

**Item 1 – Cover Page**

**UNIONBANC INVESTMENT SERVICES LLC**

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**Form ADV Part 2A “Brochure”**

**March 30, 2012**

This Form ADV Part 2A 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

Summary of material changes to the Brochure since its last annual update.

- Effective 1/12/2012, UBIS discontinued offering the HighMark Program to new clients. Clients whose assets are currently managed in the HighMark Managed Solutions Program may choose to move their account relationship to the MAS Program, be referred to Union Bank's Investment Management and Trust platform, subject to required asset minimums, or choose another investment management alternative at any time until UBIS terminates the HighMark Program, which it expects to do in 2012. At that time clients still invested in the HighMark Managed Solutions Program will be required to choose another investment management alternative.
- UBIS may refer clients with investable assets of \$500,000 or more who request agency/trust and asset management services for their assets and/or clients who have \$1,000,000 or more who request fully customized investment management services to UBIS' parent, Union Bank, N.A. UBIS does not provide investment advisory services for client assets managed by Union Bank; investment advisory services may be provided to these clients by UBIS' affiliate, HighMark Capital Management, Inc. which acts as a sub-adviser to Union Bank and which offers a range of managed account strategies in addition to fully customized account strategies. UBIS representatives who refer clients to Union Bank for investment advisory services may receive a referral fee.
- UBIS' recommended investment strategy for clients invested in the MAS Program, including the recommended sub-program(s) for the client and portfolio investments within the sub-program, will generally be based on a combination of Envestnet recommendations and UBIS recommendations, and in all cases subject to the client's investor profile.

Our Brochure may be requested by contacting your Senior Financial Advisor or the UBIS Help Desk at 800.634.1100. Our Brochure is also available on our web site at [www.unionbank.com/invest](http://www.unionbank.com/invest).

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## Item 4 – Advisory Business

UBIS is an investment adviser registered with the SEC and is a wholly-owned subsidiary of Union Bank, N.A. ("Union Bank"), a national bank regulated by the Office of the Comptroller of the Currency. UBIS' and Union Bank's ultimate parent company 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. These are the HighMark Managed Solutions Program and the Managed Account Solutions Program ("MAS Program"). HighMark Capital Management ("HCM"), an SEC-registered investment adviser that is affiliated with UBIS, manages the HighMark Program. Effective 1/12/2012, UBIS discontinued offering the HighMark Managed Solutions Program to new clients. Clients whose assets are currently managed in the HighMark Managed Solutions Program may choose to move their account relationship to the MAS Program, be referred to Union Bank's Investment Management and Trust platform, subject to required asset minimums, or choose another investment management alternative at any time until UBIS terminates the HighMark Managed Solutions Program, which it expects to do in 2012. At that time clients who are still invested in the HighMark Managed Solutions Program will be required to choose another investment management alternative.

Envestnet Asset Management, Inc. ("Envestnet"), an SEC-registered investment adviser that is not affiliated with UBIS, is the sponsor for the MAS Program. The MAS Program is a wrap fee program for which clients pay a single fee for both investment advisory services and the associated brokerage transactions and custody. UBIS receives a portion of this fee for its advisory services. Please refer to Envestnet's disclosure document for more information.

UBIS may refer clients with investable assets of \$500,000 or more who request agency/trust and asset management services for their assets and/or clients who have \$1,000,000 or more who request fully customized investment management services to UBIS' parent, Union Bank, N.A. UBIS does not provide investment advisory services to client assets managed by Union Bank; investment advisory services may be provided to these clients by UBIS' affiliate, HighMark Capital Management, Inc. which acts as a sub-adviser to Union Bank and which has a range of managed account strategies in addition to fully customized account strategies. UBIS representatives who refer clients to Union Bank for investment advisory services may receive a referral fee.

For clients who obtain investment management services through the MAS Program, UBIS is able to present a selection of MAS sub-program investment strategies to the client for the client's approval. Once the client's assets are invested in the respective MAS sub-program, Envestnet and/or the sub-adviser(s) manage the assets on a discretionary basis without client approval. The MAS Program is described in more detail below.

National Financial Services LLC ("NFS"), UBIS' brokerage clearing firm, provides transaction execution, clearance, settlement, custody and related services in connection with the MAS Program. NFS holds an ownership interest of less than five (5) percent in Envestnet. Strategic Advisers, Inc. ("SAI") is an SEC-registered investment adviser that is an affiliate of NFS and manages mutual fund portfolios that are available through the MAS Program. Neither SAI nor

NFS is affiliated with UBIS. UBIS' and HCM's parent company, Union Bank, provides trust and custody services in connection with the HighMark Program.

Including its predecessor organizations, UBIS has been in business as a broker-dealer since 1983 and began offering investment advisory services as a registered investment adviser in 1999. As of March 20, 2012, client assets under management in the MAS and HighMark Programs that UBIS offers were \$320,225,431.45.

