



800 N. Brand Boulevard, 16<sup>th</sup> Floor,  
Glendale, CA 91203  
(800) 634-1100  
[www.unionbank.com/invest](http://www.unionbank.com/invest)

Managed Account Solutions  
Form ADV Part 2A (“Brochure”)

March 30, 2017

This Brochure provides information about the qualifications and business practices of UnionBanc Investment Services LLC. If you have any questions about the contents of this Brochure, please contact us at (800) 634-1100. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

UnionBanc Investment Services LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about UnionBanc Investment Services LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Below is a summary of material changes made to the prior version of the Form ADV Part 2A Brochure dated July 1, 2016:

- By the end of April 2017, investment models managed by HighMark Capital Management, Inc., an affiliated registered investment adviser, will no longer be offered through the Fund Strategist Portfolio and Separately Managed Account Sub-programs.
- By the end of April 2017, the Personal Portfolio Solutions Program will no longer be offered in tax-qualified account such as, but not limited to, Individual Retirement Accounts and various types of Defined Benefit and Contribution Plans.

Additional non-material changes that update, enhance or further clarify existing language have also been incorporated throughout the Form ADV Part 2A Brochure since its prior version.

A full copy of the Form ADV Part 2A Brochure may be requested by contacting your Financial Advisor or our Help Desk at 800.634.1100. It is also available on our web site at [www.unionbank.com/invest](http://www.unionbank.com/invest) or on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### Item 3 – Table of Contents

Item 1 – Cover Page .....	<b>Error! Bookmark not defined.</b>
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	4
Item 6 – Performance-Based Fees and Side-By-Side Management.....	7
Item 7 – Types of Clients .....	7
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9 – Disciplinary Information.....	11
Item 10 – Other Financial Industry Activities and Affiliations.....	11
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading, and Conflicts of Interests.....	13
Item 12 – Brokerage Practices .....	15
Item 13 – Review of Accounts .....	15
Item 14 – Client Referrals and Other Compensation .....	16
Item 15 – Custody .....	17
Item 16 – Investment Discretion .....	17
Item 17 – Voting Client Securities .....	17
Item 18 – Financial Information.....	17

#### **Item 4 – Advisory Business**

UnionBanc Investment Services LLC (“UBIS”) is an investment adviser registered with the Securities and Exchange Commission (“SEC”) and is a subsidiary of MUFG Union Bank, N.A. (“MUFG Union Bank”), a national bank regulated by the Office of the Comptroller of the Currency. The ultimate parent company of UBIS and MUFG Union Bank is Mitsubishi UFJ Financial Group, Inc. (“MUFG”), a Japanese-based financial institution. Please refer to Item 10, Other Financial Industries and Affiliations, for additional information regarding UBIS’ affiliates.

UBIS provides investment advisory services to clients through two programs: the Managed Account Solutions Program (“MAS Program”) and the Personal Portfolio Solutions Wrap Fee Program (“PPS Program”).

This Brochure applies only to the MAS Program. UBIS Financial Advisors authorized to provide services include Financial Advisors or Senior Financial Advisors, collectively referred to as Financial Advisors (“FAs”).

UBIS and its FAs may be referred to as “us,” “we” or “our,” while clients may be referred to as “you” and “your” throughout this Brochure.

Envestnet Asset Management, Inc. (“Envestnet”), an SEC-registered investment adviser that is not affiliated with UBIS, is the sponsor for the MAS Program and provides the technology platform for all accounts on the MAS Program. The MAS Program is a discretionary wrap fee program for which clients pay a single fee (or “wrap fee”) for both investment advisory services and the associated brokerage transactions and custody. UBIS receives a portion of this fee for its investment advisory services. This wrap fee is not based on the number of transactions made in your account. It is based on the size of the account(s) we manage for you. If you invest in a traditional brokerage account, you may be subject to charges for each transaction. Because wrap programs do not have fees or charges associated with each transaction, wrap fees may be greater for similar services provided through a traditional brokerage account. Conversely, clients invested in a traditional brokerage account may incur a higher or lower overall costs for the same services, depending on the number of trades in their account. Clients may request fee information on similar programs or other types of accounts from their FA. In the MAS Program, UBIS generally does not exercise investment discretion although UBIS is permitted to do so under the terms and conditions of its agreement with you. Any applicable sub-adviser(s), which may include Envestnet or its subsidiary Portfolio Management Consultants (“PMC”) (also referred to as “Sub-managers”), generally exercise investment discretion over the client account. Please refer to Envestnet’s disclosure document for more information.

In the MAS Program, we are able to present a selection of various investment strategies for your review and approval. If you choose to approve the investment strategy, we invest your assets in the relevant sub-program. Once your assets are invested, Envestnet, PMC, and any applicable sub-adviser(s) or model provider(s) (also referred to as “Sub-managers”), are granted the authority by you to manage the account on a discretionary basis. The MAS Program is described in more detail below.

UBIS is not a custodian of any accounts. All accounts in the MAS Program are held in custody at National Financial Services LLC (“NFS”), a registered broker-dealer operating as a brokerage clearing firm not affiliated with us to provide transaction execution, clearance, settlement, custody and related services in connection with the MAS Program. MUFG Union Bank serves as the IRA Custodian for clients with Individual Retirement Accounts.

Including our predecessor organizations, we have been in business as a broker-dealer since 1983 and began offering investment advisory services as a registered investment adviser in 1999. Our registration with the SEC as a registered investment adviser became effective in August 2009. As of December 31, 2016, client assets managed on a discretionary basis under the MAS Program were \$721,569,670 for 2,640 client accounts. There are no client assets managed on a non-discretionary basis under the MAS Program.

## MANAGED ACCOUNT SOLUTIONS PROGRAM

### *Overview*

You may choose one or more of the following investment advisory Sub-programs offered through the MAS Program:

- (1) Fund Strategist Portfolio Sub-program ("FSP");
- (2) Multi-Manager Account Sub-Program ("MMA");
- (3) Separately Managed Account Sub-Program ("SMA"); and
- (4) Unified Managed Account Sub-Program ("UMA").

With respect to all of the Sub-programs described below, we assist clients in their selection of one or more of the MAS Sub-programs through a review of your investment criteria, including, among other information, your investment goals, income requirements, time horizon, and risk tolerance. We enter the relevant information you provide into Envestnet's system, which analyzes the information and establishes an investor profile for you, including a corresponding risk tolerance rating, and recommends a selection of investment strategies.

We review the selection of investment strategies and recommend for your approval, an investment strategy that allocates your assets among one or more of the different sub-programs based on your investor profile. Our recommended investment strategy, including the recommended Sub-program(s) and portfolio investments within the Sub-program, will generally be based on a combination of both Envestnet's and our recommendations, and in all cases is based on your investor profile.

