

UAS Asset Management

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This disclosure brochure provides clients with information about the qualifications and business practices of United American Securities, Inc. d/b/a UAS Asset Management ("UAS") an independent investment advisory firm registered with the United States Securities and Exchange Commission ("SEC"). It also describes the services UAS provides as well as background information on those individuals who provide investment advisory services on behalf of UAS. Please contact Jim Lisanti, Client Services Manager of UAS, at 212-983-5822 if you have any questions about the contents of this disclosure brochure.

The information in this disclosure brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC does not imply that UAS or any individual providing investment advisory services on behalf of UAS possess a certain level of skill or training. Additional information about UAS is available on the Internet at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for UAS is 21274.

MATERIAL CHANGES

On July 28, 2010, the Securities and Exchange Commission (“SEC”) adopted Release No. IA-3060, Amendments to Form ADV. This Rule changed the requirements for format, content, and delivery of disclosure documents for SEC-registered investment advisers. This brochure complies with the newly adopted rule.

You will notice that the format of this brochure is different than the “check-the-box” format you may have seen in the past. This narrative brochure should be more user-friendly than previous versions. Important information should be easier to locate and the brochure should be easier to read.

You are receiving a copy of this brochure to ensure you have important information to assist you in making investment decisions about the products and services described. Each year you will receive a summary of material changes that were made to the brochure over the previous year with instructions on how to receive an updated copy of the brochure, if you would like one. You will also receive an updated brochure or summary of material changes whenever important information changes.

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ADVISORY BUSINESS

Company

United American Securities, Inc., doing business as UAS Asset Management, is an independent, privately-held New York corporation that was founded in 1987 by Shahin and Bahman Mossavar-Rahmani.

United American Securities, Inc. is an introducing broker-dealer clearing its trades on a fully disclosed basis through its clearing firm Pershing LLC, a subsidiary of Bank of New York Mellon (“Pershing”). In its capacity as an introducing broker-dealer, United American Securities, Inc. is a member of the Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC).

United American Securities, Inc. conducts its investment advisory business under the name “UAS Asset Management”. UAS Asset Management has been providing investment advisory services as an SEC-registered investment adviser since 1988. Throughout this disclosure brochure, UAS Asset Management is referred to as either “UAS” or the “firm”.

Principal Owner

The principal owner of UAS is Bahman Mossavar-Rahmani.

Services

UAS provides investment management services to both separately managed accounts and currently, one private investment partnership organized as a pooled investment vehicle. UAS offers no guaranteed products or guaranteed returns of any kind. We do not offer or sell any insurance products, including annuities.

Separately Managed Accounts

The on-going management of client assets by UAS is designed to meet client needs and to achieve client objectives. UAS works closely with current and potential clients to understand their financial circumstances and to determine whether or not UAS can reasonably develop investment strategies to help accomplish a client’s financial objectives. UAS accepts clients only when there is mutual agreement that the firm’s services and strategies are compatible with and suitable to the needs and objectives of the client.

Once agreement is reached that the firm’s services match the needs and objectives of the client, UAS will determine a client’s risk profile and create and manage a portfolio based on that profile. When formulating its investment strategy, and to the extent such information can be ascertained and/or is offered by the client, UAS will take into consideration the nature of the client’s other assets and personal obligations. UAS may invest its clients’ assets in stocks, bonds, mutual funds, Exchange-Traded Funds (“ETF”s), and other investment vehicles as appropriate to client needs and objectives.

UAS primarily manages accounts on a discretionary basis, though, on occasion, it has accepted non-discretionary accounts. Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's behalf. UAS' relationship with its clients is formalized through execution of a written investment advisory agreement.

Private Investment Partnership

Any private investment partnerships advised by UAS will not be offered or sold to the public. They are accessible only to investors who are "Accredited Investors" as defined in Regulation D under the Securities Act of 1933 and "Qualified Clients" as defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act") who receive a confidential private offering memorandum issued by the partnership and who ultimately become parties to the limited partnership agreement governing operation of the partnership.

At present, UAS is the managing member of the general partner of, and acts as investment manager to, Kitty Hawk Investment Partners, L.P., a Delaware limited partnership organized as a pooled investment vehicle ("Kitty Hawk"). Please see the "Investment Strategies" section on page 10 of this disclosure brochure for additional information regarding the investment objectives, types of investments and risk exposures of Kitty Hawk.

The terms and conditions for participation in Kitty Hawk, including management and incentive allocations, conflicts of interest and risk factors, are set forth in Kitty Hawk's offering documents, which each prospective investor shall receive, and be required to complete and submit certain portions thereof to UAS in order to demonstrate qualification for an investment in Kitty Hawk.

Because of the "pooled" nature of private investment partnerships, clients may not impose restrictions on investments in certain securities or types of securities.

Certain clients of UAS who are both accredited investors and qualified clients in accordance with SEC definitions and meet other suitability requirements may become limited partners in Kitty Hawk pursuant to their subscription being accepted by the general partner.

Investment Committee

The UAS investment committee consists of the following individuals:

Bahman Mossavar-Rahmani

Bahman is a founding member and Chief Investment Officer of UAS Asset Management. He also serves as senior portfolio manager. Having started his career as a financial journalist, Bahman moved on to positions in commercial banking and fixed income securities. The cornerstone of UAS' investment philosophy is to commit investment capital to companies that pursue a long-term objective of building value for their shareholders.

Prior to founding UAS, Bahman was a founding member of Connecticut Securities Investment Corp., a Hartford, Connecticut firm specializing in fixed-income investments. He has started, acquired or advised companies in the securities, consumer information, distribution and business equipment industries. Bahman is also CEO of Golden Eagle Asset Management, Inc., a privately held holding company whose objective is to achieve capital appreciation for its shareholders by acquiring and managing operating companies in a variety of industries. Mr. Mossavar-Rahmani also serves as the Chairman of Miller Chemical and Supply Company, LLC, a private company in the business of distribution of automotive and related chemicals.

Bahman is a graduate of Harvard College and the Harvard Graduate School of Business.

Ali Granmayeh

Ali is managing director of UAS in charge of operations, client services and finance. He is a member of the firm's investment committee and head of research. Ali joined UAS as managing director in early 2003.

Prior to joining UAS, Ali spent over 15 years in the field of global strategy consulting, acting in various leadership positions with The Monitor Company, ZEFER Corp, and Interact (The Institute for Interactive Management). He has advised senior executives in a variety of industries, including health care, consumer products and financial services, with a particular focus on enhancement of shareholder value.

In addition to his consulting background, Ali has direct management experience with several professional service organizations and has been a founding member of startups in both high-technology and business services areas.