## **MANAGED ACCOUNT SOLUTIONS PROGRAM**

### **Overview**

UBIS clients may choose one or more investment advisory sub-programs from the following five (5) sub-programs offered under the MAS Program: the Mutual Fund Account Sub-Program; the ETF Account Sub-Program; the Multi-Manager Account Sub-Program; the Separately Managed Account Sub-Program; and the Unified Managed Account Sub-Program. Each of these sub-programs is described below. With respect to all of these sub-programs, UBIS assists clients in their selection of one or more of the MAS sub-programs through review of certain client investment criteria, including, among others, the client's investment goals, income requirements, time horizon, and risk tolerance. UBIS enters the relevant client-provided criteria information into a proprietary software program that Envestnet maintains. Envestnet analyzes the information and assigns an investor profile for the client including a corresponding risk tolerance rating, and offers a selection of investment strategies.

Utilizing the Envestnet platform tools, UBIS reviews the selection of investment strategies and recommends an investment strategy for the client's approval that allocates the client's assets among one or more of the different sub-programs, based on the client's investor profile, and subject to reasonable investment restrictions that the client requests and that UBIS approves. UBIS' approval of client-requested restrictions is generally dependent on UBIS', Envestnet's and any applicable asset manager's ability to implement the restriction. UBIS' recommended investment strategy, including the recommended sub-program(s) and portfolio investments within the sub-program, will generally be based on a combination of Envestnet recommendations and UBIS recommendations, and in all cases subject to the client's investor profile.

UBIS presents the recommended investment strategy to the client for the client's approval. After the client's initial approval, Envestnet, model providers and separate account managers manage the portfolios in the respective sub-program on a fully discretionary basis without client approval. When UBIS determines to recommend a change(s) in the client's investment strategy, including, but not limited to, changes to asset classes and portfolio investments, UBIS presents its recommendation to the client for approval before implementing it.

For all sub-programs, the client directly owns 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.

### **Mutual Fund Account Sub-Program**

The Mutual Fund Account Sub-Program is a fully discretionary mutual fund asset allocation program that offers clients a diversified selection of mutual funds using model portfolios positioned at various points along the risk/return spectrum that corresponds to the client's investor profile. The model portfolios are designed and are actively managed by investment advisers that provide their model portfolios to Envestnet. UBIS' affiliate, HCM, provides model portfolios for the Mutual Fund Account Sub-Program. After the client's initial approval of the selected portfolio, Envestnet or the model provider may add, remove or replace mutual funds at its discretion, without prior approval of client or any other investors in the model. When UBIS recommends a change, it presents its recommendation to the client for approval before implementing it.

### **ETF Account Sub-Program**

The ETF Account Sub-Program is a fully discretionary exchange traded funds (each fund an "ETF") asset allocation program that offers clients a diversified portfolio predominantly of ETFs using model portfolios. Each model portfolio seeks to achieve a specific investment objective while maintaining a level of risk that is appropriate for the client. The model portfolios are designed and are actively managed by Envestnet or investment advisers that provide their model portfolios to Envestnet. UBIS' affiliate, HCM, provides model portfolios for the ETF Account Sub-Program. Model providers may also use mutual funds, leveraged ETFs and inverse ETFs in the portfolios as appropriate, and in a manner that is consistent with the client's risk profile and investment strategy. Leverage and inverse ETFs use investment techniques and derivatives (*i.e.* futures contracts, swap agreements and similar instruments) that can result in higher volatility and decreased or increased performance. Clients are provided with an initial allocation that corresponds to the client's investor profile. After the client's initial approval of the selected portfolio, Envestnet and/or the model provider manage the portfolio and/or model portfolio, respectively on a discretionary basis, without prior client approval. When UBIS recommends a change, it presents its recommendation to the client for approval before implementing it.

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

The Multi-Manager Account Sub-Program offers clients a single investment portfolio created and managed by Envestnet that accesses multiple asset managers and 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. After the client's initial approval of the recommended portfolio, Envestnet manages the account on a discretionary basis, without prior client approval. Envestnet periodically rebalances the assets in the client's portfolio among the asset classes in the client's account. When UBIS recommends a change, it presents its recommendation to the client for approval before implementing it.

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

The Separately Managed Account Sub-Program offers clients an investment portfolio that consists of actively managed separate accounts of individual securities that correspond to specific asset classes that are each managed by an investment manager ("Separate Account Manager"). Separate Account Managers serve as sub-advisers and/or model providers to

Envestnet. Envestnet may use mutual funds and/or ETFs in lieu of Separate Account Managers. Envestnet, the sub-advisers and model providers manage the portfolio or each respective separate account or model portfolio, respectively on a discretionary basis without prior client approval. Since each Separate Account Manager manages the individual asset classes in the client's portfolio as a separate account, each Separate Account Manager does not coordinate management of the account with any other Separate Account Manager for the client's assets or rebalance assets in the client's accounts in the aggregate with other assets. Instead, UBIS reviews all of the client's separate accounts in the aggregate, and from time to time UBIS may recommend a rebalanced selection of investments in the client's accounts which it recommends to the client for the client's prior approval before implementing the recommendation.

