

Form ADV - Part 2A Brochure

Item 1 – Cover Page

Wellspring Management, LLC

1790 Kirby Parkway, Suite 127
Memphis, TN 38138-7429
(901) 753-6863
(901) 753-1758

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This brochure provides information about the qualifications and business practices of Wellspring Management, LLC (“Wellspring”). If you have any questions about the contents of this brochure, please contact us at (901) 753-6863. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Wellspring is also available on the SEC’s website at www.adviserinfo.sec.gov.

Wellspring is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Item 2 – Material Changes

This is Wellspring's initial filing of the Form ADV Part 2A brochure. Accordingly, there are no material changes to be described since the date of an earlier version of this brochure.

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Item 4 – Advisory Business

Wellspring is a Delaware limited liability company established in December 2004. Wellspring commenced operations as an investment adviser on January 1, 2005. George M. White is the founder and principal owner of the firm. Andrew E. Willson is also a principal owner of the firm.

Wellspring provides discretionary investment advice to private investment funds and certain separately managed accounts. Wellspring generally trades in a wide variety of domestic and foreign securities and financial instruments, whether publicly traded or privately placed.

Under certain circumstances, Wellspring will contract with a client to adhere to limited risk and/or operating guidelines imposed by such client. Such arrangements are negotiated on a case by case basis.

Wellspring does not participate in a wrap fee program.

As of December 31, 2011, Wellspring managed approximately \$93 million on a discretionary basis. Wellspring does not manage any assets on a non-discretionary basis.

Item 5 – Fees and Compensation

While the management and performance fees may vary by client, Wellspring receives management fees based on net assets under management from 0.75% to 2% annually, depending on the fund or managed account and an incentive or performance fee of up to 20% of the annual profit, if any, charged to each client subject in certain cases to a loss carry forward provision. Wellspring structures any performance or incentive fee arrangement in accordance with Section 205(a)(1) of the Investment Advisers Act and the rules and regulations promulgated thereunder, including the exemption set forth in Rule 205-3 permitting performance fee arrangements with “qualified clients.”

Wellspring generally deducts management fees from client accounts quarterly in advance. Generally, Wellspring receives performance-based fees or allocations from client accounts on an annual basis in arrears and upon redemptions by investors in the private investment funds managed by Wellspring.

Clients that are private investment funds generally bear all investment expenses of the Fund, including but not limited to

- (i) interest, commissions and brokerage fees, custodial fees and bank service fees;
- (ii) transfer, capital and other taxes, duties and costs incurred in connection with the acquisition, holding and disposition of securities or other investments and of transfers thereof;
- (iii) research or consulting fees to consultants or the like in connection with evaluating investments;
- (iv) legal, accounting or other professional fees and expenses related in any way to investment decisions of the Fund;

- (v) fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims by or against the Fund;
- (vi) insurance premiums;
- (vii) routine legal and accounting expenses of the Fund, the expenses of preparation of federal and state tax returns, the annual fees and expenses of the Fund's auditors and expenses of reports to Fund investors; and
- (viii) fees and expenses of any administrator retained by the Fund.

At Wellspring's discretion, the Fund will reimburse Wellspring for the costs of any such expenses advanced by it on behalf of the Fund.

The expenses that are charged to separately managed accounts are determined on a case by case basis.

In addition to the fees and expenses discussed above, investors will indirectly incur similar fees and expenses if Wellspring invests a client's capital in such money market funds, exchange traded funds or third-party funds, as these funds in turn pay similar fees to their investment managers and other service providers.

Management fees to Wellspring are generally paid quarterly in advance. Generally, the management fees are not refundable in the event that the advisory contract is cancelled prior to the end of a quarter.

Item 6 – Performance-Based Fees and Side-by-Side Management

Wellspring receives annual performance-based fees or allocations from the private investment funds and separately managed accounts by Wellspring. These fees are based on a percentage of the capital appreciation of client assets.

The terms of the performance-based fees and allocations to Wellspring may differ among the various private investment funds and the separately managed accounts managed by Wellspring. This may result in a conflict of interest when Wellspring allocates trade opportunities among these accounts because Wellspring would have a financial incentive to favor accounts that have higher performance-based fees and allocations. To avoid such a conflict of interest, Wellspring follows procedures in allocating trades among such accounts, which do not take into account the rates or methodology of computation in respect of the performance-based fees or allocations to which such accounts are subject.

As the management fees and performance-based fees and allocations made to Wellspring are based directly on the net asset value of the client accounts, Wellspring may have a conflict of interest in valuing the assets held in the accounts. Wellspring will follow its valuation policies designated to mitigate this risk and, where applicable, will consult with the third-party administrator to the accounts.

