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 Section 8A of the Securities Act of 1933 ("Securities Act"), Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act"), and Sections 9(b) and 9(f) of the Investment Company Act of 1940 ("Investment Company Act") against UBS Willow Management L.L.C. ("UBS Willow Management") and pursuant to Section 203(e) of the Advisers Act against UBS Fund Advisor L.L.C. ("UBS Fund Advisor," and collectively with UBS Willow Management, "Respondents").

In anticipation of the institution of these proceedings, Respondents have 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 them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, and Sections 9(b) and 9(f) of the Investment Company 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 Respondents’ Offer, the Commission finds that:

Summary

1. These proceedings arise from UBS Willow Management’s misrepresentations and omissions concerning a material change in the investment strategy1 of UBS Willow Fund L.L.C. (the “Fund”), a continuously offered, closed-end, registered investment company and UBS Willow Management’s only client. From the Fund’s inception in 2000, UBS Willow Management marketed the Fund as a product that primarily invested in distressed debt (i.e., a thesis that debt would increase in value). UBS Willow Management pursued this investment strategy until 2008, when it changed course and shorted credit (i.e., a thesis that debt would decrease in value) by purchasing large amounts of credit default swaps (“CDS”) for the Fund. Indeed, by fall 2008, the Fund had transitioned from its historical long-credit position and became net short credit. Thereafter, the Fund remained net short credit through its CDS exposure. Ultimately, the CDS exposure resulted in significant losses at the Fund and, in part, as a result of those losses, the Fund’s board of directors (“Board”) liquidated the Fund in 2012.

2. Once the Fund had become net short credit, UBS Willow Management misrepresented the Fund’s investment strategy (and its risks) in various communications to investors, prospective investors and the Board, and caused the Fund to misrepresent the strategy in filings with the Commission. In particular, the Fund’s Offering Memorandum (“OM”) misrepresented the Fund’s investment strategy from fall 2008 to 2012 because UBS Willow Management failed to update it to reflect the change from long credit to short credit. Similarly, from fall 2008 to May 2009, UBS Willow Management provided potential investors with a marketing brochure representing that the Fund had a long-credit investment strategy and used CDS “occasionally,” when the Fund actually had moved to a short-credit investment strategy largely driven by CDS. From fall 2008 to August 2011, UBS Willow Management also disseminated investor letters with false or misleading information about the Fund’s CDS exposure. Finally, from fall 2008 through the Fund’s liquidation in 2012, UBS Willow Management caused the Fund to misrepresent its investment strategy in shareholder reports filed with the Commission.

3. UBS Fund Advisor had contractual control and supervisory authority over UBS Willow Management. Accordingly, UBS Fund Advisor was obligated to ensure that UBS Willow Management adhered to the Fund’s stated investment strategy and that UBS Willow Management adequately disclosed the Fund’s investment strategy to the Board and investors. UBS Fund Advisor was aware of the investment strategy change, but did not cause UBS Willow Management

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1 As used in this Order, the term “investment strategy” refers to the principal portfolio emphasis of the Fund, including the types of securities in which it invests or will invest principally.
to revert to an investment strategy consistent with the Fund’s disclosures. Moreover, after the change in principal investment strategy, UBS Fund Advisor failed to ensure adequate disclosure of the change to the Fund’s Board or investors. By allowing UBS Willow Management to deviate from the principal investment strategy without adequate disclosure to the Fund’s Board or investors, UBS Fund Advisor failed reasonably to supervise UBS Willow Management.

Respondents

4. UBS Willow Management L.L.C. (“UBS Willow Management”), which ceased operations in 2014, was a Delaware limited liability company with its principal place of business in New York, New York. UBS Willow Management was registered with the Commission as an investment adviser from March 2000 until it voluntarily terminated its registration in February 2014. UBS Willow Management was organized as a joint venture between UBS Fund Advisor and Bond Street Capital L.L.C. (“Bond Street”), a third-party portfolio manager. UBS Willow Management’s sole purpose was to provide investment advice to the Fund. UBS Willow Management was formerly known as PW Willow Management L.L.C.

