstances, risk tolerance, and preferences are matched to long-term portfolio strategies. These long-term strategies are detailed in an Investment Policy Statement (“IPS”).

The following is a brief description of the services provided as we design, implement, and manage an investment portfolio through a Managed Account Agreement:

1. Collection and assessment of relevant Client data;
2. Identification of Client’s investment goals and objectives;
3. Creation of a Client specific investment strategy, documented in a written IPS;
4. Implementation of such strategy using specific investments according to the provisions contained in Client’s IPS and approved by the Client;
 - a. invest for Client’s account in securities which UAS deems best;
 - b. vary such investments from time to time in accordance with the approved investment strategy as UAS deems best;
 - c. refrain from investing in any securities which Client has advised UAS that Client does not approve;
 - d. provide periodic review of securities in Client’s account;
5. Monitoring, reporting, reevaluating, and implementing changes to the financial strategy on a periodic basis.

UAS does not participate in any wrap fee programs. When a Client’s assets are invested in mutual funds or exchange traded funds, there are fees associated with the funds. In this case, the fees are internal fees paid by the mutual fund shareholders directly to the mutual fund company to cover the cost of operating the mutual fund. The mutual fund company’s internal fees are exclusive of the management fees paid by the client to UAS. UAS makes an effort to invest only in funds whose internal expenses are in the lowest quartile of those who meet all other criteria.

BASE AND FAMILY OFFICE WEALTH MANAGEMENT SERVICES

UAS provides two levels of ongoing annual comprehensive and financial planning services for a fee, and specializes in planning for retirees, medical professionals, and business owners in the U.S. The two levels of service provided are the Base Wealth Management and the Family Office

Wealth Management Services, as defined below. The core of each level of service is the preparation of a comprehensive financial strategy with subsequent periodic updates. While the recommendations are comprehensive, to achieve maximum beneficial impact, UAS focuses on the five areas our Clients tell us are their most important issues:

Investment Counseling – Portfolio design, structure and management;
Wealth Enhancement – Tax, retirement and benefit strategies;
Wealth Protection – Asset protection, risk management, and insurance;
Wealth Transfer – Estate planning;
Legacy Building – Charitable giving.

UAS takes the time to gather relevant financial information, interview the client on multiple levels and create sound alternatives for the Client. We utilize a process that begins with a comprehensive discovery phase, followed by a presentation of our findings and initial recommendations. Thereafter, UAS incorporates the Client's feedback into a set of actions designed to fulfill the Client's needs. Before implementation, the Client and UAS mutually commit to a course of action and a timetable to completion.

If UAS understands the Client's complete financial profile, it can then work most effectively to provide a comprehensive set of options to help the client achieve his or her financial objectives. This is important for several reasons. First, the better we understand the Client's situation and goals, the more likely we are to propose options that truly satisfy the Client's fundamental objectives. Second, we take pride in our professional and competent staff and believe using them to their fullest extent in the Client's service only makes sense. Finally, it is an ethical issue; we will not do anything less than the ethical and correct thing to do. That means we need to know as much about the Client as possible so we do not miss something important that could limit their options, or cause us to provide them with less than optimum advice.

Base Wealth Management Defined

At UAS, we like to emphasize the word "process," because wealth management is not a single undertaking applicable to a specific time frame, but rather a lifelong series of planned actions (and more when one includes estate planning). In order for us to give the Client the highest quality work and results, we need to understand the entire situation and the many variables making each Client unique. Most often these variables are interdependent, and a recommendation for change in one area invariably affects other areas as well. By working with the Client's complete profile, UAS can provide options and make recommendations covering a number of areas that all work in concert towards meeting the Client's overall objectives. At UAS believe this is the best route to financial freedom and goal achievement. UAS' Base Wealth Management Services are offered with this process in mind and may include the following services on an ongoing basis:

1. Initial comprehensive financial strategy with regular updates – International and domestic Clients

The comprehensive financial strategy and planning process consists of: identifying financial objectives, analyzing present position and considering alternatives, developing and implementing the plan, annual reviews, and periodic revisions.

2. Custom investment portfolio design – all Client entities.

UAS investment strategies and methods are described in detail in the Methods of Analysis, Investment Strategies and Risk of Loss section below.

3. Estate planning – Assisting clients and their legal counsel in estate planning matters.

The purpose of estate planning is to ensure that Client's wealth and property are transferred smoothly so as to achieve the objectives of the family with a minimum of depletion to heirs. By implementing estate planning strategies, this planning process can serve to minimize estate taxes, and help avoid aggravating delays in the administrative process necessary to settle an estate. UAS does not prepare legal documents, and the cost of the services does not include fees for preparation of legal documents.

4. Asset protection and risk management.

The objective of risk management is to minimize financial loss in the event of property loss, personal liability, illness, death, or disability. This is accomplished by recognizing and analyzing alternative risk shifting techniques which include having the proper amount and most cost efficient type of insurance coverage. Asset protection is a sub-category of risk management. It refers to the structuring of the family's affairs so as to avoid a significant depletion of assets due to catastrophic events, lawsuits, or other "predator creditors."

5. Retirement planning and educational planning for children/grandchildren.

The purpose of retirement planning is to accumulate sufficient assets and income sources to ensure that Client retirement assets last for the remainder of their lives. This necessitates a review of all sources of income at retirement and determining what level of expenses is manageable given projected life expectancy. This planning involves the establishment and monitoring of various assumptions regarding principal sums needed, rate of return, rate of inflation, and length of time until the money is needed. This provides insights on: (1) the sufficiency of retirement income; (2) if certain assets should be sold to fund retirement; (3) the level of spending that can be maintained; or (4) whether expenses have to be reduced. Overall, it sets the parameters for living upon retirement.

6. Qualified plan distribution planning (IRA/MP/PSP/401(k), etc).

Qualified plan distribution involves optimizing Client net worth through the determination of the best withdrawal options, beneficiary designations, and timing of withdrawals.

7. Net worth and cash flow management.

UAS will assist the Client in determining individual and family net worth and creating and maintaining a statement of financial position or balance sheet and income and expense statements annually based on information provided by the Client.

8. Intergenerational wealth transfer strategic planning.
9. Face-to-face annual Client meetings (when geographically possible; by telephone or Internet when not).
10. Personal family financial manager.

Each client will be assigned a member of UAS professional staff who will be their contact to access all the resources of UAS.

