

Hedge Fund www.HFAlert.com ALERT

AUGUST 23, 2006

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THE GRAPEVINE

Andrew Greenberg, who once headed U.S. event-driven stock trading at **Citadel Investment**, has joined **R6 Capital** of New York. Greenberg ran more than \$1 billion at Citadel, which is led by **Ken Griffin**. He left the Chicago firm in May 2005. R6, meanwhile, is expected to start its first hedge fund next month with \$2 billion — one of the largest launches of the year. **Goldman Sachs** alumnus **Ralph Rosenberg** founded the firm in January.

Circle T will finally get to present claims against its former prime broker **Banc of America** to a panel of three **NASD** arbitrators during the first week

See GRAPEVINE on Back Page

More Key Pros Bolt Troubled Ritchie Capital

More executives have joined the exodus from embattled **Ritchie Capital**, with one of its key men planning to launch a hedge fund of his own.

T.D. Decker, president and second-in-command at **A.R. Thane Ritchie's** firm, resigned two weeks ago. **Tom Juterbock**, head of liquid products, also left this month and **Michael Allara**, chief operating officer, has apparently resigned but agreed to stay on through a restructuring of the Geneva, Ill., firm. Decker, Juterbock and Allara are only the most recent in a precession of staffers to leave Ritchie over the past few months.

Why are so many executives leaving? Speculation has run the gamut, with some predicting that nearly all of Ritchie's hedge fund investors will flee when the "gate provisions" allow them to fully redeem their shares — a scenario that the firm would dispute. Others warn that Ritchie's hard-to-peg side-pocket investment valuations have raised red flags. Numerous other reasons have also

See RITCHIE on Page 4

Valueact Drawing on Copper River Expertise

Activist-investing shop **Valueact Capital** is starting a hedge fund that will combine its own area of expertise with the short-selling prowess of **Copper River**.

The new vehicle, Valueact Capital Partners 3, is scheduled to launch with \$500 million on Sept. 1 and immediately close to new investors. Valueact will handle all activist investing, with majority owner **Jeffrey Ubben** determining whether the fund overall will be net long or short. Copper River, formerly called **Rocker Partners**, will run the short book as an outsider, with **Marc Cohodes** at the helm.

On the activist side, the fund will invest in small- and mid-capitalization stocks and then hold those positions for up to three years while seeking to become one of the issuing companies' most active shareholders.

The vehicle is imposing a two-year lockup on new contributions, using its

See VALUEACT on Page 8

Will Merrill's Savoldelli Join BlackRock?

The role of **Fabio Savoldelli**, **Merrill Lynch's** top fund-of-funds executive, remains up in the air just weeks before **BlackRock** prepares to absorb that unit with the rest of Merrill's investment-management business.

If Savoldelli joins BlackRock, he would answer to **Howard Berkowitz**, the firm's fund-of-funds chief. Savoldelli, who oversees Merrill's \$3.4 billion fund-of-funds operation, has not yet worked out his plans.

Two of the unit's five senior professionals — **Rob Phillips** and **Ed Hannon** — have already decided against moving to BlackRock. Phillips has joined **Union Bancaire Privée**, a private-banking concern based in Geneva. Hannon is expected to begin working for Merrill's hedge fund development group, which is run

Due to the annual break in our summer production schedule, the next issue of **Hedge Fund Alert** will be dated Sept. 13.

See BLACKROCK on Page 10



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One More Goldman Trader Sets Sail

Another member of **Goldman Sachs'** proprietary-trading team has left the investment bank to start a multi-strategy hedge fund.

Global-macro trader **Peter Gerhard**, along with two others, is marketing a fund that outsiders said is targeting \$500 million to \$1 billion from investors. Gerhard is looking to launch his Red Bank, N.J., firm, **East Avenue Capital Partners**, in October. His partners are **Charles Nenner** and **David Gurwitz**, both executives at **Cycle Forecasters**.

Gerhard, a 23-year veteran of Goldman who left in March, is the chief investment officer of East Avenue. Gurwitz is the firm's chief executive officer and Nenner oversees global-technical research.