Ali currently serves on the board of directors of Golden Eagle Asset Management, Inc., a privately held concern whose objective is to achieve capital appreciation for its shareholders by acquiring and managing operating companies in a variety of industries. He is also an investor in and a director of Miller Chemical and Supply Company, LLC as well as that of MAPCO (Miller Auto Parts & Supply Company). In addition, Mr. Granmayeh is a director of Biblio Holdings, LLC, a company in the field of children education.

Ali earned his PhD in Systems Sciences from the Wharton School of the University of Pennsylvania. He also holds an MS in Operations Research from Stanford University, and a BS in Industrial Engineering (summa cum laude) from Syracuse University. He is the author of several articles and coeditor of the book *Internal Markets: Bringing the Power of Free Enterprise inside Your Organizations*, published by John Wiley & Sons.

Mr. Granmayeh's last name is also spelled as Geranmayeh.

Assets Under Management

As of June 30, 2011, the total amount of client assets managed by UAS is approximately \$129,000,000. Except for one small legacy account, all client assets are managed on a discretionary basis.

FEES AND COMPENSATION

Separately Managed Accounts

UAS charges its clients a management fee pursuant to a written investment advisory agreement with each client specifying the exact amount of such fees and the manner in which they will be charged. UAS' management fees for stewardship of client portfolios and supervision of their assets are based on a percentage of client assets managed by UAS.

The table below shows the current schedule of annual fees for asset management services for new clients. The actual fee charged may be different from the fee shown below depending upon such factors as the size and complexity of the client's account, and other business considerations:

Maximum Annual Fee (%)	Assets Under Management
1.50%	Of assets up to \$500,000
1.25%	Of assets between \$500,000 and \$2.5 Million
1.00%	Of assets between \$2.5 Million and \$5 Million
0.75%	Of assets over \$5 Million

Market value will be determined by the account custodian. In the event the account custodian cannot provide a market value, UAS will determine the asset's fair market value. As each account is managed separately, UAS does not combine the value of related accounts in application of break points for the purpose of calculation of fees. UAS reserves the right to do so, in its own sole discretion, however.

Many of UAS' clients have been with the firm for over a decade. During its long period in servicing client accounts, UAS has had different fee schedules in effect and, in general, has not changed the fee structure for legacy accounts. Therefore, different clients, particularly those who have been with the firm for a long time, may be subject to different fee schedules.

Fees will be calculated as of the end of a quarter by applying one quarter of the annual fee percentage to the account's closing market balance. Depending on when the client became a client of UAS, the quarterly fee may be paid as of the end of the calendar quarter or as of the end of certain designated quarters as set forth in the client's investment advisory agreement (e.g., August, November, February, May). Management fees may be prorated for capital contributions and withdrawals made

during the applicable calendar quarter (with the exception of *de minimus* contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account any earned, unpaid fees will be due and payable.

At the option of the client, fees may be paid directly by the client or UAS can bill the custodian so that the fee is deducted directly from the client's account.

Private Investment Partnership

UAS acts as investment adviser for Kitty Hawk Investment Partners, L.P., a private investment partnership ("Kitty Hawk"), and receives an asset-based management fee quarterly in arrears calculated at the rate of 1.0% per year of each limited partner's capital account. The management fee is pro-rated for any period that is less than a full calendar quarter.

Additionally, UAS is the managing member of Kitty Hawk Management, L.L.C., the general partner of Kitty Hawk. In its capacity as general partner of Kitty Hawk, this UAS-affiliated entity shares in the profits based on the performance of the assets under management of Kitty Hawk. Generally, the affiliated entity will receive 20% of the each limited partner's share of net profits in excess of a hurdle rate, provided, however, that certain other performance measures are also met. The incentive allocation is made at the end of each fiscal year and is subject to certain performance goals and reallocation restrictions, all of which are set forth in more detail in Kitty Hawk's offering documents.

Because the general partner (an affiliate of UAS) receives an incentive allocation, an investor in Kitty Hawk must be a "Qualified Client." As defined in Rule 205-3 under the Advisers Act, a "Qualified Client" is an individual or company that immediately after entering into an investment contract has at least \$1,000,000 under management with the advisory firm or an individual or a company with a net worth (or a joint net worth, in the case of an individual, with assets held jointly with a spouse) of more than \$2,000,000 immediately before entering into the investment contract. Please refer to the Kitty hawk offering documents for a complete description of who constitutes a "Qualified Client."

The terms and conditions for participation in Kitty Hawk, including management fee and performance allocation (if any), conflicts of interest and risk factors, are set forth in Kitty Hawk's offering documents, which each prospective investor shall receive, and be required to complete and submit certain portions thereof to UAS in order to demonstrate qualification for an investment in Kitty Hawk.

Additional Compensation

Pershing establishes relationships with various fund companies to provide for sweeping of cash awaiting investment into money market funds to earn more attractive rates of interest. UAS makes decisions on its clients' behalf whether to arrange for such sweeps into money market funds or simply leave the cash with the custodian. Solely in relation to its brokerage accounts, in its capacity as an

introducing broker-dealer, mutual fund companies sometimes make payments to the firm's account resulting from investments in money market funds and/or in certain other mutual funds as a result of their policies and arrangements that UAS does not welcome or solicit.

A conflict of interest exists to the extent that UAS recommends the purchase of securities where UAS or individuals associated with UAS receive additional compensation as a result of the firm's recommendations. UAS has attempted on various past occasions to stop these payments without success, insofar as they are apparently a built-in feature of such funds. The payments to UAS, often referred to as 12-b1 fees, vary in amount, at times equaling up to 25 basis points. These fees have no impact on investment decisions made by UAS, and allocation of client assets to any money market or mutual funds are the same among accounts that may be eligible for such fees and accounts that are not.

Important Additional Fee Information

No Commissions by UAS

UAS clients pay commissions for trades in their account based on the commission rates in effect by their custodians. UAS does not charge any markups or additional fees for such transactions.

UAS conducts business with Pershing, custodian for most of its client accounts, pursuant to a contractual relationship that provides its clients with significant discounts from Pershing's listed commission rates.

In its capacity as a registered investment adviser, UAS is compensated by fees paid by its clients and does not accept commissions. UAS does not offer or sell any insurance products (including annuities).

As an introducing broker, UAS is authorized to charge commission for the trades it executes on behalf of its clients. UAS has chosen, however, simply to pass on trade execution and confirmation fees charged by its clearing firm, Pershing, to its clients without any mark-ups or additional fees. In this manner, UAS removes potential conflicts of interest with its clients as the number of transactions performed in the client's account has no impact on the firm's revenues.