Item 7 – Types of Clients

Wellspring provides investment advice to clients who are private investment funds (either through a fund vehicle in which multiple investors may invest or a separately managed account beneficially owned by a particular private investment fund). Investors in such private investment funds are generally high net

worth individuals or institutional investors. The minimum investment in the private investment funds is generally \$1,000,000. The minimum investment for any separately managed account will be determined on a case by case basis.

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

Methods of Analysis and Investment Strategies Generally

Wellspring utilizes a fundamentally-driven research effort and an opportunistic approach that allows it to use multiple strategies to invest across the capital structures of U.S. and non-U.S. companies. Situations to which Wellspring may allocate capital may be characterized in a number of ways, including, without limitation, as event-driven, value equity, credit arbitrage, structural arbitrage, relative value, distressed, commodity related, activist and special situation. Underlying this opportunistic approach is a commitment to preserving capital and to uncovering market inefficiencies. While market conditions will inevitably impact returns, Wellspring seeks to achieve returns that will not be closely correlated to market indices, and it will not allocate capital to situations where it believes that a positive return can be generated only if certain broader market conditions prevail.

Wellspring makes use of multiple trading strategies and is generally authorized to alter any trading policy or strategy as deemed appropriate from time to time in its discretion without obtaining approval from clients or investors. The significant strategies used by Wellspring are set forth below:

- *Long Positions.* Wellspring trades in publicly traded equity securities or other instruments with equity-like characteristics such as distressed debt, convertible bonds or preferred (including convertible preferred) equity securities. Wellspring may purchase securities for client accounts when it believes that such securities are trading notably below their intrinsic value as determined by Wellspring through fundamental analysis of the underlying business. Wellspring normally analyzes certain financial measures before buying or selling a company's securities, such as the company's cash position, gross and net working capital, tangible book value, historical and expected cash flows, historical and projected earnings growth, valuation relative to growth and to that of its industry, and forecasts and projections for the relevant industry group. As part of its research process, Wellspring will at times gather information about a company from consultants, analysts, competitors, suppliers and customers.
- *Short-Selling.* Wellspring may engage in short-selling to hedge long positions, as part of various arbitrage strategies and in order to profit from an expected decline in the price of a security. Situations in which Wellspring may take an unhedged short position include, but are not limited to, those in which it identifies: (i) negative tangible book value; (ii) temporary overvaluation due to short-term market euphoria for a sector; (iii) a faulty business model; (iv) poor earnings; (v) questionable accounting practices; (vi) deteriorating fundamentals; or (vii) weak management unable to adapt to changes in technology, regulation or the competitive environment.

- *Options.* Wellspring may purchase and write put and call options that are traded on national securities exchanges or over-the-counter markets, as well as on electronic communications networks (ECNs). Options may be used, among other reasons, to increase market exposure (i.e., for purposes of leverage), to reduce overall market exposure (i.e., for hedging purposes), to increase the portfolio's current income, or to reduce the cost basis of a new position. Wellspring may also utilize certain options, such as various types of index or "market basket" options, in an effort to hedge against certain market related risks.
- *Credit Arbitrage.* Wellspring may focus on finding situations where market volatility and/or market inefficiency will allow it to purchase and short-sell different securities of the same issuer in order to achieve what it believes to be an outsized return with respect to the probability of permanent capital loss. An example of such a trade would be to purchase the senior obligations of a given issuer and simultaneously short-sell the subordinated obligations of that same issuer.
- *Leverage.* Wellspring may increase the number and extent of a client's "long" positions by borrowing (e.g., by purchasing securities on margin). Other trading strategies, including the use of options, futures, certain derivative instruments and short selling may also be deemed to increase the leverage of a client's assets.
- *Short-Term Investments.* Wellspring may trade in government obligations, certificates of deposit, commercial paper and other money market instruments, including repurchase agreements with respect to such obligations, to enable it to make trades quickly and to serve as collateral with respect to certain of its acquisitions. If Wellspring believes that a defensive position is appropriate because of expected economic or business conditions or the outlook for security prices, or when it determines that opportunities for trading are unattractive, a greater percentage of client assets may be allocated to such obligations. Wellspring may also engage in securities lending activities on behalf of client accounts. From time to time, cash balances in the clients' brokerage accounts may be placed in a money market fund.
- *Commodities, Futures, Derivative Securities and Foreign Exchange Transactions.* Wellspring may effect trades in commodities, futures contracts, options on futures and commodities, currencies, foreign exchange transactions, and derivatives (including, without limitation, credit default and other swaps). Wellspring may seek to hedge against, currency, commodity and interest rate risks through the use of such instruments. Wellspring may also use these instruments for non-hedging purposes.

Investing in securities involves risk of loss that clients and investors should be prepared to bear.