Family Office Wealth Management Defined

Family Office Wealth Management is a technique developed by very wealthy families to deal efficiently with great complexities and responsibilities of their wealth. This approach to family wealth management approach enables the Client to spend more time on strengthening family and other productive activities, rather than focusing on wealth itself. Very wealthy families are frequently involved in multiple business and philanthropic ventures, which are often visible to the public. When making financial decisions, the families often must take into account several generations, diverse risk tolerances, multiple objectives, and complicated relationships, while simultaneously incorporating the most advantageous investment, tax, and estate planning strategies. Because of the complexity of this process and the high level of expertise necessary to run it effectively, only the families with a net worth well in excess of one hundred million dollars have been able to find them practical.

This left a big gap for those wealthy families who may be below that threshold, but are still overwhelmed by the enormous difficulty of managing their wealth in our increasingly complex world of estate and income tax rules, financial institutions and products, family trusts, partnerships and corporations, accountants, attorneys, brokers, and financial planners. They find that their free time or relaxation time is being taken up more and more dealing with all the rules and professional relationships needed to assist them in dealing with their wealth and family planning, in order to avoid being taken advantage of by the IRS or other financial predators. This, in effect, is a disadvantage of having wealth.

UAS uses today's technology combined with the firm's financial planning and money management expertise developed over years of experience by the firm to provide a menu of services for wealthy families. By offering this service through our firm, we can now make this process practical to more families. These services may include:

1. Enhanced base wealth management.
2. Family Offices will enjoy all the services that comprise Base Wealth Management, plus additional time and resources over and above the base level in each area defined above in the Base Wealth Management. They may also have four or more meetings per year with their personal family financial manager.

3. Bill preparation. UAS will take delivery of all Clients' monthly and/or other periodic bills and undertake to arrange preparation of these bills in a timely fashion. Once checks have been printed and coded for payment of bills, the checks will be forwarded to the Client by overnight courier to wherever the Client is located with accompanying stamped, addressed envelopes for Client signatures and mailing. Clients will also receive a monthly statement of payment along with their checks. At no time will UAS or any of its employees have signing authority on any Client accounts or be able to transfer Client funds without the Client's advance written authority. Generally, two personal and two entity bill paying accounts are included in the Family Office Wealth Management fee, however additional accounts may be added at an increased fee.
4. Tax planning, accounting and reporting - all closely held entities. UAS does not prepare the tax returns and the cost of service does not include fees to pay for the preparation of tax returns. UAS will be active in the preparation of Client's personal and/or partnership/corporate tax returns or will assist Clients' tax professional.
5. Home, auto, and large purchase negotiation (including financing).
6. Business consulting including Buy/Sell negotiation, financing, succession planning and workouts. Management of Rule 144 restricted stock liquidation. For business consulting, the UAS' involvement will be defined by separate engagement letter.
7. Assistance in planning an annual family meeting.
8. Parents, children, and grandchildren can be added to all Family Office Wealth Management Services at any time for an additional fee.
9. Set up and maintain family philanthropic strategies.
10. Limited use of UAS' office facilities, meeting rooms, photocopier, fax, notary, etc.
11. Employee benefits planning.
12. Investment management that includes quarterly investment reports and updates.

At the inception of each client relationship or upon request, UAS will document any client requested restrictions to be applied to the management of their account.

Item 5 - Fees and Compensation

FEE SCHEDULE: Investment Management Services

Fees for Investment Management Services range from 0.35% to 1.2% percent per year based on assets under management and the complexity and needs of the account. UAS requires a

minimum fee of \$5,000 per annum per household account, but the Company may make an exception in rare cases.

Fees are paid quarterly, in arrears, and shall be based on the account balance at the end of the quarter. Fees are payable on a pro rated basis for periods covering less than a calendar quarter.

The contractual relationship may be terminated at any time, for any reason by either party giving thirty (30) days written notice to the other, or as otherwise agreed to contractually. In the event this cancellation occurs within five (5) business days from the signing of this agreement, UAS will return any amount received for the execution of this agreement. Should cancellation occur after the fifth (5th) day, an hourly fee of \$300.00 will be applied for all the time spent in the preparation of this account, including development of an IPS and meetings with Clients and/or their other advisers. Written notices of termination are to be provided to each party at their current address.

Payment of fees will be made by the custodian holding the Client's funds and securities through a direct debit of the accounts. In exceptional circumstances, the Client may make other payment arrangements.

Upon request, a summary retirement analysis is provided as a stand-alone service for \$1,500.

For California residents, pursuant to subsection (j) of Rule 260.238, California Code of Regulations, lower fees for comparable services may be available from other sources.

FEE SCHEDULE: Base Wealth Management and Family Office Wealth Management

Annual retainers for both the Base Wealth Management and Family Office Wealth Management services are fixed in advance based on the factors and schedule detailed below in order to remove the uncertainty of an open-ended and unexpectedly expensive process based on hourly billing. Factors considered in determining all financial planning fees include but are not limited to:

I. Retainers

Annual retainers for Base Wealth Management and Family Office Wealth Management will range from 0.25% to 1.00% of the client's cumulative net worth and be based upon the expected complexity of the analysis and the resulting recommendations. Retainer adjustments may be added or subtracted to the annual retainers determined from the above table due to the following factors:

1. The time and effort required, the magnitude and complexity of the issues involved, and the skill required to perform our services;
2. Involvement of other advisors relevant to any technical and/or supporting documentation;
3. Time constraints imposed by the Client or the Client's other advisers;
4. The nature and longevity of our professional relationship, including the use of other UAS services;

5. Any extra expenses, such as organizing or collating Client data or travel.

For Base Wealth Management Clients with sufficient assets and moderate complexity, their retainer may be determined by assets under management rather than net worth.

II. Minimums

There is a \$50,000 minimum annual fee for the Family Office Wealth Management service and a \$10,000 minimum annual fee for Base Wealth Management services. Minimums will be increased by the retainer adjustments below for all Comprehensive Wealth Management services.

III. Retainer adjustments (See Notes to Fee Schedules):

1. International Client (20%)
 2. First year only (20%)
 3. Complexity (0 to 30%)
 4. Discounts for services not required.
- IV. Payment of retainer: One-quarter (25%) of the first year's retainer including adjustments is due at commencement of work. Thereafter, regular billing will commence monthly in arrears unless other arrangements have been made between the client and UAS.

Non-dependent children and grandchildren have access to full Family Office Wealth Management services if their net worth is included in family annual retainer calculations, including any applicable adjustments. Subject to minimum of \$5,000 additional annual fee per non-dependent child and grandchild.

Notes to Fee Schedules:

Net worth includes all family assets under the control of the Client based on recent financial statements. Pensions, annuities, trust income from non-owned assets, and certain salaries are included in net worth by taking the present value of the income stream for its expected duration using the current 10-year US Treasury note rate as the discount rate factor.

The annual retainer fee will be adjusted each year to reflect changing Client circumstances or net worth, removal of the first year start-up adjustment, or to reflect the level of service provided by UAS and our costs to provide the services.

