



**FORM ADV – PART 2A (FIRM BROCHURE)**

**GenSpring Family Offices, LLC**

**Item 1 – Identification**

**Principal Business Office Address:**

150 South US Highway 1  
Jupiter, Florida 33477  
Main Telephone Number: 561-746-8444  
www.genspring.com

**Brochure Date: April 17, 2012**

This Brochure provides information about the qualifications and business practices of GenSpring Family Offices, LLC (“GenSpring”). If you have any questions about the contents of this Brochure, please contact us at (561)-746-8444. 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.

GenSpring is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

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

## **Item 2 – Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission (“SEC”) adopted *Amendments to Form ADV* which amends the disclosure document we provide to clients as required by federal regulations. This Brochure dated March 20, 2012 is a new document prepared according to the SEC’s new requirements and rules. As such, this Brochure is materially different in structure and requires certain new information that our previous disclosure document did not require.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we are required to ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year of December 31<sup>st</sup>. We will further provide you with a new Brochure as necessary based on material changes or new information, at any time, without charge upon request.

At the time of this Brochure, GenSpring does not have any material changes to disclose since the last update (9/15/2011).

Our Brochure may be requested at any time by contacting us at 150 South US Highway 1, Jupiter, Florida 33477, or by phone at (561) 746-8444.

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Brochure Supplement(s) are provided separately to clients.

## **Item 4 – Advisory Business**

### **Section A.**

#### **THE COMPANY**

GenSpring Family Offices, LLC (“GenSpring” or “the Firm” or “we”) is organized as a limited liability company under the laws of the state of Florida and is registered as an investment adviser with the SEC. GenSpring, formerly known as Asset Management Advisors, LLC, (“AMA”) has been in business since 1999 and has been registered with the SEC since 1999. At that time, AMA succeeded the business of Asset Management Advisors, Inc., which had been in business since 1989. The Firm is headquartered in Jupiter, Florida and currently has eighteen offices throughout the United States.

Individuals affiliated with GenSpring are employees of GenSpring Holdings, Inc., and are also Supervised Persons of GenSpring and/or its affiliate GenSpring Family Offices International, LLC (“International”). In addition, a small number of full-time salaried employees of GenSpring Holdings, Inc. also serve in non-salaried dual employee roles as an officer for the following GenSpring affiliates: Teton Trust Company, LLC, SunTrust Banks Inc., and/or SunTrust Delaware Trust Company. These employees provide corporate trust/fiduciary administrative services to clients who have also engaged GenSpring as an investment adviser.

GenSpring is owned by GenSpring Holdings, Inc., which is wholly-owned by SunTrust Banks, Inc., a publicly traded financial services holding company (Ticker: STI). Certain key GenSpring executives own a 19.5 percent preferred voting interest in GenSpring which is voted in consultation and, in certain significant circumstances, in agreement with other senior GenSpring management team members. GenSpring Holdings, Inc. (formerly known as Asset Management Holdings, Inc.) was purchased by SunTrust Banks, Inc. (“STI”) in April 2001.

### **Section B.**

#### **TYPES OF ADVISORY SERVICES**

GenSpring is a multi-family office and its overall business model is to provide comprehensive wealth management services and solutions to ultra-high net worth clients. GenSpring provides directly, and as a sub-adviser to certain affiliated and unaffiliated investment advisers, discretionary and nondiscretionary investment advice to ultra-high net worth individuals, families and their related entities, such as trusts and private foundations, as well as not-for-profit organizations, sovereign nations, other tax-exempt entities and a small number of pension and profit sharing plans. Often these plans are affiliated with companies or entities that our clients own. Comprehensive wealth management services also include financial planning, estate planning and administration, succession planning, tax compliance and consulting, personal Chief Financial Officer (“CFO”) and bookkeeping, expense management, lifestyle needs, and family office services with a focus on governance, education, and philanthropy. Investment advisory services include development of a custom investment policy statement (“IPS”), quarterly reporting, and a formal portfolio review meeting on at least an annual basis.

GenSpring provides investment advice to and/or manages a family of privately pooled investment vehicles, which are organized as domestic limited partnerships, limited liability companies, and offshore corporations, as well as a family of onshore and offshore mutual funds registered under the Investment Company Act of 1940, as amended (“1940 Act”), as a closed-end, non-diversified management investment company, and an unregistered offshore feeder fund (collectively, the “Investment Funds”). For purposes of this Brochure, registered mutual funds are included in the definition of Investment Funds; please note that some mutual funds may have some non-material differences in their terms and conditions than the private funds. Please refer to Schedule D of Form ADV Part I for a list of the

Investment Funds. Such investment funds are almost exclusively offered as access vehicles and are only offered to GenSpring clients. Additionally, GenSpring acts as a sub-adviser to certain unaffiliated aggregator/access funds. We view the use of these entities as consistent with our culture of not selling “products”. The structures merely facilitate individualized delivery of investment advice about outside managers. GenSpring receives no fees from the structures or from the managers. The entities allow pooling to spread overhead, promote efficiency and consistency, enhance access to desirable managers, and help satisfy minimum investment requirements. In some instances, GenSpring acting on behalf of its clients has certain investment recommendation or other powers that may impact the management of the aggregator/access vehicles.

## **Section C.**

### **OVERVIEW OF ADVISORY SERVICES**

#### **Wealth Management**

As part of its asset-allocation methodology, GenSpring may select sub-advisers to manage a portion of its client accounts. Depending on clients' needs and objectives, GenSpring may also recommend and utilize affiliated or unaffiliated money managers to manage a portion of a client's portfolio. Such money managers will have discretion to determine the type and amount of securities to be purchased or sold for the client for that portion of the client's assets managed by the money manager. For the majority of GenSpring's clients, GenSpring provides investment supervisory services using affiliated and unaffiliated pooled investment vehicles, including, but not limited to, domestic limited partnerships and hedge funds. These partnerships are “funds of funds” and more detailed information can be found about them in each of their private placement memoranda (“PPMs”). A rigorous due diligence and evaluation process is used to evaluate investment managers and funds, employing both quantitative and qualitative techniques to identify the managers we feel are best qualified to meet our clients' objectives. To the extent clients are invested directly or indirectly in unaffiliated funds, the managers of such funds will have their own investment practices, and those independent investment practices will be described in each managers' Form ADVs or such funds' offering documents.

With regard to its investment advisory services, GenSpring's specialization is not in one given instrument or asset class, but rather in the ongoing process of: 1) Assessing our clients' objectives; 2) Developing an appropriate asset allocation to best achieve those objectives and modifying that allocation when risks/opportunities are present in the markets; and 3) Evaluating investment managers and assessing where it is most appropriate to use active or passive strategies.

Client portfolios are managed in accordance with each client's investment objectives, taking into consideration risk tolerance, time horizon, tax issues, liquidity and cash flow needs, restrictions/constraints, and other relevant guidelines. GenSpring's wealth management services involve the allocation of client assets among different asset classes with varying levels of risk and return. GenSpring may recommend changes to this allocation, in an attempt to take advantage of conditions in the current economic environment, while being sensitive to transaction costs and taxes, as appropriate. These changes may be short-term underweights or overweights to various asset classes and are designed to capitalize on current economic conditions over a shorter time period.

To this end, GenSpring's client portfolios are diversified across a variety of asset classes, including cash, defensive, growth, and private investments. Accounts may include, without limitation, equity securities, fixed income securities, limited partnerships, managed accounts, mutual funds, exchange traded funds, hedge funds, commodity futures, options, private equity, venture capital investments and other alternative investments consistent with a client's suitability, overall investment strategy, and risk tolerance.

Pursuant to an intercompany agreement with its affiliate SunTrust Bank (“STB”), GenSpring has been retained by STB to provide investment advisory services and assist STB in carrying out its investment obligations on specified accounts. For these accounts, clients have an agreement directly with STB to provide trust and investment management services. STB has assigned investment servicing to

GenSpring. GenSpring has no direct contract with the client. GenSpring's relationship is with STB via the intercompany agreement. From time to time, these accounts may transition and become a client of GenSpring. In such instances, a small number of these GenSpring clients may have a portion of their accounts invested in two investment programs managed by STB that may not otherwise be available to all GenSpring clients. These investment programs include the SunTrust Bank Strategic Core Investment Program and the SunTrust Bank Fixed Income Investment Program. STB is not compensated by GenSpring or by GenSpring's clients for participation in the programs.