5. UBS Fund Advisor L.L.C. (“UBS Fund Advisor”) is a Delaware limited liability company with its principal place of business in New York, New York. UBS Fund Advisor has been registered with the Commission as an investment adviser since 1998. As of April 2014, UBS Fund Advisor had approximately $5.6 billion in regulatory assets under management. UBS Fund Advisor is an indirect, wholly-owned subsidiary of UBS AG and is part of UBS’s Wealth Management Americas division. UBS Fund Advisor was formerly known as PW Fund Advisor L.L.C. UBS Fund Advisor was the controlling member of UBS Willow Management from incorporation until September 2010.2

Other Relevant Entities

6. UBS Willow Fund L.L.C. (“Fund”), no longer in business, was a Delaware limited liability company with its principal place of business in New York, New York. The Fund was a continuously offered, closed-end, non-diversified investment company registered under the Investment Company Act. The Fund was formerly known as PW Willow Fund L.L.C. and UBS PW Willow Fund L.L.C. UBS Willow Management served as investment adviser to the Fund, which commenced operations in May 2000, and ceased to be registered under the Investment Company Act pursuant to an order issued under Section 8(f) of that Act in January 2014. At its peak in 2007, the Fund had $512 million in net assets.

7. Bond Street Capital L.L.C. (“Bond Street”), no longer in business, was UBS Fund Advisor’s joint venture partner in UBS Willow Management. Bond Street was a limited liability company formed and based in Englewood Cliffs, New Jersey. Bond Street was registered with the Commission as an investment adviser from March 2000 to March 2014.

2 Unless otherwise noted, references to UBS Fund Advisor pertain to the period through September 2010, when it was the controlling member of UBS Willow Management.
Background

8. UBS Willow Management was formed in 2000 as a joint venture between UBS Fund Advisor and Bond Street for the sole purpose of providing investment advice to the Fund (see organizational chart below). Subject to UBS Fund Advisor’s supervision, Bond Street, a small adviser with few employees, was responsible for developing and implementing the Fund’s investment strategy. UBS Fund Advisor, through UBS Willow Management and other UBS affiliates, performed all other operations related to the Fund, including marketing, sales, the review and dissemination of investor letters, and the preparation of regulatory filings. Pursuant to the investment advisory agreement between UBS Willow Management and the Fund, the Fund paid UBS Willow Management an advisory fee at the annual rate of 1.25% (plus a conditional incentive allocation of 20%) for providing investment advice to the Fund. From the third quarter of 2008 through the end of 2011, UBS Willow Management received $8,223,112 in revenue for providing such advice.

9. UBS Fund Advisor had ultimate responsibility for the Fund’s investments. UBS Willow Management’s Limited Liability Company Agreement (“L.L.C. Agreement”) designated UBS Fund Advisor as “Managing Member” and Bond Street as “Non-Managing Member.” As Managing Member, UBS Fund Advisor had the unlimited authority to “manage and direct ... the investment activities of [the Fund].” While Bond Street was responsible for day-to-day portfolio management, its investment decisions were “subject to the supervision of the Managing Member [i.e., UBS Fund Advisor].” Under the L.L.C. Agreement, UBS Fund Advisor could terminate Bond Street (without Board approval) if it determined that doing so was in the Fund’s “best interests.”

Offering Memorandum

10. UBS Willow Management began offering the Fund in May 2000 and continued to offer the Fund through at least July 2012. During that period, the Fund’s OM stated that the investment objective was to “maximize total return” and that the Fund sought to achieve its objective by “investing primarily in debt securities ... of U.S. companies that are experiencing significant financial or business difficulties.” Investing in distressed debt is a long-credit strategy,
meaning that the value of the Fund’s investments could be expected to increase if the perceived credit quality of debt issuers improved.

11. While the OM identified investing in distressed debt as the Fund’s principal portfolio emphasis, it also authorized the Fund to buy and sell a range of other securities, including derivative instruments, for both hedging and speculative purposes. The OM noted that derivatives “can be volatile” and “involve various degrees of risk” and that derivatives “may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on the Fund’s performance.” The OM did not contain any specific disclosures for CDS, which were not widely traded at the time that the Fund was initially offered to the public, but which are, in fact, derivatives.

**UBS Willow Management Changed the Fund’s Investment Strategy**

12. From the Fund’s inception until 2008, UBS Willow Management invested Fund assets primarily in distressed debt, and these long-credit investments drove the Fund’s performance. While the Fund occasionally bought and sold derivatives, including CDS, the CDS exposure was modest.3 Prior to 2008, the notional amount of CDS never exceeded the Fund’s net assets, and the market value of the CDS portfolio was never more than 2.6% of the Fund’s net assets. During this period, the Fund consistently maintained a net long-credit position.

