$4.3 Million Arbitration Award Against GenSpring Family Offices

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NAPLES, Fla., Feb. 7, 2013 (GLOBE NEWSWIRE) -- The team of Dovin Malkin & Ficken and Vernon Healy recently won a $4.3 million arbitration award against GenSpring Family Offices, a money management firm owned by SunTrust Bank, which offers investment advice and money management services to high and ultra-high net worth clients.

At the arbitration hearing, the Claimant was able to show that GenSpring had developed a strategic model whereby it advised the Claimant—a Florida entrepreneur with a $30 million portfolio—that he should invest 30% of his account in Multi-Strategy Hedge Funds instead of traditional bonds. According to GenSpring, these hedge funds had a "risk profile similar to bonds" but with a higher and better return.

In reality, the hedge funds that GenSpring was touting were "Funds of Funds," meaning that they invested in other hedge funds, each with its own managers, many of whom were employing investment strategies that were far riskier than even equity investments. Moreover, these hedge funds suffered from a severe lack of transparency. In fact, GenSpring did not even know what type of strategies all of the fund managers and sub-managers were following. As a result, GenSpring had no reasonable basis for representing that the multi-strategy hedge funds were a low-risk "substitute for bonds."

Consequently, in 2008 when the stock market plummeted, the hedge funds lost a large portion of their value -- similar to the equity markets -- while traditional bonds went up 5%. In the end, GenSpring's clients' accounts were significantly overexposed to high risk investments during the worst financial crisis in modem history, because they had no traditional low risk bond investments to diversify their accounts. In March 2009, GenSpring internally re-classified the multi-strategy hedge funds as "Growth" investments—like equities—instead of "Defensive" investments—like traditional bonds—as they had previously been classified.

"It is clear that GenSpring's statements were misleading and inaccurate," said securities attorney Ed Dovin, whose firm previously won a $1.3 million arbitration award for another GenSpring client. "Prior to the 2008 financial crisis, GenSpring represented the hedge funds as a 'substitute for bonds,' claiming that they had the same risk as bonds but with higher returns." Moreover, "it appears that this was a systemic approach that GenSpring used with virtually all of its clients as a means of attracting business and distinguishing itself from the other investment firms, which used more time-tested approaches to investing," added Allison Ficken, Mr. Dovin's partner.

According to Co-counsel Chris Vernon —founding partner of Vernon Healy—GenSpring's misrepresentations and questionable business practices were evident in this case. "We were confident that this claim would end in a significant win for another victim of GenSpring's breach of duty and lack of due diligence. The strategies employed by the multi-strategy hedge funds that GenSpring was funneling its clients' money into were cloaked in secrecy, and GenSpring's clients were forced to rely on GenSpring because they had no access to any other information regarding these funds."

The $4.3 million award is a positive sign for other investors who fell prey to GenSpring's failed multi-strategy hedge fund strategy.

The securities attorneys at the Vernon Healy and Dovin Malkin & Ficken law firms collectively have more than 65 years of experience representing investors all across the United States who are victims of securities fraud and all manner of financial fraud and negligence.

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