



**GenSpring Family Offices, LLC**


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**March 30, 2017**

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 ("SEC") 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 is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 2: Material Changes

The ADV Part 2 (“Brochure”) is dated March 30, 2017 and was last updated March 30, 2016. The following are the material changes since the date of our last Brochure:

Effective January 1, 2017, all employees of GenSpring’s Investment Advisory Center (“IAC”), transitioned to SunTrust Advisory Services, Inc. (“STAS”), an affiliate SEC registered investment adviser. The IAC merged with SunTrust Bank’s Investment Advisory Group (“IAG”) which also transitioned to STAS, and the group assumed the IAG name under one centralized resource center. The transition was made in an effort to consolidate the investment resources of certain SunTrust Banks, Inc. affiliates. GenSpring’s Chief Investment Officer (“CIO”) is the CIO for STAS and GenSpring. GenSpring now utilizes the advisory resources of STAS, including services such as investment research, due diligence, and asset allocation recommendations.

Certain members of GenSpring’s former IAC work in a dual capacity with STAS and GenSpring for various reasons including due diligence of the affiliated adviser, by way of GenSpring’s separate Investment Policy Committee (“IPC”). Some of these IAG members are registered Investment Adviser Representatives of both GenSpring and STAS, and may meet in person with GenSpring clients. Due to the transition, many of GenSpring’s IPC members are employees of STAS.

Certain members of the IAG team are also responsible for the management of GenSpring’s Investment Funds.

More information regarding these changes is provided in Item 8, Item 4, and Item 10 of our Brochure.

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, or by email at [genspring.compliance@genspring.com](mailto:genspring.compliance@genspring.com)

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## Item 4: Advisory Business

### THE COMPANY

GenSpring Family Offices, LLC (“GenSpring” or “the Firm” or “we” or “our”) 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 has offices throughout the United States.

GenSpring is owned by GenSpring Holdings, Inc. (formerly known as Asset Management Holdings, Inc.), which is wholly owned by SunTrust Banks, Inc. (“STI”), a publicly traded financial services holding company (Ticker: STI). GenSpring Holdings, Inc. was purchased by STI in March 2001.

### TYPES OF ADVISORY SERVICES

GenSpring is a multi-family office and its overall business model is to provide comprehensive family office services and solutions to high net worth clients. GenSpring provides the family office services described specifically in the Investment Advisory Agreement or Family Office Services Agreement (“Agreement”) between GenSpring and the entity or individual executing the Agreement (“Client”).

These services may include:

**Ancillary Services:** from time to time, we may be engaged to provide advice or services other than, or in addition to, those listed below. If Client is engaging GenSpring to provide such services, those services are more fully described in the Agreement between GenSpring and Client.

**Document Management:** maintain copies of all family document inventory including entity organization documents, tax documents, summary of major assets by ownership, key contacts, investment documents, and financial reports and correspondence.

**Education:** provide access to group and individual education programs for family members around a wide variety of topics; for example: next generation education, trustee and beneficiary mentoring, and, in consultation with Client, other programs that may be customized for Client needs.

**Estate Planning:** diagnostic review and illustration of current estate plan; work with Client legal advisor to create an estate plan that reflects Client wealth transfer goals; review Client estate plan annually, where applicable, including recommendations and monitoring.

**Expense Management:** receipt and posting of payables and vendor payments; establish internal controls for approvals; categorize and code expense transactions, facilitate detailed expense reporting.

**Family Governance:** creation of a family success plan and assistance in the creation and maintenance of a family communication process and governance system. This process may also include, as necessary, family meeting facilitation.

**Fiduciary Trust Administration and Management:** fiduciary accounting, record keeping for all trust documents including investment manager reports and analysis, (shall be governed under a separate Agreement between the parties).

**Investments:** diagnostic review of current portfolio, investment policy creation, asset allocation strategy, investment strategy, manager selection, recommendation and oversight, ongoing portfolio review, and reporting. With regard to this service, GenSpring provides directly and as a sub-adviser to unaffiliated investment advisers, discretionary and non-discretionary investment advice to its Clients.

GenSpring's specialization is not in one given instrument or asset class, but rather in the ongoing process of: 1) assessing Client 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.

**Lifestyle Planning:** creation and on-going monitoring of a customized, goals-based financial plan; including capital sufficiency analysis, evaluation of and assistance with the acquisition of risk management products, assistance with the acquisition and financing of lifestyle assets, and certain banking and other financial services.

**Philanthropy:** development of a philanthropic mission statement and assistance in the creation of philanthropic structures and processes; including: education on philanthropy, next generation involvement, shared values, and giving interests identification or others related topics as needed.

**Tax Planning:** includes coordination of tax related issues between Client, Client's family, and the various structures used to maintain wealth; coordination of relevant tax data with tax preparers.

**Tax Preparation:** assistance in the preparation of Client's federal and state income tax returns (shall be governed under a separate Agreement by the parties).

**Reporting Services for Non-Managed Client Assets:** in order to provide a holistic view of a Client's assets, GenSpring provides investment Reporting Services to Clients who request that we include in their GenSpring Reporting Package (see Review of Accounts below), the performance of investments and/or accounts that are not being managed by GenSpring or for which GenSpring does not provide investment advice. These Reported Assets are assets over which Client does not grant GenSpring investment discretion. GenSpring does not provide any discretionary or non-discretionary investment advice on such assets, but will include those assets on Client's Reporting Package for informational purposes only.

## **TAILORED ADVISORY SERVICES**

GenSpring provides advisory services primarily to high net worth individuals and their related entities which may include trusts, charitable organizations, corporations, endowments, family pooled investment vehicles, qualified retirement plans, other for-profit and not-for-profit entities, and private investment companies. GenSpring will 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. Tailoring may include, but is not limited to, assessing risk exposures from the balance sheet, estate planning goals, capital sufficiency and spending needs, asset location, tax planning and awareness, philanthropic aspirations, comprehensive reporting, monitoring and feedback, and liquidity management.