### **Qualified Retirement Plans and Other Institutional Consulting Services**

Upon request, GenSpring may make available to qualified retirement plans and other institutional clients the same types of advisory services described above with respect to its investment advisory practices. GenSpring may assist corporations, endowments, foundations and other for-profit and not-for-profit entities, as well as fiduciaries of retirement plans, with the formulation of an investment strategy and the implementation and periodic review thereof, as appropriate, in accordance with the long-term needs of the investing entity, based upon the nature and expected cash flows of its obligations. GenSpring evaluates such clients on a case-by-case basis. These types of clients represent a small minority of GenSpring's clients.

### **Personal Financial Planning Services**

GenSpring will assist clients in formulating an overall investment strategy and financial plan. This may include an analysis of a client's financial goals and possibly advice regarding estate planning, retirement planning, educational funding, insurance planning and benefits planning, preparation of financial analyses, and personal financial statements reflecting net worth, capital sufficiency, cash flow, and income tax projections.

### **Financial Management Services**

GenSpring will assist client families with financial management. This includes expense management ensuring timely payment of invoices, transfer of funds, wire management, oversight of expenditures and cash flow, financial forecasting, and budgeting in order to enhance family decision making around finances. Fees may vary based on scope of services to be provided as well as the complexity of the family structure. Fees may be invoiced based on hourly rates, fixed fee arrangements, or may be calculated according to the value of assets under advisement. Clients using GenSpring's financial management services may be charged a one-time set up fee.

### **Family Office Services**

GenSpring's family office services may or may not involve investment advisory services. In addition, they may also include to varying degrees administrative accounting, bookkeeping, operating business consulting services, and personal services for high net worth individuals and families. GenSpring acts as a family office for clients who do not desire to operate and staff their own family office.

### **Reporting Services for Non-Managed Client Assets**

GenSpring provides investment reporting services to clients who request the firm to report on the performance of client investments that are not managed by GenSpring. For accounts that receive reporting services only, GenSpring does not participate in the selection of sub-advisers or in decisions regarding the selection, purchase, or sale of specific securities in these accounts. Consequently, GenSpring assumes no liability for the appropriateness for the client of any securities so reported or any diminution of value of assets for which the reporting services are provided. GenSpring's reporting services include regular reports on asset performance, if applicable, comparison to established benchmarks, and analysis of sub-adviser and/or manager fees.

## **Section D.**

### **WRAP FEE PROGRAMS**

GenSpring does not participate in wrap fee programs.

## **Section E.**

### **ASSETS UNDER MANAGEMENT**

As of December 31, 2011, GenSpring had \$15,139,546,438 in assets under management. Of this amount, \$10,115,221,770 is managed on a discretionary basis and \$5,024,324,668 is managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Section A.**

#### **COMPENSATION**

GenSpring's wealth management fees may be subject to negotiation based on factors such as the overall complexity of the client's financial affairs, the number of investing entities, the nature and location of the services provided, and other unique factors. Clients generally will be charged an annualized management fee based on assets under advisement ("AUA"), which will be assessed quarterly and payable generally in arrears although certain office locations charge fees in advance. Please consult with your particular GenSpring local family office or review your investment advisory agreement to determine if your fees are payable in advance or in arrears.

- For new investment accounts that are charged in arrears, unless otherwise specified in the investment advisory agreement, first quarter fees will be prorated based on the number of days the account was managed during the quarter. Thereafter, the advisory fee generally will be payable quarterly, in arrears, according to the value of assets calculated as of the close of business on the last trading day of the previous calendar quarter.
- If the investment advisory agreement executed by the client provides for payment of fees in advance, the first quarterly fee will be billed on an estimate of AUA (as mutually agreed by the parties), which will not be adjusted at a subsequent time to account for the difference between the estimated amount and the actual amount under GenSpring's advisement. Thereafter, GenSpring's management fee generally will be payable quarterly, in advance, according to the value of assets calculated as of the close of business on the last trading day of the previous calendar quarter. If the relationship is terminated during the quarter, GenSpring will refund the client the amount of prepaid fee pro rata based on the number of days that GenSpring did not service the investment accounts.

A client may prefer for GenSpring's fees to be billed directly to, and paid by, the client's custodian in which case a client should notify GenSpring in writing at the address on the cover page of this Brochure. All GenSpring client assets are held by a "qualified custodian," as that term is defined in Advisers Act Rule 206(4)-2, to the extent required by law, and GenSpring will bill such custodians as directed by clients.

The following is generally the basic fee schedule for annual wealth management fees, although fees and minimum required amounts vary by location, by client, and the complexity of the overall relationship:

| <u>Assets Under Advisement</u> | <u>APR</u> |
|--------------------------------|------------|
| \$0 to \$30,000,000            | .85%       |
| \$30,000,001 to \$50,000,000   | .50%       |
| \$50,000,001 to \$80,000,000   | .30%       |
| Over \$80,000,001              | .25%       |

Minimum fee per year: \$85,000

The above basic fee schedule may be modified upon written notice by GenSpring, and such modification may include graduated percentage rates to be applied between the basic AUA levels shown above.



Accounts for which the market value is less than \$10,000,000 may be charged a percentage fee of 1.00% APR or greater above the basic schedule. Some existing clients' fee schedules may differ from the above basic schedule based on prior contractual relationships and/or historical fee schedules, which may include the collection of fees in advance.

Sub-advisory, management, performance, trading, custody, wire, bank service and fiduciary (trustee) fees as well as interest on margin borrowing, dividends payable with respect to Securities sold short, brokerage commissions, interest on Account-related loans and debit balances and certain other expenses are not included in the GenSpring annual Wealth Management Fee and are borne separately by the Client to the extent incurred.

Further, GenSpring may provide ancillary services that are separately borne by the client to the extent they are incurred. Examples of these ancillary services may include, but are not necessarily limited to, estate planning, tax compliance and consulting, and business consulting services. In addition, travel and accommodations expenses for Client's meetings with GenSpring representatives and GenSpring - sponsored client events are not included in the annual Wealth Management Fee. Certain of these fee arrangements are described in more detail below.

### **Hourly and Fixed Fee Arrangements.**

GenSpring may also charge fees according to a fixed-fee arrangement or on an hourly or per diem basis depending upon the scope and complexity of the services being performed. For example, GenSpring may agree to provide investment advisory, financial planning, or financial management services for a fixed fee for a specified period. Fixed fees are negotiable and will be determined on a case-by-case basis, depending on such factors as the nature and complexity of the services, staffing arrangements, size of the asset base. Likewise, hourly charges may vary depending upon the nature of work or scope of services, sophistication of the services provided, and professional level of personnel required. Generally, hourly charges will range from \$50 to \$550 per hour. All fees will be agreed upon in advance with the client. A minimum annual fixed fee may be charged by GenSpring to provide services to a client's affiliated entities, whose assets do not generate an appropriate fee based upon the assets under advisement formula. For clients where GenSpring functions as an independent, full service "family office" (providing investment, accounting, bookkeeping, tax, and estate planning services), a minimum fee of \$150,000 may be applicable, which applies to the totality of the relationship with the client, and not individual entities and may include the collection of fees in arrears or in advance. New clients using GenSpring as a full service "family office" may also be charged a set up fee. The set up fee is typically a one-time charge of \$15,000 and can be higher if there are complex family matters that need to be addressed.

### **Fiduciary Fee.**

A small number of full time salaried employees of GenSpring Holdings, Inc., who are Supervised Persons of GenSpring also serve in non-salaried dual employee roles for the following GenSpring affiliates: Teton Trust Company, Inc., a Wyoming state chartered trust company (Teton), SunTrust Bank, a Georgia banking corporation ("SunTrust Bank") and SunTrust Delaware Trust Company, a Delaware chartered trust company ("SunTrust Delaware"). In these dual employee roles (e.g., as employees of Teton, SunTrust Bank and SunTrust Delaware) these employees provide corporate trust/fiduciary administration services to clients who have also engaged GenSpring as an investment adviser.

For the convenience of these mutual clients, GenSpring has agreed to include our affiliates' fiduciary services fees as part of GenSpring's fee billing process. These fees are provided for and disclosed in the agreements between these mutual clients and our respective affiliates.

### **Tax Fee.**

GenSpring may outsource some client's tax compliance and preparation services to an unaffiliated service provider. In certain circumstances, GenSpring has agreed to include third party fees for tax services as part of GenSpring's fee billing process.



