

# T2 Partners LLC

*Whitney R. Tilson and Glenn H. Tongue*  
*Managing Partners*

*phone: 212 386 7160*  
*fax: 240 368 0299*  
*www.T2PartnersLLC.com*

June 26, 2012

Dear T2 SPAC Fund Partner,

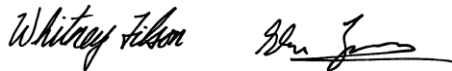
You should have received the letter (attached) that we sent last Friday to investors in our three hedge funds. We wanted to write to you separately to explain what impact this will have on the SPAC Fund. The short answer is none. You don't need to do anything, the changes we are making won't affect your capital account, and you continue to have the right to a full redemption in cash at the end of every month (we ask for 45 days notice, though you have the one-time right at the end of June, along with all other T2 Partners investors). Glenn is now managing the fund by himself, but this is always how it's always been, as he has deep expertise in this area.

As you know, the fund was very successful and we have been winding it down for more than a year, giving any investor who wished to redeem the opportunity to do so at the end of every month. It is a single-stock fund at this point: it currently has assets of a bit less than \$2 million, of which 46% is in Iridium warrants, 37% is in Iridium stock, and the balance is in cash. It continues to be successful this year: it's up more than 1% this month and nearly 25% YTD.

As we wrote in last Friday's letter, "Glenn will be establishing a new investment firm, Deerhaven Capital Management, that will independently manage the T2 SPAC Fund, which will be renamed the Deerhaven Fund and become his hedge fund vehicle." However, the current assets will not be affected by this, as they will be side pocketed. This means that you will not have any exposure to the new assets and positions in the fund, nor will new investors have any exposure to the current holdings. In effect, there will be two funds in one: the new Deerhaven Fund and the old T2 SPAC Fund, which will continue to hold Iridium stock and warrants until Glenn chooses to sell, at which point he'll return cash to you (or you can choose to roll it into the Deerhaven Fund or one of the funds Whitney manages).

Please let us know if you have any questions.

Sincerely yours,



Whitney Tilson and Glenn Tongue

**Letter sent on Friday, June 22<sup>nd</sup> to investors in the T2 Accredited Fund, T2 Qualified Fund, and Tilson Offshore**

June 22, 2012

Dear Partner,

We are writing to let you know that, after careful consideration, we have decided to cease managing money together and will instead do so independently, in the firm belief that in doing so our investors will benefit over time.

The friendship and admiration we have for each other is unchanged, we will continue operating our funds, and you do not need to do anything. We are, however, modifying our structure: Whitney will become the sole principal of T2 Partners and its three primary hedge funds. Glenn will be establishing a new investment firm, Deerhaven Capital Management, that will independently manage the T2 SPAC Fund, which will be renamed the Deerhaven Fund and become his hedge fund vehicle. We will each have meaningful economic interests in our respective funds, so our interests are very much aligned.

In terms of T2's support team, Kelli Alires will remain the office manager and head of investor relations, Damien Smith will continue as T2's analyst, and the auditor, bookkeeper, legal counsel, compliance firm, and prime broker will remain the same. Deerhaven will develop its own infrastructure over time.

Please allow us to tell you about our future plans:

**Whitney's Plans**

[This section is written by Whitney]

I couldn't be more optimistic about T2's future and am looking forward to going back to doing what I did very successfully when I was managing the T2 Accredited Fund on my own for more than five years beginning in January 1999.

In this extremely difficult, complex, and uncertain investing environment, I truly believe that less is more. Going forward, the funds I manage will be concentrated in my very best, carefully researched investment ideas, with approximately 15 meaningful positions on the long side and 25 (smaller) positions on the short side. My target portfolio exposure is 90-110% long and 40-60% short. In this increasingly short-term, trading-oriented environment, I aim to do as little trading as possible, and would be delighted if I am able to generate a handful great investment ideas each year.