GenSpring also sponsors and/or manages a family of privately pooled investment vehicles, which are available to its clients as access vehicles. Such vehicles are organized as domestic limited partnerships, limited liability companies, and offshore corporations, (collectively, the "**Investment Funds**"). One of these private funds has a separate share class that allows for investment by clients of SunTrust Bank, as described in the Performance-Based Fees and Side-By-Side Management section below. These entities use pooling to spread overhead, promote efficiency and consistency, enhance access to desirable managers and private funds, and help satisfy minimum investment requirements. Please refer to Schedule D of our Form ADV Part 1 for a list of all the Investment Funds.

Third party managers appointed by GenSpring on behalf of Client or Investment Funds are responsible for making investment decisions consistent with the investment guidelines and restrictions developed by GenSpring. Where GenSpring is the investment adviser to a pooled investment vehicle, investment objectives, guidelines and investment restrictions are not tailored to the needs of individual investors in those vehicles, but rather are described in the prospectus or other relevant offering document for the vehicle.

Clients have the ability to select from the various comprehensive family office services described above, and those services are tailored to the unique needs of each Client. Clients may place reasonable restrictions on GenSpring's investment discretion. Such investment guidelines and restrictions must be provided to GenSpring in writing, and may impact performance.

GenSpring provides, in very limited circumstances, fixed income asset management for municipal entities. GenSpring evaluates such Clients on a case-by-case basis. These represent a very small minority of GenSpring's Clients.

### **EDUCATIONAL ENGAGEMENTS**

GenSpring and its employees may belong to and be involved in certain industry organizations that provide sponsored events for its members and/or the public. GenSpring employees may attend or speak at these events, and GenSpring may sponsor such events for these industry organizations. Such speaking engagements and sponsorships are intended to be purely educational and do not involve the sale of any securities products or investments.

### **WRAP FEE PROGRAMS**

GenSpring does not participate in wrap fee programs.

### **ASSETS UNDER MANAGEMENT**

GenSpring had \$7,891,615,061 in assets under management ("AUM") as of December 31, 2016, consisting of \$6,434,273,638 of discretionary managed assets and \$1,457,341,423 of non-discretionary managed assets. These valuations do not include uncalled capital commitments.

This amount differs from the Regulatory Assets Under Management ("RAUM") provided in Form ADV Part 1 A, Item 5 due to the fact that the definition of RAUM includes gross assets and capital commitments.

## **Item 5: Fees and Compensation**

### **COMPENSATION**

GenSpring's fees may be subject to negotiation based on factors such as the overall complexity of Client 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 which will be assessed quarterly and payable in arrears. Fees charged on assets managed by third parties (typically alternatives) are based on estimated Net Asset Value ("NAV"); however, fees will be adjusted in the Client account should the NAV be revised. Clients should consult with their GenSpring service team or review their Agreement with GenSpring to determine the manner in which fees are payable.

### Percentage of Assets

Generally, the following is the standard fee schedule for annual advisory fees, although fees and minimum required amounts vary by location, by Client, and the complexity of the overall relationship:

<u>Assets</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

Dependent upon the level of complexity GenSpring may charge a basis point fee on assets for which they are providing reporting services only. The above standard fee schedule may be modified upon written notice by GenSpring, and such modification may include graduated percentage rates to be applied between the standard asset levels shown above. Some Clients' fee schedules may differ from the above standard schedule as a result of negotiations, prior contractual relationships, and/or historical fee schedules.

### Hourly and Fixed Fee Arrangements

GenSpring may also charge fees according to a fixed-fee arrangement or on an hourly or per diem basis. 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 factors including but not limited to the nature and complexity of the services, staffing arrangements, and 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 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 tiered fee schedule above. For Clients to whom GenSpring functions as an independent, full service "family office" (providing investment, accounting, bookkeeping, tax, and estate planning services), a minimum fee greater than \$85,000 may be applicable, which applies to the totality of the relationship with Client, not individual entities. This may include the collection of fees in arrears unless otherwise agreed on. 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

Certain employees of GenSpring also serve in dual employee roles for SunTrust Bank and SunTrust Delaware, each of which is an affiliate of GenSpring. In these dual roles, 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 the collection of our affiliates' fiduciary services fees as part of GenSpring's fee billing process, where such fiduciary fees are charged. These fees are provided for and disclosed in the separate agreements between these mutual Clients and our respective affiliates.

### Tax Fee

GenSpring may outsource some Clients' 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.



### **Reporting Service Fee**

Reporting Services fees generally range, depending upon the complexity of the report, from 0.10% to 0.85% of account assets per annum. Fees are calculated and paid at the end of each quarter as a percentage of ending assets reported. Alternatively, Reporting Services fees may be included in the advisory fee for Clients with investment accounts managed by GenSpring.

### **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 and can be 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.

### **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 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.

### **Other Services**

GenSpring will provide additional services that are not covered under the terms of a contract for 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, that is payable upon receipt.

### **Compensation from Affiliates**

Please see Item 10 below for a full description of compensation and revenue credits from our affiliates.

### **FEE COLLECTION**

GenSpring will deduct fees directly from Client accounts or send an invoice for payment based on Client preference.

### **OTHER FEES/EXPENSES**

GenSpring's Clients will likely incur additional fees and/or expenses in connection with our advisory services.

Fees to GenSpring also do not include any fees due to brokers, custodians, or trustees. Clients may contract directly with investment managers, brokers, and custodians to hold, manage and trade assets, and thus will be charged separately by such entities for their services. GenSpring recommends SunTrust Bank and Schwab for custodial services and SunTrust Bank for banking products and services. The Brokerage Practices section below 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.

Fees to GenSpring do not include any fees due to third-party money managers that provide services to Client or the underlying fees and expenses associated with the mutual funds or alternative investments (including affiliated products) in which Clients' assets are invested. However, GenSpring includes an affiliate manager in long equity and long fixed income on its approved manager list. Where Client engages our affiliate in these strategies, the affiliate's management fee is paid by GenSpring. Fees for our affiliate's services for Equity Option Trading are paid by Client and are in addition to fees paid by Client for GenSpring advisory services.