East Avenue will take positions in a diverse range of liquid assets, including equities, commodities, currencies and interest-rate instruments. Gerhard plans to form investment ideas from his own fundamental evaluations of markets and sectors around the world — ideas that must be confirmed by East End's technical research model.

That's where Nenner and Gurwitz come in. Nenner worked for Gerhard at Goldman from 1998 to 2001, when he left to establish **Cycle Forecasters**, a Monsey, N.Y., firm that sells research, economic-cycle analysis and market-timing products to hedge funds, banks and brokerages. Gurwitz is currently a managing director at Cycle where he has worked since 2002.

Goldman, often jokingly called a giant hedge fund for its immense proprietary-trading desk, has spawned a number of fund managers of late. Among the recent departures: **Ralph Rosenberg** and **Andrew Metcalfe**, who separately left the Goldman desk to launch hedge funds. **Joseph "Jody" Lanasa** also quit Goldman to start a vehicle. The other Goldman alumni who now run funds are **Eric Mindich** and **Dinakar Singh**, who started hedge fund firms in 2004, each with around \$3 billion. ♦

Manager's Docs Overstated Education

Hedge fund manager **Alan Schram** recently had some explaining to do after distributing marketing documents that misstated his academic background.

Schram, who trades U.S. stocks via his **WCM Capital**, sent out materials for a fund called WellCap Partners that claimed he had earned a master's degree in business administration from the **University of California, Los Angeles**. What he actually holds is a certificate from an executive-education program run by the school. He completed the rigorous non-degree course last year.

After word of the discrepancy got out a few weeks ago, Schram had to contact shareholders to acknowledge that incorrect information got into his marketing papers. WellCap was forced to stop taking new contributions as a result, and Schram said he has returned money to any investors who wanted out of the fund.

However, he isn't explaining the misstatement to outsiders.

And he insists that other documents, including his private offering memorandum and regulatory filings, were accurate.

Little is known about Schram, who describes himself in SEC filings as WCM's chief compliance officer, president and secretary. Those documents also attribute 75% or more of the firm's ownership to him, and peg the operation's assets at \$27 million.

WCM has one other principal, **Eric Manlunas**. He's also founder of **Frontera Group**, a boutique venture capital firm located at the same address in Sherman Oaks, Calif. ♦

New Law to Boost Pension Plans' Clout

A new law is about to render public pension plans even more important sources of capital for operators of hedge funds and funds of funds.

President Bush last week signed into law the Pension Protection Act of 2006, parts of which amend the Employee Retirement Income Security Act — a 1974 law more commonly known as Erisa, which governs the investment activities of public pension funds.

Until now, if a hedge fund accepted 25% or more of its total equity from "qualifying benefit plans" — governmental, foreign and corporate pension funds — it would become subject to Erisa restrictions and be barred from certain types of deals. Among the prohibited transactions: those involving brokerage commissions and brokers affiliated with any parties to the deal.

If pension plan investments exceed a fund's 25% threshold, the fund manager could be rendered a "fiduciary," which carries legal obligations to workers and retirees covered by the pension plans investing in the fund.

The new amendments, however, would no longer count money from U.S. public pension plans or foreign pension plans toward an investment fund's limit — a change that makes them far more significant sources of capital for hedge funds, as well as funds of funds in both the private equity and hedge fund arenas.

"So now they just bring in more money; there's more money available. It's a really big thing — it's tremendous," said attorney **Jacob I. Friedman**, a partner with **Proskauer Rose** in New York who has followed the new legislation.

While the change will affect various types of investment vehicles, the implications of the law are greatest for hedge funds. That's because the 25% threshold has long limited the ability of funds of funds to gain access to the most highly regarded hedge funds, which aren't exempt from Erisa restrictions.