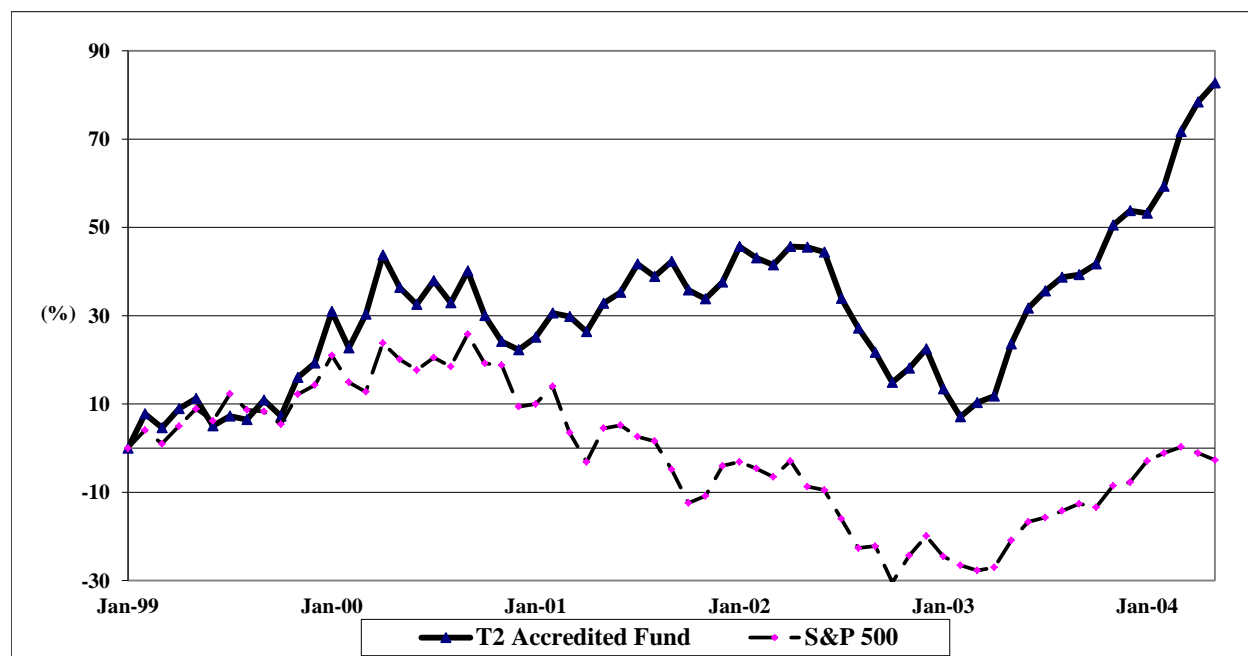
My objective is to beat the market by 5-10 percentage points per year (net) in the 1-3 year horizon, in both strong and weak markets, with meaningfully less volatility than we have seen in the past year, and to earn you a compound annual return of at least 15%, measured over a minimum of a 3-5 year horizon.

To ensure that I can focus intensely on in-depth company and industry analysis, I will adopt a much lower public profile and let my investment returns speak for themselves. Specifically, I will dramatically reduce my television appearances, interviews with the media, blogging/writing, and public speaking, both in the investment and philanthropic realms. I also plan to write letters to you quarterly rather than monthly (our bookkeeper will, course, continue to send you monthly statements).

I thought it would be useful to share the track record of the T2 Accredited Fund when I was running the fund by myself in the 5 1/3 years from January 1999 through April 2004. As you can see in the table and chart below, the fund substantially outperformed all of the indices, beating the S&P 500 by 12.5 percentage points per year on a compounded basis. Obviously the world has changed a great deal since then and I cannot promise high returns, but one thing I can say for sure is that I have massively more experience now than I did then.

	<u>Total Return Since Inception</u>	<u>Annualized Since Inception</u>
T2 Accredited Fund - gross	108.9%	14.8%
T2 Accredited Fund - net	82.7%	12.0%
S&P 500	-2.7%	-0.5%
Dow	23.8%	4.1%
NASDAQ	-12.4%	-2.5%

Notes: From January 1999-April 2004. Gross and net returns are after the 1% management fee and all other expenses of the fund.



For more information, see Appendix A for the fund’s performance since inception and Appendix B, “Important Disclosure”.

Finally, I want to say that it has truly been a pleasure being partners with Glenn for the past eight years and I believe even more what I wrote when he joined T2: Glenn is “an experienced investor, outstanding stock picker and great person.” I’m confident that he will be enormously

successful going forward and couldn't be more pleased to have a meaningful economic interest in his future.