Mutual fund fees and expenses are paid by the funds but are ultimately borne by Client as a shareholder of the funds. All third party advisory or sub-advisory management and performance fees, trading fees, custody fees, wire transfer fees, and other fees incurred in the normal course are borne by Client. In certain cases, mutual funds pay a service fee to SunTrust Bank that is recorded as a credit on GenSpring's financials. See Item 10 below for further information.

Fees charged by third party advisers or sub-advisers, including advisers or sub-advisers to Investment Funds (as described in the Advisory Business section above), depend on several factors, including the size of investment, trading strategy, and degree of risk. Adviser and Sub-adviser management fees generally range from 0.10% to 5.00% of assets per annum. In addition, some advisers and 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.

### **HOW FEES ARE CHARGED**

Fees are generally charged in arrears although certain prior contractual relationships allow certain Clients to pay in advance. Clients should consult with their service team or review their Agreement with GenSpring to determine the manner in which fees are payable.

- For new investment accounts that are charged in arrears, unless otherwise specified in the 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 calendar quarter.
- If the Agreement executed by Client provides for payment of fees in advance, the first quarterly fee will be billed on an actual or estimate of assets (as mutually agreed by the parties), which will be adjusted at a subsequent time to account for the difference between any estimated amount and the actual amount under GenSpring's advisement. Thereafter, GenSpring's advisory fee generally will be payable quarterly, in advance. The asset valuation date for the calculation of the quarterly fee can be referenced in the advisory agreement and may vary from Client to Client based on historical agreements. If the relationship is terminated during the quarter, GenSpring will refund Client the amount of the prepaid fee, pro rata, based on the number of days that GenSpring did not service the investment accounts.

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

GenSpring currently manages a proprietary Multi-Manager Portfolio ("MMP"), which contains three share classes. The first share class, which includes no advisory fee, is intended solely for Clients. The additional two share classes are made available only to clients of SunTrust Bank; one which includes an imbedded investment advisory fee and the other which has a performance based fee. Both fees are paid to GenSpring. As a result, GenSpring faces certain conflicts of interest that arise when an investment adviser accepts performance-based fees from some clients, but not from other clients. A performance fee may create a conflict of interest by incentivizing GenSpring to manage the MMP in a more aggressive manner because GenSpring is compensated based in part on capital appreciation. In addition, GenSpring will receive compensation based on unrealized appreciation as well as realized gains in assets of a performance based fee account. Finally, in the allocation of investment opportunities, performance-based compensation arrangements create an incentive to favor accounts from which an advisor receives performance-based compensation over accounts from which an advisor does not receive performance-based compensation.

GenSpring has implemented policies and procedures to mitigate these conflicts, and has adopted allocation policies to ensure that all Clients are treated fairly. GenSpring endeavors to treat each Client in a fair and equitable manner.

## **Item 7: Types of Clients**

GenSpring provides the services described in Item 4 above to individuals, high net worth individuals, and their related entities, such as trusts and private foundations, business entities, not-for-profit organizations, tax-exempt entities, and a small number of pension and profit sharing plans and municipal entities.

GenSpring serves as an adviser to the Investment Funds (as described in the Advisory Business section above).

GenSpring also may provide investment services by way of intercompany agreement as described in Item 10 below.

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

### **METHODS OF ANALYSIS**

Effective January 1, 2017, all employees of GenSpring's Investment Advisory Center ("IAC"), transitioned to SunTrust Advisory Services, Inc. ("STAS"), an affiliate SEC registered investment adviser. The IAC merged with SunTrust Bank's Investment Advisory Group ("IAG") which also transitioned to STAS, and the group assumed the IAG name under one centralized resource center. The transition was made in an effort to consolidate the investment resources of certain SunTrust Banks, Inc. affiliates. GenSpring's Chief Investment Officer ("CIO") is the CIO for STAS and GenSpring. GenSpring now utilizes the advisory resources of STAS, including services such as investment research, due diligence, and asset allocation recommendations.

Certain members of GenSpring's former IAC work in a dual capacity with STAS and GenSpring for various reasons including due diligence of the affiliated adviser, by way of GenSpring's separate Investment Policy Committee ("IPC"). Some of these IAG members are registered Investment Adviser Representatives of both GenSpring and STAS, and may meet in person with GenSpring clients. Due to the transition, many of GenSpring's IPC members are employees of STAS.

The IAG is a dedicated team that serves as a resource to GenSpring's IARs. The IAG prepares market and economic opinions, third party manager due diligence, strategic and tactical allocation guidance, as well as portfolio allocation guidance. The IAG utilizes qualitative research and fundamental insight, economic indicators and research on global markets, and information and market intelligence from economists, investment firms and researchers. Certain members of the IAG team are also responsible for the management of GenSpring's Investment Funds that are described in Item 4 above.

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

GenSpring's specialization is not in one given security type or asset class, but rather in the ongoing process of: 1) assessing 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 by the Family Investment Officer 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 Investment 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 underweight or overweight to various asset classes and are designed to capitalize on current economic conditions over a shorter time period. Investment recommendations may be implemented in Client portfolios at different times dependent on client circumstances as determined by the Family Investment Officer.

GenSpring generally selects third party investment managers to manage all or a portion of its Client accounts, some of which are affiliates GenSpring. (Please reference Item 10 for information about affiliates that is material to GenSpring's advisory business.) Such investment managers will have discretion to determine the type and amount of underlying securities to be purchased or sold for the Client for that portion of the Client assets managed by the third party investment manager.

A due diligence process is used to evaluate such investment managers and funds, employing both quantitative and qualitative techniques to identify the managers GenSpring believes are best qualified to meet Client 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 manager's Form ADV or other offering documents.

GenSpring's Client portfolios are generally diversified across a variety of asset classes and constructed to include third party managed (or indexed) investments in separately managed accounts, mutual funds, exchange traded funds, and also hedge funds, limited partnerships, private equity, venture capital, and other alternative investments. Underlying investments may include, but are not limited to, equity securities, fixed income securities, commodity futures, options, and other alternative investments consistent with a Client's overall investment strategy and risk tolerance.