**Consolidated Reporting Services Fee.**

Consolidated reporting services fees generally range, depending upon the complexity of the report, from 0.10% to 0.20% of account assets per annum payable quarterly in arrears. Fees are calculated and paid at the end of each quarter as a percentage of ending assets reported. Alternatively, reporting fees may be included in the wealth management fee for clients with investment accounts managed by GenSpring.

**Service Fee.**

To seek to mitigate the expenses arising from trading activities and account administration, GenSpring generally recommends that its clients establish custodial/brokerage accounts with SunTrust Bank ("SunTrust") or with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab") with whom GenSpring has established a dedicated technical and electronic interface. GenSpring may charge clients holding their assets with a custodian other than SunTrust or Schwab an annualized fee ("Service Fee"), which will be assessed quarterly and payable in advance. The Service Fee generally will be equal to 15% of the applicable GenSpring management fee, with a minimum charge of \$5,000, and is designed to diminish the costs and expenses to be borne by GenSpring for creating new technical interfaces with custodians other than SunTrust or Schwab. The Service Fee will only be calculated and charged to those accounts that are transactional in nature; the Service Fee will not be charged to those accounts that are not transactional in nature (e.g. merely holding cash reserves). The Service Fee is subject to negotiation based on factors such as the overall complexity of the client's financial affairs, the number of investing entities, nature of work, and other unique factors.

**Sub-advisory Fees.**

GenSpring may provide investment advice as a sub-adviser to another investment adviser. For these services, GenSpring receives a sub-advisory fee that will be determined in an agreement between the parties. The sub-advisory fee may be a portion of the management fee that the primary investment adviser receives, a fixed fee, an hourly fee, or another type of fee, depending upon the location of the work, the type of services to be performed, and other unique factors.

**Other Fees.**

GenSpring may provide additional services including but not limited to estate planning, tax compliance and consulting, and business consulting services that are not covered under the terms of a contract for investment advisory services. Fees for such services will be determined before starting additional work as mutually agreed by the parties. GenSpring will provide a separate invoice for such services, which is payable upon receipt. GenSpring may receive additional compensation from referrals and non-clients as described in Item 14.

**Out-of-Pocket Expenses.**

In addition to fees, clients may be responsible for certain out-of-pocket expenses for reasonable and direct costs incurred by GenSpring on the client's behalf. These out-of-pocket expenses may include travel costs and expenses incurred by GenSpring in connection with meetings, copying, long-distance telephone calls, facsimile charges, messenger and/or express delivery services, and special research items. GenSpring will provide its clients with an invoice containing a detailed description of such expenses.

Fees to GenSpring do not include any fees due to third-party money managers that provide services to the client or the underlying fees and expenses associated with the mutual funds or alternative investments (including affiliated products) in which clients' assets are invested. Mutual fund fees and expenses are paid by the funds but are ultimately borne by the client as a shareholder of the funds.

Fees charged by sub-advisers, including sub-advisers to Investment Funds, depend on several factors, including the size of investment, trading strategy, and degree of risk. Sub-adviser management fees generally range from 0.10% to 5.00% of assets per annum. In addition, some sub-advisers may charge performance fees of up to 50% of the profits. Since performance fees are generally based upon increases

in the net assets of the portfolio, such performance fees may be based upon unrealized appreciation as well as realized gains. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. GenSpring does not receive remuneration from any sub-adviser or third party money manager for the recommendation of any such manager or fund to GenSpring's clients or inclusion in client portfolios.

Fees to GenSpring also do not include any fees due to brokers or custodians. The client may contract directly with investment managers, brokers, and custodians to provide services with regard to his or her assets and thus will be charged separately by such entities for their services. Item 12 further describes the factors that GenSpring considers in selecting or recommending custodians and broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions). All sub-advisory management and performance fees, trading fees, custody fees, wire transfer fees, and other fees incurred in the normal course are borne by the client as described in the investment advisory agreement.

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

In certain instances, GenSpring may be compensated for investment advisory services based on a share of the overall account performance of all or a portion of client assets (an "incentive fee"). The terms of any incentive fee are based upon a negotiated arrangement with the client. GenSpring anticipates that such client relationships and arrangements will also pay "base fees" calculated on the market value of the AUA. GenSpring will enter into an incentive fee arrangement only at a client's request, and only if the client meets the definition of a qualified client under Section 205-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act").

GenSpring currently does not have any Clients with an incentive fee except the Investment Funds. Please see the offering documents for each of the Investment Funds for specific information about the amount of performance-based fees and whether they are subject to any loss carryforward.

Performance-based fee arrangements create conflicts of interests. GenSpring can potentially receive higher fees from investment accounts with a performance-based compensation structure than from those accounts that pay an asset-based fee as described in Item 5. For example, GenSpring may have an incentive to recommend investments which may have more risk or direct the best investment ideas to the investment account that pays a performance-based fee or to allocate or sequence trades in favor of the performance fee investment account. GenSpring has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent any such conflict from influencing the allocation of investment opportunities among clients.

#### **Item 7 – Types of Clients**

GenSpring provides directly, and as a sub-adviser to certain affiliated investment advisers, discretionary and nondiscretionary investment advice to ultra-high net worth individuals, families and their related entities, such as trusts and private foundations, as well as a small number of pension and profit sharing plans, not-for-profit organizations, sovereign nations, other tax-exempt entities, banking and thrift institutions, investment companies, other pooled investment vehicles, and other businesses. Additionally, GenSpring serves as an adviser to the Investment Funds.

GenSpring's basic fee schedule for investment advisory services is generally subject to a minimum annual fee of \$85,000 and is further described in Item 5. Typically, GenSpring requires family relationships to have a minimum net worth of \$25 million and have a marketable securities portfolio of \$10 million. This requirement may be subject to modification and negotiation to accommodate special client requirements and may be waived at GenSpring's discretion. However, such waiver may cause a Client to pay higher fees.

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

### Section A.

#### METHODS OF ANALYSIS

GenSpring's methods of analysis include charting, fundamental, technical and cyclical.

- **Charting** - In this type of technical analysis, charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Also charts of market, security, and economic data are used to help identify the timing of the market moving up or down and to predict how long trends may last and when trends might reverse. A chart is an historical record of price movements. Charting will often reveal patterns that repeat over and over with the same outcome but there is no guarantee in finding these tendencies and patterns or that historical records are an indicator of current or future movements.
- **Fundamental** - Fundamental analysis is using real data to evaluate a security's value. For example, fundamental analysis can be performed on a bond's value by looking at economic factors, such as interest rates and the overall state of the economy, and information about the bond issuer, such as potential changes in credit ratings. For assessing stocks, this method uses revenues, earnings, future growth, return on equity, profit margins and other data to determine a company's underlying value and potential for future growth. In terms of stocks, fundamental analysis focuses on the financial statements of the company being evaluated. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move or down along with the overall market regardless of the economic and financial factors considered in evaluating a security.
- **Technical** - This form of value analysis focuses on patterns of volume and price fluctuations for a given stock as compared to the activity of the larger, general market indicators. Securities are evaluated for purchase or sale based on an analysis of market statistics such as volume and prices over time as seen on charts, etc. that are believed to establish relational patterns that can predict future movements in the markets. This relative comparison has little or no concern for any company's fundamental structure, production or worth. Technical analysis assumes that all the market factors are known to and considered by all the market's participants, although the market can act in irrational ways. Technical analysis purports to see repeatable patterns in similar market conditions, but any one of many factors may alter the outcome of an otherwise similar situation.
- **Cyclical** - There are industries in which profits rise and fall on a cyclical basis. As profits of companies follow cyclical patterns, so do their stocks: going up and down, reflecting the current stage of the business cycle. There are a wide variety of industries that can be described as having distinct business cycles: oil and gas, semi-conductors, car-manufacturing, mining, home-building, fertilizer production and many others. Their main feature is that their profits and thus stock prices follow similar rising and falling patterns over the long run. There is no guarantee that historical trends will indicate current cycles.

In addition, certain client investment accounts are subject to the methods of analysis described in the offering documents of the underlying funds in which such GenSpring clients are invested, which may be different than the methods of analysis explained above. Please see such funds' offering documents for further information.

The main sources of information that GenSpring uses includes publicly available sources, such as newspapers, company press releases, annual reports and corporate rating services, as well as internal research developed by GenSpring's own investment professionals.

The qualitative factors used by GenSpring to determine the names of third-party money managers will include: reputation, performance record, philosophy, the continuity of management, service to clients, minimum dollar investment requirement, and fees. Information with respect to money managers (e.g., performance figures, investment style, etc.) will be obtained by GenSpring from tracking organizations, business publications, money managers, and other sources. GenSpring may also consider other criteria, including, without limitation, administrative, recordkeeping, and reporting services provided by a money manager.