### **Glenn's Plans**

[This section is written by Glenn]

I completely share Whitney's feelings about our business partnership and personal friendship, and look forward to his future success. I am proud of our track record since I joined T2 Partners in 2004 (see Appendix A) and, like Whitney, believe that we will both be very successful as independent portfolio managers.

I am delighted to be launching Deerhaven Capital Management and the Deerhaven Fund, which will be managed in a traditional hedge fund structure similar to the funds we've been managing. The fund's target exposures are approximately 120% long and 60% short, somewhat lower than what we have been running recently. The long positions will be familiar to you: deeply researched ideas based on fundamental analysis, which will generally fall into three categories:

- 1) High-quality businesses with strong cash flows, available at a discount;
- 2) Special situations (mergers, workouts, SPACs, etc.) (my investment banking background is a competitive advantage in this space); and
- 3) Mispriced options.

Long position sizes will vary depending on safety and opportunity, but generally the long book will be highly concentrated, with weightings skewed towards a few very high conviction investments.

The short book will be far more diversified than the long book, and will be focused on frauds, promotions, and failed business models – the world is awash in such opportunities. The short book is intended to both generate alpha and reduce portfolio volatility. In addition, when available at reasonable cost, the portfolio will hold securities intended to protect assets from large downdrafts.

As background, we set up the T2 SPAC Fund in late 2008, as the world was coming apart, to take advantage of the extreme mispricings I had identified in the niche market of Special Purpose Acquisition Companies (SPACs) (for more on this fund, please read our August 2009 [letter](#); user name: tilson; password: funds). I have deep expertise in this market and am pleased that the fund was a great success: it returned more than 100% in two years. We've returned most of the SPAC Fund's capital to investors so it's the perfect vehicle for me to launch my own hedge fund, saving me the time and expense of setting up a new fund.

I look forward to working with both existing investors and new limited partners in this very exciting time. If you have any questions or would like to discuss investing with me, you can contact me directly at [GlennT@T2PartnersLLC.com](mailto:GlennT@T2PartnersLLC.com) or (917) 969-5364.

### **Redemption Window**

In light of these changes, we are giving each investor a redemption window at the end of June (this does not change your current redemption options). If you choose to redeem, please notify

Whitney at [WTilson@T2PartnersLLC.com](mailto:WTilson@T2PartnersLLC.com) no later than next Wednesday, June 27<sup>th</sup> and he will send you further details shortly thereafter.

**Conclusion**

If you have any questions, please don't hesitate to email or call us at (212) 386-7160. Thank you for your continued confidence in us.