Where GenSpring has investment authority over portfolios, it may invest directly in alternative investments such as affiliated or unaffiliated hedge funds and private equity managers through a limited partnership structure, or it may use affiliated or unaffiliated pooled investment vehicles, also in a limited partnership structure, to provide the Client with access to a broad array of alternative investments. These pooled vehicles may include single strategies or "fund of funds," and may be onshore or offshore funds. The investment strategies of these funds may be different from those explained above and more detailed information can be found in each fund's Private Placement Memorandum.

Where these alternative investments involve commodity exposure, the direct commodity interest trading advice and activity is handled by the third party investment manager. The exposure of GenSpring's Investment Funds (as described in the Advisory Business section above) to commodity interests is considered de minimus.

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 from the methods of analysis explained above. Please see such funds' offering documents for further information.

One or more managers, including an affiliate of GenSpring, offer concentrated stock overlay management and yield enhancing management strategies for clients that involve option strategies. These managers only trade in option contracts of the underlying securities and do not manage the underlying securities with the objective of increasing returns. Clients electing these services may need to contact GenSpring when transactions in underlying securities are needed for cash flow or other reasons. Clients must indicate preferred maximum account loss they are willing to accept; however there are no guarantees that losses will be limited. Clients may sign a margin agreement and must sign an options agreement. Fees associated with option strategies charged by the managers, including affiliates, are in addition to fees paid to GenSpring for investment services. Clients should read all options disclosures carefully. GenSpring's recommendation of an affiliate as a concentrated stock or yield enhancing position manager may create a conflict of interest. See Item 10 for more specific information.

## **RISKS**

**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, Client may face the following investment risks:

### **Alternatives and Private Equity**

GenSpring utilizes alternative investment strategies including hedge funds and private equity. Alternatives and Private Equity funds are speculative investments and are not suitable for all investors, nor do they represent a complete investment program. Investors should understand that they will likely be required to obtain extensions of the filing date for their income tax returns due to possible delays in the receipt of tax information for the fund. These types of investments are typically illiquid. The terms of the agreements governing these investments generally provide for significant notice periods, lock-up periods, holdbacks upon redemption, and other provisions that make prompt liquidation of these investments contractually impossible.

### **Other Funds**

In addition to the Investment Funds (as described in the Advisory Business section above), 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, exchange traded funds ("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, the Client will bear an additional level of fees and expenses. 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. These Other Funds and Managers 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 barriers, 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.

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, third quarter 2008, 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.

**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 the resulting 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, that restrict the ability of broker-dealers and counterparties to extend credit, or that restrict trading activities could adversely impact profit potential.

**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. As part of its investment strategy, GenSpring may invest on behalf of Clients and the Investment Funds it manages (in which Clients are invested) in amounts, that when aggregated, could result in concentrated positions in certain registered mutual funds and private funds. Some of these funds have been created solely for investment by Clients and others have not. Such concentrations may result in investment positions of up to 50% or more. Additionally, in situations of smaller third party investment managers that are on the GenSpring approved managers list ("Approved Managers"), the amount of Clients' and its Investment Fund assets which GenSpring invests may make up similar portions of the third party managers' assets under management and the managers' total revenue. GenSpring does not deem itself to be a control person of

these funds because GenSpring, GenSpring Holdings, Inc., nor STI seek to exercise any control over the management of these funds, or the fund's boards or the fund's investment advisers.

### **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 or 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 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 that short that particular security.

## **Item 9: Disciplinary Information**

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

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

GenSpring and its affiliates, including SunTrust Bank, SunTrust Advisory Services, Inc. ("STAS"), SunTrust Robinson Humphrey Inc. ("STRH") and SunTrust Investment Services, Inc. ("STIS"), have a variety of banking, financial, or service relationships with (1) mutual funds, exchange traded funds and other registered and unregistered investment funds in which client assets may be invested, (2) corporations or other issuers, the securities of which are purchased in the portfolios of such investment funds, and (3) the other service providers and their affiliates. GenSpring or its affiliates receive training and marketing materials from investment funds or their affiliates.

### **COMMODITY POOL OPERATOR AND COMMODITY TRADING ADVISER**

GenSpring withdrew its registration 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 effective October 2013. GenSpring relies upon CFTC Letter No. 12-38, no-action and delayed compliance date for operators of fund-of-funds.



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

GenSpring is owned by GenSpring Holdings, Inc., which is wholly owned by STI. Consequently, GenSpring is affiliated with various STI entities and has arrangements as described below.

GenSpring personnel may receive discretionary bonuses and other compensation based in part on (i) SunTrust Bank loan and deposit origination revenue earned by SunTrust Bank with respect to GenSpring Client relationships as well as (ii) in connection with referrals made by GenSpring personnel to STI affiliate entities. The receipt of discretionary bonuses by GenSpring personnel in connection with the recommendation and use of services provided by SunTrust Bank, STIS, STAS and STRH may create a conflict of interest on the part of GenSpring personnel.

GenSpring employees share office space with personnel of one or more of these affiliates. In such instances, GenSpring has adopted and implemented policies and procedures to protect Clients' nonpublic and confidential information, including but not limited to, physical separation and secured access between GenSpring and affiliate personnel.

**Investment Advisers.** GenSpring is affiliated with STAS, a SEC registered investment adviser ("RIA"). Effective January 1, 2017, all of GenSpring's centralized investment advisory resource center employees moved to become employees of STAS as described in Item 8 above.

### Shared RIA Resources

GenSpring receives investment intellectual capital, Approved Managers' lists, buy/sell/hold recommendations, capital markets and other economic outlook and market based Client/prospect material and investment processes, and policies and procedures. STAS may also provide research, review, monitoring, and "sell" recommendations on securities that are not included on GenSpring's Approved Managers List. STAS may also provide "transition management support" to GenSpring when onboarding new Clients who own individual securities. SMA programs ("Programs") managed by STAS are included on GenSpring's Approved Managers List. This includes the SunTrust Strategic Core Equity Investment Program and the SunTrust Fixed Income Investment Program.

