



LAHDE CAPITAL MANAGEMENT

October 17, 2008

Today I write not to gloat. Given the pain that nearly everyone is experiencing, that would be entirely inappropriate. Nor am I writing to make further predictions, as most of my forecasts in previous letters have unfolded or are in the process of unfolding. Instead, I am writing to say good-bye.

Recently, on the front page of Section C of the Wall Street Journal, a hedge fund manager who was also closing up shop (a \$300 million fund), was quoted as saying, "What I have learned about the hedge fund business is that I hate it." I could not agree more with that statement. I was in this game for the money. The low hanging fruit, i.e. idiots whose parents paid for prep school, Yale, and then the Harvard MBA, was there for the taking. These people who were (often) truly not worthy of the education they received (or supposedly received) rose to the top of companies such as AIG, Bear Stearns and Lehman Brothers and all levels of our government. All of this behavior supporting the Aristocracy, only ended up making it easier for me to find people stupid enough to take the other side of my trades. God bless America.

There are far too many people for me to sincerely thank for my success. However, I do not want to sound like a Hollywood actor accepting an award. The money was reward enough. Furthermore, the endless list those deserving thanks know who they are.

I will no longer manage money for other people or institutions. I have enough of my own wealth to manage. Some people, who think they have arrived at a reasonable estimate of my net worth, might be surprised that I would call it quits with such a *small* war chest. That is fine; I am content with my rewards. Moreover, I will let others try to amass nine, ten or eleven figure net worths. Meanwhile, their lives suck. Appointments back to back, booked solid for the next three months, they look forward to their two week vacation in January during which they will likely be glued to their Blackberries or other such devices. What is the point? They will all be forgotten in fifty years anyway. Steve Balmer, Steven Cohen, and Larry Ellison will all be forgotten. I do not understand the legacy thing. Nearly everyone will be forgotten. Give up on leaving your mark. Throw the Blackberry away and enjoy life.

So this is it. With all due respect, I am dropping out. Please do not expect any type of reply to emails or voicemails within normal time frames or at all. Andy Springer and his company will be handling the dissolution of the fund. And don't worry about my employees, they were always employed by Mr. Springer's company and only one (who has been well-rewarded) will lose his job.

I have *no* interest in any deals in which anyone would like me to participate. I truly do not have a strong opinion about any market right now, other than to say that things will continue to get worse for some time, probably years. I am content sitting on the sidelines and waiting. After all, sitting and waiting is how we made money from the subprime debacle. I now have time to repair my health, which was destroyed by the stress I layered onto myself over the past two years, as well as my entire life – where I had to compete for spaces in universities and graduate schools, jobs and

assets under management – with those who had all the advantages (rich parents) that I did not. May meritocracy be part of a new form of government, which needs to be established.

On the issue of the U.S. Government, I would like to make a modest proposal. First, I point out the obvious flaws, whereby legislation was repeatedly brought forth to Congress over the past eight years, which would have reigned in the predatory lending practices of now mostly defunct institutions. These institutions regularly filled the coffers of both parties in return for voting down all of this legislation designed to protect the common citizen. This is an outrage, yet no one seems to know or care about it. Since Thomas Jefferson and Adam Smith passed, I would argue that there has been a dearth of worthy philosophers in this country, at least ones focused on improving government. Capitalism worked for two hundred years, but times change, and systems become corrupt. George Soros, a man of staggering wealth, has stated that he would like to be remembered as a philosopher. My suggestion is that this great man start and sponsor a forum for great minds to come together to create a new system of government that truly represents the common man's interest, while at the same time creating rewards great enough to attract the best and brightest minds to serve in government roles without having to rely on corruption to further their interests or lifestyles. This forum could be similar to the one used to create the operating system, Linux, which competes with Microsoft's near monopoly. I believe there is an answer, but for now the system is clearly broken.

Lastly, while I still have an audience, I would like to bring attention to an alternative food and energy source. You won't see it included in BP's, "Feel good. We are working on sustainable solutions," television commercials, nor is it mentioned in ADM's similar commercials. But hemp has been used for at least 5,000 years for cloth and food, as well as just about everything that is produced from petroleum products. Hemp is not marijuana and vice versa. Hemp is the male plant and it grows like a weed, hence the slang term. The original American flag was made of hemp fiber and our Constitution was printed on paper made of hemp. It was used as recently as World War II by the U.S. Government, and then promptly made illegal after the war was won. At a time when rhetoric is flying about becoming more self-sufficient in terms of energy, why is it illegal to grow this plant in this country? Ah, the female. The evil female plant – marijuana. It gets you high, it makes you laugh, it does not produce a hangover. Unlike alcohol, it does not result in bar fights or wife beating. So, why is this innocuous plant illegal? Is it a gateway drug? No, that would be alcohol, which is so heavily advertised in this country. My only conclusion as to why it is illegal, is that Corporate America, which owns Congress, would rather sell you Paxil, Zoloft, Xanax and other addictive drugs, than allow you to grow a plant in your home without some of the profits going into their coffers. This policy is ludicrous. It has surely contributed to our dependency on foreign energy sources. Our policies have other countries literally laughing at our stupidity, most notably Canada, as well as several European nations (both Eastern and Western). You would not know this by paying attention to U.S. media sources though, as they tend not to elaborate on who is laughing at the United States this week. Please people, let's stop the rhetoric and start thinking about how we can truly become self-sufficient.

With that I say good-bye and good luck.

All the best,

Andrew Lahde