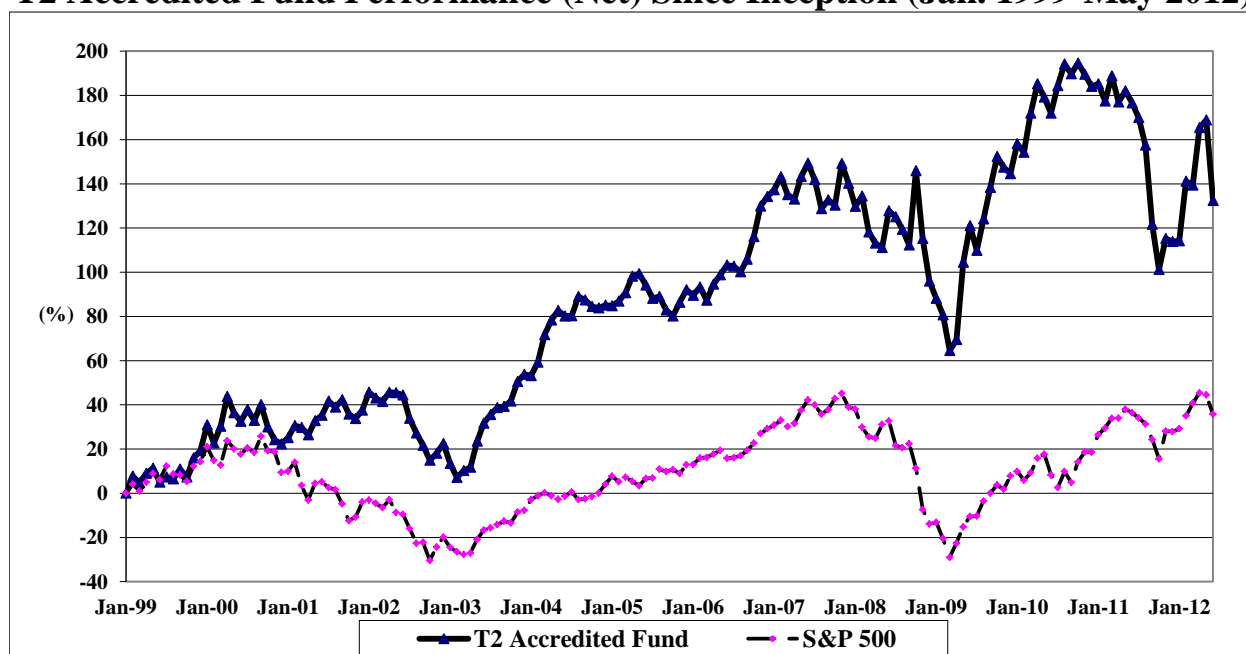
Sincerely yours,

Handwritten signatures of Whitney Tilson and Glenn Tongue. Whitney Tilson's signature is on the left, and Glenn Tongue's signature is on the right.

Whitney Tilson and Glenn Tongue

# Appendix A

## T2 Accredited Fund Performance (Net) Since Inception (Jan. 1999-May 2012)



## T2 Accredited Fund Monthly Performance (Net) Since Inception

	1999		2000		2001		2002		2003		2004		2005		2006		2007		2008		2009		2010		2011		2012	
	T2 AF	S&P 500	T2 AF	S&P 500	T2 AF	S&P 500	T2 AF	S&P 500	T2 AF	S&P 500	T2 AF	S&P 500	T2 AF	S&P 500	T2 AF	S&P 500	T2 AF	S&P 500	T2 AF	S&P 500	T2 AF	S&P 500	T2 AF	S&P 500	T2 AF	S&P 500	T2 AF	S&P 500
January	7.8	4.1	-6.3	-5.0	4.4	3.6	-1.8	-1.5	-5.5	-2.6	4.7	1.8	1.1	-2.4	1.9	2.7	2.4	1.7	1.9	-5.9	-3.6	-8.4	-1.6	-3.6	-2.8	2.4	12.6	4.5
February	-2.9	-3.1	6.2	-1.9	-0.6	-9.2	-1.1	-2.0	2.9	-1.6	7.0	1.5	2.1	2.0	-3.1	0.2	-3.3	-2.1	-6.9	-3.3	-8.9	-10.8	7.3	3.1	4.1	3.4	-0.8	4.3
March	4.1	4.0	10.3	9.8	-2.6	-6.4	3.0	3.7	1.4	0.9	3.9	-1.5	3.9	-1.7	3.9	1.3	-0.8	1.1	-2.3	-0.5	2.9	9.0	4.6	6.0	-4.1	0.0	10.9	3.3
April	2.1	3.7	-5.1	-3.0	5.1	7.8	-0.2	-6.0	10.5	8.2	2.4	-1.5	0.6	-1.9	2.2	1.4	4.4	4.6	-0.9	4.9	20.1	9.6	-2.1	1.6	1.9	3.0	1.3	-0.6
May	-5.7	-2.5	-2.8	-2.0	1.8	0.6	0.0	-0.8	6.6	5.3	-1.4	1.4	-2.6	3.2	1.8	-2.9	2.5	3.3	7.9	1.2	8.1	5.5	-2.6	-8.0	-1.9	-1.1	-13.6	-6.0
June	2.2	5.8	4.1	2.4	4.6	-2.4	-7.3	-7.1	2.9	1.3	0.1	1.9	-3.1	0.1	-0.2	0.2	-3.0	-1.5	-1.2	-8.4	-5.0	0.2	4.5	-5.2	-2.4	-1.7		
July	-0.7	-3.2	-3.6	-1.6	-1.1	-1.0	-5.0	-7.9	2.3	1.7	4.6	-3.4	0.5	3.7	-0.9	0.7	-5.4	-3.0	-2.5	-0.9	6.8	7.6	3.5	7.0	-4.6	-2.0		
August	4.1	-0.4	5.4	6.1	2.5	-6.3	-4.3	0.5	0.4	1.9	-0.9	0.4	-3.2	-1.0	2.9	2.3	1.7	1.5	-3.3	1.3	6.3	3.6	-1.5	-4.5	-13.9	-5.4		
September	-3.3	-2.7	-7.2	-5.3	-6.1	-8.1	-5.4	-10.9	1.7	-1.0	-1.6	1.1	-1.5	0.8	5.0	2.6	-1.1	3.6	15.9	-9.1	5.9	3.7	1.7	8.9	-9.3	-7.0		
October	8.1	6.4	-4.5	-0.3	-0.8	1.9	2.8	8.8	6.2	5.6	-0.4	1.5	3.5	-1.6	6.3	3.5	8.2	1.7	-12.5	-16.8	-1.9	-1.8	-1.7	3.8	7.0	10.9		
November	2.8	2.0	-1.5	-7.9	2.3	7.6	4.1	5.8	2.2	0.8	0.8	4.0	3.1	3.7	1.9	1.7	-3.6	-4.2	-8.9	-7.1	-1.2	6.0	-1.9	0.0	-0.6	-0.2		
December	9.8	5.9	2.3	0.5	6.5	0.9	-7.4	-5.8	-0.4	5.3	-0.2	3.4	-1.3	0.0	1.4	1.4	-4.3	-0.7	-4.0	1.1	5.5	1.9	0.5	6.7	0.1	1.0		
YTD TOTAL	31.0	21.0	-4.5	-9.1	16.5	-11.9	-22.2	-22.1	35.1	28.6	20.6	10.9	2.6	4.9	25.2	15.8	-3.2	5.5	-18.1	-37.0	37.1	26.5	10.5	15.1	-24.9	2.1	8.5	5.2