After your initial approval, Envestnet and Sub-managers will manage your portfolio(s) in the respective Sub-program(s) on a fully discretionary basis and are not required to seek client approval. Under certain circumstances, we may exercise our discretionary authority, pursuant to the MAS Program Terms and Conditions to replace any Sub-manager and/or investment(s) held in your account(s) that are no longer eligible for participation in PMC's Approved Product List, with an approved Sub-manager and/or investment(s) without your consultation or your verbal or written authorization. In addition, if you choose a Unified Managed Account as described on the next page, your FA may, without consulting you, change the allocation of your account by changing any Sub-manager, investment model, or security held in the account as long as the changes are consistent with your risk tolerance and investment objective. However, in the normal course of investment management, when we recommend changes in your investment strategy, including, but not limited to, changes to asset classes and portfolio investments, your FA will generally present these recommendations to you for approval before implementing the changes. A taxable event may occur as a result of changing Sub-managers and/or investment(s) and you are solely responsible for any resulting tax liabilities. You are encouraged to consult with your tax professional regarding these types of events.

You may also request reasonable instructions and/or investment restrictions to the extent that we, Envestnet or a Sub-manager are able to accommodate the request. Restrictions cannot be imposed on the management of a specific mutual fund, ETF or any particular investment company, including the selection of underlying securities within each investment company.

For all Sub-programs, you directly own the underlying securities, mutual funds, or exchange-traded funds in each of the Sub-program's investment strategies.

The available MAS Sub-programs are described below:

### *Fund Strategist Portfolio Sub-Program*

FSP is a discretionary asset allocation program that offers clients diversified model portfolios generally using exchange-traded funds ("ETF") and mutual funds. Each FSP model portfolio seeks to achieve a specific investment objective while striving to maintain a level of risk that is appropriate for your investor profile. The

FSP model portfolios are designed and actively managed by Envestnet or Sub-managers that provide their model portfolios to Envestnet. In certain situations, usually due to legacy relationships, some client accounts may be utilizing investment models developed by HighMark Capital Management, Inc. ("HCM"), an affiliated investment adviser. FSP model providers may also use alternative mutual funds, leveraged ETFs and inverse ETFs in the portfolios as appropriate, and in a manner that is consistent with the client's investor profile and investment strategy. The use of alternative mutual funds, leveraged ETFs and inverse ETFs can result in higher volatility and decreased or increased performance and involves significant risks. Please refer to Item 8, Methods of Analysis, Investment Strategies and Risk of Loss, for additional information. You will be provided with an initial allocation that corresponds to your investor profile. After your initial approval of the selected portfolio, Envestnet and the FSP model provider manages the portfolio and/or model portfolio, respectively, on a discretionary basis, without prior client approval. Should the risk associated with the model portfolio drift from your investor profile and risk tolerance due to changes to the model over time, your FA may recommend a different model or discuss potential changes to your investor profile as necessary.

#### *Multi-Manager Account Sub-Program*

MMA offers clients a single investment portfolio created and managed by Envestnet that accesses multiple Sub-managers, mutual funds and ETFs that represent various asset classes. Envestnet may invest assets within the portfolio in mutual funds or other securities, including the PMC Funds for which Envestnet serves as investment adviser. Envestnet and PMC are affiliated entities. After your initial approval of the recommended portfolio, Envestnet manages the account on a discretionary basis, without your prior consent. Envestnet periodically rebalances the assets in the client's portfolio among the asset classes in the client's account. Should the risk associated with the model portfolio drift from your investor profile and risk tolerance due to changes to the model over time, your FA may recommend a different model or discuss potential changes to your investor profile as necessary.

#### *Separately Managed Account Sub-Program*

SMA offers clients an investment portfolio of actively managed individual securities that correspond to specific asset classes that are each managed by an investment adviser ("Separate Account Manager"). Separate Account Managers serve as Sub-managers and model providers to Envestnet. Envestnet may use mutual funds and/or ETFs in lieu of Separate Account Managers. Envestnet and the Separate Account Managers manage the portfolio or each respective separate account or model portfolio respectively, on a discretionary basis, without your prior consent. Since the Separate Account Manager manages your account individually, the Separate Account Manager does not coordinate its management of your account with any of your other accounts which may be managed by the same Separate Account Manager or other Separate Account Managers. This may cause your portfolio to be over-weighted in certain securities or asset classes. Should the risk associated with the model portfolio drift from your investor profile and risk tolerance due to changes to the model over time, your FA may recommend a different model or discuss potential changes to your investor profile as necessary.

#### *Unified Managed Account Sub-Program*

UMA offers clients an investment portfolio that accesses Separate Account Managers, Fund Strategist Portfolios, mutual funds and/or ETFs within one integrated managed account. To implement your investment strategy, Envestnet or you FA will recommend a suitable asset allocation model for you and a selection of Sub-managers, Fund Strategist Portfolios, mutual funds, and ETFs from which your FA can select and recommend for each asset class within the model. Subject to your investor profile and risk tolerance, your FA may customize the Envestnet-recommended asset allocation model as necessary. Your FA will present the recommended investment portfolio to you for approval, subject to reasonable investment restrictions that you request and that we and Envestnet can accommodate. Envestnet rebalances the account among the asset classes periodically, to remain consistent with your investor profile, and as investment risks and opportunities are identified. After your approval of the selected portfolio, Envestnet and the Sub-manager(s) manage the portfolio on a discretionary basis, without your prior consent. During the life of your account, your FA may, without consulting you, change the allocation of your account by changing any Sub-manager, investment model, or security held in the account as long as the changes are consistent with your risk tolerance and investment objective. Should the risk

associated with the model portfolio drift from your investor profile and risk tolerance due to changes to the model over time, your FA may recommend a different model or discuss potential changes to your investor profile as necessary.

## **Item 5 – Fees and Compensation**

### *MAS Program Fee Schedule*

The fees for the MAS Program are generally based on “Assets Under Management.” This means that the account is charged a fee based on the account balance as of a certain date. These fees are negotiable between you and your FA. Your account will be charged a quarterly fee which consists of the Sponsor Fee and the Advisor Fee (collectively the “Program Fee”). The Sponsor Fee includes fees paid to NFS for clearing and custody services, Envestnet, and the Sub-manager. The Program Fee is charged in advance (or pre-paid) each quarter. Envestnet calculates the Program Fee at the beginning of each quarter by applying the fee schedule on the Statement of Investment Selection (“SIS”) to the fair market value of your account, as determined by Envestnet, on the last business day of the prior calendar quarter. For new accounts, your account will be billed when it is opened for the remaining days in the quarter. For accounts that are terminating management, we will automatically credit you back any pre-paid fees for the portion of the quarter remaining after management has terminated. In the event a deposit or withdrawal of \$10,000 or more on a single day in one investment account occurs, we will calculate the fee owed or refund due and adjust the normal fee charged at the end of the calendar quarter. Envestnet determines and applies the applicable fee schedule to the value of your assets in each Sub-program or account separately and does not aggregate all of your assets invested in the MAS Program for billing purposes. Please refer to Additional Information About Fees and Related Conflicts of Interest, Non-Aggregation of Client Fees for Multiple Programs or Accounts below, and to the MAS Program Terms and Conditions for additional information about fees on assets invested in multiple programs and Sub-programs.

