

SHARTSIS, FRIESE & GINSBURG LLP

ROBERT CHARLES FRIESE
ARTHUR J. SHARTSIS
MARY JO SHARTSIS
DOUGLAS L. HAMMER
RONALD HAYES MALONE
JOEL ZELDIN
JOHN P. BROADHURST
DAVID H. KREMER
CHARLES R. RICE
ANTHONY B. LEUIN
ROBERT E. SCHABERG
TRACY L. SALISBURY
JEFFREY A. O'CONNELL
CAROLYN R. KLASCO
JONATHAN M. KENNEDY
ADAM ELSSESSER
STEVEN O. GASSER
BARBARA W. STAMAN
ZESARA C. CHAN
GEOFFREY W. HAYNES
CHRISTOPHER J. RUPPRIGHT
CAROLYN S. REISER
ROBERT CHARLES WARD
JAMES P. MARTIN
JAHAN P. RAISSI
FRANK A. CIALONE
JOHN F. MILANI
NEIL J. KOREN
ERICK C. HOWARD
ALISSA A. CHACKO
ANTHONY J. CALDWELL
AMY L. HESPENHEIDE
GREGG S. FARANO
MILLIE LAUREN CHOU
TRACY A. DONSKY
LATISHA R. BROWN
JAMES J. FROLIK
KELLIE ANN AKI TAKENAKA
RICHARD F. MUNZINGER
CECILY D. FREYERMUTH
HANNAH E. DUNN
CHRISTINA E. MICKELSON
MATTHEW J. GLUCK

**EIGHTEENTH FLOOR
ONE MARITIME PLAZA
SAN FRANCISCO, CALIFORNIA 94111**

TELEPHONE
(415) 421-6500

FACSIMILE
(415) 421-2922

WEBSITE
www.sfglaw.com

SENIOR COUNSEL
ALAN J. ROBIN

COUNSEL
MONIQUE V. ALONSO
WINNIFRED C. WARD
JOAN L. GRANT
ELLYN T. ROBERTS
MARY KAY KENNEDY
DONNA M. HERZING

January 8, 2004

VIA E-MAIL

To Our Investment Adviser Clients and Other Friends:

If you are an investment adviser registered with the SEC or the California Corporations Commissioner, you are required to update your Form ADV when certain changes occur and at least annually. This letter briefly reviews these obligations and a few other issues.

Federally Registered Investment Advisers.

1. An adviser registered with the Securities and Exchange Commission (the "SEC") should amend its Form ADV each year by filing an annual updating amendment within ninety days after the end of its fiscal year. When you submit your annual updating amendment, you must update your responses to all items. All amendments to Part I of Form ADV should be made by an SEC-registered adviser electronically using the IARD system.

2. In addition to making the annual updating amendment, an SEC-registered adviser must amend its Form ADV promptly if (a) any information provided in response to Item 1, 3, 9 or 11 of Part 1A or Item 1, 2.A through 2.F or 2.I of Part 1B becomes inaccurate in any way or (b) any information provided in response to Item 4, 8 or 10 of Part 1A or Item 2.G of Part 1B becomes materially inaccurate.

3. An SEC-registered adviser should amend Part II of its Form ADV promptly if any information in Part II becomes materially inaccurate. Although you are not required to file Part II with the SEC, you should maintain an updated copy in your files, which is deemed to be filed with the SEC. The SEC is considering amending Part II, but has not yet done so. We do not know when or whether the SEC will amend Part II.

4. An adviser registered with the SEC must offer to provide Part II of its Form ADV or a brochure containing equivalent information at least annually to each advisory client and to each limited partner of an investment limited partnership that the adviser manages. You can make the offer conveniently by including it in an individual account client's first quarter bill or in the letter to limited partners reporting last year's results.

5. An SEC-registered adviser may also be required to make notice filings and pay fees in states in which it has clients or a place of business. Some states (including California) may require notice filings by SEC-registered advisers to be made electronically, while others may require paper filings or accept either form of filing. An SEC-registered adviser also may be required to register each of its investment adviser representatives in each state in which the representative has a place of business. Please contact us if you have questions about those obligations.

6. SEC-registered advisers that make electronic state notice filings should have received a package from NASD Regulation, Inc. last fall with instructions for renewing those notice filings and paying the required 2004 renewal fees through the IARD system in December 2003. If your firm has not yet renewed any of its state notice filings, whether or not in electronic format, and paid the required renewal fees for 2004, please contact us.

Investment Advisers Certificated by California Commissioner of Corporations (the "Commissioner").

