



Missive

MARCH 5, 2026

The Kindness of Strangers: Drexel Burnham, Chesapeake Energy and OpenAI

Dear Fellow Investors,

Relying on the kindness of strangers has never been a good business or investment strategy, but it doesn't mean that people don't wish that it worked. The main issue with this hope is that it's foolish to believe that other people's grace and money will always be there.

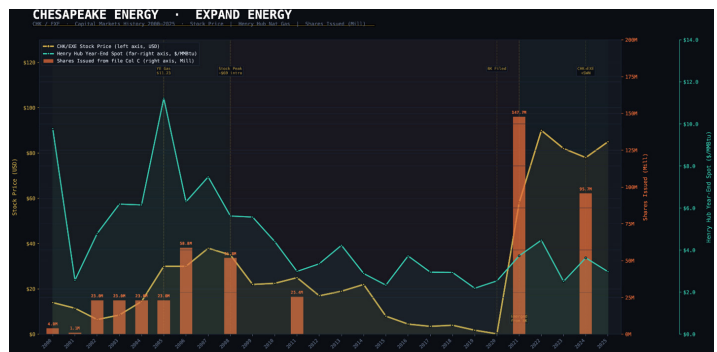
This idea should look similar to going to a teller window. If you have ever watched the movie, *It's a Wonderful Life*, you are able to visualize this. At one point in the movie, everyone lines up at the teller window because the other banks have closed. Everyone begins to ask for the money they need. George uses his life savings to get the bank through that time, but we all know that not everyone is as benevolent and selfless as George. The open teller window for funding can and will close in different assets and business models, often at inopportune times.

I was born in 1983. Three years prior, my father was hired as a retail stockbroker at Drexel Burnham Lambert, a private, enterprising investment bank. Their claim to fame was that Michael Milken had cracked the code on the value of the junk bond market. Companies that needed to raise capital came to him. Investors who wanted high returns on fixed income came to him. Wall Street stood on the outside looking on as Drexel became the most profitable private enterprise in America in 1986.

People on the outside of Drexel, other investment banks, had a different view. They so badly wanted a meaningful piece of junk bond issuance and bookrunning. These other investment banks were left with crumbs. Ivan Boesky, a major Drexel customer, was indicted in 1986. This was so problematic for Drexel because the investment bank, as a private company, was heavily funded by the deal flow from its customers. Savings and loans (S&Ls) were raising brokered certificates of deposits (CDs) so that those same banks could turn around to buy the junk bonds that Drexel was offering to its institutional customers.

If something caused this chain to break down, Drexel was going to be subject to the kindness of strangers. In the end, there was no kindness from regulators and competing banks. The ultimate dagger was when Executive Life Insurance of California was seized by its state insurance regulator in 1991. Milken and Drexel's thesis was proven true. Junk bonds were good for investors, but unfortunately the kindness of strangers was nowhere to be found in the late 1980s, and because of that, Drexel is no more.

Chesapeake Energy was possibly the most exciting American story. Drafting on the successes of companies like Mitchell Energy (of George Mitchell fame), Chesapeake simply and passionately explained that American Energy Independence is now. Their charismatic leader, Aubrey McClendon, was in many respects the pied piper of the industry. He was the right person at the right time to sing this American tune.



Chesapeake raised all of its equity capital during the 2000 to 2011 period, prior to its eventual bankruptcy proceedings, as you can see from the chart above. You'll also notice that when the stock price and its underlying commodity, Henry Hub gas prices, were high that they could raise equity capital. It was a machine, not dissimilar to the rest of the oil and gas space at the time, that was trained on making hay while the sun shines.

The big spending years in the drill, baby drill era of the 2010s were 2012 and 2014. Amongst the sector weights of the S&P 500 at the end of those calendar years, energy was respectively 10.99% and 8.44% of the index. Somewhere during those years, the kindness of strangers began to dissipate. The capex spend stayed strong during that time. At the end of 2025, the energy sector was 2.81%. The capex didn't work.

Lastly, there was intense competition across the energy sector. Everyone was spending capex. There was no moat in spending. Competition often ruins competence. The investors lost their patience and kindness. Chesapeake eventually declared bankruptcy in 2020, but during that time, Chesapeake lost its valiant leader in the game of life. This is why it is now called Expand Energy following its merger with Southwest Energy. No longer did you see the kindness of strangers.

The Kindness of Strangers: Drexel Burnham, Chesapeake Energy and OpenAI

On October 31, 2025, Brad Gerstner hosted Sam Altman and Satya Nadella on the "All Things AI" podcast. We highly recommend that all our investors go back and watch [this interview](#). Starting about 11.5 minutes into the show, there was a discussion of OpenAI's capital commitments to various vendors. Brad Gerstner asks, "With all that said, you know, OpenAI's revenues are still a reported 13 billion in 2025. And Sam, on your live stream this week, you talked about this massive commitment to compute, right? \$1.44 trillion over the next four or five years with you know big commitments \$500 million to Nvidia \$300 million to AMD and Oracle \$250 billion to Azure. So, I think the single biggest question I've heard all week and hanging over the market is how you know a company with \$13 billion in revenues make \$1.44 trillion of spend commitments, you know, and, and, and you've heard the criticism..."

Mr. Gerstner was trying to understand how the money would be there for the business. In effect, he was asking when cash flows would be more positive. Mr. Altman replied back immediately by saying, "First of all, we're doing well more revenue than that. Second of all, Brad, if you want to sell your shares, I'll find you a buyer. I just enough like, you know, people are I, I think there's a lot of people who would love to buy OpenAI shares. I don't, I don't think you including myself, including myself, people who talk with a lot of like breathless concern about our compute stuff or whatever that would be thrilled to buy shares. So I think we, we could sell you know your shares or anybody else's to some of the people who are making the most noise on Twitter whatever about this very quickly...So, you know, there are not many times that I want to be a public company, but one of the rare times it's appealing is when those people are writing these ridiculous OpenAI is about to go out of business and, you know, whatever. I would love to tell them they could just short the stock and I would love to see them get burned on that."

It's a rare streak of arrogance to see in a public forum. The idea is that there are lines of investors who want in, so that is the inherent measure of whether a business is doing the right thing in the long term... or so the story goes. We can see from the prior two instances of Drexel and Chesapeake that you could be at the top of the game in your industry, or you might have very little imminent funding issues, but the kindness of strangers is a fickle thing. It departs like a thief in the night.

From the date of this interview, our investors have been rewarded for not taking this risk in their US equity portfolios we manage for them. Other investors may be waking up to this increasing risk. While the SaaS (Software as a Service) businesses have been sold across the board, the stock market has changed very little as the composition of the S&P 500 index is churning below the surface. Satya Nadella said he'd like to buy OpenAI shares, but he didn't say at what price. While competition brews rapidly in the large language models for dominance, you have to step back and recognize that these companies can invest far more money than the oil and gas stocks of the 2010s to compete. The only question remains: Will it reward investors in these companies, will it enhance the outcomes for OpenAI, or will it just follow the path of other highly profitable companies like Drexel Burnham Lambert and acclaimed game changers like Chesapeake Energy? When the kindness of strangers disappears, the outcome can be catastrophic.

Play The Long Game,



Cole Smead, CFA
CEO & Portfolio Manager

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