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Mail: P.O. BOX 13167
AUSTIN, TEXAS 78711-3167

Texas State Securities Board

E. WALLY KINNEY
MEMBER

Phone: (512) 305-8300
Facsimile: (512) 305-8310

208 E. 10th Street, 5th Floor
Austin, Texas 78701-2407
www.ssb.state.tx.us

DAVID A. APPEBY
MEMBER

ALAN WALDROP
MEMBER

**SOAH DOCKET NO. 312-11-8406
SSB DOCKET NO. IC11- 06**

IN THE MATTER OF THE
INVESTMENT ADVISER
REGISTRATION OF
SELECT ASSET MANAGEMENT, LLC

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Order No. IC12-REV-01

CONSENT ORDER

Be it remembered that Select Asset Management, LLC ("Respondent SAM"), by and through Steven A. Harr, the court appointed Receiver, appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order"), without admitting or denying any of the Findings of Fact and Conclusions of Law herein, except for Findings of Fact 1, 2, and 25 through 30 and Conclusion of Law 7, which are deemed admitted.

FINDINGS OF FACT

1. Respondent SAM has waived (a) Respondent SAM's right to notice and hearing in this matter; (b) Respondent SAM's right to appear and present evidence in this matter; (c) Respondent SAM's right to appeal this order; and (d) all other procedural rights granted to Respondent SAM by The Securities Act, TEX. REV. CIV. STAT. ANN. art 581-1 et seq. (West 2010) ("Texas Securities Act") and the Administrative Procedure Act, TEX. GOV'T CODE ANN. § 2001.001 et seq. (West 2008 & Supp. 2010)("Administrative Procedure Act").
2. Respondent SAM is a Texas limited liability company and its last known business address as shown by records of the Texas State Securities Board is 4000 Washington, Suite 200, Houston, Texas 77007. On July 23, 2008, Respondent SAM registered with the Securities Commissioner as an investment adviser. This registration is currently effective.
3. Respondent SAM and Brian Bjork ("Bjork") maintained significant affiliations with an individual named Joel David Salinas, the J. David Group of Companies, Inc. ("J. David Group"), and the J. David Salinas Family Trust (later SFT Partners, LLC)("Salinas Family Trust"). The J. David Group included, among other entities,

the J. David Financial Group, L.P. (“JDFG”). Mr. Salinas served as the President of the J. David Group until his death, apparently by suicide, on July 17, 2011.

4. The Salinas Family Trust maintained a significant ownership interest in Respondent SAM.
5. In connection with a civil action filed by the United State Securities & Exchange Commission, on August 1, 2011, Mr. Harr was appointed as the Receiver over Respondent SAM and other individuals and entities. Prior to August 1, 2011, Bjork controlled Respondent SAM.
6. On August 1, 2011, the Inspections & Compliance Division of the Texas State Securities Board filed a Notice of Hearing initiating an administrative action against Respondent SAM and Bjork related to the conduct described in this Order.

A. Purported Investments with JDFG

i. Misrepresentations by Respondent SAM

7. From at least as early as 2004 through December 2006, Bjork represented to clients that he was purchasing corporate bonds for their accounts with JDFG.
8. After Respondent SAM started doing business in January 2007, Bjork continued to represent to clients that he was purchasing corporate bonds through JDFG for the clients’ accounts at Respondent SAM.
9. However, Bjork did not purchase the bonds. Furthermore, Salinas, the J. David Group, and JDFG did not purchase bonds for clients.
10. In addition to Bjork’s representations, Respondent SAM furthered the impression that client accounts held bonds through JDFG by listing these purported holdings on Respondent SAM’s client account statements (“SAM account statements”).
11. The SAM account statements only listed very general information about each purported bond holding – the issuer name; the interest rate; and the maturity date. Notably, the SAM account statements did not list a CUSIP number for each bond, which is necessary to identify the exact bond held.
12. Respondent SAM was responsible, in part, for the creation of the SAM account statements.

ii. Respondent SAM’s Failures to Disclose

13. The J. David Group and JDFG have never been registered broker-dealers or investment advisers. Accordingly, the J. David Group and JDFG would have to conduct all transactions associated with the purported bonds at a third-party

broker-dealer firm. As a registered investment adviser, Respondent SAM knew these facts.

14. Nonetheless, Respondent SAM and Bjork did not verify the purported bond holdings with any registered broker-dealer. In connection with the sale of the purported bonds, Respondent SAM intentionally did not disclose to clients the material fact that Respondent SAM and Bjork had not verified the holdings as represented on the SAM account statements.
15. The J. David Group and JDFG needed to be registered with the Securities Commissioner to engage in the sale of the bonds to the clients in Texas. However, in connection with the sale of the purported bonds, Respondent SAM intentionally did not disclose to clients the material fact that Respondent SAM was dealing with entities that were not registered as required.

B. Loans to Affiliates by Investment Funds

16. Respondent SAM and Bjork were involved in the creation of two private funds and the sale of interests in those private funds. The funds, named Select Asset Fund I, LLC ("Fund I") and Select Asset Prime Index Fund ("Index Fund"), were to be managed by an affiliated company, Select Capital Management, LLC ("Select Capital"). Select Capital is a wholly-owned subsidiary of Respondent SAM, and Bjork is identified as an officer of Select Capital.
17. Fund I opened in or about August 2007 and raised at least \$8.6 million from investors, including Respondent's clients. The Index Fund opened in September 2009 and raised about \$5.3 million from investors.
18. The private placement memorandum ("PPM") for Fund I stated that Fund I would build a "portfolio of commercial loans primarily by purchasing loan participations and syndications and investing in other commercial loan funds commonly referred to as collateralized debt obligations (CDOs)."
19. The PPM for the Index Fund indicated a similar purpose, and further indicated that the Index Fund could "originate short-term secured commercial loans" and "invest in municipal bonds".
20. Respondent SAM provided the PPMs to clients and other investors in connection with the sale of interests in the respective funds.
21. Neither PPM disclosed that Fund I or the Index Fund could enter into loan arrangements with affiliates of the funds.
22. Yet, both Fund I and the Index Fund loaned money to affiliates. For example, beginning in March 2008, Fund I began to loan money to Selected Market Insurance Group, LLC ("Selected Market"). Selected Market was an affiliate of Fund I because its majority owner was Salinas, whose family trust was also the

majority owner of Respondent SAM. Ultimately, Fund I loaned \$2 million to Selected Market.