## **Section B.**

### **INVESTMENT STRATEGIES USED TO IMPLEMENT INVESTMENT ADVICE**

Any investment advice provided by GenSpring to clients is based on a number of factors, including, but not necessarily limited to, the client's investment objectives, risk tolerances, asset-class preferences, time horizons, liquidity needs, expected returns, and an assessment of current economic and market views expressed by economists, analysts, banks, and securities firms. A registered investment adviser representative will determine a client's investor profile and prepare a proposed asset allocation plan appropriate for that profile. Investment strategies are developed for each client, which attempt to achieve diversification by investing over time, across asset classes, within asset classes, across various investment styles, and by diversifying internationally.

Generally, investment strategies emphasize long-term investments in a diversified portfolio intended to meet the client's long-term financial objectives. Nevertheless, investment strategies used to implement investment advice include short-term purchases (securities sold within a year), trading (securities sold within 30 days), long-term purchases (securities held at least a year), short sales, option-writing strategies, including covered options or spreading strategies, or margin transactions. If permitted, the use of margin in an account generally is described in the investment policy statement.

In addition, certain client investment accounts are subject to the investment strategies described in the offering documents of the underlying funds in which such GenSpring clients are invested, which may be different than the strategies explained above. Please see such funds' offering documents for further information.

## **Section C.**

### **RISK OF LOSS**

**Investing in securities involves risk of loss that clients should be prepared to bear.** All investments carry the risk of loss and there is no guarantee that any investment strategy will meet its objective. Depending on the type of security, your account may face the following investment risks:

#### **Other Funds**

In addition to the Investment Funds, GenSpring may invest in other, unaffiliated funds (including, but not limited to, U.S. or offshore unit investment trusts, open-end and closed-end mutual funds and hedge funds, private equity funds, venture capital funds, advisory accounts, real estate investment trusts, ETFs, or other private alternative or other investment funds, regardless of whether any of the foregoing investment vehicles are affiliated with us) (collectively, "Other Funds and Managers"). These Other Funds and Managers will charge their own management and other fees, so that if we invest in them, you will bear an additional level of fees and expenses. Some of these funds may pay fees to GenSpring's affiliates. GenSpring does not receive fees from these funds. Also, U.S. mutual funds generally must distribute all gains to investors, including investors who may not have an economic gain from investing in the fund, which can lead to negative tax effects on investors, particularly non-U.S. persons. GenSpring may also invest in exchange traded funds, unit investment trusts, or other similar vehicles designed to track the performance of a specific index or sector. These Other Funds may have unique risks of loss as described in their offering documents.

### **Equity Risk**

Investments in equity securities generally involve a high degree of risk. Prices are volatile and market movements are difficult to predict. These price movements may result from factors affecting individual companies or industries. Price changes may be temporary or last for extended periods. In addition to, or in spite of, the impact of movements in the overall stock market, the value of investments may decline if the particular investments within the portfolio do not perform well in the market. Prices of growth stocks may be more sensitive to changes in current or expected earnings than prices of other stocks. Prices of stocks may fall or fail to appreciate regardless of movements in securities markets. Generally, GenSpring will seek to avoid exposure to initial public offerings, although that result cannot be guaranteed. Such investments may pose significant risks or prospects for significant returns.

### **Market Risk**

The success of client portfolio activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, commodity prices, economic uncertainty, changes in laws, trade barrier, currency fluctuations and controls, and national and international political circumstances. These factors may affect the level of volatility of securities prices and the liquidity of investments in client portfolios. Such volatility or illiquidity could impair profitability or result in losses.

### **Extraordinary Events**

Global terrorist activity and United States involvement in armed conflict may negatively affect general economic fortunes, including sales, profits, and production, and may lead to depressed securities prices and problems with trading facilities and infrastructure.

### **Fixed Income Risks**

Investments in fixed income securities represent numerous risks such as credit, interest rate, reinvestment, and prepayment risk, all of which affect their price (i.e., value). These risks represent the potential for a large amount of price volatility. In general, securities with longer maturities are more sensitive to price changes. Additionally, the prices of high yield, fixed-income securities fluctuate more than high quality debt issues. Prices are especially sensitive to developments affecting the company's business and to changes in the ratings assigned by rating agencies. Prices are often closely linked with the company's stock prices. High yield securities can experience sudden and sharp price swings due to changes in economic conditions, stock market activity, large sales by major investors, default, or other factors. Developments in the credit market may have a substantial impact on the companies we may invest in and will affect the success of such investments. In the event of a default, the investment may suffer a partial or total loss.

### **Increased Regulations**

Events during the past several years and adverse financial results have focused attention upon the necessity to maintain adequate risk controls and compliance procedures. These events have led to increased governmental and self-regulatory authority scrutiny of the financial industry. Various national governments have also expressed concern regarding disruptive effects of speculative trading and the need to regulate the markets in general. Any regulations that restrict the ability to employ, or broker-dealers and counterparties to extend, credit or restrict trading activities could adversely impact profit potential.

### **Market Liquidity Risks**

The value of securities held in client accounts and that are traded on exchanges and the risks associated with holding these positions vary in response to events that affect asset markets in general. Market disruptions such as those that occurred in 1987, September 2001, and more recently the Flash Crash in May 2010 could lead to violent price swings in securities held within client portfolios and could result in substantial losses.



**Potential Concentration**

Client portfolios may have highly concentrated positions in issuers engaged in one or a few industries. This increases the risk of loss relative to the market as a whole.

**Small Capitalization Companies**

A substantial portion of assets may be invested in smaller and less established companies. Both debt and equity securities of such issuers tend to be more volatile than larger, more established companies. Such volatility could adversely impact client portfolios.

**Large Company Risk**

Large cap stocks can perform differently from other segments of the equity market of the equity market as a whole. Large capitalization companies may be less flexible in evolving markets or unable to implement change as quickly as smaller capitalization companies.

**Non-U.S. Investments**

We may invest client funds in securities (*debt, equity, currencies, derivatives, etc.*) domiciled outside the United States. Such investments expose the portfolio to a number of risks that may not exist in the domestic market alone. Such risks include, among other things, trade balances and imbalances and related economic policies, currency exchange rate fluctuations, imposition of exchange control regulation, withholding taxes, limitations on the removal of funds or other assets, possible nationalization of assets or industries, political difficulties, and political instability in foreign nations.

**Short Sales, Leverage and Derivatives**

Short sales, leverage and derivatives all represent substantial risks given their inherent heightened risk of loss. Leverage and derivatives imply borrowing capital. When such borrowing is deployed, losses can escalate quickly should investments suffer even small losses. Short sales involve a finite opportunity for appreciation, but a theoretically unlimited risk of loss. Short positions are also subject to a "short squeeze" that could lead to accelerating losses for those short that particular security.

**Item 9 – Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of GenSpring's advisory business or the integrity of our management.

**Item 10 – Other Financial Industry Activities and Affiliations****Section A.  
BROKER DEALER**

No management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

**Section B.  
COMMODITY POOL OPERATOR AND COMMODITY TRADING ADVISER**

GenSpring is also registered as a Commodity Pool Operator and Commodity Trading Advisor in accordance with the Commodity Exchange Act or the rules of the Commodity Futures Trading Commission ("CFTC") and is a member of the National Futures Association ("NFA"). Certain Supervised Persons of GenSpring are registered as Associated Persons and/or Branch Office Managers or Principals pursuant to the Commodity Exchange Act and NFA Registration Rules.

## **Section C.**

### **OTHER RELATIONSHIPS AND/OR ARRANGEMENTS MATERIAL TO ADVISORY BUSINESS**

GenSpring is owned by GenSpring Holdings, Inc., which is wholly-owned by SunTrust Banks, Inc. ("STI"), a publicly traded financial services holding company (Ticker: STI). Certain key GenSpring executives own a 19.5 percent preferred voting interest in GenSpring which is voted in consultation and, in certain significant circumstances, in agreement with other senior GenSpring management team members. Consequently, GenSpring is affiliated with various STI entities as described below. GenSpring also owns Teton Trust Company and GenSpring Family Offices International, LLC (formerly known as GenSpring International, LLC), which are also described below.

