



## PIRATE CAPITAL LLC

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JOLLY ROGER FUND LP  
JOLLY ROGER OFFSHORE FUND LTD  
JOLLY ROGER ACTIVIST FUND LP  
JOLLY ROGER OFFSHORE ACTIVIST FUND LTD

September 28<sup>th</sup>, 2006

Dear Investors,

On Tuesday of this week, two of our analysts, Zachary George and David Lorber, resigned from the firm. On Wednesday, our fixed income portfolio manager, Carl Klein, also resigned. Later on Wednesday, I asked for the resignations of two additional analysts: David Muccia and Matthew Goldfarb. All of these individuals will continue to work for a thirty day transition period. Our investment team now consists of: Stephanie Tran, Peter Desloge, Glenn Haberfield, Chadd Kirk and me.

When I started Pirate Capital on July 1, 2002, it was with \$2MM of capital and no analysts. Over the last four years the firm has grown to \$1.7BN. Along with the growth in assets came a growth in personnel. My time, which was originally spent exclusively on the portfolio, the aspect of the business I love most, eventually was split between the demands of raising capital and overseeing the work of the analysts. I have decided to return the firm to its roots.

Effective October 1<sup>st</sup>, we are closing the funds to new investors. My goal is to focus on returns, not the size of the assets we manage. In the coming weeks, I will decide whether to hire an analyst I have short listed as a potential addition to the investment team. I have no intention of liquidating positions or closing the firm. On the contrary, I fully intend to refocus, streamline and navigate the portfolio back to the positive performance I began the firm with. I, along with my family, continue to have 90+% of our net worth invested in Pirate Capital. No one is more committed to this firm and its continued success than I am.

I will use the call we have scheduled on October 3<sup>rd</sup> to answer your questions about the firm's future direction. Until then, all of my time and efforts will be devoted to the task you have entrusted me with: managing the portfolio to the best of my ability. I sincerely appreciate your understanding and welcome the chance to talk with you early next week.

Respectfully,

Thomas R. Hudson Jr.