Envestnet will calculate the initial Program Fee on a pro-rated basis based on the number of calendar days in the partial quarter and depending on when in the calendar quarter the account is opened. The Program Fee is shared between UBIS, Envestnet, and NFS pursuant to an agreement between them. In certain circumstances, at our discretion, the Program Fee may be negotiated. The Sponsor Fee may vary based on the type of Sub-program and Sub-managers selected. This difference represents a conflict of interest in that your FA may benefit from selecting Sub-programs and Sub-managers whose fees are lower. We help mitigate this conflict of interest by ensuring that any Sub-program or Sub-manager selected by you and your FA is suitable for your investment goals, that all fees pursuant to a certain Sub-program or charged by a Sub-manager are reasonable and competitive for the services provided, and by establishing a maximum Advisor Fee, and in some cases, Program Fee, for each program. In MMA or UMA, if your account is invested in multiple investment models, a different Sponsor Fee may be applied to each model according to its cost and the amount of assets invested in it.

If your account does not have sufficient cash balance to pay the Program Fee or other expenses, securities positions in the account may be liquidated to pay the Program Fee without your consent. You may incur transaction costs and there may be tax consequences when securities positions in the account are liquidated to pay the Program Fee or other expenses. You are solely responsible for any resulting tax liabilities and we encourage you to consult with your tax professional regarding these types of events. Your Program Fee for the MAS Program is described in the SIS.

The Program Fee in the schedules below do not cover other charges, including commissions, dealer mark-ups or fees for portfolio transactions executed away from NFS, fees for certain service requests such as wire or delivery instructions, check handling, legal processing, outgoing transfers and other fees described in Envestnet's disclosure document that would apply separately. Please refer to Item 12, Brokerage Practices and Envestnet's Form ADV Part 2A for additional information.

The UnionBank Investment Services Commission and Fee Schedule discloses the account custodial fee, termination fee, various fees and charges, and account minimums that apply to your accounts with us. Please refer to the UnionBank Investment Services Commission & Fee Schedule, Disclosures, and Services Agreement available on our website at <https://www.unionbank.com/personal-banking/investments-retirement/terms.jsp>.

Except as required by law, we reserve the right to change any of the information contained in each fee schedule upon a 30-day written notification.

A Minimum Annual Account Fee that is assessed by Envestnet and/or NFS may apply to certain Sub-programs, which could result in an overall fee that is higher than the Standard Annual Fee. The Minimum Annual Account Fee is assessed to cover the costs associated with any applicable clearing, custody, and platform-related services that may not be adequately covered by the Sponsor Fee. We do not receive any portion of this fee. Please refer to the SIS for the specific Minimum Annual Account applicable to your account.

*Fund Strategist Portfolio Sub-Program*

Account Size	Standard Annual Fee (billed quarterly in advance)	UBIS Portion of Annual Fee
First \$250,000	2.50%	1.75%
Next \$250,000	2.25%	1.50%
Next \$500,000	2.00%	1.25%
Next \$1,000,000+	1.75%	1.00%

*Multi-Manager Account Sub-Program*

Account Size	Standard Annual Fee (billed quarterly in advance)	UBIS Portion of Annual Fee
First \$250,000	3.00%	1.75%
Next \$250,000	2.75%	1.50%
Next \$500,000	2.50%	1.25%
Next \$1,000,000+	2.25%	1.00%

*Separately Managed Account Sub-Program*  
*Equity/Balanced Portfolios*

Account Size	Standard Annual Fee (billed quarterly in advance)	UBIS Portion of Annual Fee
First \$250,000	3.25%	1.75%
Next \$250,000	3.00%	1.50%
Next \$500,000	2.75%	1.25%
Next \$1,000,000+	2.50%	1.00%

*Fixed Income Portfolios and Mutual Funds*

Account Size	Standard Annual Fee (billed quarterly in advance)	UBIS Portion of Annual Fee
First \$250,000	2.50%	1.75%
Next \$250,000	2.25%	1.50%
Next \$500,000	2.00%	1.25%
Next \$1,000,000+	1.75%	1.00%

*Unified Managed Account Sub-Program*

Account Size	Standard Annual Fee (billed quarterly in advance)	UBIS Portion of Annual Fee
First \$250,000	3.25%	1.75%
Next \$250,000	3.00%	1.50%
Next \$500,000	2.75%	1.25%
Next \$1,000,000+	2.50%	1.00%



The Program Fee is deducted from your account. For this purpose, you authorize NFS to deduct the Program Fee from your account as part of your investment advisory agreement. NFS will deduct the Program Fee from the your account and pay the fees to Envestnet and UBIS as applicable upon NFS' receipt of instructions from Envestnet to do so.

### *Reporting Only Services*

Provided that Envestnet is able to accommodate, you have the option to receive reporting services with respect to your assets held in securities accounts outside of the MAS Program. This service allows you to receive a single report that includes your assets on the MAS Program and assets held elsewhere. Fee rates for this service are listed below. Neither we nor Envestnet provides any investment advice, asset allocation, or rebalancing services on any assets held outside of the MAS Program. Clients have no obligation to choose the reporting services to participate in the MAS Program.

### *Fees for Reporting Only Services*

Reporting Service Fee Schedule	Fee (billed quarterly in advance)
For All Assets	0.06%
Minimum Quarterly Fee	\$22.50
Manual entry of cost basis data at set-up	\$1.00 per tax lot
Manual entry of historical data	\$100.00 per hour
Minimum Annual Account Fee	\$90.00

### *Fee Refunds upon Termination of Client Participation in MAS Program*

Management of your account may be terminated by you, us, or Envestnet upon written notice to the other party. However, we reserve the right to terminate management of your account without prior notice. Upon termination, we will automatically credit you back any pre-paid fees for the portion of the quarter remaining after management has terminated. Should we become aware that the account owner of the account has died or otherwise incapacitated, we will terminate management of the account and wait for instructions from the executor or a designated administrator of the deceased's estate.

## **ADDITIONAL INFORMATION ABOUT FEES AND RELATED CONFLICTS OF INTEREST**

### *Non-Aggregation of Client Fees for Multiple Programs or Accounts*

Program Fees are assessed on an account-by-account basis. If you have more than one account, each account will be subject to the fee schedule on the corresponding SIS. Therefore, it is possible that the sum of your fees paid across all of your accounts may be greater and your overall return across all accounts may be less, when you invest in more than one type of UBIS investment advisory program or account than if you invested all of your assets in a single program or account. This also means that our compensation may be greater when clients invest in more than one type of program or account than if a client invested in a single program or account.

### *Additional Information Related to Mutual Funds, ETFs, and Bundled Services*

MAS Program assets may be invested in mutual funds or ETFs that also charge fees (such as operating expenses, management fees, redemption fees, distribution and shareholder servicing fees or "12b-1" fees and other fees and expenses) as described in each applicable prospectus. These fees and expenses are in addition to the Program Fee and other applicable fees described in this section; however, we rebate to client accounts, distribution and shareholder servicing fees or "12b-1" fees.

Individual Retirement Accounts (each an "IRA") that are subject to the Internal Revenue Code of 1986, as amended (the "IR Code") and retirement plan assets that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), may be invested in securities products that pay us distribution or shareholder servicing fees or "12b-1" fees. We will waive, offset, or refund these fees, for such IRAs and

retirement plan assets in a MAS Program account to the extent required by ERISA, the IR Code, or any other applicable law.