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

The Unified Managed Account Sub-Program offers clients an investment portfolio that accesses Separate Account Managers, mutual funds and/or ETFs within one integrated managed account. To implement the client's investment strategy, Envestnet will recommend a suitable asset allocation model for the client and a selection of Separate Account Managers, mutual funds, and ETFs from which UBIS can select and recommend to the client for each asset class within the model. Subject to client's investor profile and risk tolerance, UBIS may customize the Envestnet-recommended asset allocation model for the client. UBIS presents the recommended investment portfolio to the client for approval, subject to reasonable investment restrictions that the client requests and that UBIS approves. Envestnet, the sub-adviser and/or UBIS rebalances the assets among the asset classes in each client portfolio periodically to remain consistent with the client's investor profile, and as investment risks and opportunities are identified. After the client's initial approval of the selected portfolio, Envestnet and/or the sub-adviser manage the portfolio on a discretionary basis, without prior client approval. When UBIS rebalances the client's portfolio, UBIS provides the recommended changes to the client for approval before implementing the changes.

## **Item 5 – Fees and Compensation**

### **MAS PROGRAM FEE SCHEDULE**

Clients who participate in the MAS Program are charged a quarterly fee for the combined investment advisory, brokerage and other services provided under the MAS Program ("Program Fee"). Clients must pay the quarterly Program Fee in advance of the quarter to which the fees apply. Envestnet determines the quarterly Program Fee at the beginning of each quarter by applying the applicable sub-program fee schedule to the value of such assets on the last business day of the prior calendar quarter. Envestnet determines the value of client assets invested in each sub-program using readily available values from a nationally recognized pricing service. Envestnet determines and applies the applicable sub-program fee schedule to the value of the client's assets in each sub-program separately and not to all of client's assets invested in the MAS Program in the aggregate. Please refer to ADDITIONAL INFORMATION ABOUT FEES AND RELATED CONFLICTS OF INTEREST, Client Fee Aggregation for Accounts in Multiple Programs or Sub-Programs, below and to the Managed Account Solutions Program Terms and Conditions for additional information about fees for assets invested in multiple programs and sub-programs.

Envestnet will calculate the initial Program Fee for the first calendar quarter (or part thereof) in which the client participates in the MAS Program 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 will be allocated to UBIS, Envestnet and NFS pursuant to an agreement between them. The fees that HCM earns with respect to client assets that are invested in model portfolios provided by HCM are paid by Envestnet based on a model licensing agreement between HCM and Envestnet.

In certain circumstances, at UBIS' discretion, fees may be negotiated. The client's Program Fee for the MAS Program is described in the client's agreement with UBIS and Envestnet.

The Program Fees in the schedules below do not include other fees, such as brokerage commissions imposed by broker-dealers other than NFS, certain redemption fees and other fees described in Envestnet's disclosure document, fees for certain service requests such as wire or delivery instructions, check handling, legal processing, and outgoing transfers, which apply separately. (Please refer to Item 12, Brokerage Practices, for additional information.) If the value of the client's account in a sub-program falls below the minimum requirements for that sub-program, the Minimum Annual Account Fee, which is typically greater than the Annual Fee on an annual percentage basis, will be applied.

#### Mutual Fund Account Sub-Program

Account Size	Annual Fee (billed quarterly in advance)
First \$250,000	1.5%
Next \$250,000	1.25%
Next \$500,000	1.00%
Next \$1,000,000+	0.75%
Minimum Annual Account Fee - \$500	

#### ETF Account Sub-Program

Account Size	Annual Fee (billed quarterly in advance)
First \$250,000	2.5%
Next \$250,000	2.25%
Next \$500,000	2.00%
Next \$1,000,000+	1.75%
Minimum Annual Account Fee - \$500	

#### Multi Manager Account Sub-Program

Account Size	Annual Fee (billed quarterly in advance)
First \$250,000	2.5%
Next \$250,000	2.25%
Next \$500,000	2.00%
Next \$1,000,000+	1.75%
Minimum Annual Account Fee - \$5,500	

#### Separately Managed Account Sub-Program

##### Equity/Balanced Portfolios and ETF Account Strategies

Account Size	Annual Fee (billed quarterly in advance)
First \$250,000	2.5%
Next \$250,000	2.25%
Next \$500,000	2.00%



