

## MULTI FAMILY OFFICE FACES MULTIPLE LAWSUITS

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US-based multi [family office](#) GenSpring is facing at least two arbitration cases in the coming months relating to the investment products it sold clients. Late last year a former GenSpring client won a similar case worth \$4.3 million (€3.2 million).

At a hearing in Florida on December 28, an arbitrator ruled GenSpring had sold an unnamed wealthy individual risky multi-strategy hedge funds, with the promise they had a "risk profile similar to bonds but with a higher return".

According to lawyers for the plaintiff, the funds were in fact opaque funds of funds, meaning the client's money was invested in various other hedge funds, each with its own manager following their own strategy. The claimant's legal team maintained even GenSpring did not know how the money was being invested.

The plaintiff – an entrepreneur – was represented by law firms Vernon Healy and Dovin Malkin & Ficken, both of which specialise in securities arbitration. Dovin Malkin & Ficken brought its first MSHF case against GenSpring in 2010, with the claimant winning \$1.3 million. The law firms are now working together on two other pending cases against GenSpring. The first is scheduled for April.

Susan Healy of Vernon Healy told *CampdenFB*: "We expect that future arbitrators will come to the same conclusion that the first two arbitrators reached – that GenSpring breached its fiduciary duty to its clients by following this unsound investment strategy."

"We are also speaking with a number of other potential clients and may file more cases if those investors have strong claims," said Allison Ficken of Dovin Malkin & Ficken.

Hap and Ellen Perry – heirs to a publishing fortune – founded GenSpring in 1989. According to the firm's website, they opened the company because they were dissatisfied with the aggressive salesmanship of financial advisers at other family offices: "The institutions themselves had grown into a hub for the distribution of financial and investment products sold under the guise of advice."

Speaking about the December case, Healy said the claimant had little access to information. "There was no public information available about these MSHFs and thus the only information that the client had access to regarding the funds was the information that GenSpring provided," she said.

When the crisis hit, the value of the claimant's portfolio plummeted even though he believed he had been sold a very low-risk investment product.

Following the financial crisis GenSpring re-classified the MSHFs as "growth" investments, changing the name from "defensive" investments. The claimant decided to seek legal advice in 2009.

Ficken said: "It is not our impression that GenSpring knew the true risk level or that they intentionally misrepresented the multi-strategy hedge funds to its clients.

"However, it was proven at both of the hearings thus far that there was no reasonable basis for GenSpring to represent to its clients that the multi-strategy hedge funds were as safe as bonds or should be used as a substitute for bonds in a diversified portfolio. In fact, there was extensive documentary evidence available to GenSpring – not shared with its clients – to show that these MSHFs did not have the same risk profile as bonds."

GenSpring declined to comment when approached by *CampdenFB*.

Related terms: Dovin Malkin & Ficken, family office, FB News, genspring, Legal, multi-strategy hedge funds, Vernon Healy, Family Business

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