Envestnet may also invest assets within your portfolio in mutual funds or other securities, including Envestnet's proprietary mutual funds, the PMC Funds. Envestnet serves as the investment adviser to the PMC Funds and receives an advisory fee from the PMC Funds for its services. To address the economic incentive that Envestnet may have in investing assets in the PMC Funds, Envestnet will credit back its portion of the Sponsor Fee that it receives on assets invested in the PMC Funds. Please refer to Envestnet's Form ADV Part 2A and the prospectus for the PMC Funds for additional information. Envestnet may still recognize other benefits from the investment of client assets in the PMC Funds.

Certain mutual funds may impose short-term trading restrictions that could impact our ability to rebalance, liquidate, deposit or conduct other transactions that may otherwise be appropriate or requested by you. Certain mutual funds also may impose redemption fees that are additional costs to the client to discourage short-term trading. Please review each applicable mutual fund prospectus or disclosure document for policies regarding short-term trading and redemption fees.

You should also be aware that contingent deferred sales charges ("CDSC") may be imposed on the liquidation of mutual funds that are transferred into your account. As a result, you may be subject to taxes when Envestnet liquidates mutual funds that are subject to a CDSC. Please consult with your FA and a tax professional before transferring any securities in-kind into the account.

It is possible that we will have greater financial incentives and will receive higher fees where we recommend that a client invest through the MAS Program rather than through the purchase(s) of a security, investment product or investment service on a separate and 'unbundled' basis, either through us as a broker-dealer or another financial services firm. Investment advisory programs and brokerage services are separate and distinct, with different fees and expenses, and each is governed by different laws and legal agreements. To help you make an informed decision about what type of account is best for you, please read the ***Brokerage or Advisory Account: Which is the Best Fit for You*** disclosure document. You should also understand that extended periods of inactivity in MAS Program accounts could lead to higher fees than if commissions were paid for each transaction through a brokerage account. We reserve the right, but are not obligated to close a MAS Program account or convert it to a commission-based brokerage account based on trading activity in the account.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

We do not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

We generally provide advisory services to individuals, high net worth individuals, charitable organizations, businesses, and corporate pension and profit-sharing plans. The majority of our clients are individuals not considered high net worth individuals. Some individual clients have IRA assets invested in the MAS Program. Our clients may have both advisory accounts and brokerage accounts. Your FA may offer you advisory services, brokerage services, or both, depending on your needs. The MAS Program is intended for clients seeking discretionary investment management for a bundled or wrap fee.

In the MAS Program, we require a minimum account size of \$50,000 for FSP, \$100,000 for SMA, \$150,000 for UMA, and \$250,000 for MMA. However, certain Sub-manager or investment strategy may require higher minimums. Please consult with your FA to determine if an underlying Sub-manager or investment has a specific investment minimum that is different from what we require. If the value of your account falls below the applicable minimum, we may require you to deposit additional money or securities. In certain circumstances, at our discretion and with the applicable Sub-manager's approval, account minimums may be negotiated. If your account does not meet the account minimum, we may terminate the advisory relationship and close the account or convert it to a commission-based brokerage account. In some circumstances, we may waive the minimum

account size requirement based on our assessment of your circumstances. If your account is converted to a commission-based brokerage account, it will be subject to the UnionBank Investment Services Commission & Fee Schedule, Disclosures, and Services Agreement available on our website at <https://www.unionbank.com/personal-banking/investments-retirement/terms.jsp>.

## **Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss**

Your FA will conduct an assessment of your investment objectives, goals and income needs, time horizon, risk tolerance, and other information you provide to create an investor profile. Your FA uses the investor profile to assist you in selecting an investment advisory program and implementation strategy that is right for you. On a periodic basis, we review the overall performance of your investments and the ongoing appropriateness of the program by reviewing your investor profile and making the necessary updates as your circumstances change. Because investment advice is based on each client's unique investor profile, Envestnet, any Sub-managers as the case may be, and we may recommend the purchase of certain investments to one client and recommend the sale of the same investments to another client.

For all programs, you and your FA will compile pertinent information to develop an investment strategy that will meet your goals and objectives. Utilizing Envestnet, your FA will allocate your assets among the different options in the program and determine the suitability of the asset allocation and investment options based on your needs and objectives, investment time horizon, risk tolerance and any other pertinent factors. Among the factors considered in designing these strategies are historical rates of risk and return for various asset classes, correlation across asset classes and risk premiums. For all programs, you directly own the underlying securities, mutual funds, or ETFs in each investment strategies.

Based on the information provided to Envestnet by your FA, you will be provided with an investment policy statement ("Proposal") and a SIS. The purpose of the Proposal and SIS is to establish an understanding between you, us, Envestnet, and any Sub-manager as the case may be, regarding the investment objectives, goals, and guidelines for your account, and to recommend a suitable investment program for you. You should be aware that investment analysis tools are subject to the investment analysis tools' limitations and assumptions and may vary with each use and over time. Investments considered in the analysis undergo a rigorous screening process wherein Envestnet ranks all mutual funds and Separately Managed Account portfolios within each peer group over trailing periods. For ETFs, Envestnet identifies a list of best in-class beta exposures. The platform tool selects certain securities, asset allocation models, and Sub-managers based upon their current participation in the Envestnet program. It is possible that other investments, asset allocation models, or Sub-managers not participating in Envestnet's program may have characteristics similar or superior to those being analyzed.

**IMPORTANT: Projections or other information generated by Envestnet regarding the likelihood of various outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.** On a periodic basis, your FA will review the performance of your investments relative to your investor profile, including any updated information provided by you to determine if the Program and/or investment strategy remains appropriate. For more information on Envestnet, its tools, and investment methodologies, please refer to the Envestnet Form ADV Part 2A and/or contact your FA.

**Investments in securities involve the risk of loss.** Some of the more common risks involved in the types of investments that are generally available through the MAS Program are listed below. Depending on the Sub-manager, mutual fund, ETF or other asset manager used in an account, you may be exposed to additional and/or heightened risks. You should review each applicable mutual fund prospectus or disclosure document for the specific risks related to their investments. The following are some principal risks of investing in securities, both directly in a mutual fund or ETF or indirectly through a fund's investment in securities:

**Market Risk:** The risk that a security's market value may decline, especially rapidly and unpredictably for short or extended periods. These fluctuations may cause a security to be worth less than the price the investor originally paid for it. Market risk may affect a single issuer, industrial sector or the market as a whole.

**Liquidity Risk:** The risk that a security may be difficult or impossible to sell at the time and price the seller wishes. The seller may have to accept a lower price for the security, sell other securities instead, or forego a more attractive investment opportunity.

**Credit Risk:** The risk that the issuer of a security or the counterparty to a contract will default or otherwise become unable to honor a financial obligation. Generally speaking, the lower a security's credit rating, the higher its credit risk. If a security's credit rating is downgraded, its price tends to decline sharply, especially as it becomes more probable that the issuer will default.

**Interest Rate Risk:** The risk that debt prices overall will decline over short or even long periods due to rising interest rates. Interest rate risk usually is modest for shorter-term securities, moderate for intermediate-term securities, and high for longer-term securities. Changes in interest rates also may affect an underlying fund's or security's share price: a sharp rise in interest rates could cause the fund's share price to fall. The longer an underlying fund's or debt security's duration, the more sensitive to interest rate movements its share price is likely to be. A change in a central bank's monetary policy or improving economic conditions may result in an increase in interest rates. Rising interest rates may decrease liquidity in the fixed income securities markets, making it more difficult for the underlying fund to sell its fixed income securities holdings at a time when the investment adviser might wish to sell such securities. In addition, decreased market liquidity also may make it more difficult to value some or all of an underlying fund's fixed income securities holdings.