Next \$1,000,000+ 1.75%  
Minimum Annual Account Fee - \$2,250

**Fixed Income Portfolios and Mutual Funds**

Account Size	Annual Fee (billed quarterly in advance)
First \$250,000	1.5%
Next \$250,000	1.25%
Next \$500,000	1.00%
Next \$1,000,000+	0.75%

Minimum Annual Account Fee - \$1,250

**Unified Managed Account Sub-Program**

Account Size	Annual Fee (billed quarterly in advance)
First \$250,000	2.5%
Next \$250,000	2.25%
Next \$500,000	2.00%
Next \$1,000,000+	1.75%

Minimum Annual Account Fee - \$1,500

Clients are required to pay MAS Program Fees by deductions to their account. For this purpose, clients must authorize NFS to deduct the Program Fees from their account as part of the client's investment advisory agreement. NFS will deduct the Program Fee from the client's account and pay the fees to Envestnet and UBIS as applicable upon NFS' receipt of instructions from Envestnet to do so.

**Reporting Services**

Clients may elect to receive reporting services with respect to their assets held in securities accounts outside of the MAS Program, and which are maintained with certain custodians with whom Envestnet has established interfaces for reporting purposes. This service allows clients to receive a single statement that includes their assets that are invested through the MAS Program and assets held elsewhere for which advice through the MAS Program is not provided. Fee rates for this service are listed below. UBIS has no obligation to provide, and does not provide, any investment advice, asset allocation or rebalancing services with regard to assets covered by the separate reporting services feature. Clients have no obligation to choose the reporting services to participate in the MAS Program.

**Fees for reporting on non-managed assets:**

Separate Account Assets in Account(s)	Fee (billed quarterly in advance)
First \$500,000	0.10%
Next \$500,000	0.07%
Next \$2,500,000	0.03%

Minimum quarterly fee - \$30  
Miscellaneous Fees  
Manual entry of cost basis data at set up \$1 / tax lot  
Manual entry of historical data \$100 / hour  
Minimum Annual Account Fee - \$120

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

If the client, UBIS or Envestnet terminates the client's account, a refund of any prepaid, unearned Program Fees and other fees will be made to the client, and any unpaid, earned Program Fees and other fees will be due and payable by the client. The client is responsible for paying fees associated with any transactions that are executed before UBIS' receipt of the client's written notice of cancellation.

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

### **Client Fee Aggregation for Accounts in Multiple Programs or Sub-Programs**

Because advisory fees are assessed on assets invested in each MAS sub-program separately and assets generally are not aggregated for fee assessment purposes, it is possible that a client's total fees may be greater and a client's overall return less, when a client invests in more than one type of MAS sub-program than if a client invested all of their assets in a single MAS sub-program. This also means that UBIS' compensation may be greater when clients invest in more than one type of MAS sub-program than if a client invested in a single MAS sub-program.

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

MAS Program assets may be invested in mutual funds or ETFs that may also charge fees, as described in each applicable prospectus or in the related disclosure document for the related mutual fund and ETF. These fees and expenses are in addition to the fees paid under the MAS Program fee schedules. Please refer to the discussion below under Client Fee Waivers for Investments in the HighMark Funds regarding the implications of these fees on investments in the Highmark Funds.

Envestnet may also invest assets within a client's portfolio in mutual funds or other securities, including Envestnet's proprietary mutual funds, the PMC Funds. To address the economic incentive that Envestnet may have in investing assets in the PMC Funds, Envestnet makes a corresponding fee reduction to the fee that Envestnet charges on the Multi-Manager Sub-Program invested in the PMC Funds. Please refer to Envestnet's and the respective sub-adviser's disclosure document for information regarding fee adjustments, if any, when investments are made in Envestnet's and the sub-adviser's proprietary products. Envestnet may still recognize other benefits from the investment of client assets in the PMC Funds.

It is possible that UBIS will have greater financial incentives and will receive higher fees where a UBIS representative recommends 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, or rather than through an alternative investment advisory program, either through UBIS as a broker-dealer or another financial services firm. In addition, if client assets are invested in a model portfolio for which UBIS' affiliate, HCM, is the model provider, HCM will earn a fee that is paid by Envestnet pursuant to the model licensing agreement between HCM and Envestnet.

### **UBIS Compensation and Incentives from Other Parties**

UBIS, and its related persons, have arrangements with mutual funds and other product sponsors or their affiliates pursuant to which UBIS or its related persons may receive one or

more of the following types of compensation: sales commissions, shared revenue for sales of certain investment products and/or fees for selling mutual funds or providing services to mutual funds shareholders. UBIS, Envestnet or other asset manager, including HighMark, may recommend some of these mutual funds or securities products to an advisory client or include them in a client's MAS Program account. These financial incentives may create a conflict between the interests of UBIS, Envestnet and/or HighMark and the interests of the client. UBIS makes investment recommendations independently and not based on the interest of any related person. Clients may be able to purchase some of the investment products that UBIS recommends through other brokers or agents that are not affiliated with UBIS.