Fees Negotiable

UAS retains the right to modify fees, including any minimum fee or minimum initial investment in any private investment partnership managed by UAS, in its sole and absolute discretion, on a client-by-client basis based on such factors as the size, complexity and nature of the advisory services provided and other business considerations. In addition, family accounts and accounts controlled by the same client may be combined for the purpose of computing the fee.

Prior Fee Schedules

As noted earlier, the investment management fees charged to clients whose assets have been managed by UAS prior to 2010 may differ from the fees charged to new advisory clients.

Direct Debiting of Client Accounts

In order for the firm's advisory fees to be directly debited from a client's account, the client must provide written authorization permitting UAS to bill the custodian. In addition, the account must be held by a qualified custodian and the qualified custodian must agree to send to the client an account statement on at least a quarterly basis. The account statement must indicate all amounts disbursed from the account including the amount of advisory fees paid directly to UAS. Clients are informed that it is their responsibility to verify the accuracy of the fee calculation and that the account custodian will not determine whether the fee is properly calculated.

Termination of Client Relationship

The investment advisory contract is ongoing and does not have a fixed term. Either party may terminate the advisory contract at any time. Since advisory fees for separately managed account clients are paid quarterly in arrears, no refund will be due. Clients will be responsible for management fee on a pro-rated basis, however. UAS does not impose any fees or penalties for termination of accounts. Custodians, however, may impose such fees. UAS does not impose any "lock up" periods for separately-managed accounts; in effect, clients are free to terminate their advisory relationship at any time with no penalty.

As a private fund, Kitty Hawk does have certain restrictions on termination for its limited partners as described in detail in its partnership agreement.

Mutual Fund and Exchange-Traded Fund (ETF) Fees

All fees paid to UAS for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, ETFs and similar pooled vehicles to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund, ETF, or common stocks directly, without the services of UAS.

To the extent that client assets are invested in mutual funds, including money market funds and ETFs, the firm's fees for managing those assets are in addition to the fees included in the internal expenses of those funds paid to their own investment managers, which are fully disclosed in each fund's prospectus. Accordingly, the client should review both the fees charged by the funds and the fees charged by UAS to fully understand the total amount of fees paid by the client and to thereby evaluate the advisory services being provided.

To avoid this duplication of fees, client accounts will not be invested in mutual funds and/or ETFs unless there is a very specific and timely advantage to be gained for the benefit of the client, which advantage could not be achieved from a direct investment in stocks or bonds. This is particularly true in the case of mutual funds or ETFs that specialize in one sector, industry or category, or that represent the overall market.

Please see the disclosures set forth under “Additional Compensation” on page 5 of this disclosure brochure.

Trading and Other Costs

All fees paid to UAS for investment advisory services are separate and distinct from, and in addition to, transaction fees charged by broker dealers associated with the purchase and sale of equity securities and options. In addition, fees do not include the services of any co-fiduciaries, accountants, broker dealers or attorneys.

Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. A schedule of all such fees charged by Pershing is sent to the client once the account is opened and is available upon request. Such fees and charges are subject to change by Pershing without approval from UAS.

Clients who select their own brokers assume the responsibility for fees and charges (for example trading commissions) that the selected broker may impose on the accounts. Such fees are likely to be different from, and may be higher than, those paid by the majority of UAS accounts which use Pershing as their custodian.

UAS acts solely as investment adviser for some clients. For other clients, UAS acts as both investment adviser and broker/dealer. In those situations, UAS introduces its clients to Pershing LLC, a subsidiary of Bank of New York Mellon (“Pershing”) which acts as a clearing and custodial firm. UAS has acted to remove any perceived or real conflicts of interest by electing to pass Pershing’s trading and execution fees directly to its investment advisory clients without any add-on commissions or charges of its own. As a result, UAS has no incentive or inclination to effect unnecessary transactions in its clients’ accounts. The advantage of this arrangement to clients is that they have the comfort of knowing transactions in their account, regardless of how frequently or infrequently they might occur, reflect the firm’s best efforts to enhance the performance of their account, since the profit motive has been completely removed for UAS in such transactions.

In effect, Pershing will end up collecting its compensation from the client without any mark-ups or mark-downs by UAS. From a compensation point of view, transactions in client accounts become non-events for UAS and the client will end up paying Pershing’s charges which are ordinarily meant for “the trade” and not for individual clients. This combination of not having a conflict of interest with clients with respect to trading in their accounts and making its clearing firm’s rates

available to clients represents one of the firm's strong features for the benefit of its clients.

Please see the section entitled "Brokerage Practices" on page 19 of this disclosure brochure for additional information on brokerage and other transaction costs.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As stated in the "Fees and Compensation" above, under certain circumstances an affiliate of UAS is eligible to receive a performance-based allocation (*e.g.*, in its capacity as general partner of Kitty Hawk Investment Partners, L.P.). In addition, UAS manages client accounts where it is not eligible to receive performance-based compensation for its advisory services.

Situations – such as those described above - where UAS manages both accounts that pay performance-based compensation and accounts that do not pay performance-based compensation may give rise to certain conflicts of interest that have the potential to motivate UAS to favor its performance-based account clients over other clients. For example, performance-based compensation, in periods it is earned, is typically significantly higher than the asset-based fees paid on traditional accounts. In the case of private investment partnerships, many investment advisers and/or their related persons may have significant investments in the partnerships that they manage. As a result, they may have additional incentives to favor the performance-based clients over other clients. Finally, because performance-based compensation is not paid unless UAS achieves a certain level of performance, the performance allocation arrangement may create an incentive for UAS to make investments that are more risky or more speculative than might be the case in the absence of an allocation based on performance.

UAS has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients. All trades for a security in any given day are processed through an average-price account ensuring that all clients and related accounts receive the same price for transactions involving that security. Clients who have directed us to use a broker other than Pershing, however, will realize a different price for the same security. In addition, clients have the comfort of knowing that since UAS does not participate in any IPO allocations or generally trade in thinly-traded securities, opportunities for unequal treatment of accounts are almost non-existent.

TYPES OF CLIENTS

UAS provides investment advisory services to individuals (including high net worth individuals) and their related entities such as trusts, estates and retirement plans. In addition, UAS offers investment management services to both for-profit and not-for-profit corporations and their pension plans, pension plans of municipalities and other public entities, endowments, charitable organizations and foundations.

UAS currently provides management services to one private investment partnership that is organized as a pooled investment vehicle.

Engaging the Services of UAS

Separately Managed Accounts

All clients wishing to engage UAS for investment advisory services must sign an investment advisory agreement that governs the relationship with UAS. The investment advisory agreement is written in plain English and describes the services and responsibilities of UAS to the client. It also outlines the firm's fee in detail.

