

Curtain Call

Back in the 1970s, Art Samberg, the founder of Pequot, and I were partners at a small Wall Street money management firm. We were both analysts and portfolio managers, but Art had a special talent for technology stocks and special situations. He also managed something called "The '57' Account", named after Heinz' 57 varieties because its holdings leant new meaning to the concept of diversification. I left the firm in the mid-1980s to go on to two decades as a strategist at Morgan Stanley and Art left a year later to become an investment management entrepreneur.

When Art started his hedge fund in 1986 I was a charter investor because I wanted to benefit from what I knew by then was his special talent for stock picking. Over the years I referred many friends to Pequot because I believed that Art not only had the ability to manage money well, but also could attract other able investment professionals and guide them as the firm grew. And grow it did. With strong results throughout the 1990s, it had accumulated more than \$17 billion in assets by 2001 and, at that point, was the largest hedge fund. In late 2001, Art and his major partner at that time decided to go in separate directions and the assets were split roughly in half.

One of Art's goals had always been to create a sustainable hedge fund, one that would continue after he was no longer involved. To do that he knew he would have to solve the problem posed by large size which was the enemy of good performance. His plan was to create a dozen or so individual funds, some sector specific and some general, run by different portfolio managers but each under \$2 billion in size. Since there were opportunities in start-up and other non-public companies the firm entered into a private equity venture and teamed up with another group to manage distressed assets as part of the multi-faceted approach.

Art and I had maintained a close friendship throughout the past 25 years and he approached me in 2005 to help him cross-pollinate the ideas of the various portfolio managers, mentor some of the younger ones and help the marketing effort by increasing the awareness of the Pequot brand. By this time I had been doing strategy work for two decades at an investment banking firm and the prospect of being more involved in the money management process rather than just giving advice appealed to me. Over the years I had also written several essays about how few hedge funds (and no large ones) were able to go on after their founder retired and I was curious to see if I could help solve that problem. I joined Pequot in December 2005.

I was extremely impressed with the team Art had assembled. Everyone, especially the lead portfolio manager Mike Corasaniti, Peter Dartley who supervised trading and prime brokerage and Aryeh Davis who ran operations and was General Counsel, was exceptionally able. I made a smooth transition and we were doing well, but the Securities and Exchange Commission investigation that began in late 2004, although closed in 2006 was recently partially reopened, which in large part led to the closing of the firm.

If you asked other hedge fund managers to make a list of the five people they thought had the highest level of integrity in the business, Art Samberg's name would certainly be on it. Throughout his life he has always exemplified the highest standards of honesty, ethics and fairness. He is concerned about the community and has been a philanthropic entrepreneur with projects like College Summit to help minority students get into college. He and his wife Becky are on numerous non-profit boards and Art is a Trustee of his alma mater, Massachusetts Institute of Technology. He is an enthusiastic and

inspirational leader and I have never heard him raise his voice in criticizing another person. In the past, almost every professional leaving the firm for whatever reason has written an e-mail to those remaining thanking them for a positive experience and for what they have learned. I will never believe he has done anything wrong.

What has happened to Art and the firm is sad. I have been in the investment business for close to half a century and I have never worked with a group of finer professionals. We will all go on to other challenges. Even in the current difficult environment good people are able to find good jobs. None of us will look back on our Pequot days without thinking it was a great place where we were proud of our results. We learned while we worked and we had a good time each day because we were part of a team of people we respected. Most of all, we will remember Art and the privilege it was to work with him. It's too bad that Art's dream of a firm that continued after him was not realized because it was the right dream and he was the right guy to make it happen. That is the real tragedy of what has taken place.

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