- (1) **Broker-Dealers.** GenSpring is affiliated with SunTrust Robinson Humphrey, Inc. ("STRH") and SunTrust Investment Services, Inc. ("STIS"). Both STRH and STIS are U.S. registered broker-dealers and members of the Financial Industry Regulatory Authority ("FINRA", formerly NASD) and are members of the Securities Investor Protection Corporation. STRH conducts a general securities business with the public, acting as a broker and a dealer in stocks, bonds, mutual funds, options, and limited partnership interests, underwriter of bonds (U.S. agency, municipal and corporate) and equity securities, and maintains an active research department and a municipal bond statistical department. STIS is an introducing broker that clears trades through National Financial Services Corp. STIS conducts a general securities business with the public, acting as a broker and a dealer in stocks, bonds, mutual funds, options, and other investments.

GenSpring affiliates acting as broker or agent and to the extent permitted by applicable law, as principal, effect securities transactions for GenSpring clients. Similarly, GenSpring may purchase for its advisory clients securities for which an affiliate serves as broker or lead underwriter or co-manager or member of an underwriting syndicate, subject to restrictions and other limitations described in Item 11. For example, these situations may arise upon a client's direction for purchases and sales of securities, and also in rare instances for the purchase of a new issue where an STI affiliated broker is the only source for the purchase.

- (2) **Investment Companies.** GenSpring may invest client assets in certain investment companies registered under the 1940 Act and managed by either GenSpring or RidgeWorth Capital Management, Inc. ("RidgeWorth"), a registered investment adviser and wholly-owned STI subsidiary. RidgeWorth and GenSpring advise certain registered onshore and offshore mutual funds; please refer to Schedule D of the Form ADV Part I for GenSpring for a list of some of these mutual funds. The investment companies that GenSpring manages and advises include onshore and offshore mutual funds structured as "master-feeder" funds, all of which have the same investment objectives. GenSpring may invest client assets in other affiliated mutual funds. These funds generally contain fund-level advisory fees payable to GenSpring's affiliates. No such fund level advisory fees are paid to GenSpring.

- (3) **Investment Advisers.** GenSpring is affiliated with a number of investment advisers, including GenSpring Family Offices International, LLC ("International"), and RidgeWorth, which manages a family of registered investment companies, as described above, that may serve as investment vehicles for clients' assets. Please refer to their Form ADVs for specific information about each affiliated investment adviser. GenSpring has arrangements with International, in which GenSpring may act as a sub-adviser to International or in which International may act as a sub-adviser to GenSpring.

Additionally, GenSpring is affiliated with STIS, a dual registrant broker-dealer and investment adviser.



Additional affiliated investment advisers wholly owned by RidgeWorth with whom GenSpring is affiliated and has no material business relationships, include: Ceredex Value Advisors LLC (801-68739), Certium Asset Management LLC (801-68742), Seix Investment Advisors LLC (801-68743), Silvant Capital Management LLC (801-68741), and StableRiver Capital Management LLC (801-68744). Zevenbergen Capital Investments LLC (801-62477) is a registered investment adviser in which Ridgeworth has an ownership interest of less than 25%. Please refer to each adviser's Form ADV for specific information about that adviser.

GenSpring's Chief Investment Officer and Chairman of the Strategic Investment Advisory Committee, Jean Brunel, is engaged in outside business activities with an investment consulting services firm. Additionally, International's President and member of senior management for GenSpring, Santiago Ulloa, holds a minority investment in a non-financial services company, for which he also serves on the board of directors. These activities pose conflicts of interest for GenSpring that are similar to those described under Item 11B below and GenSpring seeks to address and monitor them in a similar fashion.

- (4) Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser.** GenSpring is also registered as a Commodity Pool Operator and Commodity Trading Advisor in accordance with the Commodity Exchange Act or the rules of the Commodity Futures Trading Commission ("CFTC"), and is a member of the National Futures Association ("NFA"). Certain Supervised Persons of GenSpring are registered as Associated Persons, and/or Branch Office Managers or Principals pursuant to the Commodity Exchange Act and NFA Registration Rules.

- (5) Banking or Thrift Institutions.** GenSpring is affiliated with SunTrust Bank ("SunTrust"), a Georgia banking corporation, and Teton Trust Company, a wholly owned subsidiary of GenSpring. GenSpring has a relationship with Teton Trust Company and SunTrust to provide fiduciary and custody services to individual clients, Investment Funds, and programs. GenSpring also has a relationship with SunTrust Delaware Trust Company, a Delaware limited purpose trust company wholly owned by STI, to provide trust services to clients. The choice of SunTrust, SunTrust Delaware Trust Company, or Teton Trust Company as trustee for a particular client's trust is determined by a variety of factors, including applicable state law, client location, and the provisions of the trust agreement. SunTrust International Banking Company ("SIBCO"), a wholly-owned subsidiary of SunTrust, is an edge corporation.

A small number of full time salaried employees of GenSpring Holdings who are supervised persons of GenSpring also serve in non-salaried dual employee roles for the following GenSpring affiliates; Teton Trust Company, SunTrust Bank, and SunTrust Delaware Trust Company. In these dual employee roles (e.g., as employees of Teton Trust Company, SunTrust Bank and SunTrust Delaware Trust Company) these employees provide corporate trust/fiduciary administration services to clients who have also engaged GenSpring as an investment adviser. Additionally, SunTrust and GenSpring have a shared corporate officer performing financial management functions for GenSpring.

In addition, GenSpring provides investment management and certain administrative support services to SunTrust Bank, Teton Trust Company, and SunTrust Delaware Trust Company. GenSpring will provide certain financial reporting support services to assist Teton Trust Company in their managerial and statutory reporting as well as provide advisory services to Teton Trust Company for maintenance of its trust operations. GenSpring may hold a position on certain committees of SunTrust Delaware, and in addition, GenSpring provides support to SunTrust Delaware by assisting in their calculation and processing of minimum required distributions of its clients individual retirement accounts.

- (6) Entities that Create or Package Limited Partnerships.** SIBCO creates private offshore corporations for collateralized loan obligations and collateralized debt obligations, which are

advised by Seix Investment Advisors. Further, some of the previously identified affiliated SEC-registered investment advisers, including Seix Investment Advisors, manage their own private funds and some of the Investment Funds. These and other affiliated investment advisers act as the general partner or manager to several Investment Funds. The Investment Funds are offered and sold pursuant to their PPMs to only eligible investors.

GenSpring may recommend its clients make investments, or its clients may be solicited to invest, in these affiliated funds. Complete and accurate information about such affiliated private funds and mutual funds is available in the Form ADV for each investment adviser and those funds' offering documents. Similarly, GenSpring may recommend to its clients the purchase or sale of investments in the Investment Funds for which GenSpring manages or advises; these Investment Funds are listed in GenSpring's Schedule D of the Form ADV Part I.

#### **Section D.**

### **SELECTION OF OTHER INVESTMENT ADVISERS**

GenSpring recommends and selects other investment advisers to serve as sub-advisers to manage portions of certain clients' investment accounts. Some of these sub-advisers are affiliates of GenSpring.

GenSpring provides its affiliate, International, access to its approved investment manager/investment fund recommended lists including direct access to investment manager/investment funds on the recommended lists. In addition, certain GenSpring personnel may provide discretionary investment advisory services to International's clients. GenSpring receives a fee from International, equivalent to 50% of the total annual wealth management fee charged by International as described in the investment advisory agreement between International and the client.

In addition, as a result of requests from a small number of clients GenSpring has a sub-advisory agreement with one of its affiliated registered investment advisers, RidgeWorth Capital Management, Inc, for approximately four client accounts. RidgeWorth further delegates the management of these GenSpring client accounts to one of its wholly owned subsidiaries, StableRiver Capital Management LLC. RidgeWorth charges GenSpring 20 basis points of the market value of each of the four accounts they manage.

## **Item 11 – Code of Ethics**

### **Section A.**

### **CODE OF ETHICS**

Pursuant to SEC Rule 204A-1, GenSpring has adopted a written Code of Ethics ("Code") that sets forth standards of conduct and federal securities law requirements applicable to all Supervised Persons as defined in the Advisers Act. In addition to providing general guidelines overseeing client professional services, the Code stresses the avoidance of actual or perceived conflicts of interest by specifically prohibiting its Supervised Persons from engaging in certain transactions or activities. The Code also includes ethics policies, prohibitions, and principles for doing business designed to emphasize that supervised persons are in a position of trust with clients. All Supervised Persons are required to comply with ethical restraints relating to clients and their accounts, including restrictions on giving gifts to, and receiving gifts from, clients in violation of the firm's gift policy. Further, Supervised Persons are required to report all Code violations to the Chief Compliance Officer ("CCO"). Code violations may result in disciplinary action or dismissal. GenSpring will provide a copy of its Code to any client or prospective client upon request. Please contact GenSpring at the address or phone number listed on the face of this Brochure to request a copy.