Under the so-called look-through provisions of the former law, if more than 25% of a fund of funds' capital comes from qualified benefit plans, any of its "downstream" hedge funds would be required to count all of the fund-of-funds investment as Erisa assets. The new law allows those underlying hedge funds to count only a portion of the fund-of-funds assets as regulated Erisa money — making retirement systems more desirable investors for operators of funds of funds. ♦

Merrill Bolsters West Coast Presence

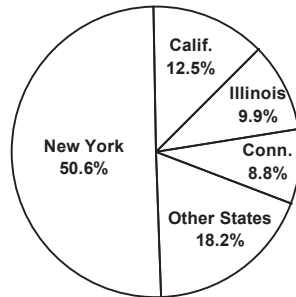
Merrill Lynch is beefing up its prime-brokerage presence on the West Coast, a growing but distant second to the Northeast as a marketplace for hedge funds in the U.S.

To that end, Merrill has combined its equity-linked derivatives and financing products and services under **Andrew Tolson**, a managing director in San Francisco. Tolson works in the global markets financing-and-services division and now heads sales of those products for the West. He previously oversaw sales of equity-linked derivatives.

California is home to 12.5% of hedge fund assets, far behind the more than 50% in New York, according to a Merrill report based on data from Chicago-based **HFR**.

Chris Zellner, who joined Merrill's prime-brokerage office in New York in 2002, has been shifted to the West Coast to sell the bank's brokerage services and handle client relationships and capital introduction. He reports to Tolson.

Hedge Fund Assets



Source: Merrill Lynch analysis of HFR data

John Bell, who previously worked in New York for prime-brokerage rival **Bear Stearns**, will also join Merrill's San Francisco office in mid-September. **Vanessa Hartigan**, who already works in that outpost, will round out the team. Bell and Hartigan report to Zellner. ♦

Ritchie ... From Page 1

been bandied about in recent months.

Ritchie Capital recently began talking to investors about its restructuring. While some portions of the multi-strategy firm's \$2.7 billion hedge fund portfolio will be wound down, others will remain intact, such as the firm's Ritchie Quantitative Strategies group.

Juterbock has formed **Fairstream Capital** of New York, where he and an ex-Ritchie team of six investment staffers plan to launch a global-macro hedge fund as early as October. Fairstream is sharing office space with Ritchie, but it is unclear whether Ritchie will invest in the startup.

Juterbock joined Ritchie just a year ago. In addition to his global-macro team, he oversaw all of Ritchie's hedge fund trading, which operated in a variety of markets, including energy, commodities, credit and equities. Before that, he was a managing director at **Morgan Stanley**, which he joined in 1985 as a government securities trader. He was named Morgan Stanley's global head of government bond trading in 1997, then head of macro trading in New York in 2003.

Decker joined Ritchie only in March from **Fox River Financial Resources**, the family office of **Joe Ritchie**, Thane Ritchie's father. Allara started working at Ritchie in 2003, after his tenure at equity-services firm **Rock Island**, where he was president and operations chief.

Meanwhile, **Kevin Chisholm**, who was the No. 2 staffer on Ritchie's real estate group in New York, also recently left the firm, leaving two people on that team. **Brad Settleman**, who headed the team, left July 21.

Ritchie has been hemorrhaging manpower over the last few months. The list of the departed include chief financial officer **John Stocchetti**; risk-management chief **Larry Weithers**; marketing director **Kathleen Powers Dunlap**; general counsel **James Rickards**; and a former chief operating officer of its energy fund, **Stephanie Mayo**. The firm's chairman, **John "Bud" Hunt**, is retiring, and **Michael Holmberg**, Ritchie's distressed-debt portfolio manager, is on his way out.

Ritchie hired two executives to take over as chief financial officer and risk-management head: **Thomas Moss** and **Stephen Charles**. Their biographies and those of other Ritchie executives had been posted on Ritchie's web site, but that section of the site was deleted within the last two weeks.

Ritchie also had its offshore fund administrator, **UBS**, resign earlier this year. And the firm has yet to report its 2005 audited financial statements, which auditor **Ernst & Young** will convey to investors. The firm has told investors that **HSBC** will administer both the U.S. and offshore Ritchie funds starting next year. ♦

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Dallas Energy Shop Up and Running

An energy-investment specialist in Dallas has formed a new hedge fund.