13. Beginning around 2008, Bond Street began to believe that credit market conditions would deteriorate. In response, Bond Street, with UBS Fund Advisor’s knowledge, changed the Fund’s investment strategy. In 2008 and early 2009, Bond Street significantly increased the Fund’s short exposure by making large CDS purchases. At the beginning of 2008, the notional size of the Fund’s CDS portfolio was $315 million. By the end of the first quarter of 2009, this increased to a notional size of nearly $2.4 billion.4 In market value terms, the CDS portfolio grew from 2.6% of net assets at the beginning of 2008 to 25% by the end of the first quarter of 2009.

14. The large CDS portfolio dramatically changed the Fund’s risk profile. CDS has synthetic leverage, meaning that its value is highly sensitive to changes in the value of the underlying debt. In other words, CDS values move significantly more than traditional bond prices in response to credit market fluctuations. Accordingly, even though the market value of the CDS portfolio comprised less than a quarter of the Fund’s net assets in 2008, the CDS portfolio was the primary driver of the Fund’s performance from fall 2008 until the Fund was liquidated. Indeed, the disproportionate impact of the CDS exposure caused the Fund to become net short credit. By fall 2008, instead of primarily investing in distressed debt, as disclosed in the OM, the Fund was primarily shorting distressed debt. Moreover, because of its inherent synthetic leverage, the CDS portfolio amplified the Fund’s profit and losses, making the Fund more volatile.

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3 CDS is a financial instrument that provides protection against default by a debt issuer. As a buyer of CDS, the Fund paid premiums in exchange for a potential payoff if the debt issuer defaulted. Buying CDS is a short-credit strategy because CDS gains value if the debt issuer’s credit deteriorates. Conversely, CDS decreases in value if the debt issuer’s credit improves.

4 The Fund was never exposed to losses in the amount of the CDS portfolio’s notional value. The Fund’s risk of loss was based on the premiums outstanding and the market value loss of the CDS position.
15. The change in investment strategy contributed to significant losses for the Fund. Starting around April 2009, credit conditions began to improve and distressed debt increased in value, leading to large mark-to-market losses for the Fund’s CDS portfolio. In addition, the high cost of maintaining the CDS positions (exceeding 25% of the Fund’s assets by 2010) contributed to the Fund’s losses. In 2012, the Fund performed very poorly in large part because of its short-credit CDS portfolio, and the Board voted to liquidate the Fund.

**UBS Willow Management Did Not Adequately Disclose the Fund’s Change in Investment Strategy to the Board or Investors**

16. UBS Willow Management did not adequately disclose the investment strategy change and the risks related to the change to the Fund’s Board. Further, UBS Willow Management misrepresented the Fund’s investment strategy in various investor communications and did not amend the OM to reflect the change in strategy.5

17. UBS Fund Advisor, acting on behalf of UBS Willow Management, met regularly with the Board, but from fall 2008 to May 2009 it failed to ensure adequate disclosure to the Board of the Fund’s change in investment strategy. Further, from May 2009 to August 2011, UBS Willow Management did not adequately disclose significant, known risks posed by the Fund’s large CDS exposure. For example, on the morning of the May 2009 Board meeting, UBS Fund Advisor received the results of a recent stress test showing large potential CDS losses. UBS Fund Advisor did not inform the Board of the stress test results. Similarly, UBS Willow Management did not alert the Board to the substantial cost of maintaining the CDS positions, which, by 2010, annually exceeded 25% of the Fund’s net assets.

18. From fall 2008 until the Fund was liquidated in 2012, UBS Willow Management provided prospective investors with a materially false OM. In that period, UBS Willow Management continued to use the Fund’s original OM that described a long-credit principal investment strategy of investing in distressed debt. Beginning in fall 2008, the OM’s description of the Fund’s principal investment strategy was false because the Fund was actually short credit and betting against distressed debt.

19. From fall 2008 to May 2009, UBS Willow Management similarly provided prospective investors with a marketing brochure containing false statements about the Fund’s investment strategy. For example, the brochure identified “general widening of credit spreads” - a risk of a long-credit distressed debt strategy - as a potential risk of the Fund. At the time, however, the Fund’s short-credit exposure meant that the actual risk was from tightening credit spreads. Similarly, the brochure referred to the Fund’s “occasional” use of CDS, when, in fact, CDS was the primary driver of the Fund’s performance at that time. In May 2009, UBS Willow Management, at the direction of UBS employees, stopped providing prospective investors with the brochure.