The fees for both the Base Wealth Management services and Family Office Wealth Management services depend on the complexity of the case. Complexity adjustments are added to the base retainer if the Client's situation requires one or more of the following: more than two bill paying accounts, non-consolidated assets, complex family structures, and/or special projects (special projects may be billed hourly).

Discounts to the annual retainer may be granted if UAS is not required to perform certain Base or Family Wealth Management services, such as bill paying.

Fees paid by the client to UAS are not usually inclusive of fees that may be necessary to pay to other advisors in order to fully implement our recommendations. UAS suggests that the Client's attorney, accountant, or other advisors be consulted if necessary to implement a financial plan. UAS is exclusively compensated by fees paid by Clients. Although UAS routinely recommends financial products as part of the planning process, there are no commissions received by UAS from third parties. As described above, UAS uses primarily no-load mutual funds and listed securities distributed through low-cost brokers. Insurance products recommended are generally low or no-load or non-commissioned products whenever possible. However, if an appropriate no-load insurance product is not available, the Client will be given a choice as to which agent is used to place the transaction.

UAS does not receive performance fees. While the company's fees are impacted from one period to the next by changes in Net Worth, they are never based upon capital gains or capital appreciation of assets.

Fees are debited directly from the Client's custodial account. When payment is made by the custodian, the Client must provide written authorization permitting the fees to be paid directly from the Client's account. In addition, the custodian must be a "qualified custodian," as defined in the Investment Advisers Act of 1940, and agree to send to the Client a statement, at least quarterly, indicating all amounts disbursed from the account. It is the client's responsibility to verify the accuracy of the fee calculations as the custodian will not be responsible for fee accuracy. In exceptional circumstances, the Client may make other payment arrangements.

Cancellation Policy

Any agreement for any of UAS Base Wealth Management or Family Office Wealth Management services may be terminated upon 30 days notice at any time, for any reason, by either party giving written notice to the other. UAS will refund any unearned fees within 30 days of the date of termination. The amount of unearned fees, if any, will be determined by comparing amounts already paid against what would have been billed if the hourly charges listed below were in effect. Cancellation for those contracts before December 1, 1997 will be according to those individual contracts.

FEE SCHEDULE: Other Services

Special Projects

In general, special projects will only be undertaken for Clients that have entered into a Base Wealth Management or Family Office Wealth Management annual retainer agreement. Special Projects are defined by an engagement letter and may be billed on an hourly or flat fee basis, based on the completion of a project or task. Generally, all fees are disclosed to the Client in writing before work commences. If hourly rates apply, they range from \$50-\$500.

Hourly Rates

Senior Planner:	\$300.00US	CFA	\$500.00US
Administrative	\$50.00US	Planner	\$175.00US
Computer time	\$50.00US	Accountant	\$150.00US
Bookkeeper	\$55.00US	Paraplanner	\$95.00US

Minimum Charge: 1 hour

Investment Consulting/Monitoring Services

UAS also offers monitoring services for our Clients who wish to have their accounts actively managed at other locations or within an employer's qualified plan. UAS will assist Clients in formulating an IPS for those accounts and communicate that information to the manager(s). UAS will produce quarterly reports that will show the Client if the manager is staying true to the parameters set forth for him and show the performance compared to the benchmark agreed upon. This will allow the Client to gauge the value of the manager compared to less expensive benchmarks. The base fees will range from 0.35% to 1.2% based on the value of the assets monitored through this service.

For California residents, pursuant to subsection (j) of Rule 260.238, California Code of Regulations, lower fees for comparable services may be available from other sources.

Item 6 - Performance Based Fees and Side-by-Side Management

The Company does not charge any performance fees.

Item 7 - Types of Clients

UAS currently provides advisory services to individuals, high net worth individuals, pensions, profit sharing plans, trusts, estates and charitable organizations.

The minimum account size accepted for the Investment Management Services outlined is \$500,000; although smaller accounts may be accepted in certain circumstances. There are no minimum asset or estate sizes to retain UAS for special projects.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategy and Method of Analysis

UAS' investment philosophy is grounded in Modern Portfolio Theory and rests on three basic tenets:

1. Focus on long-term investment policy in light of Client objectives, circumstances, risk

- tolerance, and preferences rather than changing prospects for financial markets;
2. Reduce portfolio risk through global diversification and the use of multiple asset classes; and
 3. Focus on factors that are controllable to some degree, such as trading costs, mutual fund management fees, and the timing of tax liabilities, as UAS believes that no one can control or consistently predict changes in global investment markets or economies.

According to Modern Portfolio Theory, broad diversification based on global asset classes has reduced the risk of portfolio losses during the past 25 years over both the long and short-run. In a number of academic studies, the allocation of funds to specific asset classes was responsible for over 90% of a portfolio's total returns. The remainder of the returns was due to stock picking and market-timing. By focusing on investment policy, UAS and the Client's resources are concentrated on those factors that have historically made up over 90% of their portfolio returns. Although past performance and asset class behavior is not necessarily indicative of future performance, UAS believes that asset classes will generally behave *over the long run* as they have in the past, both individually and relative to each other. Changing asset class allocations in response to perceived or anticipated economic or market changes may only add risk to portfolios, often without compensatory returns. Allocation of Client funds to asset classes will depend on interaction with other asset classes, the Client's tolerance for risk, financial goals, need for income or liquidity, income and estate tax situation, legal and regulatory requirements, and possibly other circumstances unique to the Client.

The four broad asset classes used are: Cash Equivalents (defined as fixed income securities with maturities of one year or less), Fixed Income, Equity, and Inflation Hedges. Asset classes utilize domestic and foreign stocks and bonds listed on major exchanges, cash equivalents, fixed and variable annuities, certificates of deposit, and primarily stock and bond no-load mutual funds, and exchange traded funds. Portfolios are structured in light of the Client's current financial and tax situation, estate plan, and financial goals. Where investment markets are considered efficient, market index mutual funds and/or exchange traded funds ("ETFs") will be primarily used. Both ETFs and index funds drastically lower trading costs, management fees, and also may defer capital gains tax liability due to low turnover. Actively managed funds may also be used in some asset classes where UAS research suggests that a combination of active and passive strategies gives the client a better opportunity set.

Since UAS' investment policy is based on a long-term, hold and re-balancing strategy rather than a market-timing strategy, Client transaction costs are kept to a minimum. Long-term investment strategies shall adhere to the guidelines set forth in the IPS, *unless* deviations are specifically requested by Client (due to changes in Client goals, preferences or circumstances), or a *valuation alert* occurs.