**Reinvestment Risk:** The risk that the proceeds, dividends, or interest that may be generated from an investment are reinvested in a security that offers a lower rate of return compared to the returns generated by the original investment.

**Counterparty Risk:** The risk that the counterparty to a repurchase agreement, futures contract, swap agreement or other similar instrument may not fulfill its obligation which may cause the income and the value of the investment to decline sharply.

**Non-diversification Risk:** The risk involved with excessive exposure to securities in any one issuer, industry or sector.

**Foreign Investments:** Compared with investing in the United States, investing in foreign markets involves a greater degree and variety of risk including the possibility of delayed settlements, currency controls, adverse economic developments, and higher overall transaction costs. In addition, fluctuations in the U.S. dollar's value may erode or reverse gains from investments denominated in foreign currencies or widen losses.

**Exchange-Traded Funds:** ETFs charge their own fees and expenses; thus, mutual funds that invest in ETFs will bear extra costs, such as duplicative management fees, brokerage commissions and related charges. In addition, there may from time to time be a significant discrepancy between its net asset value calculated at the end of each trading day and the price at which the ETF trades on an exchange. There can be no guarantee that an ETF will achieve a high degree of correlation with its index which could prevent an ETF from achieving its objective.

**Leveraged/Inverse ETFs:** Leveraged and Inverse ETFs use investment techniques and derivatives (i.e. futures contracts, swap agreements and similar instruments) that can result in higher volatility and increased or decreased performance. The correlation or performance characteristics of the ETF will likely vary in relation to the intended inverse or multiple returns and the index tracked by the ETF, therefore the objectives of the ETF may not be achieved from time to time.

**Alternative Investments:** Alternative mutual funds and other managers that employ alternative investment strategies primarily invest in non-traditional asset classes and implement speculative investment techniques.

Alternative investments may offer investment return characteristics that are non-correlated to traditional investments, but also present greater and/or unique risks to investors. Such risks include: loss of all or a substantial portion of the investment due to leveraging, short selling or other speculative practices; management risk; lack of liquidity; restrictions on transferring interests; higher or excessive volatility; absence of information for valuations and pricing; less transparency on underlying investments, complex tax structures and delays in tax reporting; less regulation; and potentially higher fees than traditional investments.

**Management Risk:** The risk that a strategy or investment technique used by your FA, Envestnet, a Sub-manager or asset manager may fail to produce the intended result or achieve its investment objective.

**Tax Risk:** The risk of unfavorable tax consequences to a client that could result from the administration of a client account pursuant to the advisory services described in this Brochure and the Managed Account Solutions Program Terms and Conditions.

**Unapproved Product Risk:** The risk that a previously approved mutual fund, ETF, or Sub-manager no longer meets listing requirements established by PMC. If a product or Sub-manager is delisted from the PMC Approved List, clients must select a replacement which may result in a taxable event to the client; if no replacement is selected or the client refuses to select a replacement, we may close the account or convert it to a brokerage account.

There is a possibility that investments will not successfully achieve their objectives or expectations notwithstanding the financial assumptions, investment strategies, securities selection, and due diligence research that we, Envestnet, or any Sub-manager, as applicable, implement.

If you execute a lending agreement with MUFG Union Bank should read and be aware of the associated risks when pledging assets in a securities-backed line of credit agreement as disclosed in the collateral addendum. This type of collateral loan allows clients to borrow money using securities held in a UBIS managed account as collateral for the loan. This type of loan carries a number of risks such as tax consequences, declining account value no longer supports the line of credit and additional collateral must be deposited or repayment of the loan or the Bank can instruct UBIS to sell investments and keep the cash to satisfy maintenance calls. Retirement and ERISA-qualified accounts are not eligible for participation in a securities-backed line of credit agreement.

Occasionally errors occur in the execution of transactions for client accounts. When an error occurs, we will place the affected account(s) in the same position it would have been in had the error not occurred. Client accounts will not bear any losses or costs associated with corrections. If a trade error results in a net gain, we will retain such gains in a UBIS trade error account to offset any losses that could result from future trade errors.

You should understand that the submission of new account documentation and the request to establish an account under the MAS Program is not considered a market order. While we strive to process every new account promptly, the establishment of a client account is subject to the approval of UBIS and customary administrative processes that could delay the investment of client funds.

You may choose to invest only in specific asset classes or use non-diversified strategies within the MAS Program to complement additional assets held by you at another financial institution. Your FA will not be responsible for assets held or managed outside of UBIS which could significantly impact your overall investment portfolio and compromise overall portfolio performance. You should immediately inform your FA if changes are made to such complementary assets held at another financial institution.

***Investments in the MAS Program are: 1) NOT insured by the FDIC or by any other government agency; 2) NOT Bank deposits; 3) NOT guaranteed by MUFG Union Bank or any of its affiliates; and, 4) involve risks, including the possible loss of principal, a risk that clients should be prepared to bear.***

## **Item 9 – Disciplinary Information**

On December 23, 2013, UBIS was censured and fined \$51,000 by the Financial Industry Regulatory Authority (“FINRA”) involving UBIS’ activities as a broker-dealer. UBIS consented to a finding without admitting or denying allegations that UBIS’ broker-dealer trading desk purchased and/or sold agency securities for its own account to customers at an aggregate price that was not fair and reasonable, and in doing so, UBIS failed to observe just and equitable principles of trade in violation of FINRA Rule 2010.

## **Item 10 – Other Financial Industry Activities and Affiliations**

We are also registered as a broker-dealer with the SEC and a member of the FINRA and the Municipal Securities Rulemaking Board. As a broker-dealer, we may offer asset allocation services and buy or sell for our clients a variety of securities, including common stocks, bonds, variable annuities, and mutual funds. Certain FAs may also sell fixed annuities and other insurance products through an affiliated insurance agency, UnionBanc Insurance Services, which is a division of MUFG Union Bank.

### *Related Persons and Material Arrangements*

As noted in Item 4, Advisory Business, UBIS is a subsidiary of MUFG Union Bank. MUFG Union Bank is a principal subsidiary of MUFG Americas Holdings Corporation (“MUAH”), a bank holding company regulated by the Federal Reserve Board. MUAH is wholly owned by The Bank of Tokyo-Mitsubishi UFJ, Ltd. (“BTMU”) headquartered in Tokyo, Japan. BTMU, in turn, is a wholly owned subsidiary of MUFG. UBIS is a limited liability company of which MUFG Union Bank is the sole member.