Certain Risks Associated with Wellspring's Methods of Analysis and Investment Strategies

Wellspring's trading activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by Wellspring. Such factors include a wide range of economic, political, competitive and other conditions which may affect investments in general or specific industries or companies. In recent years, the securities markets have become increasingly volatile, which may adversely affect the ability of Wellspring to realize profits for its clients' accounts. As a result of the nature of Wellspring's trading activities, it is possible that the financial performance of its client's accounts may fluctuate substantially from period to period. Although Wellspring seldom takes an active role in the affairs of the companies in which it invests client assets, Wellspring's policy is to take such steps as are necessary to protect its clients' economic interests, including seeking a role on the board of directors of a company in which its clients have a position. Taking a seat on the board of directors will restrict Wellspring's ability to transact in the securities of the company.

The following is a list of certain material risks associated with Wellspring's significant methods of analysis and investment strategies.

- **Competition:** The securities industry and the varied strategies and techniques to be engaged in by Wellspring are extremely competitive and each involves a degree of risk. Wellspring will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.
- **Market Volatility:** The profitability of Wellspring's trading activities substantially depends upon Wellspring correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities and the movements of interest rates. Wellspring cannot guarantee that it will be successful in accurately predicting price and interest rate movements.
- **Accuracy of Public Information:** Wellspring selects investments for its clients' accounts, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to Wellspring by the issuers or through sources other than the issuers. Although Wellspring evaluates all such information and data and ordinarily seeks independent corroboration when Wellspring considers it is appropriate and when it is reasonably available, Wellspring is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.
- **Leverage:** Subject to applicable regulations, Wellspring may use leverage in its trading program when it deems appropriate, including the use of borrowed funds and investments in certain types of derivatives and options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent Wellspring purchases securities for client accounts with borrowed funds, such clients' assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the

rates at which such funds may be borrowed in particular, could affect the return of client accounts. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the use of leverage would result in a lower rate of return than if the accounts were not leveraged.

- **Convertible Securities:** The market value of convertible securities, as with all fixed income securities, tends to decline as interest rates increase and, conversely, to increase as interest rates decline. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the convertible security tends to reflect the market price of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis and thus, may not decline in price to the same extent as the underlying common stock. If a convertible security held by a client account is called for redemption, Wellspring will be required to permit the issuer to redeem the security, convert it into the underlying stock or sell it to a third party. Any of these actions could have an adverse effect on the account's performance.
- **Short Sales:** Wellspring may sell securities short for client accounts. Short-selling involves the sale of a security that the client does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. Selling securities short risks losing an amount greater than the proceeds received. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. A client may have losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.
- **Derivatives Generally:** Derivative instruments, or "derivatives," include options, swaps, futures, structured securities and other instruments and contracts that are derived from or the value of which is related to one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. There is no assurance that derivatives that Wellspring wishes to acquire for a client account will be available at any particular times upon satisfactory terms or at all.

The value of a derivative is frequently difficult to determine and depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the account to the possibility of a loss exceeding the original amount invested. Over-the-counter derivatives generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. In most instances, the over-the-counter market for derivatives is relatively illiquid.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) enables the U.S. Commodity Futures Trading Commission (the “CFTC”) and the SEC to enact new regulations on certain over-the-counter derivatives. Under the Dodd-Frank Act, certain over-the-counter derivatives contracts will be regulated through regulated clearing houses and subject to regulation by the SEC and the CFTC. The type and number of derivatives contracts subject to the clearing requirement, the regulations governing swaps clearing organizations and exchanges, the scope of the swaps dealer and major swap participant definitions, and the capital and margin requirements imposed on such entities, await regulatory action. The Dodd-Frank Act creates a regulatory framework rather than a set of detailed requirements. The ultimate impact of the Dodd-Frank Act on the derivatives market is unclear and will depend in large part on the regulations that the SEC and CFTC promulgate.

- **Options:** Wellspring may use a number of option strategies for client accounts. Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.

If a put or call option purchased by Wellspring for a client account were permitted to expire without being sold or exercised, its premium would be lost by such account. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying security. If this occurred, the option could be exercised and the underlying security would then be sold to the client at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying security. If this occurred, the option could be exercised and the underlying security would then be sold by the client at a lower price than its current market value. Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks.

- **Credit Default Swaps:** Wellspring may purchase and sell credit derivatives contracts – primarily credit default swaps – both for hedging and other purposes for client accounts. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. Wellspring may also purchase and sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

As a buyer of credit default swaps, a client account is subject to certain risks. In circumstances in which a client account does not own the debt securities that are deliverable under a credit default swap, such account is exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether or not a “credit event” triggering the seller’s payment obligation had occurred. In either of these cases, the account would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, a client incurs leveraged exposure to the credit of the reference entity and is subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, a client will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity’s debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity’s debt obligations to deliver to the client following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the client.