UBIS' parent, Union Bank, intends to pay referral fees to UBIS representatives when the UBIS representatives refer a client or a potential client to Union Bank for one or more trust or agency or asset management services. UBIS may pay referral fees to Union Bank employees when they refer clients to UBIS for investment advisory services.

NFS charges UBIS fees to provide transaction execution, clearance, settlement, custody and other related services for UBIS' advisory clients. NFS may reduce the amount of these fees when the collective amount of UBIS client's assets under management increases and reaches pre-determined dollar amounts. There would be modest financial benefits to UBIS as the amount of assets under management increase to the pre-determined amounts. This financial benefit may create a conflict of interest.

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

UBIS does not charge any 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**

UBIS generally provides advisory services to individuals, high net worth individuals, businesses, and corporate pension and profit-sharing plans.

For clients that invest through the MAS Program, UBIS requires a minimum account size of \$100,000 for the Separately Managed Account Sub-Program, \$150,000 for the Unified Managed Account Sub-Program, \$250,000 for the Multi-Manager Account Sub-Program, and \$50,000 for the Mutual Fund Account Sub-Program and the ETF Account Sub-Program. Underlying investments in Separately Managed Accounts and Unified Managed Accounts may also have specific investment minimums that would require greater account sizes, depending on the nature of the investment.

In certain circumstances, at UBIS' discretion and with the applicable asset manager's approval, account minimums may be negotiated.

If the market value of the client's assets in an account falls below the applicable minimum, UBIS may require the client to provide additional money or securities for the account. If a client does not meet the account minimum, UBIS may terminate the advisory relationship and close the account or convert it to a commission-based brokerage account.

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

UBIS interviews each prospective client for the MAS Program and reviews information provided by the client, such as the client's investment objectives, goals and income needs; time horizon; risk tolerances and other client information to create a Client Profile that UBIS uses to assist the client in selecting an investment advisory program and implementation strategy within the respective program that is suitable to the client's investment needs. On a periodic basis UBIS reviews the overall performance of client's investments and the ongoing appropriateness of the client's selected program by reviewing the client's Investor Profile, including updated information provided by the client.

Envestnet provides access to two types of Separately Managed Account investment strategies, third party models and mutual funds and ETFs for client investment through the MAS Program: Envestnet "Approved" and Envestnet "Available." Envestnet uses a variety of metrics and evaluation processes, as described in Envestnet's Wrap Fee Program Brochure, to evaluate investment products or strategies that are Envestnet Approved. Envestnet does not perform these due diligence reviews of Separately Managed Account investment strategies, third party models, mutual funds or ETFs that are Envestnet Available. HCM and its model investment strategies that can be accessed in the MAS Program are Envestnet Available.

UBIS will recommend that clients invest in a Separately Managed Account investment strategy, third party model, mutual fund or ETF that is Envestnet Available only after UBIS has performed its own due diligence review of such investments and determined that the respective Separately Managed Account investment strategy, third party model, mutual fund or ETF is approved for recommendation by UBIS. UBIS performs its due diligence review using a variety of information and evaluation processes to make this determination. UBIS has performed its due diligence review of HCM and other Envestnet Available model providers and their respective portfolios that UBIS has approved for recommendation to UBIS clients. As of the date of this Brochure the HCM models on the Envestnet platform are only available to UBIS clients investing through the MAS Program.

On a periodic basis, UBIS also reviews the investment advisory programs of Envestnet and sub-advisers that UBIS retains directly and Envestnet Available asset managers that UBIS recommends. This includes UBIS' review of aspects of their respective programs such as investment management processes and performance. UBIS also reviews their disciplinary history and compliance policies and practices. Envestnet and the sub-advisers that UBIS hires directly and Envestnet Available asset managers that UBIS recommends perform their own investment analyses, research, implementation strategies, and other portfolio management activities for UBIS client accounts sub-program or investment strategy. Please refer to the sub-adviser's and asset manager's disclosure documents for more information.

For MAS Program accounts, Envestnet or the specific sub-adviser(s) and model providers for the client's account selects and/or recommends the specific investments in the MAS Program based on the particular method of analysis described in the respective Envestnet, sub-adviser or model provider disclosure document and other materials. In general, the types of investments available under the MAS Program include, but are not limited to ETFs (including inverse and leveraged ETFs), mutual funds or equities (both domestic and foreign), warrants, corporate debt, commercial paper, certificates of deposit, municipal securities, real estate investment trusts, government securities, and options.

The types of investments that are generally available through the MAS Program may involve risks to the investor that include, but are not limited to, the following:

**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 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.

**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 or reverse repurchase agreement may not fulfill its obligation which may cause the income and the value of the investment to decline.