UBIS’ ultimate parent company, MUFG, beneficially owns approximately 23.3 per cent of the common stock of Morgan Stanley as of December 31, 2016 and is also represented by two seats on Morgan Stanley’s Board of Directors. Morgan Stanley is the parent company of several registered broker-dealers, among other businesses. If we manage your account, the fact of MUFG’s beneficial ownership in Morgan Stanley may limit our ability to recommend purchases of an interest in a Morgan Stanley sponsored or advised asset or use Morgan Stanley brokerage services for client accounts, without the client’s written consent, and in some cases may wholly prevent such recommendations and the use of Morgan Stanley brokerage services. Notwithstanding the foregoing, we do not consider MUFG’s investment in Morgan Stanley an arrangement that is material to our advisory business or clients, and we do not believe that the relationship creates a material conflict of interest with our investment advisory clients. Envestnet and Sub-managers may invest in and/or may recommend mutual funds, ETFs, or other investment products of Morgan Stanley companies or its affiliates if such securities or products meet applicable investment criteria, and may use Morgan Stanley brokerage services or one of its related persons as the broker-dealer for securities trades in seeking best execution or when they otherwise deem it appropriate. Our FAs are prohibited from taking any action with respect to investments in Morgan Stanley products that are made by Envestnet or any Sub-managers.

HCM is a model provider in the MAS Program. However, HCM and their models will not be available to clients beginning April 1, 2017. Under a model licensing arrangement, HCM receives a quarterly fee from Envestnet based on the assets invested in its investment models. HCM is a SEC-registered investment adviser and is a wholly owned subsidiary of MUFG Union Bank, and as such, is under common control with UBIS. In the MAS Program, it is also possible that certain Sub-programs and Sub-managers may utilize mutual funds that are sub-advised by HCM. HCM sub-advised mutual funds may pay UBIS in its capacity as a broker-dealer for marketing support, sale, distribution or servicing of shares of HCM sub-advised mutual funds. We currently have no arrangements with HCM to provide broker-dealer services to HCM or its advisory clients. For more information on HCM, its services, and its business relationships, please refer to their Form ADV Part 2A disclosure brochure.

UBIS’ Board of Managers is comprised of UBIS and MUFG Union Bank employees and it manages the business affairs of UBIS and exercises all of its powers. UBIS employees are also employees of MUFG Union Bank. MUFG Union Bank provides a variety of administrative services to UBIS, such as human resources and corporate accounting functions. MUFG Union Bank serves as the IRA custodian for certain UBIS accounts that

are invested through the MAS Program. MUFG Union Bank also provides safekeeping services with respect to UBIS' institutional broker-dealer business. MUFG Union Bank may also make general client referrals to us and we may refer clients to MUFG Union Bank for banking-related services.

MUFG Union Bank is licensed to sell certain types of insurance through its UnionBanc Insurance Services division. This activity by UnionBanc Insurance Services is not connected to UBIS' advisory business.

MAS Program clients are also broker-dealer clients, and we may effect securities transactions as principal, broker, or agent for such broker-dealer clients with respect to assets that are outside of the MAS Program. In addition, certain related persons such as BTMU, Mitsubishi UFJ Securities (USA), Inc. ("MUS") and MUFG Union Bank may, from time to time, buy securities from or sell securities to mutual clients pursuant to the separate relationships that they may have with each other. Furthermore, we may enter into referral agreements with our related persons and receive compensation. These arrangements are done in a manner that is consistent with customary commercial practice and applicable federal and state regulations.

Under certain circumstances, you may elect to pledge or grant a security interest in the account as collateral for an extension of credit by our affiliate, MUFG Union Bank (collectively, the "Lending Arrangements"). In the event that your account assets are pledged as collateral in connection with the Lending Arrangements, MUFG Union Bank may exercise certain rights and powers over the assets in the account, including the disposition and sale of any and all assets pledged as collateral for the obligations under the Lending Arrangements, which may be contrary to a client's interests and the investment objective of the account under the MAS Program. In the event of a collateral call on the account, securities may be liquidated and the proceeds thereof withdrawn from the account and, as a result, the investment strategy for the MAS Program may become disrupted because positions may be redeemed more rapidly, at significantly lower prices, and in a less tax-efficient manner than might otherwise be desirable. You and your FA may not be provided with prior notice of such a liquidation of the assets in the account and may not be entitled to choose the assets which are to be liquidated by the lender.

The costs associated with the Lending Arrangements are not included in the fees that you pay under the MAS Program and may result in additional compensation to UBIS and MUFG Union Bank. You should carefully review the materials provided when entering into the Lending Arrangements and consult with your own independent tax professional in order to fully understand the tax implications associated with the Lending Arrangements. Neither we nor MUFG Union Bank, provides legal, tax or accounting advice to clients. Before using account assets as collateral in the Lending Arrangement, you should take the time to understand the associated risks and how this type of Lending Arrangement could impact long-term investment goals. Any action taken by us, MUFG Union Bank, or any of their respective affiliates against the assets held in the account pursuant to the Lending Arrangements will not constitute a breach of UBIS' fiduciary duties as an investment adviser to you under the MAS Program.

#### *General Partner of Investment Partnership*

We do not generally serve as a general partner of any investment related partnership, and we do not solicit clients to invest in any partnership in which it may serve as a general partner. We also do not solicit our clients to invest in any partnership in which a related person, such as MUFG Union Bank or BTMU, is a general partner. The related person could, however, solicit someone, who may also be a client of UBIS, to invest in one of these partnerships due to the separate relationship that the related person may have with the client.

#### *Envestnet Asset Management, Inc.*

Envestnet is an investment management firm founded in 1999 that provides investment management and investment advisory services through independent investment advisers for use with the advisers' clients. Envestnet also serves institutional clients and provides advisory and research services directly to advisers. Envestnet is a wholly owned subsidiary of its parent company Envestnet, Inc. (NYSE:ENV), a publicly held company. Envestnet is under common control with Envestnet Portfolio Solutions, Inc. ("EPS"), a registered investment adviser; Envestnet Retirement Solutions, LLC ("ERS"), a registered investment adviser; Portfolio

Brokerage Services, Inc. ("PBS"), a registered broker/dealer; Portfolio Management Consultants, Inc. ("PMC"), a registered investment adviser. For additional information regarding Envestnet, clients should read Envestnet's Form ADV Part 2A. UBIS and Envestnet are not affiliated entities.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading, and Conflicts of Interests**

Our employees' personal securities transactions and certain activities may raise potential conflicts with the interests of our clients. In compliance with applicable regulations, UBIS has adopted a Code of Ethics (the "Code") to mitigate such potential conflicts of interest. The Code establishes rules of conduct for all employees of UBIS and is designed to among other things govern personal securities trading activities in the accounts of employees. The Code is based upon the principle that we and our employees owe a fiduciary duty to our clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm, and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility. All of our officers, directors, and employees are subject to the provisions stated in the Code requiring that they place the interests of UBIS' clients before their own personal interests. We will provide a copy of the Code to clients who request it. You may request a copy of the Code by contacting your FA or our Help Desk at 800.634.1100.

### *Interest in Client Transactions and Personal Trading*

It is possible that we, our advisory affiliates, and/or our employees will have a material financial interest in the investments that are recommended for clients' accounts by us, Envestnet, and any Sub-managers as the case may be. Similarly, it is possible that we, our advisory affiliates, and/or our employees will purchase and sell investments that may be recommended to clients under the MAS Program. These investments may include mutual funds that HCM sub-advises. As a result, we and our advisory affiliates may benefit from the recommendation and purchase of HCM sub-advised mutual funds in MAS Program accounts by Envestnet or any Sub-managers. We do not make any recommendations to invest in HCM sub-advised mutual funds to clients in the MAS Program. Although Envestnet and Sub-managers are responsible for directing investment decisions in your account, a conflict of interest may exist. The Code and our policies and procedures help identify and address actual or potential conflicts of interest resulting from securities transactions for our clients. These policies generally require our employees to maintain their brokerage accounts at UBIS so that they can be reviewed by the Compliance department. In addition, the Code requires our employees with access to our advisory clients' accounts to submit periodic reports of their personal brokerage accounts and those of certain family members to the Compliance department for review of transactions and holdings in their accounts. These policies and procedures serve to ensure that the investment activities of our employees do not disadvantage our clients in any way.

