

**Form ADV Part 2A: Firm Brochure**

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Pequot Capital Management Inc. is an investment advisor that is registered with the United States Securities and Exchange Commission. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

**This brochure provides information about the qualifications and business practices of Pequot Capital Management Inc. If you have any questions about the contents of this brochure, please contact us at (914) 401-7040. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Pequot Capital Management Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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## **1. Advisory Business**

Pequot Capital Management, Inc. (“Pequot”), founded in 1999, was an investment advisory services firm specializing in investment management for hedge funds, but now manages one fund which contains one private security. The firm is wholly owned by Arthur J. Samberg, who is not an employee of Pequot and is not involved in the business.

All but one of the funds formerly managed by Pequot have been liquidated. The remaining fund will be liquidated when an exit is affected for one private security residing in that fund. Therefore, our investment advice is currently limited to advice related to this one security.

We do not participate in wrap fee programs.

The amount of client assets that we manage on a discretionary basis, as of December 31, 2013, is \$35,310,000.00. We do not manage any client assets on a non-discretionary basis.

## **2. Fees and Compensation**

As noted above, all but one fund has been liquidated. The firm and its affiliates are not compensated for their services in connection with this final fund.

In connection with our advisory services, clients bear all of their own expenses (ordinary and extraordinary). The enumerated list below does not contemplate every possible expense a client may incur. The Funds are responsible for: (i) all out-of-pocket expenses incurred in connection with the liquidation of the Fund, including any brokerage and other transaction costs; (ii) routine expenses of the Funds, including (to the extent applicable) legal, auditing, consulting and financing fees, and expenses associated with preparing the fund's financial statements and tax returns, as well as other administrative expenses of the Fund; and (iii) all litigation-related and indemnification expenses. Please see Section 9 which discusses our brokerage practices.

### **3. Performance-Based Fees and Side-By-Side Management**

**As noted above, all but one fund has been liquidated. The firm and its affiliates are not compensated for their services in connection with this final fund.**

#### **4. Types of Clients**

Our only remaining client is a private investment fund. . Our clients' investors include a broad range of U.S. and non-U.S. institutions and high net worth individuals. We require investors that are U.S. persons to be "accredited investors" and "qualified purchasers" (as defined in applicable federal securities laws and regulations).

**5. Method of Analysis, Investment Strategies and Risk of Loss**

**As noted above, all but one fund has been liquidated and this last fund has one private security. As such, we are not investing.**

## **6. Disciplinary Information**

On May 27, 2010 the Securities and Exchange Commission (the “SEC”) filed a complaint against Pequot and Arthur Samberg in the United States District Court for the District of Connecticut. The SEC's complaint generally alleged, and Pequot and Samberg neither admitted nor denied the allegations, that, while in possession of material, nonpublic information regarding Microsoft Corporation in 2001, Samberg transacted in the securities of Microsoft on behalf of funds that he managed for Pequot. On June 2, 2010, without admitting or denying the allegations in the SEC's complaint, Pequot and Samberg consented to the entry of a final judgment in the United States District Court for the District of Connecticut permanently enjoining Pequot and Samberg from violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder; ordering Pequot and Samberg to pay \$15,142,020 in disgorgement and \$2,696,448 in prejudgment interest on a joint and several basis; and ordering Pequot and Samberg each to pay a \$5 million civil money penalty.

On June 8, 2010, the SEC issued an order which found that Pequot and Samberg consented, without admitting or denying the allegations in the SEC's complaint, to the entry of a final judgment on June 2, 2010 in the United States District Court for the district of Connecticut permanently enjoining them from future violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder; ordering them to pay \$15,142,020 in disgorgement on a joint and several basis, together with prejudgment interest thereon in the amount of \$2,696,448; and ordering Pequot and Samberg each to pay a \$5 million civil money penalty. Based on the foregoing, without admitting or denying the findings in the SEC's order, Pequot and Samberg consented to the entry of an administrative order (1) censuring Pequot, and (2) barring Samberg from association with any investment adviser, with the exception that Samberg, for a 15-month period, may continue to be associated with Pequot and perform advisory activities solely for the purpose of completing the wind down of Pequot.

This item is not applicable because our firm and management persons have not been involved in any self-regulatory organization proceedings.



## **7. Other Financial Industry Activities and Affiliates**

Neither our firm nor any of directors, officers or principals is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither our firm nor any of directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

We manage the following client fund, which is our related persons:

- Azul Holdco, LLC

We do not recommend or select other investment advisers for our clients, receive compensation directly or indirectly from those advisers that create a material conflict of interest, or have other business relationships with those advisers that create a material conflict of interest.

