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HIGHMARK
CAPITAL MANAGEMENT

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Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: Money Market Fund Reform; Release No. IC-28807; File No. S7-11-09

Dear Ms. Murphy:

HighMark Capital Management, Inc., the investment adviser to HighMark Funds, appreciates the opportunity to comment on the recent proposals for money market fund reform (the "Proposals"). We strongly support the efforts of the Securities and Exchange Commission (the "Commission") to enhance the regulatory framework governing money market funds and are generally in agreement with the Commission's Proposals. To the extent we have concerns about the Proposals, the Investment Company Institute's letter accurately reflects our position, except as noted below. We would like to offer some thoughts on certain of the Proposals that have particularly engaged debate within our money market fund team over the last two months.

Portfolio Liquidity

Portfolio Liquidity Generally: Before discussing the individual Proposals regarding portfolio liquidity, we would like to point out an overarching concern we have about the Proposals as a whole. While we generally support the Proposals, we believe that their implementation will not remove the risk of a future event causing market illiquidity that negatively impacts money market funds. While the Reserve Primary Fund's "breaking the buck" was a material trigger that led to the evaporation of market liquidity last fall, the overall financial stresses present at the time and reluctance of broker dealers to commit capital to making two-way markets were the real problems.

We believe that one possible long-term solution could be the "private liquidity bank" currently under discussion by the Commission and the President's Working Group on Financial Markets. Another idea is to have money market funds continue to pay a fee to the U.S. Treasury Department, scaled by type of fund, for the ability to access short-term collateralized loans to bridge liquidity crunches. Given the demonstrated impact of market makers declining to perform their normal functions, we strongly believe that some sort of "buyer of last resort" is critical to ensuring that money market funds can meet redemption requests in highly volatile markets like we witnessed last fall.

Minimum Daily and Weekly Requirements: We support this Proposal. We would appreciate it if the Commission would confirm that the responsibility for determining whether a fund is a retail or institutional fund can be delegated by the board of trustees to the investment adviser. We believe that expense ratios are generally much lower for institutional funds versus retail funds, and so should be included as one of the factors to consider in determining whether a fund has a retail or institutional focus. However, operational factors and historical cash flows are just as important; therefore, we believe that the investment adviser will most often be in the best position to make this determination.

Limitation on Acquisition of Illiquid Securities: Like the Investment Company Institute ("ICI"), we do not support the elimination of a fund's ability to invest up to 10% of the fund's total net assets in securities that, while they may present "minimal credit risk," do not meet the Commission's definition of a liquid security. First, this Proposal would not significantly reduce risk once the minimum daily and weekly liquidity requirements are implemented. Second, this Proposal would both handicap portfolio managers and remove new issuers access to capital. As newly-issued programs must gain market acceptance and so have fewer purchasers initially, they could be deemed illiquid even though of appropriate credit quality. This Proposal would prohibit funds from performing due diligence, determining "minimal credit risk" and using a legitimate opportunity to enhance return for the benefit of shareholders.

Stress Testing: We generally support this Proposal. We believe that a reasonable implementation of this Proposal would be to require this process to be conducted quarterly under normal market conditions. We also feel that the adviser, not the board of trustees of the fund, should be charged with determining whether this process should occur more frequently.

Know Your Customer Requirements: We believe that this process is unnecessary given the additional safeguards that will be adopted in many of the other Proposals. We believe that any fund with significant omnibus positions will have difficulty properly assessing the risks of those positions, and that the costs of trying to assess those risks and potential criticism for failing to accurately predict those risks will greatly outweigh any potential reduction in harm to the fund.

Portfolio Quality

Credit Ratings Requirement: We concur with the ICI that reference to credit ratings by NRSROs should not be eliminated from Rule 2a-7. We further agree with the ICI that its proposal to have a fund's board designate three NRSROs could engender competition among NRSROs, with the expectation that their standard of analysis and service would rise in quality.

Second Tier Securities: We concur with the ICI in supporting the elimination of the ability of a fund to purchase second tier securities.

Limitations on Long Term Unrated Securities: We support raising the quality standard for securities unrated as to short-term debt, from those rated in the top 3 categories (single A minimum) to those rated in the top 2 categories (double A minimum).

Asset-Backed Securities: Like the ICI, we do not support the Proposal that Asset-Backed Securities and Asset-Backed Commercial Paper ("ABS" and "ABCP") be required to have unconditional demand features. ABS and ABCP can and often do have multiple sources and amounts of credit enhancement and liquidity support. Some programs are fully supported as to one or both types of support; some are partially supported. A proper "minimal credit risk" determination identifies and evaluates the structural features of each program.

Portfolio Maturity

Weighted Average Maturity (WAM): We do not support shortening the WAM limit to 60 days. We feel the current 90 day limit is sufficient to limit interest rate risk, while allowing some flexibility to secure yield in declining interest rate environments.

Weighted Average Life (WAL): Consistent with the ICI's position, we strongly support the introduction of a WAL limit. We have been calculating a WAL for years and believe it will more appropriately reflect the total interest rate and spread risk of a portfolio.

Treatment of Cash: We concur with the ICI's view that cash should be included in the calculation of the WAM and WAL tests with a maturity equal to one day.

Diversification

We agree with the ICI that the proposed changes to the current diversification requirements for issuers/guarantors could have unintended consequences that would outweigh any potential reduction in risk.

Repurchase Agreements

We support the Proposal to limit collateral to cash or Government securities in order to obtain special treatment under the Rule 2a-7 diversification provisions. We also support the Proposal to require that the creditworthiness of a counterparty be evaluated even if a repurchase agreement is fully collateralized.

Disclosure of Portfolio Securities

Public Website Posting: We support the Proposal to have monthly public web portfolio disclosure. We concur with the ICI that a 7 to 10 business day lag will be necessary and that the information should be limited to the issuer, security description, principal or par amount and amortized cost.

Money Market Fund Operations

Authority to Suspend Redemptions: We support this Proposal and agree with the ICI's suggestions to further expand it.

Processing of Transactions: For redemptions in kind or ensuring the ability to process transactions in units other than $1.00, we concur with the ICI's position.

Request for Comment

Floating NAV: We concur with the ICI's rejection of this Proposal for all of the reasons enumerated in its letter.

We appreciate the opportunity to comment on the Proposals. If we can be of further assistance, please feel free to call our Vice President and Director of Taxable Money Market Funds, Hillary Elder, at (415) 705-7580.

Sincerely,

Earle A. Malm II
President and Chief Executive Officer
HighMark Capital Management, Inc.