20. From fall 2008 to August 2011, UBS Willow Management disseminated investor letters containing false or misleading statements about the Fund’s investment strategy. For

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5 The Fund’s financial statements filed with the Commission contained certain information about the CDS holdings, but this information did not sufficiently convey the risks associated with the Fund’s increased reliance on CDS.
example, the quarterly letters during this period referenced benchmark indices inapplicable to the Fund’s short-credit strategy. There also was a misleading statement about the Fund’s leverage. The fourth quarter 2008 letter represented that the Fund did not use leverage. Although the Fund did not utilize leverage in the traditional sense of investing with borrowed money, the Fund relied heavily on CDS, which has inherent synthetic leverage. Similarly, the first quarter 2009 letter contained misleading information about the cost of maintaining the CDS portfolio. Only in the August 2011 investor letter did UBS Willow Management provide current Fund investors with a complete explanation of the effect of the CDS positions on Fund performance and the risks posed by the large CDS exposure.

21. UBS Willow Management was aware of the change in the Fund’s investment strategy and knew or should have known that the representations in the OM, marketing brochure, and investor letters were false or materially misleading. UBS Willow Management also knew or should have known that it omitted certain material information about the change in investment strategy in discussions with the Board.

**UBS Willow Management Did Not Adequately Disclose the Change in Investment Strategy in the Registration Statement or Annual Shareholder Report**

22. Form N-2, the registration statement for closed-end investment companies, requires the investment company to describe the investment objectives and policies constituting the Fund’s principal portfolio emphasis. The principal portfolio emphasis includes the types of investments, investment policies, practices, and techniques that the investment company employs or intends to employ, the extent to which it may engage in investment policies, and the risks inherent in such policies. Form N-2 also requires a closed-end registered investment company to discuss the principal risk factors associated with investment in the investment company.

23. Investment Company Act Rule 8b-16(a) requires that a registered management investment company amend its registration statement annually. Rule 8b-16(b) provides that a closed-end fund need not amend its registration statement provided that it includes certain information in its annual shareholder reports, including any material changes in the fund’s investment objectives or policies that have not been approved by shareholders and any material changes in the principal risk factors associated with investment in the fund.

24. From fall 2008 until the Fund was liquidated, UBS Willow Management caused the Fund to make filings with the Commission that misrepresented the Fund’s investment strategy and principal risk factors. Pursuant to Section 30(e) of the Investment Company Act, the Fund was required to file certified shareholder reports on Form N-CSR with the Commission. In each of the Fund’s semi-annual and annual Forms N-CSR from December 31, 2008 through liquidation, the Fund stated that it sought to achieve its investment objective of maximizing total return “with low volatility by making investments in distressed assets.” In fact, the increased emphasis on CDS was high volatility, with performance driven by shorting distressed assets. UBS Willow Management never amended the Fund’s registration statement on Form N-2 to reflect the new emphasis on CDS. UBS Willow Management provided prospective investors with these Forms N-CSR during the relevant period.
25. UBS Willow Management was aware of the change in the Fund’s investment strategy and knew or should have known that the representations in the Fund’s Forms N-CSR were false or materially misleading and that the Fund had not updated its registration statement or disclosed the change in investment strategy in its annual shareholder report.

**UBS Fund Advisor was Aware of UBS Willow Management’s Deviation from the Fund’s Disclosures and Did Not Ensure Adequate Disclosure of the Fund’s Change in Investment Strategy**

26. UBS Fund Advisor, the Managing Member of UBS Willow Management, was aware of the change in investment strategy. UBS Fund Advisor had real-time access to all of the Fund’s holdings, and UBS Fund Advisor had multiple discussions with Bond Street’s principal concerning the Fund’s CDS exposure.

27. Despite this knowledge, UBS Fund Advisor did not direct UBS Willow Management to reduce the Fund’s CDS exposure or ensure that UBS Willow Management adequately disclosed the change in investment strategy to the Board or investors. Under the L.L.C. Agreement, UBS Fund Advisor, as the Managing Member of UBS Willow Management, had the ultimate authority for the Fund’s investments, but UBS employees acting on behalf of UBS Fund Advisor were not aware of these contractual powers and failed to exercise this authority. By failing to direct UBS Willow Management to invest Fund assets in a manner consistent with the disclosed investment strategy, to direct UBS Willow Management to disclose the changed investment strategy, and to prevent UBS Willow Management from making material misrepresentations about the Fund’s investment strategy, UBS Fund Advisor failed reasonably to supervise UBS Willow Management.