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

**Foreign Risk:** 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.

**Leverage/Inverse ETF Risk:** Leverage 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 return and the index tracked by the ETF, therefore the objectives of the ETF may not be achieved from time to time.

Occasionally errors occur in the execution of transactions for client accounts. When an error occurs, UBIS will place the affected account(s) in the same position it would have been in had the error not occurred, and client accounts will not bear any costs associated with such

corrections. UBIS reserves the right to establish an account for UBIS' benefit to adjust for UBIS' gains and losses incurred in facilitating the restoration of client accounts to the position they would have been in had the error not occurred.

***Investments in MAS and HighMark Program accounts are not bank deposits, are not guaranteed by any agency of the U.S. government, and involve risks, including the possible loss of principal, a risk that clients should be prepared to bear.***

There is a possibility that the client's account will not successfully achieve its objectives or expectations notwithstanding the financial assumptions, investment strategies, securities selection and due diligence research that UBIS, Envestnet, or any asset manager, as applicable, implement.

## **Item 9 – Disciplinary Information**

UBIS has not been involved in legal or disciplinary events that are material to its advisory business or the integrity of its management.

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

UBIS is also registered as a broker-dealer with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority. As a broker-dealer, UBIS may buy or sell for its clients a variety of securities and securities products, including common stocks, bonds, and mutual funds. Certain registered representatives of UBIS may also sell fixed annuities and variable annuities through an affiliated insurance agency, UnionBanc Insurance Services, which is a division of Union Bank. UBIS does not believe that its dual registration as a registered investment adviser and broker-dealer creates a material conflict of interest with clients.

## **Related Persons and Material Arrangements**

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

UBIS' ultimate parent, MUFG, beneficially owns approximately 22.4 percent common stock of Morgan Stanley, the parent company of several registered broker-dealers, including Morgan Stanley & Co. Incorporated ("MS&Co."), among other businesses. MUFG is also represented by two seats on the Morgan Stanley board of directors. U.S. regulatory authorities have given MUFG permission to ultimately increase its common stock holding in Morgan Stanley to 24.9%. The fact of MUFG's beneficial ownership in Morgan Stanley may limit UBIS' ability to recommend purchase of an interest in a Morgan Stanley sponsored or advised asset or use MS&Co. brokerage services for client accounts, without the client's written consent, and in some cases may wholly prevent such recommendations and the use of MS&Co. brokerage services. Notwithstanding the foregoing, UBIS does not consider MUFG's investment in MS&Co.'s parent company an arrangement that is material to its advisory business or clients, and UBIS does not believe that the relationship creates a material conflict of interest with UBIS investment advisory

clients. Envestnet, separate account managers and model providers may invest in and/or may recommend mutual funds, ETFs, or other investment products of Morgan Stanley companies, including MS&Co. or its affiliates if such securities or products meet applicable investment criteria, and may use MS&Co. or one of its related persons as the broker-dealer for securities trades in seeking best execution or when they otherwise deem it appropriate. UBIS representatives are prohibited from taking any action with respect to investments in Morgan Stanley products that are made by Envestnet or asset managers.

HCM is a model provider in the Envestnet Program. Under a model licensing arrangement, HCM receives a quarterly fee from Envestnet based on the assets invested pursuant to the investment model. HCM is an investment adviser registered with the SEC. HCM is a wholly owned subsidiary of Union Bank, and as such is under common control with UBIS. HCM may pay UBIS in its capacity as a broker-dealer for marketing support, sale, distribution or servicing of shares on the HighMark Funds.

UBIS' Board of Managers is comprised of UBIS employees and it manages the business affairs of UBIS and exercises all of its powers. The managers are also employees of Union Bank. Union Bank provides a variety of administrative services to UBIS, such as human resources and corporate accounting functions. Union Bank serves as the custodian for certain UBIS brokerage accounts, and individual retirement accounts and ERISA retirement accounts that are invested through the MAS Program. Union Bank also provides safekeeping services with respect to UBIS' institutional broker-dealer business. Union Bank may also make general client referrals to UBIS and UBIS may refer clients to Union Bank for banking-related services.

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.

UBIS does not, as principal, broker, or agent, effect securities transactions for MAS Program accounts. MAS Program clients may also be broker-dealer clients of UBIS, and UBIS may effect securities transactions as principal, broker, or agent for such broker-dealer clients with respect to assets that are outside of MAS Program or HighMark Program accounts. In addition, certain related persons of UBIS, such as BTMU, Mitsubishi UFJ Securities (USA), Inc. ("MUS") and Union Bank may, from time to time, buy securities from or sell securities to mutual clients pursuant to the separate relationships that the related persons may have with such clients. The related persons engage in these activities in a manner that is consistent with customary commercial practice and applicable federal and state regulations. These activities of UBIS' related persons are not connected to UBIS' investment advisory business.