STAS provides due diligence, model portfolio and asset allocation strategy services, and earns compensation for providing such services to the Programs. As a result, GenSpring may have a conflict of interest in recommending these services over others. In the case of GenSpring these conflicts are mitigated in the following manner:

- GenSpring separately and independently performs oversight and due diligence of recommendations made by STAS with respect to the methodology used to provide investment research to GenSpring;
- GenSpring's Investment Policy Committee reviews and has ultimate decision authority to accept STAS's investment recommendations; and
- GenSpring requires STAS to disclose to it any conflicts of interest which it reasonably believes may materially affect the quality and content of its investment advice provided to GenSpring.

The STAS Chief Investment Officer is also GenSpring's Chief Investment Officer. Most voting members of GenSpring's Investment Policy Committee are employees of STAS, including both senior voting members. This creates conflicts of interest.



**Broker-Dealers.** GenSpring is affiliated with STRH and STIS. Both are U.S. registered broker-dealers, are members of the Financial Industry Regulatory Authority (“FINRA”), and are members of the Securities Investor Protection Corporation (SIPC).

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, an underwriter of bonds (U.S. agency, municipal and corporate) and equity securities, and maintains an active research department and a municipal bond statistical department. In addition, STRH provides investment banking services to certain of the private equity/debt firms in which GenSpring invests on behalf of Clients. In certain instances GenSpring recommends STRH investment banking services to its Clients where appropriate. Many of the private equity/debt firms to which GenSpring has allocated Client capital are currently serviced by STRH, or are solicited by STRH for business development. GenSpring may discuss these private equity/debt firms with STRH and vice-versa and may refer to each other one or more of these private equity/debt firms for business purposes. GenSpring and STRH may record revenue related to successful referral arrangements on intercompany financials.

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. Certain of GenSpring’s senior management personnel sit on the board of STIS, and are registered representatives of STIS. GenSpring clients may direct specific trades through STIS; however GenSpring has no other material business dealing with STIS, and GenSpring clients are not solicited to do business with STIS.

Upon Client direction, GenSpring may purchase for its advisory Clients securities for which STRH serves as broker, lead underwriter, or co-manager or member of an underwriting syndicate, subject to restrictions and other limitations (described in the Code of Ethics section below). 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. GenSpring mitigates this conflict by way of its Code of Ethics, described in the Code of Ethics section below, and GenSpring employees are not compensated directly or indirectly for placing these transactions with these affiliated brokers.

**Banking or Thrift Institutions.** GenSpring is affiliated with SunTrust Bank, (an STI subsidiary and Georgia banking corporation). SunTrust Bank provides custody services to GenSpring Clients. GenSpring also has a relationship with SunTrust Delaware, (a Delaware limited purpose trust company, wholly owned by STI), to provide trust services to Clients. The choice of SunTrust Bank or SunTrust Delaware 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.

#### Fees Received for Custodial & Administrative Services of GenSpring Client Custodial Accounts

GenSpring generally recommends that its Clients establish custodial/brokerage accounts with SunTrust Bank or with the Schwab Institutional division of Charles Schwab & Co., Inc. (“Schwab”), with whom GenSpring has established a dedicated technical and electronic interface. SunTrust Bank as custodian of a Client account may receive servicing fees from (non-SunTrust) mutual funds recommended by GenSpring, and such fees are accrued to GenSpring. GenSpring records revenue related to such arrangements on internal or intercompany financials or as a credit on GenSpring internal management reporting. SEI Private Trust Company and/or its affiliates (“SEI”) serves as clearing broker of record for certain mutual fund investments held by SunTrust in the SunTrust custody accounts and, in such capacity, may be compensated by

such mutual funds (or their affiliates) for shareholder and administrative services provided to such mutual fund investments held in the SunTrust custody accounts. SEI has subcontracted certain shareholder and administrative service functions to SunTrust. The compensation SunTrust will receive through SEI for such services varies by mutual fund and ranges, on an annual basis, from 0.0% to 0.28% of the amount invested. Federated Investors Inc. and/or its affiliates ("Federated"); Dreyfus BNY Mellon; ("Dreyfus") and JPMorgan Chase; (JPM) have also engaged SunTrust to provide shareholder and administrative services to accounts invested in money market mutual funds offered by these firms, except for individual retirement accounts, and qualified retirement plan accounts. The compensation SunTrust will receive from these firms in connection with such services varies by mutual fund and ranges, on an annual basis, from 0.0% to 0.10% of the amount invested and are accrued to GenSpring. The fees paid by the mutual funds for investment advisory and administrative services are described in the prospectuses and the statements of additional information for the respective mutual funds. Such fees are expenses of the mutual funds and are reflected in the investment returns, which are quoted net of all expenses.

#### SunTrust Deposit & Loan Accounts of GenSpring Clients

SunTrust receives financial benefits in the form of interest rate spread earnings in connection with deposit accounts, including SunTrust checking, savings, and money market sweep accounts. Such earnings are derived from the difference, or "spread," between the interest rate and other costs SunTrust pays on amounts deposited, and the interest income and other benefits SunTrust earns when it makes loans or invests the deposited funds in the ordinary course of its banking business. A SunTrust deposit account is not required of GenSpring clients. GenSpring recommends services of SunTrust Bank and other SunTrust affiliates to provide banking services including, but not limited to, deposit accounts, extensions of credit, mortgage or other loans, or other banking and financial services. GenSpring records revenue of SunTrust Bank deposit or loan accounts of GenSpring clients, and of successful referrals on internal or intercompany financials or as a credit on GenSpring internal management reporting.

#### Shared Employees

Certain GenSpring employees also serve in dual employee roles for GenSpring affiliates SunTrust Bank, and SunTrust Delaware. In this dual employee role the employees provide corporate trust/fiduciary administration services to Clients who have also engaged GenSpring as an investment adviser. These employees receive a salary from GenSpring, but no additional compensation from SunTrust for this role.

In such roles, GenSpring dual employees may also manage certain SunTrust Bank client investment accounts utilizing the SunTrust Bank investment platform, which generates fees and other revenue for SunTrust Bank. GenSpring does not generally provide or receive compensation associated with this service arrangement, but may record revenue related to such arrangements on internal or intercompany financials or as a credit on GenSpring internal management reporting.