**Violations**

28. As a result of its misrepresentations to prospective investors in the OM, marketing brochure, and Forms N-CSR, UBS Willow Management willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act, which, respectively, prohibit making untrue statements of material fact or material omissions in the offer or sale of securities and engaging in a course of business which operates as a fraud or deceit in the offer or sale of securities. A violation of Section 17(a)(2) or 17(a)(3) may rest on a finding of simple negligence; scienter is not required. *SEC v. Hughes Capital Corp.*, 124 F.3d 449, 453-54 (3d Cir. 1997).

29. As a result of its failure to inform the Fund’s Board of the investment strategy change, and of certain material risks posed by the change, UBS Willow Management willfully violated Section 206(2) of the Advisers Act, which prohibits an investment adviser from engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client. A violation of Section 206(2) may rest on a finding of simple negligence; scienter is not required. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 195 (1963)).

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6 A willful violation of the securities laws merely means “‘that the person charged with the duty knows what he is doing.’” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “‘also be aware that he is violating one of the Rules or Acts.’” *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).
30. As a result of its misrepresentations to investors in the OM, marketing brochure, Forms N-CSR, and investor letters, UBS Willow Management willfully violated Section 206(4) of the Advisers Act and Rules 206(4)-8(a)(1) and 206(4)-8(a)(2) thereunder, which, respectively, make it unlawful for any adviser to a pooled investment vehicle to make any false or misleading statement of material fact to any investor or prospective investor in the pooled investment vehicle and make it unlawful to engage in any act, practice, or course of business that is fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle. A violation of Section 206(4) or Rule 206(4)-8(a)(1) or 206(4)-8(a)(2) may rest on a finding of simple negligence; scienter is not required. SEC v. Steadman, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing SEC v. Capital Gains Research Bureau, Inc., 375 U.S. 180, 195 (1963)).

31. As a result of its misrepresentations in the Forms N-CSR, UBS Willow Management caused the Fund to violate Section 34(b) of the Investment Company Act, which, among other things, makes it unlawful for any person to make any untrue or misleading statement of material fact in any registration statement, application, report, account, record, or other document filed with the Commission under the Investment Company Act. A violation of Section 34(b) may rest on a finding of simple negligence; scienter is not required. In the Matter of Chariot Advisors, LLC, et al., Investment Company Act Release No. 31149, at 9 (July 3, 2014).

32. As a result of its failure to cause the Fund to file an amended registration statement or to disclose the change in investment strategy in the annual shareholder report, UBS Willow Management caused the Fund to violate Rule 8b-16 of the Investment Company Act, which requires that a material change in the Fund’s investment objectives and policies constituting its principal portfolio emphasis be disclosed either in an amended registration statement on Form N-2, or in the annual shareholder report. A violation of Rule 8b-16 does not require scienter.

33. As a result of the conduct described above, UBS Fund Advisor failed reasonably to supervise UBS Willow Management, with a view to preventing violations of the federal securities laws, while UBS Willow Management was subject to UBS Fund Advisor’s supervision, within the meaning of Section 203(e)(6) of the Advisers Act. A failure reasonably to supervise within the meaning of Section 203(e)(6) does not require scienter.

**Undertakings**

34. Respondents UBS Willow Management L.L.C. and UBS Fund Advisor L.L.C, jointly and severally, have undertaken, as set forth below, to compensate Fund investors for investor losses suffered while the Fund was invested in a manner inconsistent with the Fund’s stated investment strategy.

35. Respondents have undertaken to compensate Fund investors for losses attributable to the Fund’s change in investment strategy. Respondents have assessed how the change in investment strategy affected Fund investors. Using a methodology not unacceptable to the Commission staff, Respondents compared the Fund’s actual performance to that of a hypothetical portfolio in which the market value of the CDS positions was limited to no more than ten percent of the Fund’s net assets (an approximation of the point at which the Fund deviated from its stated
investment strategy), and determined that the performance of the hypothetical portfolio exceeded that of the actual portfolio by $4,903,620 (the “Investor Losses”).