In addition to completing the firm's internal documents (e.g., investment advisory agreement), clients must complete certain broker-dealer/custodial documentation. Upon completion of these documents, UAS will be considered engaged by the client. A client has an ongoing responsibility for ensuring that UAS is informed in a timely manner of changes in the client's investment objectives and risk tolerance.

Private Investment Partnership

Investors in Kitty Hawk Investment Partners, L.P. are required to complete and submit a subscription document, which such subscription may or may not be accepted by the general partner in its sole and absolute discretion.

Conditions for Managing Accounts

Private Investment Partnership

UAS requires a minimum initial investment of \$500,000 in Kitty Hawk Investment Partners, L.P., although this minimum initial investment may be waived by the general partner.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Types of Investments

Investment advice may be offered on any investments held by a client at the start of the advisory relationship. New investments will typically be limited to domestic and foreign equity securities, warrants, corporate debt securities, certificates of deposit, municipal and United States government securities, exchange-traded funds, mutual funds and options (for Kitty Hawk only), although UAS reserves the right to invest in other types of investment vehicles if appropriate to client needs.

Investment Strategies

Separately Managed Accounts

UAS pursues an investment strategy that seeks to deliver superior performance without undue risk to principal, recognizing, however, that neither superior performance nor safety of principal can be guaranteed. Stocks are subject to different kinds of risk, including individual company risk and market risk, which cannot be fully mitigated (please see important risk disclosures below). However, UAS attempts to reduce equity risks by investing primarily in established companies having strong fundamental characteristics. One particular feature of the firm's investment strategy is relatively higher levels of concentration. The UAS strategy of concentrating in relatively fewer, superior positions is intended to achieve better performance results, but carries the risk of greater decline in the event of poor stock selection.

Similar to its stock selection, UAS invests client assets primarily in bonds issued by established companies with strong fundamentals (e.g., financial strength).

Factors that may affect performance include, but are not limited to: the timing and amount of cash deposits and withdrawals into and from the account, pricing and timing differences in purchase of securities for different accounts, the possibility that UAS may not purchase or sell a particular security for an account, differentials in the percentages of different securities comprising a portfolio, differences in management fees, and restrictions imposed by client on the management of the account. In addition, clients who select a specific broker may experience different commission rates and other fees.

Private Investment Partnership

The investment strategy employed by UAS in its capacity as investment manager of Kitty Hawk Investment Partners, L.P. ("Kitty Hawk") is riskier and more speculative than that used for its separately managed account clients. Therefore, an investment in Kitty Hawk is not suitable for all clients. A client that is qualified to make an investment in Kitty Hawk must still pay careful attention to the risks enumerated in the offering documents issued by Kitty Hawk and understand the conditions that may restrict the investor's ability to withdraw funds from Kitty Hawk. Kitty Hawk investors may lose substantial part, and potentially even all, of their capital. Furthermore, the more frequent trading of positions in Kitty Hawk may result in higher taxes even during periods when Kitty Hawk does not experience positive performance.

In addition to the more traditional types of investments, in its management of Kitty Hawk, UAS is also permitted to use margin (borrows capital from brokers with its equity as collateral); derivatives (such as call and put options); short selling (selling a security you do not own); and employ higher levels of concentration (one stock may account for a high percentage of the total portfolio). UAS may also engage in more frequent trading when implementing its investment strategy for Kitty Hawk.

Security Analysis

The method of securities analysis used by UAS to implement its investment strategies is commonly referred to as “fundamental” analysis. Fundamental analysis is a method of evaluating securities by attempting to measure the intrinsic value of a stock. Fundamental analysts study such factors as the overall economy and industry conditions as well as the financial condition and management of companies. Accordingly, UAS bases its investment decisions primarily on its assessment of a company’s value to its shareholders and its ability to create positive returns for its potential shareholders based on the prices at which its shares can be obtained in the market, within the relevant time horizon for the investor.

The investment approach taken by UAS does not rely on “technical” analysis. Technical analysis is the evaluation of securities by means of studying statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead, use stock charts to identify patterns and trends that may suggest what a stock will do in the future.

Sources of Information

UAS relies on its own internal research for selection of stock and bonds and other investment vehicles such as mutual funds, and exchange traded funds (ETFs). In conducting its research, UAS may consult the following sources of information: a variety of general and specialized financial and business publications, research materials prepared by others (for example ValueLine or Morningstar), inspection of corporate activities, corporate rating services, annual reports, prospectuses, filings with the U.S. Securities and Exchange Commission and company press releases. In addition, the portfolio managers of UAS may also conduct direct, first-hand research (such as monitoring traffic in certain outlets or surveying customers), consult specialist advisors or purchase research products provided by other analysts. UAS does not publish research reports of its own.

Risk of Loss

In General

Investing in securities involves risk of loss that each client should be prepared to bear.

Typical investment risks include company risk typified by a drop in a security’s price due to a company specific event (e.g. unsystematic risk), or general market activity (e.g., systematic risk). In addition, certain strategies may impose more risk than others. For example, with fixed income securities, a period of rising interest rates could erode the value of bond since bond values generally fall as interest rates rise. Investment risk with international equities also includes fluctuation in currency values, differences in accounting and economic and political instability.

As mentioned earlier, the firm’s investment strategies involve an additional risk of concentration as client portfolios may contain fewer positions and/or be exposed to fewer sectors than the broad market or indices related to the market as a whole.

Exchange Traded Funds (ETFs)

Equity-based exchange traded funds are subject to risks similar to those of stocks. If the stocks tracked within an ETF decline due to weakening fundamentals, crumbling technical support, global events, or any other market fluctuations, the value of the ETF will go down. In addition, ETFs may include additional risks associated with the way they are structured or sponsored. Fixed income-based ETFs are subject to risks similar to those of bonds such as increasing interest rates. Investment returns will fluctuate and are subject to market volatility, so that an investor's ETF shares, when sold, may be worth more or less than their original cost.

In general, UAS does not use margin or trade in derivatives and options in separately managed accounts. The following sections relate to Kitty Hawk in particular.

Options

There are numerous risks associated with transactions in options on securities or securities indexes. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful because of market behavior or unexpected events. In its management of Kitty Hawk assets, UAS may engage in the trading of derivatives, including writing call and put options, which could result in substantial losses for the partnership. UAS generally does not use options in the management of separately managed client accounts.

Margin Transactions

When buying stocks on margin, you are employing leverage as an investing strategy. Leverage allows you to extend your financial reach by investing using borrowed funds while limiting the amount of your own cash you expend. This can, however, involve a high degree of risk. Some of these risks include:

- Losing more money than you have invested;
- Being required to deposit additional cash or securities in your account on short notice to cover market losses;
- Being forced to sell some or all of your securities when falling stock prices reduce the value of your securities; and
- Having your brokerage firm sell some or all of your securities without consulting you to pay off the loan it made to you.