- **Purchase of Distressed Securities, Etc.:** Wellspring may purchase securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganizations and liquidation proceedings for client accounts. Although such investments may produce significant returns, they involve a high degree of risk over a potentially lengthy period of time, as well as less liquidity than many other investments. Investment in these types of securities requires sophisticated analysis, and there can be no assurance that Wellspring will accurately predict various factors that could affect the prospects of a successful restructuring. Many of these investments ordinarily remain stagnant until the company reorganizes and/or emerges from bankruptcy proceedings, and, as a result, may have to be held for an extended period of time.

The Dodd-Frank Act establishes the Orderly Liquidation Authority (the “OLA”), a new insolvency regime for large, interconnected financial companies, including broker-dealers, whose failure poses a significant risk to the financial stability of the United States. Wellspring may invest client capital in such large, interconnected financial companies and therefore such clients may face losses if such financial companies are put into receivership and then liquidated upon a determination by the FDIC and the board of governors of the Federal Reserve. If a financial company becomes liquidated by the OLA, Wellspring’s investments in such a financial company could be adversely affected. Unlike bankruptcy proceedings, creditors, shareholders and contract counterparties will not have any input into or advanced notice about the liquidation or reorganization of the financial company. Many of the procedural rules for the OLA have not yet been written, and it is unclear how financial companies that become subject to liquidation proceedings would be affected.

- **Foreign Securities:** Wellspring may invest a portion of its clients' assets in securities of companies domiciled or operating in one or more foreign countries. Investing in foreign securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the U.S., including instability of some foreign governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, foreign currency risk, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of foreign tax laws (e.g., the imposition of withholding taxes on dividend or interest payments) or confiscatory taxation may also affect investment in foreign securities. Higher expenses may result from investment in foreign securities than would from investment in domestic securities because of the costs that must be incurred in connection with conversion between various currencies and foreign brokerage commissions that may be higher than in the U.S. Foreign securities markets also may be less liquid, more volatile and subject to less governmental supervision than in the U.S., including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.
- **Currency Transactions:** Client accounts may incur costs in connection with conversions between various currencies. Foreign currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to a client account at one rate, while offering a lesser rate of exchange should the account desire immediately to resell that currency to the dealer. Wellspring will conduct its currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward contracts to purchase or sell non-U.S. currencies.
- **Foreign Currency Counterparty Risk:** Contracts in the foreign exchange market are not regulated by a regulatory agency, and such contracts are not guaranteed by an exchange or its clearing house. Consequently, there are no requirements with respect to recordkeeping, financial responsibility or segregation of customer funds or positions. In contrast to exchange-traded futures contracts, interbank-traded instruments rely on the dealer or counterparty being contracted with to fulfill its contract. As a result, trading in interbank foreign exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which a client account has a forward contract. Although Wellspring intends to trade with responsible counterparties, failure by a counterparty to fulfill its contractual obligations could expose client accounts to unanticipated losses.
- **Commodity Trading:** The prices of commodities and all derivative instruments, including futures and options prices, are highly volatile. Price movements of commodities, futures and options contracts are influenced by, among other things, changing supply and demand relationships, domestic and foreign governmental programs and policies, national and international political and economic events, interest rates and governmental monetary and exchange control programs and policies. Moreover, commodity exchanges limit fluctuations

in commodity futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.”

During a single trading day, no trades may be executed at prices beyond the daily limit. Commodity futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Wellspring from promptly liquidating unfavorable positions and subject it to substantial losses. Wellspring has not registered with the CFTC as a commodity pool operator or commodity trading advisor. Therefore, unlike a registered commodity pool operator or commodity trading advisor, Wellspring will not be required to deliver a disclosure document, periodic account statements, or an annual report to clients. In addition, the Dodd-Frank Act significantly expands the CFTC’s authority to impose broader aggregate position limits.

- **Significant Positions - Shareholder Activism:** Portfolio companies in which Wellspring may invest client assets could have a relatively small aggregate number of outstanding shares, so that a client account, or a client account together with other accounts managed by Wellspring, may acquire (i) more than five percent (5%) of a class of securities of a single issuer which would require the filing of a Schedule 13D or 13G statement with the SEC, or (ii) more than ten percent (10%) of a class of securities of a single issuer (which would impose certain limitations on the account’s ability to trade in such securities, including the restrictions of Section 16 of the Securities Exchange Act of 1934, as amended). At times Wellspring may engage in proxy contests, takeover bids, shareholder class actions or other litigation, or other activity which may place Wellspring and client accounts in a high-profile position which is adverse to issuer management and/or other security holders. Client accounts may, as a result of such techniques or otherwise, obtain a controlling or other substantial position in any public or private company. Client accounts may become subject to regulatory proceedings or other litigation.