Note: Returns in 2001, 2003, 2009 and 2012 reflect the benefit of the high-water mark, assuming an investor at inception.

## Appendix B

### IMPORTANT DISCLOSURE

T2 Accredited Fund, L.P. (formerly known as the Tilson Growth Fund) commenced operations on January 1, 1999. The information regarding the T2 Accredited Fund shows the performance for the period January 1999 through April 2004, the period of time Whitney Tilson served as the sole portfolio manager of such fund and the performance of the T2 Accredited Fund for the period January 1999 through May 2012.

Performance results shown are for the T2 Accredited Fund and are presented gross and net of incentive fees. Gross returns reflect the deduction of management fees, brokerage commissions, administrative expenses, and other operating expenses of the T2 Accredited Fund. Gross returns are reduced by the incentive allocation. Gross and net performance includes the reinvestment of all dividends, interest, and capital gains.

The T2 Accredited Fund's current fee schedule for the Investment Manager is 1.5% annual management fee and a 20% incentive allocation. For the periods prior to June 1, 2004, the Investment Manager was entitled to a 1% annual management fee and a 20% incentive allocation, subject to a 10% "hurdle" rate. In practice, the incentive allocation is "earned" on an annual, not monthly, basis or upon a withdrawal from the T2 Accredited Fund. Because some investors may have different fee arrangements and depending on the timing of a specific investment, net performance for an individual investor may vary from the net performance as stated herein.

The return of the S&P 500 and other indices are included in the presentation. The volatility of these indices may be materially different from the volatility in the T2 Accredited Fund. In addition, the T2 Accredited Fund's holdings differ significantly from the securities that comprise the indices. The indices have not been selected to represent appropriate benchmarks to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely recognized indices. You cannot invest directly in these indices.

Past results are no guarantee of future results and no representation is made that an investor will or is likely to achieve results similar to those shown. All investments involve risk including the loss of principal. This document is confidential and may not be distributed without the consent of the Investment Manager and does not constitute an offer to sell or the solicitation of an offer to purchase any security or investment product. Any such offer or solicitation may only be made by means of delivery of an approved confidential offering memorandum.

Additional information regarding the T2 Accredited Fund and its performance is available upon request.