Valuation alerts are limited to world equity markets, and are defined as a market currently priced in the first decile (approximately the top 10%) of its historical valuation measures. These measures are relative indicators of value such as price/book, price/earnings, price/cash flow, and dividend yield, among others. Valuation alerts occur infrequently. Thus, in extraordinarily expensive markets, UAS may elect to underweight certain equity markets. Assets under management are characterized as "manageable and subject to market fluctuations" and may or

may not include the entire investment portfolio created through UAS' financial planning recommendations.

Risk of Loss - General

All investing involves a risk of loss and the investment strategy offered by Applicant could lose money over short or even long periods. Performance could be negatively impacted by a number of different market risks including, but not limited to, that portfolio management techniques used by Applicant may not produce the desired results. This could cause accounts to decline in value. Applicant selects investments based, in part, on information provided by issuers to regulators or made directly available to Applicant by the issuers or other sources. Applicant is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and may result in losses.

Potential Risks of Investing in Securities Purchased in Mutual Funds, ETFs, and by Investment Managers:

Stock Market Risk - Stock market risk is the possibility that stock prices overall will decline over short or extended periods. Markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Investing in small- and medium-sized companies involves greater risk than is customarily associated with more established companies. Stocks of such companies may be subject to more volatility in price than larger company securities.

Foreign Securities Risk - Foreign securities are subject to the same market risks as U.S. securities, such as general economic conditions and company and industry prospects. However, foreign securities involve the additional risk of loss due to political, economic, legal, regulatory, and operational uncertainties; differing accounting and financial reporting standards; limited availability of information; currency conversion; and pricing factors affecting investment in the securities of foreign businesses or governments.

Interest Rate Risk - Bonds also experience market risk as a result of changes in interest rates. The general rule is that if interest rates rise, bond prices will fall. The reverse is also true: if interest rates fall, bond prices will generally rise. A bond with a longer maturity (or a bond fund with a longer average maturity) will typically fluctuate more in price than a shorter term bond. Because of their very short-term nature, money market instruments carry less interest rate risk.

Credit Risk - Bonds and bond mutual funds are also exposed to credit risk, which is the possibility that the issuer of a bond will default on its obligation to pay interest and/or principal. U.S. Treasury securities, which are backed by the full faith and credit of the U.S. Government, have limited credit risk, while securities issued or guaranteed by U.S. Government agencies or government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government may be subject to varying degrees of credit risk. Corporate bonds rated BBB or above by Standard & Poor's are generally considered to carry moderate credit risk. Corporate

bonds rated lower than BBB are considered to have significant credit risk. Of course, bonds with lower credit ratings generally pay a higher level of income to investors.

Liquidity Risk - Liquidity risk exists when a particular security is difficult to trade. A mutual fund's investment in illiquid securities may reduce the returns of the mutual fund because the mutual fund may not be able to sell the assets at the time desired for an acceptable price, or might not be able to sell the assets at all.

Call Risk - Many fixed income securities have a provision allowing the issuer to repay the debt early, otherwise known as a "call feature." Issuers often exercise this right when interest rates are low. Accordingly, holders of such callable securities may not benefit fully from the increase in value that other fixed income securities experience when rates decline. Furthermore, after a callable security is repaid early, a mutual fund would reinvest the proceeds of the payoff at current interest rates, which would likely be lower than those paid on the security that was called.

Objective/Style Risk - All of the mutual funds and investment managers are subject, in varying degrees, to objective/style risk, which is the possibility that returns from a specific type of security in which a mutual fund or manager invests will trail the returns of the overall market.

U.S. Government Agency Securities Risk - Securities issued by U.S. Government agencies or government-sponsored entities may not be guaranteed by the U.S. Treasury. If a government-sponsored entity is unable to meet its obligations, the securities of the entity will be adversely impacted.

Third Party Investment Management Risk – Applicant will not have a role in the management of clients' third-party managed accounts and it will likely not have the opportunity to evaluate in advance the specific investments made by any third-party managers. As a result, the rates of return to clients will primarily depend upon the choice of investments and other investment and management decisions of third-party managers and returns could be adversely affected by unfavorable performance of such managers. Further, Adviser depends on third-party managers to develop the appropriate systems and procedures to control operational risks.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of UAS or the integrity of UAS management.

On June 9, 2014, a consent order was entered into settlement of an administrative proceeding initiated by the Securities and Exchange Commission ("the SEC") In the Matter of UASNM, Inc. ("UASNM"), Administrative File No. 3-15917. UAS has added copy of the order to this form as a supplement that appears after the response to "Item 18 Financial Information" that discloses the nature of these proceedings.

Item 10 - Other Financial Industry Activities and Affiliations

UAS also provides business consulting to persons and entities that are not Base or Family Office Wealth Management Planning clients. This service is tailored to the needs of the person or entity and is usually performed by those staff members who have specific training and/or experience in fields related to the engagement. The terms of engagement will be defined in a letter of engagement that will accompany the UAS contract.

National Advisors Trust Company

Joseph Kopczynski and Kirk Hudson also have minority ownership interests in a savings and loan holding company, National Advisors Holdings, Inc. (“NAH”) that has formed a federally chartered trust company, National Advisors Trust Company (“NATC”). Mr. Kopczynski, past Chairman and board member of NATC, currently serves as Chief Investment Officer of the trust company while Mr. Hudson currently serves on the Board of Directors of NATC. The Office of Thrift Supervision regulates NAH and NATC. The trust company intends to provide a low cost alternative to traditional trust service providers, and UAS intends to refer clients to NATC for trust services and or custody services.

Guidestone Financial Resources

Kirk Hudson serves on the Boards of Guidestone Financial Resources and Guidestone Capital Management. The Guidestone entities are agencies of the Southern Baptist Convention (SBC) and serve the needs of SBC organizations. Mr. Hudson receives no compensation for his service, and dedicates less than 5% of his time to Guidestone activities. UAS does not utilize any Guidestone products and does not serve Guidestone or receive compensation from Guidestone in any capacity.

Secured Partners, Inc.

Joe Kopczynski is the managing member of Secured Partners LLC (the “Fund”), a New Mexico limited Liability Company that was organized solely to purchase and manage the commercial office space at 4906 Alameda N.W., Albuquerque, New Mexico. Certain Clients of UAS may invest in the Fund, provided they are “accredited investors” as defined by the Securities Act of 1933 (the “1933 Act”) and the Fund relies on Section 3(c)-1 under the Investment Company Act of 1940 (the “IC Act”) for exemption from registration as an investment company. While the Fund has retained UAS to perform accounting and tax services, the Fund does not pay advisory fees to UAS. The managing member receives compensation for his services determined by vote of the other members of the Fund. Clients who have invested in the Fund will be assessed fees by UAS according to the terms of their individual contracts by the inclusion of the most recently appraised value of their interest in the Fund into the Client’s assets under management or net worth, whichever is relevant for billing.