### **General Partner of Investment Partnership**

UBIS does not generally serve as a general partner of any investment related partnership, and UBIS does not solicit clients to invest in any partnership in which it may serve as a general partner. UBIS also does not solicit its clients to invest in any partnership in which a related person, such as 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.

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

UBIS employees' personal securities transactions and certain activities may raise potential conflicts with the interests of UBIS clients. In compliance with the Investment Advisers Act of 1940, UBIS has adopted a Code of Ethics to mitigate such potential conflicts of interest. The Code of Ethics 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 UBIS and its employees owe a fiduciary duty to UBIS' 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 UBIS' officers, directors and employees are subject to UBIS' Code of Ethics provisions requiring that they place the interests of UBIS' clients before their own personal interests. UBIS will provide a copy of the UBIS Code of Ethics to clients who request it. Clients may request a copy of UBIS' Code of Ethics by contacting their Senior Financial Advisor or the UBIS Help Desk at 800.634.1100.

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

It is possible that UBIS, its related persons and/or its employees will have a material financial interest in the securities and securities products that are recommended for clients' accounts by Envestnet, sub-advisers and model providers. Similarly, it is possible that UBIS, its related persons and/or its employees will purchase and sell securities and securities products that may be recommended to clients under the MAS Program. These securities products may include mutual funds such as the HighMark Funds that, along with HighMark Funds' advisers, are affiliated with UBIS. In addition, some of UBIS' related persons such as Union Bank are service providers to the HighMark Funds, and thus receive fees from the HighMark Funds. UBIS and its related persons thus may benefit from the recommendation and purchase of the HighMark Funds in MAS Program accounts. UBIS does not believe that transactions by UBIS, its related persons and/or by UBIS employees for their personal accounts in securities in which UBIS its related persons and/or its employees have a material interest or that are recommended to UBIS clients present material conflicts of interest between UBIS and its clients, because the underlying individual securities and/or securities products for UBIS clients within MAS Program accounts are primarily selected and executed by Envestnet, or the applicable sub-adviser, asset manager or model provider, and not by UBIS. In the Unified Managed Account Sub-Program, however, UBIS representatives choose the specific asset managers, model providers and/or investments from a list of Separate Account Managers, model portfolios, mutual funds or ETFs that have been preselected by Envestnet to be appropriate for each corresponding asset class. UBIS representatives may also recommend and/or consult with Envestnet to assess and recommend other available securities or securities products suitable for a client portfolio. Therefore, there may be some conflicts of interest, but UBIS does not recommend direct investments in the Highmark Funds to clients in the MAS Program.

UBIS' employee's compliance with UBIS' Code of Ethics and UBIS' implementation of policies and procedures help identify and address actual or potential conflicts of interest resulting from securities transactions for UBIS clients. These policies generally require UBIS employees to maintain their brokerage accounts at UBIS so that they can be reviewed by UBIS' compliance personnel. In addition, UBIS' Code of Ethics requires UBIS personnel with access to UBIS'



advisory clients' accounts to submit periodic reports of their personal brokerage accounts and those of their family members over which they have control to UBIS' compliance for review of transactions and holdings in their accounts.

## **Item 12 – Brokerage Practices**

UBIS does not itself place securities transactions on behalf of clients in the MAS Program. For the MAS Program, clients authorize UBIS and Envestnet to designate NFS to provide custody and trade execution services for MAS Program accounts. By authorizing UBIS and Envestnet and any separate account manager to direct brokerage, the client may not receive best execution for transactions for its accounts. NFS provides a full range of brokerage services that are integrated with existing UBIS back-office systems and account administration processes. While NFS conducts regular reviews of client transactions for purposes of seeking best execution, their execution may not always result in best execution for advisory accounts that may otherwise be available through other custody and brokerage service providers. MAS Program clients additionally authorize UBIS, Envestnet and any separate account manager or model provider to effect transactions for MAS Program client accounts with or through another broker if Envestnet, or the separate account manager or model provider believes that best execution for such transactions may be obtained through such other broker, dealer or bank, including any affiliated broker-dealer or bank.

UBIS does not receive soft dollar benefits or IPO allocations in connection with client accounts invested through the MAS Program, although the asset managers for such programs may receive these benefits as described in their respective disclosures. Please refer to the respective asset managers' disclosure documents for additional information regarding brokerage practices.