Wellspring’s ability to realize value from certain of its client’s positions may depend upon the ability of Wellspring to influence the management of a portfolio company to take certain actions, including, for example, a recapitalization, restructuring, spin-off, sale of the business or change in management. If Wellspring is incorrect in its assessment of the impact such action will have on the value of the portfolio company, or if it is unsuccessful in persuading the portfolio company’s management to take the desired action, its clients’ accounts may sustain a loss on their positions.

- **Small-Cap Issuers:** Wellspring may invest a substantial portion of its client assets in small and/or unseasoned companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, Wellspring may have to sell

portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities.

- **Risk of Default or Bankruptcy of Third Parties:** Wellspring intends to engage in transactions for client accounts in securities and financial instruments that involve counterparties. Under certain conditions, such client accounts could suffer losses if a counterparty to a transaction were to default or if the market for certain securities and/or financial instruments were to become illiquid. In addition, such client accounts could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage

Wellspring does not recommend any particular type of security. There are no material limitations to the types of securities in which Wellspring may invest on behalf of its clients (subject to anything to the contrary in the relevant investment management agreement, offering document, or organizational documents of a particular client).

Item 9 – Disciplinary Information

There are no legal or disciplinary events related to Wellspring that, in its judgment, are material to a client's, prospective client's, investor's or prospective investor's evaluation of Wellspring's advisory business or the integrity of Wellspring's management.

Item 10 – Other Financial Industry Activities and Affiliations

Neither Wellspring nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Wellspring nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person to the foregoing entities.

Wellspring and its related persons manage Wellspring Capital LP ("Affiliated Fund"), a pooled investment vehicle, which is deemed to be a related person of Wellspring.

The management of a pooled investment vehicle may result in conflicts of interests when Wellspring and its related persons allocate their time and investment opportunities among the Affiliated Fund and other clients. In addition, the compensation earned by Wellspring and its related persons from the Affiliated Fund may differ from other clients. Wellspring and its related persons will generally follow documented procedures in allocating trades among such Affiliated Funds and other clients.

Subject to applicable law, Wellspring may effect transactions (generally for rebalancing purposes and to correct misallocations of trades) among its clients (including the Affiliated Fund) in which one client account will purchase securities from or sell securities to another client account (including Affiliated Funds in which Wellspring or its related persons may have a significant interest). This may result in a conflict of interest because a potential transaction may result in benefits to one transacting party that may be greater than the benefits to the other transacting party. In order to mitigate such conflicts, such

transactions shall be effected only when Wellspring believes that such transactions are in the best interest of the applicable clients. Such transactions shall be effected for cash consideration, generally at the closing price of the particular security, and no brokerage commission or transfer fee shall be paid to Wellspring or its related persons in connection with any such transaction.

In addition, except for cross trades to correct misallocations of trades among the Accounts and for cross trades that are exempt from the prohibited transaction rules under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Internal Revenue Code of 1986, as amended (the “Code”), as provided by the Pension Protection Act of 2006, Wellspring shall not effect any cross trades on behalf of any Account that constitutes “plan assets” under ERISA or the U.S. Internal Revenue Code of 1986, as amended.

Mr. White (and/or other related persons) may have a greater portion of his personal assets invested in the Affiliated Fund than in the other separately managed accounts. As a result, Wellspring may have a conflict of interest in allocating investment opportunities. Wellspring and its related persons will generally follow documented procedures in allocating trades among such Affiliated Funds.

At this time, Wellspring has not allocated any portions of client’s capital to private investment funds and other accounts managed by third parties in which Mr. White and his affiliates may have an economic interest. In the future, the partnership may recommend allocating client’s capital to such investments. In such an instance, the partnership will take the appropriate measures to manage any conflict of interest.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Wellspring has adopted a Code of Ethics (the “Code of Ethics”). Wellspring’s Code of Ethics provides that Wellspring is committed to conducting business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, Wellspring recognizes that it has a fiduciary duty to the investors in the private investment funds and other accounts managed by Wellspring, and that all employees must conduct their business on behalf of Wellspring in a manner that enables Wellspring to fulfill this fiduciary duty. In this regard, Wellspring has developed policies and procedures in its Code of Ethics that are premised on fundamental principles of openness, integrity, honesty and trust. In addition, among other things, the Code of Ethics governs all personal investment transactions by Wellspring’s employees, Wellspring’s policies with respect to gifts and entertainment, compliance with applicable federal securities laws, the manner in which violations of the Code of Ethics are to be reported, and certain other outside activities of Wellspring’s employees. Wellspring will provide a copy of its Code of Ethics to any client or prospective client upon request.

Wellspring recommends that prospective investors invest in the private investment funds managed by Wellspring. Mr. White and Mr. Willson have significant personal investments in these funds. In addition, Wellspring and its affiliates receive performance based fees and allocations from these funds.