Secured Partners II, Inc.

Joe Kopczynski is the managing member of Secured Partners II LLC (“Fund II”), a New Mexico limited liability company that was organized to invest primarily in private real estate projects. Certain Clients of UAS may invest in Fund II, provided they are “accredited investors” as

defined by the Securities Act of 1933 (the “1933 Act”) and the Fund II relies on Section 3(c)-1 under the Investment Company Act of 1940 (the “IC Act”) for exemption from registration as an investment company. While Fund II has retained UAS to perform accounting and tax services, Fund II does not pay advisory fees to UAS. The managing member currently does not receive compensation for his services. However, the members of Fund II may decide to compensate the managing member at their sole discretion. Clients who have invested in Fund II will be assessed fees by UAS according to the terms of their individual contracts by the inclusion of the most recently appraised value of their interest in Fund II into the Client’s assets under management or net worth, whichever is relevant for billing.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

UAS or its affiliates may buy or sell securities identical to those recommended to Clients. It is the expressed policy of UAS that no person employed by UAS may purchase or sell a security prior to a transaction(s) being implemented for an advisory Client, thereby preventing such employees from benefiting from transactions placed on behalf of Clients. UAS and/or its related person(s) may have an interest or position in certain securities that may also be recommended to Clients.

These situations may present a conflict of interest; therefore, UAS has adopted a written Code of Ethics which sets forth the principles and standards of conduct by which employees must abide. At all times UAS employees shall:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of UAS above their own personal interests;
- Adhere to the fundamental standard that they should not take inappropriate advantage of their position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with all applicable provisions of the federal securities laws.

In addition, UAS strongly discourages employees from engaging in frequent short-term trading. Except in limited circumstances, employees are not permitted to trade opposite of firm recommendations. Trading on inside information is strictly prohibited. The Chief Compliance Officer closely monitors employees' investment patterns to detect any abuses.

In the normal course of business, UASNM may provide gifts and gratuities to various individuals or entities such as clients, vendors, consultants, and service providers. These gifts and gratuities are not premised upon any potential benefit to UASNM.

A complete copy of UAS' Code of Ethics is available upon request.

Item 12 - Brokerage Practices

UAS utilizes Charles Schwab & Co., Inc. ("Schwab"), Fidelity Registered Investment Advisory Group ("Fidelity"), and NATC for a significant portion of Client brokerage transactions. In addition, Fidelity may serve as a sub-custodian for client accounts serviced through NATC. UAS may also utilize the services of other service providers that best meet Client needs. The entity that is recommended by UAS is dependent upon a number of factors, including the following: trade execution, custodial services, trust services, record keeping, and research, and/or ability to access a wide variety of securities. UAS reviews on a periodic and systematic basis its third-party relationships to ensure that it is fulfilling its fiduciary duty to seek best execution on Client transactions.

For Investment Management services UAS recommends, and Clients may choose, to place trades through a discount broker or trust company. UAS may recommend the services of Schwab, Fidelity, a similar discount broker, or NATC. The selection is made on the basis of rates, execution services available to the Client, and other relevant factors. Clients may pay transaction fees to the above brokers or trust company for the purchase of some "no-load" funds, and to effect transactions in individual securities.

Employees of UAS are not registered representatives of Schwab, or Fidelity, and do not receive any commissions or fees from recommending these services. UAS may, however, make use of a public access system to assist in the placing of trades. Furthermore, UAS may purchase through Schwab, Fidelity, NATC or other independent companies, computer equipment, software, data management services, and/or real-time computer data to facilitate sending and receiving account information.

Clients wishing to implement UAS' advice are free to select any broker and/or dealer that they wish and are so informed. Those Clients who wish UAS to recommend a broker will receive a recommendation based on the broker's cost, skill, reputation, dependability, and compatibility with Clients, and not upon any arrangement between the recommended broker and UAS.

UAS does not currently maintain any formal soft dollar arrangements. However, Schwab, and Fidelity provide UAS with proprietary and third-party research and other products and services. UAS has determined that it would obtain this research and other products and services regardless

of the amount of business it generates with each custodian throughout the year. Therefore, UAS is not “paying-up” for Fidelity’s or Schwab’s proprietary and third-party research and other products and services.

Aggregated Trades

Individual investment advice and treatment is accorded to each advisory Client. However, when we believe that aggregation is consistent with our duty to seek best execution for Clients (which includes the duty to seek best price), we may execute block trades. No UAS Client will be favored over any other Client; each Client that participates in an aggregated order will participate at the average share price for all UAS transactions in that security in a given business day, with transaction costs shared pro-rata based on each Client’s participation in the transaction.

After making the initial selection of which discount brokerage firm or trust company will serve as the custodian for their assets, Client’s do not in general direct brokerage or transaction services to firms other than the custodian initially chosen. However, when placing aggregated trades, UAS will select the brokerage firm to affect the trade. UAS considers pricing, execution and service as the relevant factors used to select from among the brokerage firms listed above and other brokerage service providers.

Any trade errors identified will be corrected to ensure each client is made whole as if the error did not occur, including any transaction costs. For trades executed through Schwab, if a loss occurs greater than \$100, UASNM will cover the loss, while Schwab will cover the loss if it is less than \$100. For trades executed through Fidelity and NATC, gains are retained by Fidelity and NATC.

Item 13 - Review of Accounts

Clients using Investment Management Services have their accounts reviewed at least quarterly. Rebalancing of asset class target percentages occurs annually or more frequently at UAS’ discretion. Accounts are also reviewed from an income tax standpoint. In addition to quarterly reviews, changes in Client circumstances or substantial changes in the external investment environment will occasion additional reviews at the option of the Client.

Account reviews are performed by Kirk Hudson, CFA, MBA (Chief Financial Officer), Matthew Keller, CFP (Chief Operating Officer), Joseph J. Kopczynski, AIF, CFP, ChFC (Chairman), and Austin McDaniel, MBA, CFP (Analyst). This Group is responsible for formulating the asset mix for each Client, monitoring the external investment environment, monitoring Client portfolios, and for administration of Client accounts as well as quarterly reports.

Transactions are documented by confirmations and monthly statements of accounts through a central clearing system at a broker-dealer, fund manager, investment sponsor, or custodian. Monthly or quarterly statement of account reports are prepared and distributed by the broker-dealer, fund manager, investment sponsor, or custodian.

In addition to periodic statements received directly from custodians, UAS shall provide Clients with written reports as to the status of their investment account on a quarterly basis. Such reports shall include a description of all investments held in Clients' accounts and a summary of deposits and withdrawals. UAS will include market values of Client holdings outside the auspices of UAS whenever possible and requested. However, it is the Client's responsibility to provide outside values to UAS on a timely basis. UAS takes no responsibility as to the accuracy of information supplied by outside sources.