UAS generally does not use margin in the management of separately managed client accounts.

Private Investment Funds

Private investment funds generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in the fund's offering

documents, which will be provided to each investor and potential investor for review and consideration. Each prospective investor will be required to complete a subscription agreement, pursuant to which the investor shall establish that they are qualified for investment in the limited partnership, and acknowledges and accepts the various risk factors that are associated with such an investment.

Frequent Trading and Investment Performance

Strategies involving frequent trading of securities can affect investment performance through increased brokerage and other transaction costs and taxes.

Cash Management

At any given time, the cash portion of a client's account, while awaiting investment or re-investment, may be swept into a money market account so as to earn additional returns. As mentioned earlier, clients in effect pay management fees twice for such amounts.

DISCIPLINARY HISTORY

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the firm or the integrity of its management.

Neither UAS nor any of its supervised persons have any reportable legal or disciplinary history.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

In addition to being a registered investment adviser with the SEC, UAS is a registered securities broker-dealer with membership in the Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation ("SIPC"). Messrs. Mossavar-Rahmani and Granmayeh are both registered general principals with FINRA as well as investment adviser representatives. Such registrations do not imply an endorsement by either agency and do not imply any level of skill or training.

UAS acts solely as investment adviser for some clients. For other clients, UAS acts as both investment adviser and broker/dealer. In those situations, UAS introduces its clients to Pershing LLC, a subsidiary of Bank of New York Mellon ("Pershing") which acts as a clearing and custodial firm. UAS has acted to remove any perceived or real conflicts of interest by electing to pass the Pershing's trading and execution fees directly to its investment advisory clients without any add-on commissions or charges of its own. As a result, UAS has no incentive or inclination to effect unnecessary transactions in its clients' accounts. The advantage of this arrangement to clients is that they have the comfort of knowing transactions in their account, regardless of how frequently or infrequently they might occur, reflect the

firm's best efforts to enhance the performance of their account, since the profit motive has been completely removed for UAS in such transactions.

UAS is the managing member of Kitty Hawk Management, LLC, which is the General Partner of Kitty Hawk Investment Partners, L.P., a private investment partnership organized as a pooled investment vehicle ("Kitty Hawk"). Both principals of UAS, as well as other related persons of UAS are investors in Kitty Hawk. Messrs. Mossavar-Rahmani and Granmayeh are both actively involved in day-to-day management of investments and other affairs of Kitty Hawk. They are also members of Kitty Hawk Management, LLC and as such are eligible to personally benefit from performance fees paid by Kitty Hawk limited partners.

UAS and its related persons may recommend investment in Kitty Hawk when such investments are deemed suitable for individual clients. A transfer of assets from a regular separately-managed UAS account to a partnership interest in Kitty Hawk may result in higher or lower fees paid by the client during any given period depending on the occurrence and magnitude of performance fees charged by Kitty Hawk for that period.

From time to time, UAS may enter into management advisory and consulting arrangements with other companies. Such activities, which are not directly investment-related, are conducted separately from its investment advisory services. Both principals of UAS are currently involved with investments in a number of privately held companies as detailed below. UAS believes that such involvement with actual management of holding and operating companies provides the firm's principals with a deeper understanding and better analytical insights into evaluation of publicly-traded companies thereby enhancing their ability to offer investment advice to UAS clients.

Mr. Mossavar-Rahmani is an investor in and serves as the Chairman and CEO of Golden Eagle Asset Management, Inc. ("Golden Eagle"), whose objective is to achieve capital appreciation for its shareholders by acquiring and managing operating companies in a variety of industries. Currently, the only operating company owned by Golden Eagle is Miller Auto Parts & Supply Company, Inc. ("MAPCO") on whose board of directors, Mr. Mossavar-Rahmani serves as Chairman. In addition, Mr. Mossavar-Rahmani is an investor in and serves as the Chairman of Miller Chemical & Supply Company, LLC ("Miller Chemicals"), a spinoff from MAPCO.

Mr. Granmayeh, is an investor in both Golden Eagle and Miller Chemicals and serves as a director of both companies as well as that of MAPCO and Miller Chemicals. In addition, Mr. Granmayeh is a director of Biblio Holdings, LLC, a company in the field of children education.

UAS has a management consulting arrangement with MAPCO, pursuant to which it has received in the past, and may receive in the future, payments for strategic advice provided. UAS also has an expense-sharing agreement with Golden Eagle, pursuant to which it receives payments from Golden Eagle for provision of certain facilities and related services.

Certain clients of UAS are also investors in, or creditors to, Golden Eagle and/or Miller Chemicals.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

UAS has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at UAS must acknowledge the terms of the Code of Ethics annually or when it is amended.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of UAS will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of the firm's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between UAS and its clients.

Clients and prospective clients may request a copy of the UAS Code of Ethics by contacting Jim Lisanti, Client Services Manager of UAS, at 212-983-5822.

Participation or Interest in Client Transactions

Using its discretion in managing client accounts (separately managed accounts) UAS purchases and sells publicly traded securities (stocks, bonds, mutual funds and ETFs). Frequently it may purchase or sell the same securities for its own or related accounts. UAS believes that this practice aligns its interests with those of its clients. Such transactions do not result in any material benefit to UAS or its related personnel as the securities in client portfolios are generally highly liquid with significant trading volumes.

Occasionally, UAS may recommend to a client, securities or investment products that it believes are suitable for client's financial situation and objectives in which UAS or its related personnel have a material financial interest. Typically, such securities

would be outside of a client's separately-managed account (except for IRA investments in Kitty Hawk).

An affiliate of UAS acts as general partner of Kitty Hawk Investment Partners, L.P., a private investment partnership organized as a pooled investment vehicle ("Kitty Hawk"). As the general partner, the affiliate maintains a capital account in Kitty Hawk and therefore, receives allocations of net profit (or losses) of Kitty Hawk. The UAS portfolio managers have invested in Kitty Hawk. In order to create a strong congruity of interest between the management of Kitty Hawk and its investors, all investment professionals employed by UAS who are qualified investors are encouraged to invest in Kitty Hawk.

UAS or individuals associated with UAS may buy, sell, or hold in their personal accounts the same securities that UAS recommends to its clients.

Frequently, UAS buys for related accounts and/or the firm's own account, securities that it also buys for clients. In light of the fact that UAS does not buy securities for itself from, or sell securities it owns to, any client there is no conflict of interest. In fact, since securities are bought from among those that are researched in advance and included on the firm's approved list, buying the same securities for clients as well as UAS related accounts should be reassuring to clients.