## **Section B.**

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

GenSpring acts as investment manager to numerous clients. GenSpring may give advice and take action with respect to any Investment Funds or accounts it manages that may differ from action taken by GenSpring on behalf of other Investment Funds or accounts. GenSpring is not obligated to recommend, buy, or sell or to refrain from recommending, buying, or selling any security that GenSpring or its access persons, as defined by rules under the Advisers Act and the 1940 Act, may buy or sell for their own accounts or for the accounts of any other client. GenSpring is not obligated to refrain from investing in securities held by Investment Funds or accounts that it manages except to the extent that such investments violate the Code adopted by GenSpring.

Certain GenSpring and SunTrust officers, members, and Supervised Persons ("Related Persons") are also Clients or investors. GenSpring may invest client accounts in, among other things, securities in which GenSpring or its Related Persons have a financial interest. GenSpring or its Related Persons may purchase for themselves securities or other investments which one or more clients own, previously owned, or will own in the future, including units of the Investment Funds. As these situations may represent a potential conflict of interest, GenSpring has adopted procedures relating to personal securities transactions and insider trading, both of which are described below, that are reasonably designed to prevent actual conflicts of interest.

If it is appropriate to buy or sell a security at the same time for both a Client and a Related Person, combined orders may be placed and if any order is not filled at the same price, prices obtained may be allocated among accounts on an average basis. Placing combined orders is not required. There may be times when the sale or purchase of a security for a Related Person may precede, occur at the same time, or follow the sale or purchase of a security for a client, subject to the overriding principle that the interests of clients must come before the interests of GenSpring or its Related Persons.

GenSpring, directly or through an affiliate, may manage simultaneously parallel accounts in some cases with the same portfolio managers, with similar objectives, but with differing fees to GenSpring, in some cases performance based fees. GenSpring also may similarly manage simultaneously certain accounts that may hold short positions in a security for which other managed accounts are long. GenSpring may, from time to time, unknowingly recommend the purchase or sale of securities in which SunTrust, or another affiliate, has a position or interest or does business. GenSpring's many affiliates with multiple lines of business make this likely. GenSpring's policy is to manage each account independently and fairly and recognizes and seeks to control the conflicts of interests inherent in such practices.

In general, GenSpring has a policy under which most investment advisory activities are generally autonomous from any investment or other securities activities of the SunTrust affiliated banks and companies. This investment philosophy is designed to prevent GenSpring's personnel from having knowledge of the business and investment activities carried on by those banks and companies for their own accounts, other than in a fiduciary capacity, and vice versa. To the extent that GenSpring advises or sub-advises client accounts for affiliates, GenSpring is responsible for and knowledgeable about such affiliates' client accounts, and certain affiliate personnel will receive information about GenSpring investment activity for the account. Some GenSpring officers may also have officer titles at other SunTrust affiliates. The sale or other sharing of or shared access to research or other information might allow its recipient to compete with or precede GenSpring with respect to an investment opportunity on behalf of itself or its clients. For example, because GenSpring utilizes a SunTrust affiliate to process some of its Client transactions, certain SunTrust employees may also perform personal and non-GenSpring client trading that poses conflicts of interest with GenSpring client transactions.

As the general partner, co-managing member, manager, or adviser of the Investment Funds, GenSpring participates in the Investment Funds' investments, pro rata, in accordance with its capital accounts. Principal executive officers and other personnel of GenSpring may receive annual compensation and

bonuses based, in part, on the performance of certain private equity Investment Funds as more fully disclosed in the PPMs for those funds. In addition, certain supervised persons of GenSpring are also permitted to invest in the Investment Funds as knowledgeable employees.

### **Restrictions on Personal Securities Transactions**

To address the conflicts of interest that arise with the personal trading of GenSpring Supervised Persons, GenSpring has defined the categories of individuals who fall within the term "Access Person"

and, as required by Advisers Act's Rule 204A-1, such Access Persons must report their securities holdings annually and their securities transactions quarterly, subject to limited exceptions. Supervised Persons must also obtain pre-approval from the CCO or his designee to invest in initial public offerings and private placements. All Access Persons may direct their brokers to forward copies of all personal securities transactions confirmations and brokerage statements for every account in which they or their immediate family members have a beneficial interest in lieu of transaction reports. These reports or confirmations and statements are submitted to and reviewed by the CCO or his designee. Personal Securities Transactions and Holdings Reports of the CCO will be reviewed by either the Chief Investment Officer or the Chief Operations Officer or either's designee.

### **Insider Trading Policy**

GenSpring may, from time to time, come into possession of material nonpublic and other confidential information which, if disclosed, might affect an investor's decision to buy, sell, or hold a security. Under applicable law, GenSpring may be prohibited from improperly disclosing or using such information for its personal benefit or for the benefit of any other person, regardless if such other person is a client. Accordingly, should such persons come into possession of material nonpublic or other confidential information with respect to any company, they may be prohibited from communicating such information to, or using such information for the benefit of, clients and have no obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of, clients when following policies and procedures designed to comply with law.

The Code also contains a policy "Statement on Insider Trading," adopted in accordance with Advisers Act Section 204A, which establishes procedures to prevent the misuse of material nonpublic information by supervised persons. Supervised Persons are prohibited from trading, either personally or on behalf of others, while in possession of material nonpublic information in violation of the law. Any Supervised Person who fails to observe the aforementioned policies risks serious sanctions, including dismissal and personal liability.

## **Item 12 – Brokerage Practices**

### **SELECTION CRITERIA FOR BROKERS AND DEALERS**

In many cases, GenSpring has selected either affiliated or unaffiliated investment managers to handle the day-to-day investment of client accounts. To the extent that unaffiliated investment managers selected by GenSpring purchase from other broker-dealers securities on which brokerage commissions or sales loads are charged, GenSpring relies upon the fiduciary responsibility of each unaffiliated investment manager to review such charges regularly and continuously based on comparative standards that it may regard as pertinent for the purpose of evaluating the reasonableness of such commissions. GenSpring performs due diligence reviews of the unaffiliated advisers it recommends to clients, including, among other things, information concerning the advisers' best execution policies.

In cases where GenSpring is responsible for directing transactions on behalf of its client accounts or is using an affiliated investment manager, most trading is done through subsidiaries of SunTrust, an affiliate of GenSpring. In other words, GenSpring enters trades directly into a trading platform. Trade orders are then routed to the SunTrust Mutual Fund or Equities trade desk. Some clients also have

securities in custody with other financial service providers and GenSpring may also direct trades in those accounts. When GenSpring trades through SunTrust, SunTrust attempts to obtain the best combination of price and execution with respect to clients' portfolio transactions when selecting brokers and dealers and when effecting portfolio transactions. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant. The factors include but are not limited to: the reasonableness of spreads or commissions; the adviser's or its affiliate's knowledge of negotiated commission rates and spreads currently available; the nature of the security being traded;

the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security; the execution capabilities required by the transactions; the importance to the account of speed, efficiency and confidentiality; the broker or dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold; the reputation and perceived operational and financial soundness of the broker or dealer; and other matters relevant to the selection of a broker or dealer for portfolio transactions.

To seek to mitigate the expenses arising from trading activities and account administration, GenSpring generally recommends that its clients establish custodial/brokerage account with SunTrust or Schwab with whom GenSpring has established a dedicated technical and electronic interface. Certain GenSpring client accounts may be in custody with other custodians, TD Waterhouse, Northern Trust, Bank of New York Mellon, and IBC, among others; however, GenSpring may charge clients using these other custodians an annualized Service Fee, as previously described in Item 5.

#### **COMMISSION RATES OR EQUIVALENTS**

GenSpring has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction or to select any broker or dealer on the basis of its purported or "posted" commission rate. Its largest custodian, SunTrust, will endeavor to be aware of the current level of the charges of eligible brokers and to minimize the expenses incurred for effecting portfolio transactions to the extent consistent with the interests and policies of the accounts. Although SunTrust generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

#### **"SOFT DOLLAR" OR RESEARCH/EXECUTION POLICY**

As described above, in the small number of transactions where GenSpring is responsible for directing transactions, most such trading is done through SunTrust. Since SunTrust trades GenSpring client accounts and other non-GenSpring client accounts on an omnibus basis, SunTrust may receive incidental proprietary research information from brokerage firms. Commissions paid for trades processed by SunTrust for Clients on behalf of GenSpring may generate soft dollars which are not credited to GenSpring or its clients but to SunTrust, a SunTrust affiliate, or an unaffiliated sub-adviser.