## **8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

We have adopted a Code of Ethics in accordance with the Securities and Exchange Commission requirements. Our Code of Ethics is based on the principle that our firm and our employees have a fiduciary duty to our clients and the investors in our clients, and, in this fiduciary capacity we must place the interests of our clients and their investors before our own interests. It contains detailed rules concerning a firm-wide standard of care, conflicts of interest, treatment of inside information, personal securities transactions, preferential treatment, gifts and entertainment, directorships and related compensation, record-keeping requirements and the administration of our Code of Ethics.

Our Code of Ethics requires that, each access person must provide, within ten days of becoming an access person, and on December 31 of each year thereafter, a report listing the title, number of shares and principal amount of each security it has any direct or beneficial relationship, the name of any broker, dealer or bank with whom such person maintains an account for such securities. Each access person must also make a quarterly transaction report, unless such report will duplicate information contained in broker trade confirmations, notices or advices, or account statements received by our Chief Compliance Officer. Before effecting personal transactions involving a new issue, a private placement or any security issued by a company in which we hold any remaining investment for the account of any client, each of such persons must obtain preapproval from the Chief Compliance Officer. Reports shall be reviewed by the Chief Compliance Officer or other officer who is senior to the person submitting the report. The Chief Compliance Officer will maintain the names of the persons responsible for reviewing these reports, as well as records of all reports filed pursuant to these procedures. No person shall be allowed to review or approve his/her own reports.

Our access persons must certify annually that they have read and agree to comply in all respects with our Code of Ethics and that they have disclosed or reported all personal securities transactions, holdings and accounts required to be disclosed or reported by our Code of Ethics.

Additionally, our Code of Ethics provides for a range of sanctions, as deemed appropriate by our senior management, should anyone violate the Code of Ethics. Such sanctions include, but are not limited to, a reprimand, a restriction on activities, disgorgement, termination of employment or removal from office.

The paragraphs above only represent a summary of key provisions in our Code of Ethics. We will provide a copy of our entire Code of Ethics to any client or any investor in our clients that requests one.

Our firm, its employees, officers, partners, directors (and any persons performing similar functions), and persons directly or indirectly controlling our firm, controlled by our firm or are under common control with our firm may not (a) engage in a principal transaction with the firm's clients or (b) recommend to the firm's clients securities or other

investment products in which any such person has some other proprietary (ownership) interest or sales interest.

Principals and employees of our firm may not buy and sell for themselves securities that they also buy and sell for our clients.

## **9. Brokerage Practices**

Our client currently holds only a private security. We do not utilize research and other soft dollar benefits. We do not consider referrals in selecting or recommending broker-dealers. Our clients do not direct brokerage.

As all of our clients but one are liquidated we do not purchase securities. For any securities sold by our clients, we place one aggregate sale order which is then allocated among our clients' accounts on a pro rata basis.

## **10. Review of Accounts**

We review the progress of the one private security in the one fund on a regular basis.

The administrator to the remaining fund provides investors in the fund with written reports that contain information about the fund in which they have invested. The quarterly reports include their estimated actual performance on a quarterly basis. The administrator also provides them with written annual reports that contain tax information.

## **11. Client Referrals and Other Compensation**

We do not receive an economic benefit from non-clients for providing advisory services to our clients.

We do not have any arrangements in which we compensate third party persons or entities for client referrals or to solicit clients (e.g., placement fees).

## **12. Custody**

Due to our access to client funds and securities as general partner or manager of certain funds that we manage we are deemed to have constructive custody of our clients' funds and securities within the meaning of Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "Custody Rule").

We utilize the services of unrelated financial institutions or other qualified custodians (as defined in the Custody Rule) to hold all funds but we hold the one uncertificated privately offered security. We also ensure that the qualified custodian maintains such funds in accounts that contain only clients' funds, either under our name as agent or trustee for the client or in client's name.

### **13. Investment Discretion**

All of our firm's investment advisory services involve the management of the remaining client account on a fully discretionary basis. We have the authority to determine, without obtaining specific client consent and without limitation, the amount of the last remaining security to sell, the broker (if applicable) through which we affect trades, and the commission rates at which we effect trades.

Each investor in our remaining fund was required to complete our subscription document to acquire an interest in the fund, which, among other things, confirms that the investor has reviewed the relevant document describing the scope of our authority and the inability of any investor to direct our trading activities.



#### **14. Voting Client Securities**

We will evaluate and vote proxy issues only if we determine that it is relevant in connection with the wind down of a client.

Upon request, clients or investors in our clients may receive a copy of our Proxy Voting policies and procedures and/or information regarding the manner in which securities held in their account were voted.

## **15. Financial Information**

We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our clients.

Our firm has never been the subject of a bankruptcy petition.