What matters most is that the type of security purchased, the quantity, timing of purchase or sale and holding period are based on the requirements of each separate client account. In other words, since all of the accounts under the firm's management, including related accounts, have different sizes and objectives and were initiated at different times and under different market conditions, no two of them may have exactly the same composition of stocks and bonds, the same buying prices or identical performances. Because of this difference in composition of the various accounts under the firm's management and the different objectives for each, a significant amount of time and attention is devoted to account calibration which represents a process of bringing core positions of stocks and bonds in each individual account to the firm's target levels. This calibration is a gradual process which on any given day might only affect a few accounts.

On the other hand, a wholesale adjustment of core positions might cause buying or selling transactions in most or all of the accounts managed by UAS in a single day. On such occasions, infrequent as they might be in light of the firm's long-term buy and hold philosophy, UAS strives to treat all of its clients fairly and offer advantages that it reasonably can to its clients, ahead of its related accounts.

A key feature of fair and equal treatment of all accounts is the use of an "Average Price Account" for all of the firm's trades. In this manner all purchases and sales of securities executed for the firm are first booked in the Average Price Account and then allocated to client and related accounts. Therefore, all accounts that get an allocation of a security on a given day, be they client accounts, firm accounts or related accounts, get the same execution price for that security. This price will be the average price for all the trades of that security executed for the firm on that day.

In this manner we eliminate the possibility of a price disadvantage for any client as compared to a related account.

The only exceptions to this process are when a client asks us to liquidate their account by selling all the positions, or the need for an emergency cash request by a client requires a shorter-term settlement of the trade. Under such circumstances trades are generally placed directly in the client account. Prices for such trades are likely to be different from the average price and they may be more or less favorable to the client with the special request.

As mentioned earlier, for clients choosing to have trades placed with a broker of their choosing, the option of an “Average Price Account” will not be available. For those clients, therefore, execution prices are likely to differ from the trades placed through Pershing and the execution prices may be more or less favorable than those placed through Pershing.

When buying or selling securities, UAS often uses estimates for the total number needed for all accounts and attempts to reach an exact number before the close of trading. When an exact number is not arrived at before the close of trading, allocations to client and related accounts are done after the close. In such situations, UAS uses such factors as amount of cash available in each account, a target percentage for the security based on the total value of the portfolio and the account’s risk profile, client restrictions, and other such factors. We avoid use of fractional shares and do not use a formulaic approach for such allocations. The allocation process, therefore, inherently involves judgment – just as discretionary management of the account does. UAS portfolio managers do their utmost to always serve their client’s best interests.

Similarly when implementing a buy or sell program for a security, UAS may try to reach the target percentage over a period of a few days or weeks rather than all at once. This approach may result in multiple executions of sell or buy orders for the same security in a client (or related) account. Insofar as each trade incurs commission costs, multiple trades increase transaction costs for the client. Perhaps more important is that the prices at which such trades are executed are likely to be different with some more advantageous for clients than others. As there is no way to know in advance what prices will be offered in the market place, this process results in an “average cost/price” for clients. This lack of certainty on the price movement combined with lack of interest on the part of UAS in any commissions removes the possibility of unfair treatment of client and related accounts.

Perhaps the best protection that our clients have is that UAS has a strong underlying commitment to always act in the best interests of our clients and to place their interests above all other considerations. UAS believes that its own success depends on the extent to which it can help its clients prosper. UAS has a very long term horizon, both in terms of buying and holding stocks (subject, of course, to ongoing review and fundamental evaluation) and building its business and client base. Everything UAS does, therefore, is intended to create maximum value for its clients over the long term. UAS is particularly interested in placing clients’ interests ahead of all other considerations, including the interests of related

accounts, in keeping with its responsibility as fiduciary.

Principal or Agency Cross Transactions

It is the firm's policy that UAS will not affect any principal or agency cross securities transactions for client accounts. UAS will also not cross trades between client accounts. For further clarification, principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated private fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. UAS does not effect any principal or agency cross securities transactions for client accounts.

Additional Information

At times, UAS or its related persons may purchase securities that it deems appropriate only for its or their own account. Based on the experience of UAS or its related persons holding the securities and on further research and due diligence, UAS may at a later time purchase such securities for client accounts at prices which might be higher or lower than those originally paid for own or related accounts. Kitty Hawk being managed on a more speculative basis, may contain positions that are not found in any other account.

BROKERAGE PRACTICES

Best Execution

Best execution has been defined by the SEC as the "execution of securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances." The best execution responsibility applies to the circumstances of each particular transaction and an investment adviser must consider the full range and quality of a broker-dealer's services, including, among other things, execution capability, commission rates, the value of any research, financial responsibility and responsiveness.

When placing portfolio transactions for client accounts, the primary objective of UAS is to obtain the best price and best execution, taking into account the costs, promptness of execution and other qualitative considerations. To that end, UAS has elected to clear through one of the securities industry's leading clearing firms, has striven to establish and maintain an excellent working relationship with that clearing firm and has rapid access to the clearing firm's trading departments through computer, telephone and fax services.

Pershing provides regular reports of their execution performance. For directed brokerage accounts UAS cannot impact commissions, or monitor best execution. In addition, UAS cannot use average prices for different clients even if they have the same designated broker.

Broker Analysis

UAS evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker-dealer's trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, and prior performance in serving UAS.

If UAS determines in good faith that the amount of trading costs charged by a broker-dealer is reasonable in relation to the value of the brokerage and investment management-related services provided by such broker, the client may pay trading costs to such broker in an amount greater than the amount another broker might charge.

The UAS investment committee is responsible for continuously monitoring and evaluation the performance and execution capabilities of brokers that transact orders for our client accounts to ensure consistent quality executions. In addition, UAS periodically reviews its transaction costs in light of current market circumstances and other relevant information.

Research/Soft Dollar Benefits

UAS has an arrangement with Pershing Advisor Solutions through which Pershing provides UAS with their "platform" services. The platform services include, among others, brokerage, custodial, administrative support, recordkeeping, and related services that are intended to support intermediaries such as UAS in conducting business and serving the best interests of clients. These may also be a benefit to UAS, which may otherwise have to pay for such items at its own expense. UAS does pay a fee to Pershing's Direct Brokerage Services in connection with its use of some of the platform services provided.

Pershing charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt security transactions). Pershing enables UAS to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Pershing's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Pershing may be higher or lower than those charged by other custodians and broker/dealers.