Subject to applicable law, Wellspring may effect transactions between client accounts (generally for rebalancing purposes and to correct misallocations of trades) whereby one client account will purchase securities from or sell securities to another client account. In the event that Wellspring effects a cross

trade between an account in which it or its controlling persons own more than twenty five percent (25%) and another client account, such transaction may be deemed to be a principal transaction under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Such transactions may create a conflict of interest for Wellspring because Wellspring may put its or its control persons’ interests in such accounts before the interests of its clients in the other account. In order to mitigate this conflict of interest, Wellspring monitors the interests of the principals of Wellspring, their immediate family members and their affiliates in its accounts, as well as the interests in the accounts of Wellspring’s employees, on a monthly basis, and Wellspring will not engage in any cross trades between accounts if it believes that such trade would result in a principal transaction unless:

- 1) Wellspring believes that such transaction is in the best interest of the clients participating in the transaction; and
- 2) Wellspring obtains the consent of the applicable clients as required by the Advisers Act.

Under the Code of Ethics, Wellspring has implemented a personal securities policy to avoid any perception that employees trading securities for their own accounts could be “front-running” trades for clients or otherwise favoring their own accounts over that of clients. This policy applies to all employees and prohibits employees from engaging in the purchase or sale of a prohibited security, i.e., any security which is currently held by one of the Firm’s clients or that the Firm reasonably expects to acquire for one of its clients in the future. Wellspring’s Chief Compliance Officer (the “CCO”) (who is currently Paul Yacoubian) shall maintain and make available to each employee a list of such prohibited securities (the “Prohibited Securities List”). In addition, the CCO will promptly update and/or revise the Prohibited Securities List as necessary. In accordance with this policy, the CCO will periodically review brokerage account statements to ensure that every purchase and sale of securities therein is in compliance with the Firm’s personal trading policy.

Clients and prospective clients may obtain a copy of the Code of Ethics by addressing a request for such Code to Wellspring’s Chief Compliance Officer, 1790 Kirby Parkway, Suite 127, Memphis, TN 38138.

Wellspring may buy or sell securities for one client at the same time that it or its related persons buys or sells the same security for one or more other clients. This will typically happen when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. This may create a conflict of interest if one account may benefit from making the trade before or after the other account. Wellspring will generally aggregate trades, subject to best execution to avoid any such conflict of interest

Wellspring personnel are generally subject to a no-trading policy on securities in the Prohibited Securities List, however they may be permitted to unwind existing securities positions. In order to prevent Wellspring personnel from selling securities at the same time that Wellspring is buying or selling the same securities for its clients’ accounts, such personnel must receive the prior approval of Wellspring’s CCO and generally will not be permitted to:

- 1) engage in “front-running” of client accounts, which is a practice generally understood to be personally trading ahead of client accounts; or

- 2) sell a security that has been sold by a client account within the preceding three (3) days.

Item 12 – Brokerage Practices

Selection of Brokers

In placing portfolio transactions for its clients, Wellspring seeks to obtain the best execution for its clients' accounts, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying Wellspring's selection criteria.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Wellspring will not commit to provide any level of brokerage business to any broker, and actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above.

On a quarterly basis, Wellspring's trading review committee (which includes Wellspring's Investment Manager, CCO and other representatives who conduct trading) periodically evaluates the execution performance of the broker-dealers it uses to execute its client transactions. The trading review committee also evaluates, and seeks to resolve, any conflicts of interest that Wellspring may have in selecting brokers to execute client transactions.

1. Research and Other Soft Dollar Benefits

Wellspring enters into soft dollar arrangements with brokers. Soft dollar arrangements arise when an investment adviser obtains products and services, other than securities execution, from a broker in return for directing client securities transactions to the broker. Soft dollar arrangements pose a conflict of interest for Wellspring in that such arrangements allow Wellspring to pay with client commissions expenses that would otherwise be borne by Wellspring. When Wellspring uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, Wellspring receives a benefit because it does not have to produce or pay for the research, products or services.

When engaging in soft dollar transactions, Wellspring complies with the safe harbor requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended. Under this provision, in exercising its discretionary authority to select or arrange for the selection of brokers for execution of transactions for its clients, and, subject to its duty to obtain best execution, Wellspring may consider the value of research and brokerage products and services (collectively, "Research") provided by such brokers. Research may include, among other things, proprietary research from brokers, which may be written or oral. Research products may include, among other things, databases and quotation services. Research services may include, among other things, research concerning market, economic and financial data a particular aspect of economics or on the economy in general, statistical

information, pricing data and availability of securities, financial publications, electronic market quotations, performance measurement services, analyses concerning specific securities, companies, industries or sectors, market, economic and financial studies and forecasts, appraisal services, and invitations to attend conferences or meetings with management or industry consultants. Accordingly, if Wellspring determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, a client may pay commissions to such broker in an amount greater than the amount another broker might charge.

Research provided by such brokers may be used to service all client accounts and not exclusively in connection with the management of the client account that generated the particular soft dollar credits.