UAS shall review with Clients, at least annually, their account(s) and any changes in their financial goals and objectives. UAS shall revise the financial strategy of Clients' accounts as necessary and with Client approval.

Item 14 - Client Referrals and Other Compensation

UAS receives no compensation for making referrals to other service providers, nor do we compensate other service providers for making referrals to UAS. Additionally, UAS is not currently making payments to non-employee persons who solicit prospective clients on the Company's behalf. The Company may enter such arrangements in the future, and if so, such arrangements will be fully disclosed to prospective clients in accordance with all relevant regulations, and the Company's code of ethics.

Item 15 - Custody

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but UAS can access many clients' accounts through its ability to debit advisory fees. For this reason UAS is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by UAS.

Due to Mr. Kopczynski's role as Managing Member of Secured Partners, LLC and Secured Partners II, LLC, UAS is deemed to have custody of the capital account interests of UAS' clients that have invested in these partnerships. As a result, UAS has engaged an independent public accountant to conduct a verification audit of these capital accounts on an annual basis.

Item 16 - Investment Discretion

UAS obtains from Clients a limited power of attorney that enables UAS to effect securities transactions on a discretionary basis. UAS can not withdraw, disburse, or wire funds without Client consent, and then only for the Client's benefit.

Item 17 - Voting Client Securities

It is UAS' standard policy to not vote proxies for Clients. However, UAS may vote proxies for ERISA qualified accounts in which UAS is the named fiduciary and for a limited number of

individual accounts. UAS has, therefore, adopted and implemented proxy voting policies and procedures.

UAS votes client proxies in the interest of maximizing shareholder value. To that end, UAS votes in a way that it believes, consistent with its fiduciary duty, will cause the value of the issue to increase the most or decline the least. Consideration is given to both the short and long-term implications of the proposal to be voted on when considering the optimal vote.

Clients may obtain information about how UAS voted with respect to their securities by contacting UAS' Proxy Administrator, Matt Keller. A complete copy of UAS' proxy voting policies and procedures is also available upon request.

Class Actions

UAS will not exercise class action voting authority over client securities. The obligation to vote client class actions shall at all time rest with client. Client shall in no way be precluded from contacting UAS for advice or information about a particular class action vote. However, UAS shall not be deemed to have voting authority solely as a result of providing such advice to client.

Should UAS inadvertently receive class action information for a security held in client's account, then UAS will immediately forward such information on to Client, but will not take any further action with respect to the voting of such class action. Upon termination of its Agreement with client, UAS shall make a good faith and reasonable attempt to forward class action information inadvertently received by UAS on behalf of client to the forwarding address provided by client to UAS.

Item 18 - Financial Information

UAS has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts. UAS does not require prepayment of fees six months or more in advance for any of the Company's services.

Supplement – Item 9 Disciplinary Information

INVESTMENT ADVISERS ACT OF 1940

Release No. 3846 / June 9, 2014

ADMINISTRATIVE PROCEEDING

File No. 3-15917

In the Matter of UASNM, INC.

Respondent.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 203(e) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against UASNM, Inc. (“UASNM” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

Summary

1. This proceeding arises from misconduct with respect to client bond trading by UASNM, Inc. (“UASNM”), a registered investment adviser, and its former chief executive officer and majority owner, Dennis Malouf (“Malouf”). Between 2008 and 2011, Malouf directed UASNM client bond trades to a branch office that he had formerly owned of another broker-dealer (“Broker-Dealer”). The new manager of that branch (“Branch Manager”), and Malouf had entered into a secret oral agreement that Branch Manager would forward to Malouf

substantially all of the commissions from UASNM's bond trading, which amounted to approximately \$1.1 million in payments to Malouf between 2008 and 2011. This commission arrangement, and the resulting material conflict of interest, were not disclosed to UASNM's clients. In addition, UASNM's website made statements about impartial investment advice, best execution, and commissions which were false or misleading in light of this secret oral agreement.

2. UASNM, acting through Malouf, also failed to seek best execution by directing the vast majority of client bond trades to Broker-Dealer without obtaining competing bids from other broker-dealers. Finally, UASNM failed to adopt and implement reasonable policies relating to best execution, and failed reasonably to supervise Malouf with respect to his client bond trading.

Respondent

3. **UASNM, Inc.** is a New Mexico corporation located in Albuquerque, New Mexico, that registered as an investment adviser with the Commission on September 4, 2004. UASNM provides discretionary advisory services primarily to individuals, charitable organizations, and employee benefit plans. UASNM's most recent Form ADV reported approximately \$279 million in assets under management.

Other Relevant Individual

4. **Dennis J. Malouf**, age 54, is a resident of Albuquerque, New Mexico. Malouf was the chief executive officer and majority owner of UASNM from September 2004 until May 2011, when he was terminated. He is currently the sole owner and president of an investment adviser registered with the State of New Mexico. Malouf is named as a respondent in a separate administrative proceeding relating to his misconduct described in this Order.

Facts

Relationship between UASNM and a Branch Office of Broker-Dealer

5. In 2004, Malouf purchased a majority interest in UASNM and registered the firm as an investment adviser with the Commission. At that time, Malouf was also associated as a registered representative and owned a branch office of Broker-Dealer. The Broker-Dealer branch owned by Malouf sub-leased and occupied a portion of UASNM's office space. In 2007, Broker-Dealer became concerned about potential conflicts and supervision risks arising from Malouf's work at UASNM, and asked him to choose between associating with UASNM or Broker-Dealer. Malouf decided to continue his advisory work at UASNM, and to terminate his association as a registered representative and owner of a branch office of Broker-Dealer. As a result, at the end of 2007, Malouf terminated his registration with Broker-Dealer, and he transferred his Broker-Dealer customers either to UASNM, or to the new Branch Manager of the Broker-Dealer. Branch Manager continued to operate the Broker-Dealer office within UASNM's office space until June 2011, when UASNM required Branch Manager to find a new office location as a result of his involvement in Malouf's misconduct described below.

UASNM Terminated Malouf and Reported Potential Violations to Commission Staff

6. In May 2011, the minority owners of UASNM, acting in their capacities as directors, voted to terminate Malouf as an officer, director and employee of UASNM based on various allegations of misconduct. Malouf challenged the validity of this termination, which led to a lawsuit filed by UASNM against Malouf to remove him from the company (“the Lawsuit”). During the Lawsuit, UASNM’s attorneys subpoenaed transaction records from Broker-Dealer, as well as bank account statements for Malouf and Branch Manager. In reviewing those records, UASNM discovered that from January 2008 through April 2011, Branch Manager had secretly forwarded to Malouf approximately \$1.1 million in commissions earned from UASNM client bond trades that Malouf had executed through Broker-Dealer. In the Lawsuit, UASNM also learned that Malouf had placed all UASNM bond trades through Broker-Dealer without obtaining competing bids, and as a result, UASNM clients had paid unnecessarily high markups and markdowns on those trades.