As part of the arrangement, Pershing also makes available to UAS, at no additional charge, certain research and brokerage services, including research services obtained by Pershing directly from independent research companies. Some research packages may be selected by UAS from the Pershing system and do incur an additional charge to UAS. For example, these research and brokerage services presently may include those provided by Reuters, Standard and Poor's, and Bloomberg, and may be used by UAS to manage accounts and provide advice to all clients regardless as to whether such clients use Pershing. UAS has not requested such services and research reports and generally does not use them.

Pershing also offers online access to UAS clients for a range of information regarding their accounts. Such information includes but is not limited to account statements, tax documents, trade confirmations, and market commentary.

In fulfilling its duties to its clients, UAS endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the firm's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence the firm's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Brokerage Selection

UAS acts solely as investment advisor for some clients. For other clients, UAS acts as both investment advisor and broker/dealer. Those clients who designate UAS to be their broker in addition to being their investment advisor will have their accounts maintained at the firm's clearing firm which, at present, is Pershing Division of Bank of New York ("Pershing"), one of the largest and oldest (with highest longevity) in the securities industry.

UAS will use its fully disclosed clearing firm, Pershing, to transact securities for the firm's client accounts. UAS believes that Pershing has the experience, financial stability, trading capability, market access, delivery and impartiality (Pershing does not maintain an independent retail sales force) to provide most favorable price and execution for brokerage orders in a manner that is consistent with the best interests of our investment advisory clients. At the same time, UAS will regularly review and assess Pershing's commission schedules and quality of execution to determine whether our clients continue to receive favorable pricing and service. However, clients are free to direct transactions to their broker of choice.

Unless otherwise instructed by clients, UAS typically opens new accounts for its clients either with Pershing's Advisor Solutions (PAS) or its Direct Brokerage Services. Pershing's Advisor Solutions is a full service Brokerage with its own commissions and fee schedule which it offers to the firm's clients based on a contractual agreement with UAS. These fees are subject to change from time to time.

For accounts at Direct Brokerage Services, UAS acts as introducing broker and has a contractual agreement for fees and charges with Direct Brokerage Services. UAS does not add any fees or charges of its own to those charged by Pershing (Pershing's

Advisor Solutions or Direct Brokerage Services) for any of those services. At any given time, and depending on the nature of the transaction, Pershing's Advisor Solutions fees to UAS clients may be higher or lower than those that Direct Brokerage Services charges UAS, which in turn are passed on to UAS clients. Also from time to time the quality of services offered by Pershing's Advisor Solutions or Direct Brokerage Services may be slightly superior or inferior in relation to the other.

For accounts within PAS, there is a choice of asset-based or transaction-based commissions. As UAS generally trades infrequently, transaction-based charges are generally more advantageous to clients. Periodically, UAS makes such analysis of trade-offs for its clients. UAS has selected one account for asset-based.

UAS believes, based on the firm's experience, that over time these differences result on balance in the two options providing substantially equal value to the firm's clients. Currently, it is the firm's practice to open new accounts at Pershing's Advisor Solutions unless these are restructuring of existing Direct Brokerage Services accounts or other circumstances may favor speedier processing by Direct Brokerage Services. This policy will be reviewed no less frequently than annually, and adjusted, if needed, in light of changing value equation between Pershing's Advisor Solutions and Direct Brokerage Services. In either case, UAS has no financial incentives in opening accounts at Pershing's Advisor Solutions, Direct Brokerage Services, or with any other brokerage firm. UAS' advisory management fees are separate from, and in addition to, fees and charges by Pershing's Advisor Solutions or Direct Brokerage Services division or other brokerage firms selected by clients.

Client Directed Brokerage

Certain clients may direct UAS to use particular brokers for executing transactions in their accounts. With regard to client directed brokerage, UAS is required to disclose that UAS may be unable to negotiate commissions, block or batch orders or otherwise achieve the benefits described above, including best execution. Directed brokerage commission rates may be higher than the rates UAS might pay for transactions in non-directed accounts. Therefore, directing brokerage may cost clients more money.

However, when the client designates the broker, UAS, at the client's request, will assist the client in negotiating a commission discount with the broker which takes into consideration any special services the broker might be providing to the client, and whether the broker may be providing custodial services to the client. Occasionally, the client has a pre-existing relationship with the broker, so UAS does not have significant influence in negotiating commissions in these instances, and commissions paid by the client with directed brokerage arrangements are generally higher than those otherwise obtainable.

UAS encourages each client to compare the possible costs or disadvantages of directed brokerage against the value of custodial or other services provided by the broker to the client in exchange for the directed brokerage designation.

Trade Aggregation/Allocation

It is the objective of UAS to provide a means of allocating trading and investment opportunities between advisory clients on a fair and equitable basis and in compliance with all applicable state and federal guidelines. As mentioned earlier, with respect to clients' accounts with substantially similar investment objectives and policies, UAS often seeks to purchase or sell a particular security in each account. UAS will aggregate orders consistent with the firm's duty to seek best execution and in accordance with the investment objective of each client. No client account will be unfairly favored over any other account. Each client that participates in an aggregated order will participate based on the average execution price in that particular security. Please see pages 17 and 18 for further details of this process.

REVIEW OF ACCOUNTS

Reviews

There are three levels of review at UAS. The investment committee continuously reviews the firm's list of stocks that are approved for inclusion in client portfolios. This process constitutes the primary investment function at the firm. Currently, the standing members of the investment committee are Bahman Mossavar-Rahmani, chief investment officer, and Ali Granmayeh, head of research, both of whom are general principals of the firm. (see their respective brochure supplements for background information).

Separately, portfolio manager monitors client portfolios on a continuous basis, with attention to the particular objectives, requirements and risk profile of each individual client.

Currently Bahman Mossavar-Rahmani is the firm's portfolio manager. He monitors up to 350 accounts. In addition, Ali Granmayeh reviews activity and performance in all client accounts on a continuous basis. Trades are reviewed each day. Every client is interviewed at the outset to determine their needs and overall financial situation. The above procedures are identical for fixed-income and balanced portfolios.

Reports

Confirmation of trades will be mailed by Pershing or by their designated broker to clients who requested a paper copy the day after the trade is made and also made available online at that time. Clients can expect to receive monthly account statements from Pershing or their designated brokerage firm that holds their account. Moreover, UAS will furnish clients with annual or quarterly statements of account upon written request and depending on the size and requirements of each account.

As clearly specified in the Partnership Agreement and other offering documents of the private investment partnership, Kitty Hawk, investors in Kitty Hawk do not receive trade confirmations or monthly statements. The General Partner provides summary performance information on a quarterly basis. In addition, each limited partner in Kitty Hawk Investment Partners, L.P. will receive audited year-end financial statements annually.