Where a product or service obtained with client commission dollars provides both research and non-research assistance to Wellspring, Wellspring will make a reasonable allocation of the cost which may be paid for with client commission dollars.

Wellspring's prime brokers provide Wellspring with front and back office services, including trading, securities lending, clearing, reporting, and settlement for equities, fixed income, foreign currency and options, among others. Subject to applicable law, prime brokers may also provide Wellspring with capital introduction services.

Wellspring executes securities transactions on behalf of client accounts with broker dealers that provide Wellspring with access to proprietary research reports (such as standard investment research and credit reports). To the best of Wellspring's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. These bundled services are made available to Wellspring on an unsolicited basis and without regard to the rates of commissions charged or paid by client accounts or the volume of business that Wellspring directs to such broker-dealers.

During Wellspring's last fiscal year, Wellspring and its affiliates acquired with client brokerage commissions (or markups or markdowns) (i) research, such as proprietary research from brokers, which may be written or oral; (ii) research products, such as databases and quotation services; and (iii) research services, such as research concerning market, economic and financial data; a particular aspect of economics or on the economy in general; statistical information; pricing data and availability of securities; financial publications; electronic market quotations; performance measurement services; analyses concerning specific securities, companies, industries or sectors; market, economic and financial studies and forecasts; appraisal services; and invitations to attend conferences or meetings with management or industry consultants.

During Wellspring's last fiscal year, Wellspring has taken into account the quality, comprehensiveness and frequency of available research services and products considered to be of value provided by brokers when directing client transactions to a particular broker. Wellspring directed transactions to such brokers only consistent with best execution. Brokers sometimes suggest a level of business they would like to receive in return for the research services and products they provide, however Wellspring has not committed to provide any level of brokerage business to any broker. Wellspring's trading review committee also evaluated, on a quarterly basis, the execution performance of the broker-dealers it uses to execute its client transactions and resolved any conflicts of interest that Wellspring may have had in selecting brokers to execute client transactions.

2. Brokerage for Client Referrals

In selecting or recommending broker-dealers, Wellspring does not consider whether it, or any of its affiliates, receives client or investor referrals from a broker-dealer or other third party.

Wellspring may attend events sponsored by certain broker-dealers in which it may be introduced to prospective clients or investors; however, such events or introductions are not a material factor in Wellspring's selection or recommendation of such broker-dealers.

3. Directed Brokerage

"Directed brokerage" refers to instances in which a client retains the discretion to choose brokers and instructs the adviser to direct portfolio transactions to a particular broker-dealer. Wellspring generally does not permit any directed brokerage arrangements at this time. If Wellspring changes its policy on directed brokerage, Wellspring will adopt appropriate policies and procedures to address the related issues. In particular, directed Brokerage restricts the adviser's discretion to select brokers and negotiate commission rates and may adversely affect the adviser's ability to obtain best price and execution. Accordingly, if a client were to direct brokerage to a specific broker, the adviser would require (i) the client to provide such direction in writing to the adviser and (ii) the adviser would provide the client with appropriate written disclosure, which will be acknowledged by the client.

Aggregation of Orders

Wellspring will generally aggregate client trades, subject to best execution. Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for Wellspring generally arise when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. In such event, securities purchased or sold will generally be allocated among client accounts on an average price basis.

Wellspring may also aggregate subsequent orders for the same security entered during the same day with any previously filled orders. This determination may take into consideration changes in the market price of the security and differences in allocations among accounts.

Item 13 – Review of Accounts

Client portfolios are reviewed daily, and their performance analyzed, by Wellspring's investment professionals, including, but not limited to, George White (Portfolio Manager) and members of the trading team. The CCO is also involved in the review of trading activity and account allocations to monitor compliance with the applicable trading mandate and any applicable risk and/or operating guidelines. Client investments are evaluated based on performance, company fundamentals, news and press releases, analyst reports, general market conditions and such other considerations as Wellspring deems appropriate.

Wellspring may, in its discretion, furnish investors in the private investment funds that it manages with periodic written unaudited performance reports on a monthly basis. On an annual basis, investors receive a copy of the relevant fund's annual audited financial statements and, where applicable, a statement of taxable income (form K-1).

Wellspring and its affiliates may provide certain investors access to more frequent and/or more detailed information regarding the private investment funds' securities positions, performance, finances, and management and/or other information about the private investment funds or Wellspring (including, notification of the commencement of certain disciplinary actions, legal proceedings, investigations or similar matters against a fund, Wellspring and/or its personnel, or of redemptions from a fund by Wellspring and/or its personnel), possibly enabling such investors to better assess the prospects and performance of the funds.