Mike Tapp launched his Tappestry Energy Partners fund on Aug. 1 with \$25 million from family office **Griffin Management Partners**, his former employer. Dallas-based Griffin also owns a minority stake in Tapp's newly founded management shop, **Tappestry Energy Management**.

Tappestry mainly employs a long/short equity strategy focusing on smaller mid-capitalization companies in the oil, natural gas and coal industries, along with some investments in options.

Tapp most recently managed the energy-related portion of a multi-strategy Griffin fund. He had joined the firm in April, after spending a year focusing on energy investments

as a portfolio manager at **Verity Capital**, a Fort Worth, Texas, multi-strategy shop that was founded by former **Carlson Capital** staffer **Rory Connor**.

Before that, Tapp logged a year and a half working alongside **Peter Vig** as a portfolio manager at **Roundrock Capital**, a long/short hedge fund firm in Dallas that invests in energy-company stocks. Tapp's resume also includes six years at Dallas private equity outfit **Energy Spectrum Capital**, which focuses on energy companies, and one year in the Houston office of **Nesbitt Burns**, where he advised on energy-company mergers and acquisitions and worked on securities underwriting.

Tapp is Tappestry's portfolio manager. Also on board is senior analyst **Marcus Graham**, who previously covered oil-company stocks under **Bob Morris**, the head energy analyst at **Banc of America** in New York. ♦

CALENDAR

Main Events

Dates	Event	Location	Sponsor	Information
Sept. 18-20	GAIM USA Fund of Funds	New York	IIR	www.iirusa.com
Oct. 22-24	World Wealth Summit	Bermuda	MARHedge	www.marhedge.com
Nov. 6-8	World Hedge Fund Summit 2006	Toronto	Can. Hedge Watch	www.canadianhedgewatch.com
Nov. 14-16	GAIM Invest & Fund of Funds	Geneva	ICBI	www.icbi-uk.com
Dec. 3-5	Alternative Investing Summit	Laguna Niguel, Calif.	Opal	www.opalgroup.net
Jan. 24-26, 2007	GAIM USA 2007	Boca Raton, Fla.	IIR	www.iirusa.com

Events in US

Dates	Event	Location	Sponsor	Information
Sept. 10-12	US Pensions & Investments Summit	Hot Springs, Va.	Marcus Evans	www.marcusevans.com
Sept. 10-12	ISITC Quarterly Meeting	Scottsdale, Ariz.	ISITC	www.isitc.org
Sept. 11-12	Hedge Fund Incubation & Seeding	New York	FRA	www.frallc.com
Sept. 11-12	Managed Account Summit	Phoenix	FRA	www.frallc.com
Sept. 11-13	Who Will Own the Forest? 3	Portland, Ore.	World Forest Inst.	wfi.worldforestry.org
Sept. 12	Fund Services Expo 2006	New York	Lipper HedgeWorld	www.hedgeworld.com
Sept. 13	Hedge Fund Credit Investing	New York	FRA	www.frallc.com
Sept. 13-14	Marketing & Advertising Compliance Forum	New York	FRA	www.frallc.com
Sept. 13-15	Endowment & Foundation Forum	Boston	Opal	www.opalgroup.net

Events Outside US

Dates	Event	Location	Sponsor	Information
Sept. 7	Networking Event	Tokyo	Tokyo HF Club	www.hedgefundsclub.com
Sept. 14-15	Italian Hedge Fund Investors' Summit	Milan	IMN	www.imn.org
Sept. 18-20	Inv. Mgmt. Forum for Endowments & Foundations	Toronto	NMS Management	www.nmsmanagement.com
Sept. 18-21	Islamic Funds World	Dubai	Terrapinn	www.terrapinn.com
Sept. 19-21	Managed Accounts Europe	London	Terrapinn	www.terrapinn.com
Sept. 12-14	Hedge Funds World Asia	Hong Kong	Terrapinn	www.terrapinn.com
Sept. 19-20	European Distressed Debt Summit	Frankfurt	SRI	www.srinstitute.com
Sept. 21-22	Hedge Funds for Nordic Pension Funds	Stockholm	IQPC	www.iqpc.co.uk
Sept. 21-22	Family Office & Wealth Preservation	Geneva	Financial Events Intl.	www.financial-events.ch