7. In September 2011, UASNM and Malouf settled the Lawsuit. Among other things, they agreed that UASNM would place \$850,000 in escrow to cover potential liability resulting from UASNM’s plan to report possible best execution failures to the Commission (the “Escrow Account”). A New Mexico state court (the “State Court”) currently retains jurisdiction to interpret and enforce the settlement agreement under which the Escrow Account was established. See *UASNM v. Malouf* (Second Judicial District Court, Bernalillo County, New Mexico Cause No. CV-2011-05595). In October 2011, UASNM reported to Commission staff a potential breach of fiduciary duty by Malouf with regard to bond trading on behalf of UASNM clients and other potential violations.

Branch Manager Secretly Paid Malouf All of the Commissions Earned on UASNM Bond Trades

8. Malouf was considered the bond expert within UASNM based upon his prior experience in trading bonds, and as a result, he handled most of the bond trading on behalf of UASNM clients. From 2008 to 2011, Malouf selected Branch Manager and Broker-Dealer to execute all bond transactions that he directed on behalf of UASNM clients. Therefore, between January 2008 and May 2011, UASNM placed over 200 bond trades through Broker-Dealer, representing approximately 90% of its bond trading during the period. During this period, UASNM traded U.S. Treasuries, federal agency bonds, and municipal bonds, and averaged between \$30 million and \$40 million in total trades per year.

9. Between January 2008 and April 2011, Branch Manager earned approximately \$1.1 million in commissions from UASNM bond transactions. Then, pursuant to an oral agreement with Malouf that was not disclosed to others at UASNM or Broker-Dealer or to UASNM clients, Branch Manager paid approximately the same amount to Malouf.

UASNM Failed to Disclose Malouf’s Receipt of Commissions from Branch Manager and the Resulting Potential Conflicts of Interest

10. UASNM’s Forms ADV Part II dated February 4, 2008, August 20, 2008, December 1, 2008, October 1, 2009, January 1, 2010, March 18, 2010, April 12, 2010, and UASNM’s Form ADV

Part 2A dated March 2011 failed to disclose Malouf's arrangement with Branch Manager, or the resulting conflicts of interest. Specifically, UASNM made no disclosure that Malouf was receiving commissions or continuing payments of any kind from Branch Manager.

11. Item 12 of UASNM's Forms ADV Part II dated February 4, 2008, August 20, 2008, December 1, 2008, October 1, 2009, January 1, 2010, March 18, 2010, April 12, 2010 and UASNM's Form ADV Part 2A dated March 2011 also made misleading disclosures relating to its best execution process which suggested that numerous factors were being considered in selecting a broker (including trade execution, custodial services, trust services, recordkeeping, research and access to a wide variety of securities) and that it was not based "upon any arrangement between the recommended broker and UAS[NM]." In reality, Malouf was using Broker-Dealer to execute the overwhelming majority of UASNM's bond trades primarily based upon his secret agreement with Branch Manager.

12. In addition, Item 12 of UASNM's Form ADV Part II dated April 12, 2010 affirmatively misrepresented that "employees of UASNM are not registered representatives of [any broker-dealers], and do not receive any commissions or fees from recommending these services." Given Malouf's receipt of commissions from Branch Manager for recommending UASNM client bond trades through Broker-Dealer, this statement was false and misleading.

13. Items 10 and 12 of UASNM's Form ADV Part 2A dated March 2011 disclosed for the first time that Malouf had sold his interest in a Broker-Dealer branch in exchange for a series of payments, and that an incentive could exist for UASNM to utilize Broker-Dealer to generate revenue that could be utilized to fulfill the payments due to Malouf. However, this new disclosure was inadequate in that it generally referenced revenue generation for Broker-Dealer, rather than Malouf's plan to receive all of the commissions from UASNM's bond trading pursuant to an agreement with Branch Manager.

14. UASNM's misstatements and omissions regarding Malouf's receipt of commissions from Branch Manager were material because Malouf's conflict of interest led him to execute bond trades through Branch Manager and Broker-Dealer even where this may not have been in the best interests of UASNM clients.

UASNM Made Misleading Claims on Its Website

15. Between 2008 and 2011, UASNM's website made the following statements: "Uncompromised Objectivity Through Independence: UAS[NM] is not owned by any 'product' company nor compensated by any commissions. This allows us to provide investment advice void of conflicts of interest. UAS[NM] may place trades through multiple sources, ensuring that best cost/service/execution mix is met for clients." "We do not accept commissions and we vigorously maintain our independence to ensure absolute objectivity drives our decisions in managing our clients' portfolios."

16. Given Malouf's agreement with Branch Manager to receive all commission payments from UASNM client transactions through Broker-Dealer, these statements on UASNM's website were materially false and misleading because: (i) UASNM's purported independence was

compromised by Malouf's undisclosed incentives to place trades through Broker-Dealer; (ii) Malouf was in fact compensated by commissions; (iii) Malouf's receipt of commission-based compensation presented a material conflict of interest; and (iv) Malouf's undisclosed conflict caused UASNM to not obtain competing bids from various broker-dealers, thereby causing UASNM to fail to seek best execution on certain trades.

UASNM Failed to Seek Best Execution on Bond Trades

17. Between 2008 and 2011, Malouf told other UASNM employees, including the Chief Compliance Officer, that he often obtained three competing bids in order to determine the best price prior to making bond trades. However, Malouf did not obtain competing bids. Instead, between 2008 and 2011, Malouf always selected Branch Manager and Broker-Dealer to execute bond trades on behalf of UASNM clients, and as a result, Malouf failed to follow any process for achieving best execution.

18. Because UASNM and Malouf failed to obtain competing bids from January 2008 through April 2011, UASNM clients paid higher markups and markdowns than were reasonably necessary for their transactions in approximately \$95 million in U.S. Treasury bonds and federal agency bonds, resulting in approximately \$506,083.74 in additional markups and markdowns and interest thereon across 221 client accounts.

UASNM Failed to Adopt and Implement Reasonable Best Execution Policies and Failed Reasonably to Supervise Malouf

19. UASNM's best execution policy was not adequately tailored to its actual portfolio management. UASNM's Compliance Manual inaccurately stated in relevant part that: "UASNM does not regularly invest in any publicly traded equity securities or fixed income instruments. Instead, UASNM primarily recommends that its clients invest in mutual funds. As such, UASNM does not face the same issues relating to best execution that an adviser that regularly invests directly in equities and fixed income securities." In fact, in each year between 2008 and 2011, UASNM made between \$30 million and \$40 million in fixed income investments on behalf of clients.