23. Furthermore, the Index Fund loaned \$780,000 to Selected Market and \$400,000 to the J. David Group from investor funds placed into the Index Fund.
24. Respondent SAM knew or should have known about these loans to affiliates. However, they continued to recommend and sell interests in each fund after the loans were made without informing the clients of the loans or that the PPMs failed to disclose the loans to affiliates.

C. Failure to Comply with Undertaking and Prior Order

25. On July 23, 2008, the Securities Commissioner entered a Disciplinary Order (“Order”) against Respondent SAM and Bjork. The Order was based primarily on violations of Section 12.B of the Texas Securities Act. Section 12.B requires registration or notice-filing with the Securities Commissioner, unless otherwise exempt, prior to rendering services as an investment adviser in Texas. Additionally, the Order concluded that Respondent SAM and Bjork had also engaged in inequitable practices in rendering services as an investment adviser.
26. In addition to assessing a fine against Respondent SAM, the Order required Respondent SAM to comply with an Undertaking.
27. The Undertaking required Respondent SAM to retain an independent outside compliance specialist (the “Consultant”) to fully review at least one (1) time every six (6) months from the date that this Undertaking is entered for a period of twenty four (24) months from the date that this Undertaking is entered, the following areas for compliance with all applicable securities laws and regulations:
 - a. All advertisements and form correspondence used by [Respondent] Select Asset Management and/or Bjork;
 - b. The registration status of each employee of [Respondent] Select Asset Management to ensure that all necessary registrations have been obtained and are being properly maintained; and
 - c. All paper and electronic filings with the Securities Commissioner on behalf of [Respondent] Select Asset Management and/or any of [Respondent] Select Asset Management’s investment adviser representatives.
28. However, Respondent SAM failed to retain an independent outside consultant as required by the Undertaking.
29. Respondent SAM’s failure to retain an independent outside consultant is a violation of an Undertaking with the Securities Commissioner.

30. Furthermore, because the July 23, 2008 Order mandated that Respondent SAM comply with the Undertaking, Respondent SAM's failure to comply with the Undertaking is a violation of an order issued by the Securities Commissioner.

CONCLUSIONS OF LAW

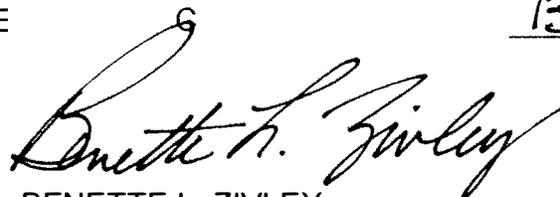
1. Respondent SAM's creation and dissemination of the SAM account statements was a fraudulent business practice.
2. Respondent SAM's intentional failures to disclose material facts constitute fraudulent business practices.
3. Respondent SAM's recommendations and sales of Fund I and the Index Fund after Respondent SAM knew or should have known about the undisclosed loans to affiliates constitute fraudulent business practices.
4. Respondent SAM's failure to retain an independent outside consultant is a violation of an Undertaking with the Securities Commissioner.
5. Furthermore, because the July 23, 2008 Order mandated that Respondent SAM comply with the Undertaking, Respondent SAM's failure to comply with the Undertaking is a violation of an order issued by the Securities Commissioner.
6. Pursuant to Section 14.A(3) of the Texas Securities Act, the fraudulent business practices described above are bases for revoking Respondent SAM's registration with the Securities Commissioner.
7. Pursuant to Section 14.A(11) of the Texas Securities Act, Respondent SAM's violations of the Undertaking and the Order constitute bases for the revocation of Respondent SAM's registration with the Securities Commissioner.

ORDER

It is hereby ORDERED that the investment adviser registration of Select Asset Management, LLC is REVOKED.

SIGNED AND ENTERED BY THE SE
day of October, 2011.

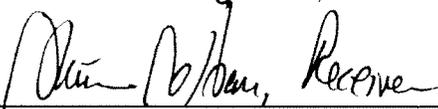
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BENETTE L. ZIVLEY
Securities Commissioner

Respondent:

Select Asset Management, LLC


By: Steve Harr, Receiver

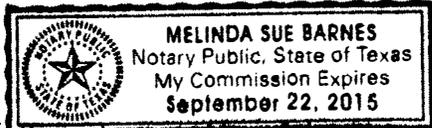
Approved as to Form:


Ronak V. Patel
Director
Inspections and Compliance Division

ACKNOWLEDGMENT

On the 26th day of September, 2011 Select Asset Management, LLC ("Respondent SAM"), by and through Steve Harr, the Receiver, personally appeared before me, executed the foregoing Order, and acknowledges that:

1. Steve Harr is duly authorized to enter into the foregoing Order on behalf of Respondent SAM;
2. Steve Harr has read the foregoing Order;
3. Respondent SAM has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent SAM knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
5. Respondent SAM, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.



[attach notary seal here]

Melinda Sue Barnes
Notary Public in and for
the State of Texas

My commission expires on: Sept. 22, 2015