To view the complete conference calendar, visit TheMarketplace section of HFAAlert.com

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Valueact ... From Page 1

investment horizon as justification. Another reason new investors might be willing to tolerate that requirement is that most couldn't get into a Valueact fund any other way. The six-year-old Valueact has been closed to new investors for most of its lifespan, reopening briefly to outsiders on only two occasions. Copper River is also closed to new

investors.

Valueact, based in San Francisco, has \$3.6 billion under management.

Copper River, based in Millburn, N.J., runs \$1.4 billion. The firm's old name refers to founder **David Rocker**, a famed short seller who will retire in January. Rocker handed portfolio-management duties to Cohodes in April. The two are Copper River's largest equity holders. ❖

LATEST LAUNCHES

Fund	Portfolio managers, Management company	Strategy	Service providers	Launch	Equity at Launch (Mil.)
Pomeroy Partners Domicile: U.S.	A.J. Rice Pomeroy Capital, New York 212-905-5970	Long/short healthcare services	Prime broker: Merrill Lynch Law firm: Sadis & Goldberg Auditor: Eisner	Sept. 1	\$20-25
Mercantile Absolute Return Fund Domicile: U.S.	Richard Fertig (Ramius HVB) Mercantile Capital, Baltimore 410-237-5657	Funds of funds investing in absolute return vehicles	Law firm: Kramer Levin Auditor: Deloitte & Touche Administrator: SEI	June 30	\$50
Mercantile Long/Short Manager Fund Domicile: U.S.	Patrick Kane (Advantage Advisors) Mercantile Capital, Baltimore 410-237-5657	Funds of funds investing in long/short vehicles	Law firm: Kramer Levin Auditor: Deloitte & Touche Administrator: SEI	June 30	\$50
Mercantile Alternative Strategies Fund Domicile: U.S.	Paul Platkin and Michael Murphy (Robeco-Sage) Mercantile Capital, Baltimore 410-237-5657	Funds of funds investing in vehicles pursuing alternative strategies	Law firm: Kramer Levin Auditor: Deloitte & Touche Administrator: SEI	June 30	\$50
Cabeus Energy Fund Domicile: U.S.	Christian Hnat and Jeffrey Dutile Cabeus Capital, Boston 617-428-0004	U.S. energy futures	Prime broker: Man Financial Law firm: Foley Hoag Auditor: Rothstein Kass Administrator: Hedgefacts	Aug. 1	\$6
Rydal Park Fund Domicile: U.S.	Arthur B. Stern Rydal Park Capital Mgmt., Bala Cynwyd, Pa 610-664-3610	Long/short equities, event-driven	Prime broker: Carlin Financial Law firm: Tannenbaum Helpert Auditor: Rothstein Kass Administrator: Trident Financial	Aug. 1	\$6
Tappestry Energy Partners Domicile: U.S. ➔ See Page 6	Mike Tapp Tappestry Energy Mgmt., Dallas 217-871-6753	Long/short equities, energy	Prime broker: UBS Law firm: Jackson Walker Auditor: Rothstein Kass	Aug. 1	\$25

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BlackRock ... From Page 1

by former **Credit Suisse** executive **Ben Weston**.

Another of Merrill's four senior hedge fund analysts, **Ed Rzeszowski**, has committed to work at BlackRock. At Merrill, Rzeszowski has been a specialist in global-macro funds and commodity trading advisors.

Like Savoldelli, Merrill senior analyst **Susan Oh** is still weighing her options.

Among the four junior analysts in Savoldelli's group, three have committed to BlackRock and one is moving to another company.