The custodians of managed accounts send account statements to the owners of such accounts no less frequently than monthly. In addition, since a managed account investor directly owns the positions in its separately managed account, such investor may have full, real-time transparency as to all transactions and holdings in such account, and may be better able to assess the future prospects of a portfolio that is substantially similar to the portfolios of the private investment funds managed by Wellspring.

Item 14 – Client Referrals and Other Compensation

Except as otherwise disclosed in this brochure, Wellspring does not receive any economic benefit from anyone, other than its clients, for providing investment advice or advisory services to our clients.

Wellspring has solicitation agreements with third-parties. Wellspring will compensate the solicitor with respect to client investments originated by the solicitor. Under the agreements, investors will not be subject to any other incremental fees unless such incremental fees are payable to persons other than Wellspring or its affiliates and are disclosed by the solicitor to the investor at the time the investment is made. Cash payments for client solicitations have been structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations.

Item 15 – Custody

Rule 206(4)-2 promulgated under the Adviser Act (the “**Custody Rule**”) (and certain related rules and regulations under the Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest. An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them (regardless of whether the exercise of that authority or ability would be lawful).

Accordingly, Wellspring is required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which it has custody with a “qualified custodian.” Qualified custodians include banks, broker-dealers, futures commission merchants and certain foreign financial institutions.

Rule 206(4)-2 generally requires that, upon opening an account with a qualified custodian on a client's behalf, an adviser promptly notify the client in writing of the name and address of the qualified custodian and the manner in which the funds or securities are maintained. Generally, an adviser also must verify that the custodian sends quarterly account statements to the client. By rule, account statements must be sent directly to investors in a pooled investment vehicle if the adviser to the pool also acts as its general partner, managing member or in a similar capacity (or, in some cases, if an affiliate of the adviser acts as general partner, managing member or in a similar capacity). These account statements may be sent to the investors' independent representative. Under certain circumstances, at least once each calendar year, an independent public accountant must verify the funds and securities of a client by surprise examination.

As noted above, Rule 206(4)-2 generally imposes on advisers with custody of clients' funds or securities certain requirements concerning reports to such clients (including underlying investors in certain circumstances) and surprise examinations relating to such clients' funds or securities. However, Wellspring is exempt from complying with such requirements with respect to Wellspring Capital LP since: (i) is audited at least annually by an independent public accountant, and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to the client, or, in certain circumstances, all limited partners, members or other beneficial owners, within 120 days of its fiscal year end. Wellspring intends to rely upon this exception and therefore will be exempt from the Rule 206(4)-2 reporting and examination requirements.

With respect to the funds and/or securities held by Wellspring's managed account clients, such clients will have access to account statements prepared by a qualified custodian. Managed account clients will receive account statements no less frequently than monthly, and should carefully review such statements.

Item 16 – Investment Discretion

Wellspring has discretionary authority to manage securities accounts on behalf of its clients. The investors in the private investment funds managed by Wellspring generally may not place any limits on Wellspring's authority beyond the limitations set forth in the offering and governing documents of such private investment funds. On a case by case basis, owners of the separately management accounts managed by Wellspring may negotiate certain risk and/or operating guidelines that Wellspring will adhere to when exercising its discretionary authority over such accounts.

Item 17 – Voting Client Securities

Wellspring generally has voting discretion over securities held in its clients' accounts.

Clients are generally not able to direct their votes in a particular situation.

Wellspring has adopted a proxy voting policy to comply with Rule 206(4)-6 promulgated under the Advisers Act. The policy was designed to ensure that Wellspring is administering proxy voting matters in a manner consistent with the best interest of its clients and in accordance with its fiduciary duties under the Advisers Act and other applicable laws and regulations.

Wellspring will evaluate all proxy proposals on an individual basis. Any material conflicts of interest will be resolved in the best interest of the client. Should a material conflict of interest arise with respect to a proxy proposal, the CCO will vote the proposal in accordance with his/her determination. Without further consultation with a third party or disclosure to the client, the CCO may determine in his or her reasonable best judgment to vote the proxy subject to the conflict of interest in a manner which seeks to enhance the value of the investment that the security represents or to reduce the potential for a decline in the value of the investment that the security represents.

Wellspring may not address a material conflict of interest by abstaining from voting, unless the CCO has determined that abstaining from voting on the proposal is in the best interest of a client.

The CCO shall document the manner in which proxies involving a material conflict of interest were voted. Such documentation shall be maintained with the records of the CCO in accordance with the Advisers Act.

Clients may obtain a copy of the proxy voting policy and information on how Wellspring voted client securities by addressing the request for this information to Wellspring's Chief Compliance Officer, 1790 Kirby Parkway, Suite 127, Memphis, TN 38138.

Item 18 – Financial Information

Wellspring is not required to attach a balance sheet, because it does not require or solicit the payment of fees six months or more in advance.

Wellspring has no financial condition that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to its clients.

Wellspring has never been the subject of a bankruptcy petition.