Also, pursuant to an intercompany agreement with SunTrust Bank, GenSpring has been retained by SunTrust Bank to provide investment advisory services and to assist SunTrust Bank in carrying out its investment obligations on specified accounts of their clients. This service is being provided for a small number of families. The families have an agreement directly with SunTrust Bank to provide trust and investment management services. SunTrust Bank has engaged GenSpring to provide non-discretionary advisory services related to SunTrust Bank clients via an intercompany agreement.

In addition, GenSpring provides investment management, financial reporting, and certain administrative support services to SunTrust Bank and SunTrust Delaware. GenSpring employees may hold a position on certain committees of SunTrust Delaware, and in addition, GenSpring employees provide support to SunTrust Delaware by assisting in their calculation and processing of minimum required distributions of its Clients' individual retirement accounts.

GenSpring's Chief Executive Officer is a dual employee of SunTrust Bank. In his capacity with SunTrust Bank, he serves on the management team of the Private Wealth Management line of business which includes GenSpring.

Lastly, STI has an Administration and Operational Services Agreement for its affiliates, wherein STI provides payroll, insurance coverage, and other services to STI affiliates including GenSpring.

## **Item 11: Code of Ethics**

### **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 employees, including dual employees of the Firm. In addition to providing general guidelines overseeing Client services professionals, the Code stresses the avoidance of actual or perceived conflicts of interest and may specifically prohibit Access Persons (defined consistent with the Rules 204A-1 Code of Ethics definition of "Access Persons" and incorporates the Form ADV definition of "Supervised Persons") from engaging in certain transactions or activities. The Code also includes ethics policies, prohibitions, and principles for doing business, which are designed to emphasize that all employees are in a position of trust with Clients. All employees 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, all employees are expected to report all Code violations to the Chief Compliance Officer ("CCO") or the Deputy CCO. Code violations may result in disciplinary action ranging from reprimand to 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 this Brochure to request a copy.

### **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 of its Investment Funds (as described in the Advisory Business section above) or accounts it manages that may differ from action taken by GenSpring on behalf of other Investment Funds or accounts it manages. GenSpring is not obligated to recommend, buy, sell, or to refrain from recommending, buying, or selling any security that GenSpring or its Access Persons, as defined by rules under the Investment Advisers Act and the Investment Company 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 its Investment Funds or accounts that it manages except to the extent that such investment violates the Code adopted by GenSpring.

Certain GenSpring and SunTrust Bank officers, directors, members, and employees are also Clients or investors. GenSpring may invest Client accounts in, among other things, securities in which GenSpring or any advisory affiliates and any person that is under common control with GenSpring ("Related Person") 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. 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 STI, 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 GenSpring recognizes and seeks to control the conflicts of interests inherent in such practices.

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 STI 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 STI affiliate to process some of its Client transactions, certain STI affiliate 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 and its affiliates participate in the Investment Funds' investments, pro rata, in accordance with its capital accounts of such Investment Funds. In addition, certain employees of GenSpring are also permitted to invest in the Investment Funds as knowledgeable employees. These knowledgeable employees also participate in the Investment Funds investments pro rata in accordance with their value in the Investment Fund.

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

To address the conflicts of interest that arise with the personal trading of GenSpring employees, we have 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. Access Persons must also obtain pre-approval from the Chief Compliance Officer ("CCO") or her designee to invest in prohibited transactions, initial public offerings, and limited offerings. 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 designee. Personal Securities Transactions and Holdings Reports of the CCO will be reviewed by either the Chief Investment Officer or her 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. In accordance with Advisers Act Section 204A, the Code provides that no officer, director, or employee of GenSpring may trade in a security, either personally or on behalf of Clients (including any GenSpring Investment Fund), while in possession of material, nonpublic information regarding securities of a corporation that are publicly traded; nor may any officer, director, or employee communicate material, nonpublic information to others in violation of the law.

Any employee who fails to observe the aforementioned policies risks serious sanctions, ranging from reprimand to dismissal, and including 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 manage the day-to-day investment of Client accounts. To the extent that investment managers selected by GenSpring purchase from other broker-dealers securities on which brokerage commissions or sales loads are charged, GenSpring relies upon each affiliated or unaffiliated investment manager to review such charges regularly and continuously based on a comparative standard that it may regard as pertinent for the purpose of evaluating the reasonableness of such commissions. GenSpring performs due diligence reviews of the affiliated and unaffiliated advisers it recommends to Clients, including, among other things, information concerning the advisers' best execution policies. Portions or all of a Client account may be managed by other affiliated or unaffiliated investment managers. Such managers may have trading policies that differ from or conflict with those of GenSpring that are described below.

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 directed through its affiliate, SunTrust Bank, who utilizes unaffiliated broker dealers to effect trades. GenSpring enters trades directly into a trading platform which routes trades to SunTrust Bank. Some Clients also have securities in custody with other financial service providers and GenSpring may also direct trades in those accounts.

To seek to mitigate the expenses arising from trading activities and custody account administration, GenSpring generally recommends that its Clients establish custodial/brokerage account with SunTrust Bank or Schwab with whom the Firm has established a dedicated technical and electronic interface. Certain GenSpring Client accounts may be in custody with other custodians. SunTrust Bank as custodian of a Client account may receive servicing fees from mutual funds recommended by GenSpring.

### **Best Execution**

GenSpring, as fiduciary, places the interests of its Clients first, and as a result is committed to the practice of Best Execution. To verify continuing compliance with the Best Execution duty, GenSpring must periodically evaluate the execution performance of custodians executing its Clients' transactions. Accordingly the Firm has adopted a Best Execution policy that defines Best Execution as it relates to the Firm's business practices, and outlines a testing system that fits the Firm's trading practices.

As a matter of best practice GenSpring will consider relevant information including:

- pricing,
- custody services,
- execution capability, including trade placement and execution results,
- trade error resolution, and
- service

GenSpring prepares reports concerning the execution capabilities of each custodian with which GenSpring places any substantial volume of Client transactions, and also reviews GenSpring's recent execution experience with each such custodian over the previous year to evaluate the ability of each such custodian to provide Best Execution.