### *Conflicts of Interests*

To fulfill our fiduciary obligation, we have objectively evaluated our firm, employees, business activities, fee structures, and our affiliates in order to mitigate, and to the extent possible, eliminate identified conflicts, and disclose to existing and prospective clients inherent conflicts that may exist. It is for this very reason that we provide this disclosure document before or at the time a client engages our programs and services so that you can make an informed decision to engage us for your investment needs. Clients who engage UBIS and its affiliates will pay fees and commissions that may be higher or lower than other UBIS clients or for services and products offered through other financial institutions.

Your FA will receive compensation as a result of your participation in the programs described in this Brochure. The amount of this compensation may be more or less than the amount of compensation your FA would receive if you were to pay separately for investment advice, brokerage, and other services. However, we attempt to design all of our advisory programs with pricing competitive with what a client might pay for investment advice, brokerage, and other services separately.



Your FA may receive a higher percentage of the Program Fees for certain sub-programs. This presents a conflict of interest in that your FA may benefit from recommending certain programs based on the difference in compensation he receives rather than selecting investments without regard to compensation payable to him. However, this compensation differential to your FA does not impact your total Program Fee and it will not exceed the stated maximum for the programs.

In UMA, your FA's compensation is directly affected by the investment models he selects because he receives a fixed portion of the total Program Fee. If your FA uses Sub-managers' investment models for your account, your FA's compensation is reduced by the amount due to the Sub-manager. The fees charged by the sub-managers for access to their investment models vary. However, in all cases, the greater the portion of your account's assets invested in sub-managers' investment models, the less your FA will earn. Therefore, your FA has an incentive to allocate greater percentage of your assets to himself to manage rather than utilizing sub-managers' investment models. This conflict is mitigated by your FA's requirement to act as a fiduciary and to select investments that are in the best interests of each client. In addition, the maximum Advisor Fee for UMA limits the amount of compensation to which your FA is entitled. For certain clients, more Sub-manager strategies will be employed than others; for others, none may be employed. This is largely driven by functions beyond the FA's control, including client suitability and investment goals, asset minimums for certain Sub-manager investment models, and client account sizes and structure (i.e. taxable vs. qualified). The greater the amount of assets in accounts and among accounts, the greater the likelihood that your FA will utilize Sub-managers. Because these factors often lead to different allocations among clients, your FA's costs (and therefore net compensation) will differ between clients.

Your FA is also registered as a registered representative with UBIS. This may create a conflict in that your FA may be able to choose between offering you advisory programs or services and brokerage products or services. The amount and manner of compensation that your FA receives in either of these capacities presents a conflict of interest. To mitigate this conflict of interest, we require that any advisory program or advisory service that you are offered is suitable for your investment goals and financial needs.

Your FA may have a financial interest in certain securities. We do not permit our FAs to solicit for or use discretionary trading authority in any purchases or sales in a security in which that FA has a material financial interest. Your FA may purchase or sell the same security he solicits for or uses discretionary trading authority for his client accounts as long as he does not have a material financial interest in the security. This presents a conflict of interest. Our Code of Ethics mitigates this conflict by detailing policies designed to ensure that clients are not disadvantaged by an FA's trading activity.

Neither we nor our FAs retain mutual fund trailers in the MAS Program. However, in traditional brokerage accounts, our FAs and UBIS do accept mutual fund trailers. This presents a conflict of interest in that the receipt of these mutual fund trailers may give your IAR an incentive to recommend mutual funds or different types of accounts based on compensation to be received. We help mitigate this conflict of interest by ensuring that the type of account your FA recommends is suitable for you. In addition, we attempt to ensure that the mutual fund share class in your advisory account is in your best interest, which often times means that no mutual fund trailers are applicable.

Though our advisory programs are generally only available through our FAs, similar programs or investment advice may be available from other investment advisers. In addition, you have the option to obtain similar investment products through investment advisers that are not affiliated with us. These services may cost you more or less if obtained elsewhere.

Lastly, if your account is invested in a model portfolio for which our affiliated, HCM, is the model provider, HCM will earn a fee that is paid by Envestnet pursuant to the model licensing agreement between them. It is also possible that your FA will have greater financial incentives recommending that you participate in MUFG Union Bank's asset management programs such as Investment Management and Trust ("IM&T"), which uses HCM's customized or model portfolios. Differential compensation presents an inherent potential conflict of interest because it could incentivize your FA to recommend a program based on a possibility of higher

compensation rather than on client needs. We attempt to mitigate this conflict by ensuring policies and procedures are in place requiring our FAs to exercise their fiduciary responsibilities when recommending investments to clients. Your FA's recommendations must only take into account what programs or services are best for each client.

## **Item 12 – Brokerage Practices**

We do not generally execute securities transactions on behalf of clients in the MAS Program. For the MAS Program, you authorize us and Envestnet to designate NFS to provide custody and trade execution services for your account. By authorizing us, Envestnet, and any Sub-manager to direct brokerage, you may not receive best execution for transactions in your account. However, NFS provides a full range of brokerage services that are integrated with existing UBIS back-office systems and account administration processes and we believe that the benefits of using NFS allows us to achieve best execution for our clients. Best execution factors include timeliness of execution, trader expertise, pricing, and responsiveness. In addition, certain Sub-programs are only available through us and our affiliates and these programs allow your FA to offer you a product or service that you cannot obtain elsewhere. You also authorize us, Envestnet and any Sub-manager to effect transactions for your account with or through another broker if Envestnet, or the Sub-manager believes that best execution for such transactions may be obtained through such other broker, dealer or bank, including any affiliated broker-dealer or bank.

We do not receive soft dollar benefits or IPO allocations in connection with client accounts invested through the MAS Program, although Sub-managers and asset managers used in the MAS Program may receive these benefits as described in their respective prospectuses or other disclosures. Please refer to the respective Sub-managers' or asset managers' disclosure documents for additional information regarding brokerage practices.

We do not engage in any principal or agency cross transactions in the MAS Program. Principal transactions are securities transactions where we buy or sell a security from our own account with yours, often times with a mark-up or mark-down in the price of the security resulting in a profit to us. Agency cross transactions involve the coordination of securities transactions between client accounts where we act as a broker, or intermediary. While, these transactions do not impact the market price of the stock, there is limited transparency with respect to the execution prices obtained by either party (i.e., buyer or seller).

