



December 5, 2006

Dear Investor:

I am writing to update you on recent developments at North Sound, and to convey to you our excitement for the positive impact we expect these changes to have in 2007. First, based on current projections, we believe total assets will be approximately \$1.4 billion in January 2007. While this is a reduction, our investor base continues to represent a long and varied list of great investors, the majority of whom are participating in our longer-term investment classes. We have taken steps to ensure that the reduction in our capital is as smooth a transition as possible for all investors, and we believe we have been successful in this regard.

Second, we have made several important structural changes to the firm in recent weeks. As one of North Sound's largest investors, I share concerns about our recent underperformance. It is my belief that these changes will both address our performance and enable efficient management of the new capital base. I remain committed to creating the strongest team possible to afford each of our investors the best chances of success going forward.

North Sound's research effort continues to be very strong. We will be focusing the majority of our attention on fewer sectors overall in 2007 – sectors where we believe we have a clear edge – and in a nimble structure that we believe is more conducive to efficient portfolio management and decision making. We believe a smaller, more focused team will produce fewer but stronger ideas, which we see as a significant net positive in our effort to better leverage quality research to our bottom line. We believe this will address a problem we faced this year, which is that we mistakenly under-weighted many of our most successful ideas. Going forward, we intend to increase our participation in our highest conviction names consistent with our investment strategy while continuing to emphasize rigorous risk control. I will continue to be personally responsible for all investment decisions in the portfolio.

The size of our staff has been reduced, due to the departures – with our foreknowledge and approval – of several investment staff and a similar number of non-research personnel. We have attempted to assist each of these talented individuals in transitioning to new opportunities, and wish each of them well in their new endeavors. We believe that the current team is the strongest North Sound has ever had.

North Sound is a strong business, and the Legacy funds have a history of consistently serving clients well over the last years five and a half years. We believe the actions we have taken recently will go a long way to preserving what has always been the best of North Sound, our talent and our culture, while also enhancing the likelihood that with strong, more focused research, strong results will follow.

As always, we appreciate your ongoing support, and look forward to a productive and exciting 2007.

Regards,

A handwritten signature in black ink, appearing to read "T. McAuley", written in a cursive style.

Thomas E. McAuley