### **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 transactions or to select any broker or dealer on the basis of its purported or "posted" commission rate. Although GenSpring 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.

When GenSpring trades through SunTrust Bank, SunTrust Bank 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.

### **"Soft Dollar" or Research Benefits**

GenSpring trades with its recommended custodians Schwab and SunTrust Bank on an execution only basis. GenSpring does not have any formal or informal arrangements or commitments to utilize research, research-related products, and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

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 unrelated to GenSpring. Please see the Form ADV for such managers for further information.

### **Directed Brokerage**

Although GenSpring typically utilizes outside managers who choose the brokers they use, Clients may direct the Firm to use a particular broker-dealer under certain circumstances.

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 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. Clients may limit GenSpring's



discretionary authority by directing the Firm 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.

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.

### **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. In some cases, GenSpring may aggregate or block transactions on behalf of various clients to facilitate best execution and possibly negotiate more favorable pricing and commission rates. To the extent that transactions are blocked, GenSpring will allocate such transactions to all participating Client accounts in a fair and equitable manner consistent with its trade allocation procedures (generally pro-rata, unless there are extenuating circumstances), fiduciary obligations, and each participating Client's Agreement.

SunTrust Bank 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, Clients participating in aggregated transactions will receive an average share price and transaction costs will be shared equally on a pro rata basis. SunTrust Bank may aggregate GenSpring Clients, non-GenSpring Clients, and personal trades of STI or GenSpring employees. In the event transactions for GenSpring, its affiliates, their 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 policy, previously discussed in the Code of Ethics section.

### **Allocation**

Allocation practices 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.

It is GenSpring's policy to allocate investment opportunities pro-rata to all participating Client accounts in a fair and equitable manner. However, in extenuating circumstances when a pro-rata allocation may not be feasible for an approved manager, particularly when there is a capacity-constrained investment opportunity, the IAG will follow GenSpring's written random lottery allocation procedure. Every participant in the lottery will be assigned a number. A random number generator will be used to determine which participants will receive an allocation. The lottery may or may not include the GenSpring proprietary MMP, and every participant in the lottery may or may not receive an allocation. Additionally, there may be extenuating circumstances when the IAG submits to the IPC a request for approval of a manager that has an investment opportunity available that is determined to be appropriate for the MMP, but not for separately managed accounts. If approved by the IPC, the allocation will be made solely to the MMP as documented in the allocation procedure.

## **Item 13: Review of Accounts**

### **Portfolio Reviews**

The IAG and its analysts review all funds and investment managers approved by GenSpring on a regular basis to determine whether the managers are managing the investments in accordance with the expectations set forth as the inception/hire date of the relationship with the manager and whether the management and/or incentive fees are reasonable.



Additionally, each account is reviewed on at least an annual basis by a member of Client Service Team assigned to the family for which the account was established. A member of Client Service Team typically directs and reviews the allocation of Client assets in accordance with the investment policy guidelines approved by the IPC as well as Client's specific investment policies and considerations outlined in the Investment Policy Statement ("IPS"). The Client Service Team is responsible for initiation of transaction activity within Client accounts, managing liquidity, processing additions to and distributions from Client accounts, and responding to Client requests for information. 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 Client Service Team assigned to the family review transactions and performance in Client accounts on an as needed basis. Before distributing the monthly or quarterly Client reports, Client Service Teams have the option to review the positions, transactions, and performance in such accounts.

### **Client Investment Oversight**

GenSpring has a fiduciary responsibility to provide to its Client families appropriate investment strategies designed to meet the long and short-term investment goals while adhering to the requirements and constraints of each family. GenSpring utilizes an IPS to document and clearly communicate the general investment goals, objectives, constraints, and preferences of each client for which GenSpring serves as an investment fiduciary and to describe the asset allocation and investment approach that GenSpring will employ to meet these client-specific objectives. The IPS serves as a guideline for investment decision makers, creating a system and discipline for future investment decisions.

GenSpring partners with each client family to create an IPS, where applicable, that is unique to each client's situation and goals, while accounting for risk tolerance and other client constraints. This IPS is used by the Family Investment Officer and Client Service Team as a roadmap to determine the appropriate portfolio allocation for each client account. Periodically, portfolio allocations need to be reviewed and possibly revised or reallocated to verify that client goals stated in the IPS continue to be targeted, to verify that clients are not over concentrated in any particular fund, fund type or manager, as well as to divest the account of any managers that are no longer receiving GenSpring's highest level of monitoring and due diligence review.

GenSpring has an exception group to manage the Client Investment Oversight Process. The group oversees and monitors the investments in GenSpring client accounts where GenSpring serves as an investment fiduciary and to facilitate compliance with GenSpring's Client Investment Oversight Policy.

### **GenSpring Reporting Package**

GenSpring may produce written client reports as frequently as monthly but no less than annually, which provide pertinent information with regard to Client's investment account(s) including, but not limited to, account values, portfolio holdings, transaction activity, etc. This Reporting Package is not intended to replace the statement provided by the Client's custodian, which should be considered the official record for all pertinent account information. GenSpring's Reporting Package is provided in a different format from that of Client's custodian and may vary in content and scope. Therefore, the GenSpring Reporting Package urges Clients to compare the information in GenSpring's Reporting Package to the statements provided by custodians.

GenSpring produces custom reports for Clients on an ad-hoc basis upon request.

GenSpring offers a secure web portal service, which allows Clients to access their reports via the internet and allows Clients to maintain and share personal financial statements and legal documents with their designated GenSpring Client Service Team.

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

### **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 the 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 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 falls under the agreement is passed through to the GenSpring Client.

GenSpring has agreements with STI affiliates whereby the affiliate is compensated for successful referrals to GenSpring.

GenSpring may also enter into Solicitation Agreements with individuals and/or firms who are unaffiliated with GenSpring and SunTrust. Such arrangements shall meet the requirement of Rule 206(4)-(3) of the Advisers Act and any other applicable statute or rule.