1. Each California registered adviser must file an annual updating amendment with the Commissioner within ninety days after the end of its fiscal year. If an investment adviser files its Form ADV over the IARD system, the annual amendment must be filed on the IARD system. Otherwise, a paper copy of the Form ADV must be filed with the Commissioner. A California-registered adviser also must amend its Form ADV promptly to reflect any change in the information reported (other than financial information).

In addition, the Commissioner has adopted Form U-4, for reporting investment adviser representatives, and Form U-5, for reporting the termination of investment adviser representative. If there has been any change in the information concerning any investment adviser representative at the time the annual amendment is filed, a Form U-4 must be filed to report that change to the Commissioner.

2. The Commissioner is authorized to accept electronic filings of Form ADV through the IARD system, but electronic filing is not required for California-registered advisers (unlike notice filings for SEC-registered advisers). A California-registered adviser that files Part I of Form ADV electronically still is required to file a paper copy of Part II with the Commissioner. If you have questions about making the transition to the new Form ADV Part I or to electronic filing, please call us.

3. A California-registered adviser with custody of or investment discretion over client assets or that receives fees for advisory services six months or more in advance must file with the Commissioner an annual balance sheet with a schedule showing the required net capital computations (or minimum financial requirements as described below). The financial statements included in the report must be audited unless the adviser, during the period covered by the report,

has not held or accepted custody of funds or securities for any client or owed money or securities to any client, and has taken only limited powers of attorney to execute transactions on behalf of clients. The report should be filed as of the same date for each calendar year, except that the first report must be as of a date within twelve months after the adviser's certificate becomes effective. This financial information should be submitted with the verification form required by the Commissioner (a copy is enclosed) and must be filed within ninety days after the date as of which the financial information is provided.

The Commissioner amended its net capital requirements rule in 2003. The new minimum financial (instead of net capital) requirements are effective now for advisers licensed on or after March 1, 2003. They are effective on January 1, 2005, for advisers licensed prior to March 1, 2003. If you have questions about computing and reporting your financial requirements, please contact us.

4. A California-registered adviser must pay a \$125 fee before December 15 of each year. The Commissioner usually sends to each investment adviser a notice requesting this fee. A California-registered adviser that files its Form ADV electronically should have received a package from NASD Regulation, Inc. with instructions on the procedures for paying the \$125 fee through the IARD system.

5. A California (or other state) registered adviser may also be required to register or make notice filings in states in which the adviser has clients or any investment adviser representatives. If you have questions regarding these obligations, please contact us.

An adviser registered with any state should offer to provide Part II of its Form ADV or a brochure containing equivalent information at least annually to each advisory client and to each limited partner of an investment limited partnership that the adviser manages. You can make the offer conveniently by including it in an individual account client's first quarter bill or in the letter to limited partners reporting last year's results.

Investment Advisers Not Registered With The SEC That Have Offices In States Other Than California. If you have an office in a state other than California and are not an SEC-registered adviser, you may be required to register in that state, even if you are also registered in another state. If you have questions regarding these obligations, please contact us.

Other Issues.

Annual Notice of Privacy Policy. Investment advisers, whether or not registered with the SEC, and investment limited partnerships are subject to SEC and Federal Trade Commission regulations governing the privacy of consumer financial information (the "Privacy Regulations"). The Privacy Regulations require every adviser and investment limited partnership to establish policies and procedures to protect the confidentiality of client or investor records and to provide an initial and annual notice to each client or investor disclosing the types of non-public personal information the adviser or investment limited partnership collects and the extent to which it discloses that information.

The annual notice required by the Privacy Regulations must be delivered at least once during each twelve-month period. You may define the twelve-month period, but you must apply

it consistently. You can make the annual notice conveniently by including it in an individual account client's first quarter bill or in the letter to limited partners reporting last year's results. After providing a notice to a client or investor in an investment limited partnership, you may not disclose any non-public personal information of that client or investor to an affiliate or a third party other than as described in the notice, unless you give a new notice to the client or investor describing the proposed disclosure.

Investment Partnership Issues. An adviser that manages one or more affiliated investment limited partnerships (or any other private investment pool) should also review and update the partnership offering documents to reflect changes in such matters as soft dollar arrangements and other brokerage practices, performance data, annual financial information and tax and legal requirements. In addition, you should continue to inform us, prior to making any offer or sale of interests in a partnership, of the states of residence of potential new limited partners and of limited partners who may make additional capital contributions, so that we can review and advise you on compliance with applicable state securities laws.

If you manage an investment limited partnership under a limited partnership agreement that provides for the designation of a "Liquidating Person" to liquidate the partnership's assets if the general partner is unable to do so, you should confirm that your appointment of a Liquidating Person, if any, is consistent with your current desires. Please call us if you would like to appoint a Liquidating Person.