Portions or all of a client account may be managed by other affiliated or unaffiliated money managers. Such managers may have soft-dollar arrangements and "soft dollar" policies that differ from GenSpring. Please see the Form ADV for such managers for further information.

#### **DIRECTED BROKERAGE POLICY**

Clients may limit GenSpring's discretionary authority by directing GenSpring to use particular broker-dealers to execute portfolio transactions for their accounts, particularly where clients have preexisting relationships with a broker or participate in commission recapture programs. GenSpring may accept such client instructions, provided they are in writing.



Where a client directs the use of a particular broker-dealer, or broker-dealers, GenSpring may not be in a position where it can negotiate commission rates or spreads or obtain volume discounts; thus, best price may not be achieved. In addition, transactions for a client that directs brokerage may not be aggregated with orders for the same securities for other accounts managed by GenSpring. Trades for a client that has directed use of a particular broker or dealer may be placed at the end of aggregated trading activity for a particular security. Accordingly, directed transactions may be subject to price movements, particularly in volatile markets, that may result in the client receiving less favorable pricing. Under these circumstances, the direction by a client of a particular broker or dealer to execute transactions may result in higher commissions, greater spreads, or less favorable net prices, including

minimum ticket charges, than might be the case if GenSpring could negotiate commission rates or spreads freely or select brokers or dealers based on best execution. GenSpring also discloses to its clients any relationships and conflicts of interest relating to arrangements in which directed brokers refer clients to GenSpring.

Portions or all of a client account may be managed by other affiliated or unaffiliated money managers. Such managers may have different directed brokerage policies. Please see the Form ADV for such managers for further information.

## **TRADING POLICIES**

GenSpring's trading practices and procedures prohibit unfair trading practices and seek to avoid or disclose any actual or potential conflicts of interests or resolve such conflicts in the Clients' favor in order to ensure that the Clients' interests are always treated fairly. GenSpring's business model employs unaffiliated and affiliated third-party investment managers. GenSpring may execute trades in client accounts, but these trades are generally limited to liquidation of securities to raise capital for other investments, transactions in mutual funds/exchange traded funds, and are mostly performed for initial implementation purposes and rebalancing of client portfolios. Reports of GenSpring-initiated client trades are provided through the custodian's system.

GenSpring has adopted the following trading-related policies and practices to meet its fiduciary responsibility to insure that all clients are treated fairly and none is routinely favored over any other:

### **(a) Best Execution**

GenSpring has a fiduciary duty to seek best execution for its client transactions meaning that the client's total cost or proceeds in each transaction is the most favorable under the circumstances. As previously described, GenSpring seeks to obtain best execution for its client transactions by utilizing either SunTrust or Schwab as its main custodians and processors of trades.

Additionally, GenSpring negotiates reasonable fees with sub-advisers in order to seek the "best execution" transaction costs for its clients. GenSpring reviews sub-adviser account activity and fees for reasonableness. In some circumstances, sub-advisers have established relationships with brokers that provide for commissions that may not allocate the average price to clients participating in block trades placed with a certain broker. Also, in some cases, sub-advisers use brokers that are affiliates of the sub-adviser. As discussed above, to the extent that unaffiliated investment managers selected by GenSpring to manage client accounts are responsible for day-to-day account management of purchase and sale of client securities, GenSpring relies upon the fiduciary responsibility of each unaffiliated investment manager to seek best execution and performs regular due diligence reviews of their best execution policies.

### **(b) Aggregation**

Aggregation or "blocking" of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges. GenSpring does not generally block trade, but on occasion may do so. In such circumstances, block trading will be

performed on a case-by-case basis. Criteria for block trading will be determined after careful analysis by GenSpring's Investment Group in conjunction with GenSpring's Senior Investment Partners.

SunTrust and other custodians place trades for GenSpring Clients with various executing broker-dealers and may use aggregation where possible and when advantageous to Clients. In these instances, the Clients participating in aggregated transactions will receive an average share price and transaction costs will be shared equally on a pro rata basis. SunTrust may aggregate GenSpring Clients, non-GenSpring clients, and personal trades of SunTrust or GenSpring Supervised Persons. In the event transactions for GenSpring, its affiliates, their Supervised Persons, employees, or principals ("Proprietary Accounts") are aggregated with Client transactions, conflicts may arise. These situations are governed by GenSpring's Code and Personal Securities Transaction procedures, previously discussed in Item 11.

### **(c) Allocation**

Allocation procedures must be fair and equitable to all Clients with no particular Client or group of Clients being favored or disfavored over any others. GenSpring prohibits any allocation of trades that would result in Proprietary Accounts, affiliated accounts, or any accounts of a particular Client(s) or group of Clients routinely receiving more favorable treatment than other Client accounts.

### **(d) IPOs**

Initial public offerings ("IPOs") are offerings of securities which frequently are of limited size and limited availability. IPOs may also become "new issues," which are offerings that trade at a premium above the initial offering price. If GenSpring participates in IPOs, shares must be allocated fairly and equitably among our advisory clients according to a specific and consistent basis so as not to advantage any firm, personal, or related account and so as not to favor or disfavor any client or group of clients over any other.

Portions or all of a client account may be managed by other affiliated or unaffiliated money managers. Such managers may have trading policies that differ from or conflict with those of GenSpring that are described above. Please see the Form ADV for such managers for further information about their specific policies.

## **Item 13 – Review of Accounts**

### **PORTFOLIO REVIEWS**

GenSpring's Investment Group and the investment group analysts review all funds and investment managers recommended by GenSpring on a regular basis to determine whether the money managers are managing the investments in accordance with established guidelines and whether fees and commissions are reasonable.

Additionally, each account is reviewed on at least an annual basis by a member of the Client Service Team assigned to the family for which the account was established. A member of the Client Service Team typically directs and reviews the allocation of client assets in accordance with the investment policy guidelines established by the Investment Committee as well as the client's specific investment policies. The Client Service Team is responsible for managing transaction activity within client accounts, managing liquidity, processing additions to and distributions from client accounts, and responding to client requests for information regarding non-investment related topics within our wealth management process.

More frequent reviews may occur based on directives from the Strategic Investment Advisory Committee, portfolio values, and client objectives, among other factors. During client meetings, a review of holdings and account transactions is provided and strategies for implementation of portfolio changes are discussed.



The Director of Client Operations also facilitates a review of all client accounts during the monthly closing process. Members of the Client Service Team assigned to the family review transactions and performance in client accounts on an on-going basis, throughout the month and upon the close of each calendar quarter. Before distributing the monthly or quarterly client statements and/or reports, the Client Service Team reviews the positions, transactions, and performance in such accounts.

#### **CLIENT REPORTS**

GenSpring may produce monthly written statements that provide pertinent information with regard to your investment account(s), including but not limited to account values, net contributions and withdrawals, realized/unrealized gain/loss, etc. This monthly statement is not intended to replace the statement provided by your custodian, which should be considered your official record for all pertinent account information. GenSpring's reports are provided in a different format from that of your custodian and may vary in content and scope. Therefore, you should compare the asset information to the statement provided by your custodian.

In addition, GenSpring produces regular client reports that detail portfolio holdings and transaction activity, changes in capital balances and total return, both by portfolio and in the aggregate for each client. Standard reports are provided to all clients on a monthly or quarterly basis, based upon client requirements. Customized reports are provided to clients on an ad hoc basis as required.

GenSpring offers a secure web portal service, which allows certain clients to access their client reports via the Internet and allows clients to maintain and share personal financial statements and legal documents with their designated GenSpring personnel.

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

#### **COMPENSATION FROM NON-CLIENTS**

Other than the compensation described in Item 5, GenSpring does not receive an economic benefit from anyone other than its clients. (You may find more information about these relationships in Item 10).

#### **COMPENSATION TO OTHERS FOR CLIENT REFERRALS**

GenSpring may on occasion enter into solicitation agreements with individuals, financial intermediaries, or others who may or may not be affiliated with GenSpring. All solicitation agreements will comply with GenSpring's policy and Rule 206(4)-3 under the Advisers Act and any other law as applicable. These solicitation arrangements, where applicable, require an affiliated solicitor to disclose such affiliation, and require a third party solicitor to provide each prospective client with a copy of adviser's Form ADV Part 2 and to disclose to the prospective client the nature of the arrangement between the solicitor and adviser. Payment to the solicitor by GenSpring will not increase the general fees paid by the prospective client.