36. Respondents have undertaken to make, within the time frames discussed below, a payment to the affected Fund investors in the amount of $13,126,730 (the “Distribution”), comprising the disgorgement ordered below and Investor Losses.

37. Respondents shall be responsible for administering the payment of the Distribution to the affected Fund investors. Respondents shall:

i. Deposit the amount of the Distribution into a segregated account such as a separate bank account (the “Distribution Account”) within 60 days of the date of entry of the Order and provide the Commission staff with evidence of such deposit in a form acceptable to the Commission staff;

ii. Submit to the Commission staff for its approval, within 90 days of the date of entry of the Order, a disbursement calculation (the “Calculation”) that identifies (1) each Fund investor that will receive a portion of the Distribution,7 (2) the exact amount of that payment as to each Fund investor,8 and (3) the methodology used to determine the exact amount of that payment as to each Fund investor; and

iii. Complete payment to all affected Fund investors within 60 days of the staffs approval of the Calculation.9

38. Respondents agree to be responsible for all of Respondents’ tax compliance responsibilities associated with the Distribution and shall retain any professional services necessary. The costs and expenses of any such professional services shall be borne by Respondents, and the payment of taxes applicable to the Distribution Account, if any, shall not be paid out of Distribution funds.

39. Within 90 days after Respondents have completed payment of the Distribution, Respondents shall submit to the Commission staff a final accounting, in a form acceptable to the Commission, and certification of the disposition of the Distribution. The final accounting and certification shall include but not be limited to: (1) the amount paid to each payee; (2) the date of each payment; (3) the check number or other identifier of money transferred or proof of payment made; (4) the date and amount of any returned payment; and (5) a description of any effort to locate a prospective payee whose payment was returned, or to whom payment was not made due to factors beyond Respondents’ control. Any and all supporting documentation for the accounting and certification shall be provided to the Commission staff upon request. Respondents shall

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7 For the purposes of this Order and the Calculation, affected Fund investors shall not include principals or other investment personnel employed by Bond Street.

8 Fund investors who already have received compensation from UBS in connection with the conduct described herein will have their payments reduced accordingly.

9 If there are any funds remaining in the Distribution Account after Respondents have attempted to complete payment to all affected Fund investors, the remaining funds shall be transferred to the Commission for transmittal to the United States Treasury.
cooperate with reasonable requests for information in connection with the accounting and certification.

40. After Respondents have submitted the final accounting to the Commission staff, the staff shall submit the final accounting to the Commission for approval.

41. Commission staff may extend any of the Distribution procedural dates set forth above for good cause shown. Deadlines for dates relating to the Distribution shall be counted in calendar days, except if the last day falls on a weekend or federal holiday, the next business day shall be considered to be the last day.

42. In determining whether to accept the Offer, the Commission has considered these undertakings.

IV. In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents’ Offer.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 203(e) and 203(k) of the Advisers Act, and Sections 9(b) and 9(f) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent UBS Willow Management L.L.C. cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act, Sections 206(2) and 206(4) of the Advisers Act and Rules 206(4)-8(a)(1) and 206(4)-8(a)(2) thereunder, and Section 34(b) of the Investment Company Act and Rule 8b-16 thereunder.

B. Respondents UBS Willow Management L.L.C. and UBS Fund Advisor L.L.C. are censured.

C. Respondents, jointly and severally, shall pay disgorgement of $8,223,110, reflecting the revenues Respondent UBS Willow Management L.L.C. received from advising the Fund from the third quarter of 2008 through the end of 2011, to affected Fund investors in accordance with their undertakings enumerated in paragraphs 34-42 of Section III above.

D. Respondents, jointly and severally, shall, within 30 days of the entry of this Order, pay prejudgment interest of $1,373,436.74 and a civil money penalty of $3,000,000, for a total sum of $4,373,436.74, to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury in accordance with Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Payment must be made in one of the following ways:
(1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondents may pay by certified check, bank cashier’s check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying UBS Willow Management L.L.C. and/or UBS Fund Advisor L.L.C. as Respondents in these proceedings, and the file number of these proceedings. A copy of the cover letter and check or money order must be simultaneously sent to Julie M. Riewe, Co-Chief, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 100 F St., N.E., Washington, DC 20549-5010.

By the Commission.

Brent J. Fields
Secretary