CLIENT REFERRALS AND OTHER COMPENSATION

Additional Economic Benefits

Solely in relation to its brokerage accounts, mutual fund companies sometimes make payments to the UAS account resulting from investments in mutual funds and/or money market funds as a result of their policies and arrangements that UAS does not welcome or solicit. In fact, UAS has attempted on various past occasions to stop these payments without success, insofar as they are apparently a built-in feature of such funds. Pershing establishes relationships with various fund companies to provide for sweeping of cash awaiting investment into money market funds to earn more attractive rates of interest. The payments to UAS, often referred to as 12-b1 fees, vary in amount, at times equaling up to 25 basis points. These fees have no impact on investment decisions made by UAS, and allocation of client assets to any money market or mutual funds are the same among accounts that may be eligible for such fees and accounts that are not.

Client Referrals

From time to time, UAS may retain independent solicitors to refer clients to UAS. Such arrangements will be pursuant to a written agreement clearly stating that the independent solicitor is not an employee of UAS and cannot provide investment advice to clients. If a client is introduced to UAS by a solicitor, UAS may pay that solicitor a referral fee in accordance with the all requirements of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the firm's portfolio management fee, and shall not result in any additional charge to the client.

If the client is introduced to UAS by a solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her solicitor relationship with UAS, and shall provide each prospective client with a copy of this written disclosure statement together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between UAS and the solicitor, including the compensation to be received by the solicitor from UAS.

CUSTODY

Separately Managed Accounts

UAS is deemed to have custody of certain client funds and/or securities because it deducts its fee directly from some client accounts. All client funds and securities are held for safekeeping and recordkeeping at unrelated custodians (i.e., Pershing). Under the current rules of the SEC, the firm's custody arrangement must meet the following criteria:

- 1) All accounts are held at a qualified custodian;
- 2) all clients are notified in writing, both at the inception of a custodial relationship and in the event of any changes in such relationship) that the custodian is holding the funds or securities, the address of the custodian, and the manner in which the assets are held; and
- 3) clients receive statements directly from the custodian on at least a quarterly basis.

UAS has taken steps to ensure that it is in compliance with these requirements. Current contact information for Pershing, visit <http://www.pershing.com>. Information will also be included on clients' quarterly statements.

Custody of client assets will be maintained with the independent custodian selected by the client. UAS will not have physical custody of any assets in the client's account except as permitted for payment of advisory fees. Clients will be solely responsible for paying all fees or charges of the custodian. Clients will authorize UAS to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the client's account.

Clients will receive directly from the custodian at least quarterly a statement showing all transactions occurring in the client's account during the period covered by the account statement, and the funds, securities and other property in the client's account at the end of the period. Clients are urged to carefully review account statements sent by their broker-dealer/custodian and to compare the account statement provided by the broker-dealer/custodian with any statements provided by UAS.

Private Investment Partnership

An affiliate of UAS is deemed to have custody over the assets held by Kitty Hawk Investment Partners, L.P.

Kitty Hawk Investment Partners, L.P. is subject to audit at least annually and audited financial statements prepared in accordance with generally accepted

accounting principles are distributed to all limited partners within 120 days of the end of its fiscal year.

INVESTMENT DISCRETION

Separately Managed Accounts

UAS' investment advisory agreement with the client provides UAS with written discretionary authority (e.g., limited power of attorney contained in the firm's investment management agreement) to make the following determinations without obtaining the consent of the client before the transactions are effected: (1) which securities are bought and sold for the account; (2) the total amount of securities to be bought and sold; (3) selecting the broker or dealer with whom orders for the purchase or sale of securities are placed for execution, unless specifically instructed to the contrary through the investment management agreement or investment policy statement; and (4) the prices and commission rates at which securities transactions are effected. The firm's authority in making investment related decisions may be limited by account guidelines, investment objectives and trading restrictions, as agreed between UAS and the client and set forth in writing in the investment management agreement.

Private Investment Partnership

As investment manager of Kitty Hawk Investment Partners, L.P. ("Kitty Hawk"), UAS is solely responsible for researching, selecting and monitoring investments and in making decisions on when and how much to invest with or withdraw from a particular investment. Limited partners in private investment funds organized as limited partnerships do not have any right to participate in management or in making investment decisions. In addition, UAS has authority to select the broker or dealer with whom orders for the purchase or sale of securities for the funds are placed for execution. UAS also has the authority to determine the prices and commission rates at which securities transactions for the Kitty Hawk is effected.

VOTING CLIENT SECURITIES

Proxy Voting

UAS does not vote proxies on behalf of its separately managed account clients. Therefore, although UAS may provide investment advisory services relative to client investment assets, it is the client that maintains exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceeding or other type events pertaining to the client's investment assets. UAS and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. UAS will, however, make tender offer elections for the client.

On rare occasions, if an issue is deemed critical, UAS may contact clients and suggest a particular vote. Clients can contact Jim Lisanti, Client Services Manager of UAS, at 212-983-5822 if they have questions regarding a particular solicitation.

Class Action Settlements

Although UAS has discretion over client accounts, it will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly. UAS will endeavor to assist clients in their efforts to collect and report relevant data in relation to such class action claims.

FINANCIAL INFORMATION

Prepayment of Fees

Because UAS does not require or accept prepayment of more than \$1,200 in fees six months or more in advance, UAS is not required to include a balance sheet with this disclosure brochure.

Financial Condition

UAS does not have any adverse financial conditions to disclose.

Bankruptcy

UAS has never been the subject of a bankruptcy petition.

PRIVACY NOTICE

UAS views protecting its clients' private information as a top priority and has instituted policies and procedures to ensure that client information is private and secure. UAS does not disclose any nonpublic personal information about its clients or former clients to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing a client's account, UAS may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers, etc. UAS restricts internal access to nonpublic personal information about the client to those persons who need access to that information in order to provide services to the client and to perform administrative functions for UAS. As emphasized above, it has always been and will always be the policy of UAS never to sell information about current or former clients or their accounts to anyone. It is also the firm's policy not to share information unless required to process a transaction, at the request of a client, or as required by law.

For the full text of the firm's Privacy Policy, please contact Jim Lisanti, Client Services Manager of UAS, at 212-983-5822.

ANTI-MONEY LAUNDERING

UAS has adopted an anti-money laundering policy consistent with the requirements of the United States PATRIOT Act.

CLIENT COMPLAINTS

Clients may contact Jim Lisanti, Client Services Manager of UAS, at 212-983-5822 to submit a complaint. Written complaints should be sent to UAS Asset Management, Inc., 441 Lexington Avenue, Suite 1220, New York, NY 10017.