20. UASNM's Compliance Manual generally required it to follow an unspecified process to seek best execution of client trades. However, UASNM failed to follow any process to seek best execution for fixed income trades.

21. Also, from 2008 through 2011, UASNM did not conduct any periodic review of its efforts to seek best execution for fixed income trading, or maintain any related documentation.

22. Finally, although UASNM's Compliance Manual stated that the Investment Committee was responsible for making trading decisions, in fact, fixed income trading decisions were made primarily by Malouf. UASNM did not assign anyone to supervise Malouf or the trading process generally. In practice, no UASNM employee directly supervised Malouf during his day-to-day execution of client bond trades. Moreover, no supervisor subsequently reviewed Malouf's trades

or his purported bid process as to best execution. As a result, Malouf operated entirely without supervision as to his bond trading.

Findings

23. As a result of the conduct described above, UASNM willfully violated Sections 206(1) and 206(2) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser.

24. As a result of the conduct described above, UASNM willfully violated Section 207 of the Advisers Act, which makes it “unlawful for any person willfully to make any untrue statement of a material fact in any registration application or report filed with the Commission or willfully to omit to state in any such application or report any material fact which is required to be stated therein.”

25. As a result of the conduct described above, UASNM willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-1(a)(5) thereunder, which prohibit publishing, were otherwise false or misleading.

26. As a result of the conduct described above, UASNM willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which require, among other things, that a registered investment adviser adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder by the adviser and its supervised persons.

27. As a result of the conduct described above, UASNM failed reasonably to supervise Malouf, within the meaning of Advisers Act Section 203(e)(6), with a view to preventing violations of the securities laws.

Undertakings

Respondent has agreed to the following undertakings:

28. Notice to Advisory Clients: Within thirty (30) days of entry of this Order, Respondent shall provide a copy of the Order via mail, email, or other such method as may not be unacceptable to the Commission staff, together with a cover letter in a form not unacceptable to the Commission staff, to each of the Respondent’s clients that have existed from January 1, 2008 to the date of the entry of this Order.

29. Compensatory Payment to Affected Clients: UASNM has undertaken to pay \$506,083.74 from the Escrow Account to compensate affected clients for the additional markups and markdowns paid by those clients as described in Paragraph 18 (the “Compensatory Payment”). UASNM undertakes to make the Compensatory Payment in accordance with and subject to any limitations under the settlement agreement under which the Escrow Account was established (including any limitation or prohibition that may be ordered by the State Court).

30. Independent Compliance Consultant. Respondent has undertaken:

a. to hire, within 90 days of the Order, an Independent Compliance Consultant not unacceptable to the staff of the Commission. Respondent shall require the Independent Compliance Consultant to review the Respondent's compliance program, including its policies relating to supervision and best execution. Respondent shall cooperate fully with the Independent Compliance Consultant and shall provide the Independent Compliance Consultant with access to any of its files, books, records and personnel as reasonably requested for review; provided, however, that Respondent need not provide access to materials as to which Respondent may assert a valid claim of the attorney-client privilege. The Independent Compliance Consultant shall maintain the confidentiality of any materials and information provided by Respondent, except to the extent such materials or information are included in the Report described below;

b. to require that, at the conclusion of the review, which in no event shall be more than 180 days after the date of the Order, the Independent Compliance Consultant shall submit a Report to Respondent and the staff of the Commission. The Report shall include a description of the review performed, the conclusions reached, the Independent Compliance Consultant's recommendation for changes in or improvements to policies and procedures, and a procedure for implementing the recommended changes in or improvements to the procedures;

c. to adopt all recommendations contained in the Report of the Independent Compliance Consultant; provided, however, that within 30 days after receipt of the Report, Respondent shall in writing advise the Independent Compliance Consultant and the staff of the Commission of any recommendations that it considers to be unnecessary or inappropriate. With respect to any recommendation that Respondent considers unnecessary or inappropriate, Respondent need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedure or system designed to achieve the same objective or purpose;

d. that as to any recommendation with respect to the policies and procedures of Respondent on which Respondent and the Independent Compliance Consultant do not agree, such parties shall attempt in good faith to reach an agreement within 60 days after Respondent's receipt of the Independent Compliance Consultant's Report. In the event Respondent and the Independent Compliance Consultant are unable to agree on an alternative proposal acceptable to the staff of the Commission, Respondent will abide by the determinations of the Independent Compliance Consultant; provided, however, that Respondent may petition the Commission staff for relief from the recommendation;

e. that Respondent (i) shall not have the authority to terminate the Independent Compliance Consultant without the prior written approval of the staff of the Commission before the completion of the Report; (ii) shall compensate the Independent Compliance Consultant, and persons engaged to assist the Independent Compliance Consultant, for services rendered pursuant to the Order at their reasonable and customary rates; (iii) shall not be in and shall not have an attorney-client relationship with the Independent Compliance Consultant and shall not seek to invoke the attorney-client or any other doctrine or privilege to prevent the Independent Compliance Consultant from transmitting any information, reports, or documents to the staff of the Commission;

f. to require the Independent Compliance Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Compliance Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Independent Compliance Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Independent Compliance Consultant in performance of his/her duties under this Order shall not, without prior written consent of the staff of the Commission, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement; and

g. to preserve for a period of not less than five (5) years from the date of the Order, the first two years in an easily accessible place, any record of Respondent's compliance with the undertakings set forth in this paragraph.

31. **Certifications of Compliance by Respondent:** Respondent shall certify, in writing, compliance with the undertakings in Paragraphs 28 and 30 according to the timelines set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance.

The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence.

UASNM's Cooperation and Remedial Efforts

32. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff. In determining whether to accept the Offer, the Commission has further considered the undertakings set forth in Paragraphs 28 and 29.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent UASNM's Offer. Accordingly, pursuant to Sections 203(e) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondent UASNM cease and desist from committing or causing any violations and any future violations of Sections 206(1), 206(2), 206(4) and 207 of the Advisers Act and Rules 206(4)-1(a)(5) and 206(4)-7 promulgated thereunder.

B. Respondent UASNM is censured.

C. Respondent shall, within 60 days of the entry of this Order, pay a civil money penalty in the amount of \$100,000 to the Securities and Exchange Commission

D. The Commission will hold any penalties paid in this proceeding pending a decision whether the Commission, in its discretion, will seek to distribute funds or transfer them to the U.S. Treasury. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund ("Fair Fund distribution") pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended. Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset").

If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

E. Respondent shall comply with the undertakings enumerated in Paragraphs 30 and 31 above.