If a registered investment company (a "mutual fund") is a limited partner, please contact us to discuss whether that limited partner may be at risk of becoming an "affiliate" of the partnership if it owns five percent or more of the partnership interests.

Compliance Policies. As we noted in a recent letter to you, the SEC has adopted a rule requiring SEC-registered advisers to adopt compliance policies and procedures. Whether or not you are an SEC-registered adviser, we strongly advise you to discuss with us a thorough review of your compliance procedures. Among other things, your compliance procedures should require that each employee certify quarterly or annually that he or she has complied with those procedures, and you should now require each employee to submit that certification to your compliance officer for the period ended December 31, 2003.

Management Company Allocations. If you are organized as a limited liability company or limited partnership, you may have given key employees and other members or limited partners membership or limited partner interests. If your operating agreement or limited partnership agreement provides that the manager or general partner may adjust each participant's interest for the coming year on or before a specified date (typically January 31 of that year), you should make these allocation decisions, in writing and in accordance with the applicable operating agreement or limited partnership agreement, on or before the specified date.

Offshore Funds. If you are the investment adviser to an offshore fund, you may want to defer some or all of the investment management fees payable by the fund. An election to defer those fees should be made prior to the fiscal year in which the fees are earned. Before you make any fee deferrals, however, you should contact us or your accountant to discuss the tax issues involved.

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Section 13 and 16 Filings. Certain filings may be required if you exercise investment discretion or voting power over five percent or more of a class of securities of a public company. If you have reached or anticipate reaching that threshold with respect to any class of securities, you should contact us. If you have filed a Schedule 13G and the information reflected in the Schedule has changed as of December 31, 2003, you may be required to file an amended Schedule by February 14, 2004. If you have any questions about your filing obligations please call us.

If you exercise investment discretion or voting power over more than ten percent of a class of equity securities of a publicly traded company, you may be required to file with the SEC an initial ownership report on Form 3 within ten days after exceeding the ten percent threshold. Changes in an insider's beneficial ownership of securities generally must be reported on Form 4 within two business days after the date of the transaction. An annual report on Form 5 must be filed with the SEC within forty-five days after the fiscal year by every person who was an insider of a publicly traded company during the year to report previously unreported transactions during the year that should have been reported on Form 4 but were not, and certain other transactions that may be reported on Form 5. If you have questions about your filing obligations, please contact us.

Whether or not you are registered with the SEC, if you exercise investment discretion over \$100,000,000 or more invested in equity securities traded on stock exchanges or the Nasdaq Stock Market, you must file a report of your holdings with the SEC on Form 13F within forty-five days after the end of the first calendar year in which such \$100,000,000 threshold is reached and must make quarterly filings thereafter.

Commodities and Futures Trading. If you are a commodity pool operator, you must prepare an annual report containing financial information required by rules adopted by the Commodity Futures Trading Commission (the "CFTC"). You must submit the annual report within ninety days of the end of the pool's fiscal year, as follows: (a) one copy to each pool participant and (b) one copy to the National Futures Association (the "NFA"). In addition, your disclosure document must be regularly updated as required by CFTC rules. The updated disclosure document may also be required to be filed with the CFTC and the NFA.

If you have any questions or comments, need any forms or otherwise need assistance in satisfying any of the requirements discussed in this letter, please contact Doug Hammer, John Broadhurst, Carolyn Gorman, Chris Rupright, Carolyn Reiser, Neil Koren, Joan Grant, Lyn Roberts, Anthony Caldwell, Jim Frolik, Christina Mickelson or Elizabeth Storz.

SHARTSIS, FRIESE & GINSBURG LLP

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Enclosure

TO THE COMMISSIONER OF CORPORATIONS OF
THE STATE OF CALIFORNIA

VERIFICATION FORM PURSUANT TO
RULE 260.241.2(b)

(Executed WITHIN or WITHOUT of the State of California)

I, _____, certify under penalty of perjury under the laws of the State of California that I have read the annexed financial report and supporting schedules and know the contents thereof to be true and correct to my best knowledge and belief; and neither the licensee nor any partner, officer, or director thereof have any proprietary interest in any account classified solely as that of a customer.

Executed this _____ day of _____, _____, at

City

State

(Signature of person signing report)

(Title of person signing report)

(Name of Licensee)

(File Number)

INSTRUCTIONS:

If the broker-dealer, investment adviser is a sole proprietorship, the verification shall be made by the proprietor; if a partnership, by a general partner; or if a corporation, by a duly authorized officer.