Portfolio transactions for your account will generally be completed independently of other transactions, except when decisions are made to purchase or sell the same securities for a number of client accounts simultaneously. Such orders may be combined when possible to facilitate more favorable execution and to negotiate more favorable brokerage commissions. In this event, the transactions in your account may be averaged as to price and a proportional quantity based on transaction size in accordance with the daily purchase or sale orders placed for other client accounts. However, you should understand that transactions may not always be combined for purposes of execution with orders for the same securities for other accounts managed by Envestnet or the Sub-manager. We are under no obligation to aggregate trade orders or to average price transactions. For the MAS Program, responsibility for execution of trades is generally taken by either Envestnet or the Sub-manager. Depending on the method of trading chosen by Envestnet or the Sub-manager, trades are aggregated according to either Envestnet's trading policies and procedures or the Sub-manager's trading policies and procedures.

## **Item 13 – Review of Accounts**

Your FA will review your account periodically to confirm that your account's investments are consistent with your investment objectives, guidelines, and restrictions. Your FA will contact you at least annually to confirm, among other things, that your investment objectives, restrictions, and financial circumstances have not changed and/or to allow you to place reasonable restrictions. More frequent reviews may be triggered by factors such as material changes in your circumstances, the securities markets, or the political and economic environments. We also conduct various surveillances regarding your account to ensure that it remains suitable over the life of the account.

### *Reports to Clients*

NFS will send you trade confirmations on a quarterly basis and a written custodial account statement at least quarterly. The custodial account statement shows an inventory of trade executions, securities, including as-of-date market values, cash balances, fees and expenses charged to the client's account and account activities during the most recent quarter or applicable period.

We also provide you with a written quarterly performance report with investment commentary and investment performance information.

We urge you to carefully review your trade confirmations and custodial account statements and compare the information on the statements from the custodian with the information on the performance reports you receive from us. Differences in investment positions and valuations may be caused by differences in the use of accounting methods, reporting dates, and sources of information. You may request additional information and/or assistance by contacting your FA or our Help Desk at 800.634.1100.

## **Item 14 – Client Referrals and Other Compensation**

### *Compensation and Incentives from Other Parties*

NFS charges us fees to provide transaction execution, clearance, settlement, custody, and other related services for our advisory clients. These fees are reduced as our assets under management increases and reaches pre-determined dollar thresholds. This creates an inherent conflict of interest in that we are incentivized to recommend an advisory program in order to realize the financial benefits of our arrangement with NFS. In addition, as part of our agreement with NFS, we receive a Business Development Credit each year for maintaining business with them. This does not create a material conflict of interest between us and you since these payments are not contingent on the amount of assets we introduce to NFS.

### *Sales Contests*

We may occasionally offer sales contest incentives to FAs for opening new advisory business. To be eligible for these incentives the FA must consider the new advisory relationship suitable for the client and in the client's best interest. In general the FA must also generate a minimum amount of new investment advisory business during a specified period of time to be eligible for incentives. Eligibility for these incentives is not based on requirements that third parties impose on UBIS or with respect to UBIS FAs. UBIS FAs who qualify for these incentives will receive UBIS-sponsored trips, monetary compensation, gifts and other prizes. Certain third parties will pay for permissible non-cash compensation, such as business entertainment, in the course of the UBIS-sponsored trip or event.

### *Non-Cash Compensation*

Our employees occasionally receive gifts of nominal value (limited to less than \$100 each calendar year) from product or service vendors including our affiliates. Certain vendors may also invite our employees to training/educational events or host reasonable business entertainment that is deemed necessary and/or customary industry practices. These product or service vendors may be recommended to a UBIS client.

### *Compensation for Client Referrals to UBIS*

Certain MUFG Union Bank employees who have obtained certain securities licenses ("Licensed Bankers") receive referral compensation with respect to their referrals of new clients to UBIS for brokerage or investment advisory business ("Licensed Banker Program"). If a referred client establishes an advisory account, the Licensed Banker will receive a percentage of the advisory fees generated from your account over 12-months. The referral fees paid to the Licensed Banker do not entail an additional cost to the client. Licensed Bankers are also authorized to refer you to a UBIS FA for investment advisory services offered through MUFG Union Bank. This creates a conflict of interest in cases where the Licensed Banker and/or FA has a financial incentive to refer you for one program over another. However, your FA is required to always recommend the service that is in

your best interest. In addition, the fees you pay will always be reasonable and commensurate to the services you receive through either program offered through UBIS or MUFG Union Bank.

MUFG Union Bank also maintains a program which compensates bank employees with a one-time fixed nominal fee for their client referrals to UBIS. This referral compensation is not based on whether a prospective client establishes a relationship with us.

*Compensation for Client Referrals to MUFG Union Bank and Relationship Management of Clients Participating in MUFG Union Bank Services*

MUFG Union Bank generally compensates certain employees and employees of its affiliates, such as UBIS and HCM, when clients they refer to MUFG Union Bank establish an account, relationship or service. In addition, MUFG Union Bank generally pays certain of its employees and employees of their affiliates compensation for providing relationship management services related to products and services of MUFG Union Bank and its affiliates, including UBIS and HCM. Such compensation can vary depending on the account, relationship, or service. UBIS does not provide investment advisory services to client assets managed by MUFG Union Bank.

Our FAs, in their capacity as registered representatives of the broker-dealer, provide financial planning for no fee or commission. You may also engage MUFG Union Bank for more complex financial planning services that may involve access to professionals who specialize in trust, estate, and/or portfolio management services. MUFG Union Bank generally charges a fee for these services. We and your FA will generally earn compensation for transactions related to the implementation arising from financial plans offered to you by either our broker-dealer or MUFG Union Bank.

### **Item 15 – Custody**

We do not have custody of your account assets. Your MAS Program account assets are custodied by NFS. NFS will send trade confirmations and account statements to you either quarterly or more frequently. You will also receive quarterly performance reports related to your MAS Program account from us. We urge you to compare your trade confirmations, account statements, and quarterly performance reports carefully. Differences in investment positions and valuations may be caused by differences in the use of accounting methods, reporting dates, and sources of information. Clients may request additional information and/or assistance by contacting your FA or the UBIS Help Desk at 800.634.1100.

### **Item 16 – Investment Discretion**

We generally do not exercise investment discretion over your assets. However, whenever you invest in the MAS Program, you grant full discretionary trading authority to us, Envestnet, and any Sub-manager as the case may be. In general, we do not exercise discretionary trading in your account; however, under certain circumstances, we may exercise our discretionary trading authorization, pursuant to the MAS Program Terms and Conditions, to replace any Sub-manager and/or investment(s) held in your account that are no longer eligible for participation in the program. In UMA, your FA may on a discretionary basis, make certain changes to your account provided that the changes are consistent with your investor profile. We do not provide tax advice, and you are solely responsible for any taxable events that occur as a result of changes we make to your account. However, your FA is required to act in your best interest and will generally take actions that appear favorable to you. You are encouraged to consult with your tax professional regarding any tax implications related to the management of your account. In general, your FA will consult with you before implementing any recommended changes.

### **Item 17 – Voting Client Securities**

We do not accept authority to vote client proxies. In MAS Program accounts, Envestnet or a Sub-party manager will vote proxies on your behalf in accordance with its policies and procedures. Envestnet and/or some Sub-managers may hire another firm to vote proxies on their behalf. You may revoke this voting authorization at any time by sending us written notice.

**Item 18 – Financial Information**

We have no financial commitments that impairs our ability to meet contractual and fiduciary commitments to clients, and have not been the subject of a bankruptcy proceeding.