## **Item 13 – Review of Accounts**

The UBIS Senior Financial Advisor for the respective client account reviews each MAS Program client account periodically to confirm that the account's investments are consistent with the client's investment objectives, guidelines, and restrictions. The UBIS Senior Financial Advisor for the client account meets with the client at least annually to confirm, among other things, that the client's investment objectives and restrictions and financial circumstances have not changed and/or to allow the client to place reasonable restrictions as UBIS may approve. More frequent reviews may be triggered by factors such as material changes in the client's circumstances, the securities markets, or the political and economic environments. On a periodic basis, UBIS also reviews Envestnet and sub-advisers that UBIS hires directly, and Envestnet Available model providers and asset managers that UBIS recommends to confirm that such sub-advisers, asset managers and model providers continue to be appropriate for UBIS' respective investment advisory clients. This includes UBIS' review of these sub-advisers', asset managers' and model providers' disciplinary history, compliance policies and practices, and investment management processes and performance. Please refer to Item 8, Methods of Analysis, Investment Strategies and Risk of Loss, for additional information regarding UBIS' review of sub-advisers, asset managers and model providers.

## **Reports to Clients**

NFS, the custodian for client accounts invested through the MAS Program, sends clients a written custodial account statement at least quarterly. The custodial account statement shows an inventory of 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.

UBIS provides each MAS Program client with a written quarterly performance report with investment commentary and investment performance information.

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

### **Sales Contests**

UBIS may occasionally offer sales contests incentives to its representatives for opening new advisory business. To be eligible for these incentives the UBIS representatives must consider the new advisory relationship suitable for the client and in the client's best interest. In general the representative 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 representatives. UBIS representatives who qualify for these incentives may receive UBIS-sponsored trips, monetary compensation, gifts and other prizes. Certain third parties may pay for permissible non-cash compensation, such as business entertainment, in the course of the UBIS-sponsored trip or event.

### **Non-Cash Compensation**

UBIS employees may occasionally receive gifts of nominal value (limited to less than \$100 each calendar year) from mutual funds, product sponsors or their affiliates. Certain mutual funds, product sponsors or their affiliates may also invite UBIS employees to training/educational events or host reasonable business entertainment that are deemed necessary and/or customary industry practices. These gifts and entertainment may be provided by mutual fund companies or providers of securities products that may be recommended to an advisory client or included in a MAS Program account.

### **Compensation for Client Referrals**

Certain Union Bank employees who are also employees of UBIS and who have obtained certain securities licenses ("licensed bankers") may receive referral compensation with respect to their referrals of new clients to UBIS for broker-dealer, investment advisory, or other financial services ("Licensed Banker Program"). If a referred client establishes an advisory account, the licensed banker will receive compensation from UBIS based on the amount of the advisory fees paid by the client for a specified period of time. The referral fees paid to the licensed banker do not entail an additional cost to the client; the same investment advisory fee schedules, as described above, apply to the new client's account as when there is no referral incentive. These referrals are conducted pursuant to a written agreement between UBIS and each licensed banker and in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940. The referral fee incentive may create a conflict between the interests of the licensed banker, UBIS,

and the client. UBIS addresses this conflict by reviewing the suitability of the respective advisory program for the client.

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 UBIS.

### **Item 15 – Custody**

NFS, the qualified custodian for the MAS Program, sends clients who participate in the MAS Program a custodial account statement at least quarterly. The account statements will show an inventory of securities, including as-of-date market values, fees and expenses charged to the account and account activities during the most recent quarter or applicable period.

UBIS, Envestnet or the respective sub-adviser will also provide quarterly performance reports to clients.

UBIS urges advisory clients to carefully review their custodial account statements and to compare the information on the statements from the custodian with the information on the performance reports they receive from the UBIS, Envestnet or the sub-advisers. 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 their Senior Financial Advisor or the UBIS Help Desk at 800-634-1100.

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

Clients in the MAS Program grant to UBIS, Envestnet, or any sub-adviser for their advisory account full discretionary authority with respect to the purchase and sale of securities in their advisory accounts. If clients intend to place limitations on this grant of discretionary authority, such as by placing restrictions on investments for their accounts, clients must do so in writing. In general, UBIS does not exercise discretionary trading or investment authority on behalf of advisory clients; however, Envestnet, sub-advisers and model providers exercise discretion with respect to MAS advisory accounts and model portfolios, respectively.

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

UBIS or the client generally delegates proxy voting responsibility to Envestnet or the respective sub-adviser for the client account.

In the MAS Program, Envestnet generally delegates proxy voting to the sub-advisers to whom it allocates client assets. Envestnet has established policies for voting proxies in the interests of clients. Envestnet's proxy voting policies, including its use of an independent proxy voting service and its policies for addressing conflicts of interest between Envestnet and the client, are described more fully in Envestnet's Form ADV Part 2A, Item 17. Clients can obtain a record of how a proxy vote was cast by contacting the individuals at Envestnet as specified in Envestnet's Form ADV Part 2A Item 6 Portfolio Manager Selection and Evaluation for this purpose.

A copy of UBIS' proxy voting policy and procedures may be requested by contacting your Senior Financial Advisor or the UBIS Help Desk at 800.634.1100.

### **Item 18 – Financial Information**

UBIS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.