STI 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 STI, including GenSpring. GenSpring personnel are eligible to receive such incentive compensation related to STB products and services, and other affiliate referrals. Clients referred to a STI affiliate pursuant to these arrangements may become the indirect beneficiaries of investment advisory services provided by GenSpring to its affiliate under GenSpring's contracts with such affiliate.

In compliance with applicable law, GenSpring or an affiliate may, from time to time, pay event attendance, 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 advisors, 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. GenSpring may recommend SunTrust Bank or Schwab to its Clients, and its Clients may select any bank or registered broker-dealer that is a “qualified custodian” to custody their assets. GenSpring is deemed to have custody of certain Client assets. Some of these assets are maintained with a qualified custodian that is not operationally independent from GenSpring and thus we must undergo two annual examinations; one surprise examination to verify Client assets and another examination of the affiliated qualified custodian’s internal custody controls.

Clients should receive custodial statements at least quarterly directly from their qualified custodian. GenSpring urges Clients to carefully review those statements and compare the custodial records to the reports GenSpring provides. Comparing the GenSpring Report to the custodial statement will allow Client to determine whether account transactions, including the payment of advisory fees, are proper. The information in our reports may vary from custodial statements due to different accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16: Investment Discretion**

GenSpring accepts discretionary authority to manage accounts on behalf of its Clients upon execution of GenSpring’s advisory agreement. In all cases, however, such discretion is exercised observing investment limitations and restrictions that are outlined in each Client’s Agreement or investment policy statement. Clients may place reasonable restrictions on GenSpring’s investment discretion. Such investment guidelines and restrictions must be provided to GenSpring in writing. Such restrictions may impact performance.

For the Investment Funds (as described in the Advisory Business section above), 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 private placement memorandum.

## **Item 17: Voting Client Securities**

Under SEC Rule 206(4)-6, investment advisers have a fiduciary obligation to their clients if the adviser has authority to vote their proxies. Under its standard Agreements, GenSpring is authorized to vote proxies on behalf of Client discretionary accounts, unless Client directs otherwise. GenSpring shall vote the proxies of the GenSpring Investment Funds. For Client assets managed by other GenSpring Approved Managers, such proxies will be voted by Approved Managers unless Client directs otherwise.

GenSpring retains the obligation to vote its Clients’ proxies and will utilize appropriate resources to do so, having engaged Glass Lewis & Co. (“Glass Lewis”) to assist with physical proxy voting matters. Glass Lewis was also selected due to its excellent research tools and advanced technical capabilities. They will act as GenSpring’s agent to provide certain administrative, clerical, functional recordkeeping, and support services related to the Firm’s proxy voting processes/procedures, which include, but are not limited to:

1. The collection of proxy material from Clients’ custodians;

2. The facilitation of proxy voting, reconciliation, and disclosure, in accordance with the Firm's proxy policies and direction; and
3. Recordkeeping and voting record retention.

GenSpring generally follows Glass Lewis proxy voting policies to vote proxies in a manner deemed to be in the best economic interest of its Clients, as a whole, as shareholders and beneficiaries to those actions.

GenSpring recognizes that each proxy vote must be evaluated on its own merits. Factors such as a company's organizational structure, executive and operational management, Board of Directors structure, corporate culture and governance process, and the impact of economic, environmental, and social implications may all be key elements in voting decisions. The Firm believes that it is in the best interest of shareholders to abstain from voting in countries that participate in share blocking as share blocking limits the trading ability of the portfolio manager.

If applicable, GenSpring will consider Client specific preferences and/or develop and apply criteria unique to its Client base and product lines, where appropriate. As needed, the Firm will communicate this information to Glass Lewis so those Clients' proxies will be voted accordingly. The Firm has reviewed Glass Lewis' capabilities as agent for the administrative services above and is confident in its abilities to provide these services effectively. GenSpring will monitor such capability on an ongoing basis.

In the absence of express contractual provisions or Client directions to the contrary, GenSpring will vote proxies for every Firm's discretionary investment management Clients except as noted below.

GenSpring maintains proxy guidelines for U.S. domestic and global proxy voting issues, as well as guidelines applicable to "*Taft Hartley*" plans and relationships. ERISA accounts will be voted in accordance with the U.S. domestic proxy guidelines, as ERISA specific guidelines and requirements are incorporated into this guidelines. Given GenSpring's business model, very few (if any) Client accounts and funds will be voted using the Taft Hartley Proxy Policy.

Due to its diversified Client base, numerous product lines, and affiliation with STI and its subsidiaries, GenSpring may determine a potential conflict exists in connection with a proxy vote based on the SEC guidelines. In such instances, the Firm will review the potential conflict to determine if it is material.

Examples of material conflicts of interest which may arise include those where the shares to be voted involve:

1. Common stock of STI, and/or other public corporate issuers with which either GenSpring or STI, or its affiliates, have a significant, on-going, non-investment management relationship
2. An issuer with a director, officer or employee who presently serves as an independent director on the board of GenSpring or STI or any of its affiliates
3. An issuer having substantial and numerous banking, investment, or other financial relationships with GenSpring, STI, or its affiliates
4. A director or senior officer of GenSpring or STI serving on the board of a publicly held company
5. A direct common stock ownership position of five percent (5%) or greater, held individually by GenSpring, or in conjunction with GenSpring and STI, and/or its affiliates

Although GenSpring utilizes what can be described as pre-determined proxy voting guidelines, occasions may arise in which a conflict of interest could be deemed to be material. In this case, the Firm will determine the most fair and reasonable procedure to be followed in order to properly address all conflict concerns. GenSpring may employ one or more of the options listed below:

1. Retain an independent fiduciary to vote the shares.
2. Send the proxy material to Client (in the case of funds, the funds' investors) so he or she may vote the proxies.

GenSpring follows different voting recommendations for different categories of Clients such that votes cast on behalf of some Clients may oppose votes cast on behalf of other Clients. 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 Proxy Voting records or proxy related questions, please contact GenSpring Family Offices, Attn: Director of Client Operations, 150 South US Highway 1, Jupiter, Florida 33477, or by telephone at 561.746.8444.

## **Item 18: Financial Information**

Registered investment advisers are required 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.