Blackrock is slated to finish absorbing Merrill's investment-management unit at the end of September. A key question is how Merrill's investors will feel about parking their money in a fund of funds that is no longer led by Savoldelli. The combined Merrill-Blackrock fund-of-funds operation will have \$4.4 billion under management.

Savoldelli joined Merrill in 1996 as a managing director in the corporate and institutional client group, moving to

Merrill Lynch Investment Managers in 2000 and into his chief investment officer role in 2003. Prior to joining Merrill, he spent two years as chief investment officer of **Chase Manhattan's** private-banking activities in the Americas.

Some of the eight members of the Merrill unit's operational staff — including legal and risk-management personnel — are expected to sign on with BlackRock.

The merger of BlackRock and Merrill's investment-management business, announced in February, is expected to be consummated next month. In all, the new company, operating under the BlackRock banner, will employ 4,500 and have nearly \$1 trillion under management — of which \$38 billion is in hedge funds, real estate and other alternative investments. Merrill will own a 49.8% stake in the new company. **PNC Bank's** ownership will decrease to 34% from the 70% stake it now owns in BlackRock.

BlackRock got into the fund-of-funds business in 2003, when it purchased Berkowitz's **HPB Management**. At the time, HPB had \$150 million under management. ♦

Key speakers include:



David Murrin
Chief Investment Officer
Emergent Asset Management



Jean René-Giraud
Chief Executive Officer
Edhec Risk Advisory



Marc Romano
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THE GRAPEVINE

... From Page 1

of December. The \$50 million claim, filed in December 2005 by **Seth Tobias'** firm, accuses BofA of gross negligence and disregard of fiduciary duties for failing to alert Circle T of unauthorized trades by one of the firm's own employees, **Ethan Kass**. BofA maintains that Circle T could have discovered the rogue trades by checking its online portfolio-management system.

Marketing specialist **Mark Marxer** has formed a consulting firm that advises hedge funds on their business-development activities. The Medina, Minn., outfit is called **MMX**. Marxer had been chief marketing officer at Minnetonka, Minn., hedge fund operator **Black River Asset Management** until June. He arrived at the firm in early 2005 along with most of the staff from a long/short fund shop he co-founded, **RedSky Partners**.

ACAM Advisors, an asset-manager that mainly operates funds of funds, has

hired **Peter Murrugarra** as a senior analyst. He joins a staff of 12 that reports to **Keith Danko**, chief executive officer of New York-based ACAM, which has more than \$600 million under management. Murrugarra arrived from **Weston Capital** of Westport, Conn., where he had worked for five years. At Weston, he helped pick hedge funds for an entity that seeds startups.

Alaska Permanent Fund is expected today or tomorrow to name the winners of its new fund-of-funds assignments, with two firms slated to receive allocations of \$200 million to \$250 million each. **Rick Shafer**, chief investment officer of the Alaska fund, will present his recommendation to the fund's board for a vote during its two-day meeting. The \$33.8 billion fund allocates 4% to funds of funds, each of which creates a separate investment vehicle for the Alaska fund. The board authorized the search last November.

Investors should learn the fate of **Magna Highlight Capital** over the next few weeks, as managing member

Patricia Winans completes the due-diligence review for a proposed merger with another firm. Another option is to shut down the New York outfit, which runs a stock fund with \$14 million of assets. Winans is weighing those options in response to the Aug. 13 death of Magna Highlight manager **Mark Zatz**, who was killed when he got out of his car on Interstate 95 in Mamoronek, N.Y., and was hit by a tractor trailer. Winans is also the founder of trading shop **Magna Securities**.

Santino Blumetti has joined **Rimrock Capital** as a managing director. Rimrock, based in San Juan Capistrano, Calif., has \$200 million under management in its Rimrock High Income Plus Fund, a multi-strategy fixed-income vehicle. Blumetti was previously a senior member of the emerging-markets and international fixed-income team at **Trust Company of the West**, where he was responsible for the development and implementation of strategies for the bank's \$3 billion of long-only and long/short investments.

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