A solicitation agreement exists between Lighthouse Investment Partners, LLC ("Lighthouse") and STI for originating funds, either directly or indirectly through STI or one of its affiliates, for investment in private investment pools managed by Lighthouse or one of its affiliates. Per the agreement, compensation is paid to STI for the origination of funds by STI or its affiliates. Any compensation paid related to GenSpring clients that fall under the agreement is passed through to the GenSpring clients. SunTrust has adopted incentive plans pursuant to which officers and employees of the bank holding company and its subsidiaries may receive incentive compensation for referring investment business to the subsidiaries of SunTrust, including GenSpring. Clients referred to a SunTrust affiliate pursuant to these arrangements may become the indirect beneficiaries of investment advisory services provided by GenSpring to affiliated banks under GenSpring's contracts with such affiliate. Likewise, GenSpring may share with affiliates, or receive from affiliates or former affiliates, various internal credits or payments in connection with various service arrangements among such companies.

Currently, GenSpring shares certain revenue with certain affiliates in exchange for advisory or sub-advisory services. The amount of the Wealth Management Fee paid by these clients is not affected by this allocation. Additionally, GenSpring may compensate individuals or entities for referring clients. Payment to the referrer by GenSpring will not increase the general fees paid by the prospective client.

In compliance with applicable law, GenSpring or an affiliate may, from time to time, pay event attendance or participation or other fees, underwrite charitable or industry events, including sponsoring independent or affiliated speakers or provide gifts of value to, or at the request of, an organization or individual that, among other things: (i) offers or includes products or services of GenSpring or an affiliate in a particular program; (ii) permits GenSpring access to their financial advisers, brokers, employees, or other affiliated persons to provide training, marketing support, and educational presentations on products or services affiliated with GenSpring; and/or (iii) refers or has referred a client to GenSpring. GenSpring may obtain products and services from consulting firms separate and apart from any recommendations made to clients for GenSpring's investment services. Additionally, certain affiliated or third-party institutions provide financial support on a voluntary basis for marketing, educational, and sales meetings of GenSpring and affiliates. The amount of any such payments to or from GenSpring and affiliates may be substantial. These payments pose conflicts of interest for the parties that receive them. A client should obtain from its intermediary any details of any such payments received by such intermediary from GenSpring or affiliates. This type of payment generally does not increase the product cost to clients.

GenSpring and its affiliates will make payments from their own capital resources or otherwise provide benefits to certain intermediaries for marketing support services. These payments made by GenSpring do not increase the amount of advisory fees paid by GenSpring clients.

#### **Item 15 – Custody**

GenSpring is not a qualified custodian and does not provide custodial services to its Clients. Clients select banks or registered broker-dealers that are “qualified custodians” to provide custody of client assets. However, under the SEC’s Custody Rule, GenSpring is deemed to have custody due to the fact that, (a) GenSpring can inform the custodian to remit investment advisory fees directly to GenSpring and (b) in the exercise of its discretionary authority, GenSpring may have the ability to obtain possession of client funds and/or securities pursuant to being a manager of the Investment Funds and having power of attorney and/or signatory authority over certain client accounts. In addition, an affiliate of GenSpring, SunTrust Bank, provides custodial services to certain clients. Accordingly, GenSpring receives an independent Report on Controls Placed in Operation and Tests of Operating Effectiveness (“SAS 70”) from SunTrust Bank, which includes a review of custodial arrangements. GenSpring does not qualify for exemption from the requirement of a surprise audit because it does not meet the prongs of the tests required under the Custody Rule for determining that it is “Operationally Independent” from SunTrust Bank, an affiliated custodian.

You should receive quarterly custodial statements directly from your qualified custodian. We urge you to carefully review those statements and compare the custodial records to the reports we provide you. Comparing reports will allow you to determine whether account transactions, including paying advisory fees, are proper. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

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

GenSpring accepts discretionary authority to manage securities accounts on behalf of its clients. In all cases, however, such discretion is exercised, observing investment limitations and restrictions that are outlined in each client’s investment advisory agreement or investment policy guidelines and only as

consistent with a client's suitability, overall investment strategy, and risk tolerance. Clients can place reasonable restrictions on GenSpring's investment discretion. The most common restrictions are associated with fixed income securities related to credit ratings and taxable versus non-taxable characteristics. Such investment guidelines and restrictions must be provided to GenSpring in writing. Such restrictions may impact performance.

For the Investment Funds, GenSpring's authority to trade securities may also be limited by certain federal securities and tax laws as well as the investment guidelines described in each fund's PPM.

See Item 4 for additional information about GenSpring's discretionary and nondiscretionary services.

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

Proxies for securities managed by sub-advisers are generally voted by the sub-adviser, not GenSpring. In other circumstances, clients may choose to vote proxies for securities held in their accounts.

GenSpring has engaged Glass Lewis as its agent to provide certain services and support related to GenSpring's proxy voting policies, procedures, and processes. Glass Lewis will assist GenSpring with facilitating and managing its fiduciary obligations regarding proxy voting, reviewing issues of corporate governance, and dealing with material conflicts of interest and will provide GenSpring with administrative as well as functional services that include, but are not limited to:

1. Access to its U.S. Proxy, ERISA/Taft Hartley Proxy, and Global Proxy policies and voting guidelines;
2. Collection and coordination of proxy material forwarded by GenSpring's client custodians;
3. Access to issuer-specific research and proxy analysis;
4. Proxy voting (both standard and exception based), reconciliation, and disclosure; and
5. Record keeping and voting record retention.

GenSpring's policy is to affirmatively vote proxies for proposals that, as interpreted, are deemed to be in the best economic interest of its clients as shareholders and beneficiaries to those actions. Some factors that are always considered include: an in-depth look at each company's organizational structure; executive and operating management styles; the independence of its Board of Directors; its corporate culture and governance processes; implicit and explicit social and economic product benefits; and the impact or economic implications of the available alternatives.

Glass Lewis will follow its established voting guidelines, which are consistent with GenSpring's policies. GenSpring will at all times retain the ability to consider client-specific preferences and develop and apply criteria unique to its client base and product lines. This information will be communicated to Glass Lewis as needed and relative shares will be voted accordingly. GenSpring has reviewed Glass Lewis' capabilities, including Glass Lewis' conflict policies, and will monitor such capability on an annual basis. GenSpring will generally follow the pre-approved Glass Lewis proxy voting principles in matters concerning domestic and global proxy voting issues as well as guidelines applicable to "Taft Hartley" and ERISA plans and relationships. The guidelines as outlined herein do not apply where GenSpring has contractually delegated discretionary authority to vote shares to a GenSpring sub-adviser or agent. In those situations proxy votes cast by the sub-adviser will be governed by the sub-adviser's own proxy voting procedures.

Due to its diversified client base, numerous investment vehicles, and affiliation with SunTrust, occasions may arise from time to time in which GenSpring believes that an actual material or a perceived material conflict exists. Several of the currently identified proxy voting conflicts include:

- Common stock of STI, The Coca-Cola Company, Inc., Coca-Cola Enterprises, Inc., and/or other public corporate issuers with which either GenSpring or SunTrust may have a similar ongoing noninvestment management associated relationship.

Other conflicts of interest may arise from time to time where the shares to be voted involve:

- An issuer with a director, officer, or employee who presently serves as an independent director on the board of GenSpring or SunTrust
- An issuer having substantial and numerous banking, investment, or other financial relationships with GenSpring or SunTrust
- A direct common stock ownership position of five percent (5%) or greater held individually by GenSpring or in conjunction with SunTrust and/or SunTrust affiliates.

Where a material conflict of interest exists or is perceived to exist on any proxy proposal, GenSpring will determine the most fair and reasonable arrangements to be followed to properly address all conflict concerns. GenSpring may employ one or more of the suggestions listed below:

- Retain an independent fiduciary to vote the shares;
- Vote according to Glass Lewis' standard policies; or
- Pass the proxy material to the client so that the client can vote on all issues.

Although GenSpring does its best to alleviate or diffuse known conflicts, there is no guarantee that all situations have been or will be mitigated through proxy policy incorporation. For information regarding GenSpring's vote on particular proxies, clients should send written requests to GenSpring at the address on the cover page.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about GenSpring's financial condition. GenSpring has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of any bankruptcy proceeding.