

**JOINT OFFICIAL LIQUIDATORS
BEACON HILL MASTER LTD.
THEO BULLMORE
PHILLIP S. STENGER**

July 26, 2006

Dear Investor:

This notice follows one from the Joint Official Liquidators (“JOLs”) of Beacon Hill Master, Ltd. (In Official Liquidation) (the “Master Fund”) dated March 20, 2006, which requested that investors submit a release form waiving claims they may have against ATC Fund Services (Cayman), Ltd. (“ATC”), Beacon Hill Asset Management LLC (“BHAM”) and Ernst & Young Cayman Islands (“E&Y”) (collectively the “Indemnitees”). To facilitate an interim distribution, the JOLs are offering investors who have not yet signed the release form three options that will vary the amount of money each investor is entitled to receive as a result of the interim distribution: (1) execute a release and receive an interim distribution; (2) decline to execute the release and receive no interim distribution; or (3) cap the amount of damages you would seek against the Indemnitees and receive a partial distribution, less the amount of Master Fund assets the JOLs are required to hold in reserve to satisfy the damages cap you assign. Please read this notice carefully, as your right to participate in an interim distribution will depend on the course of action you pursue.

Due to scheduling conflicts of counsel for the Claimants and the vacation schedule of Chief Justice Smellie, who presides over the Master Fund’s liquidation in the Grand Court, the hearing on a partial distribution will now occur in September of 2006. To ensure that the distribution hearing goes forward as planned, the JOLs must have resolution with respect to the issue of lingering and unfilled investor claims.

In early June a hearing was held on E&Y’s appeal to the JOLs to admit its proof of debt, which the JOLs have previously denied. Following that hearing, the Chief Justice issued a preliminary oral ruling that he plans to grant E&Y’s appeal, thereby admitting E&Y’s claim for indemnification. A written opinion has not been issued, but it would appear that the court will require that we set aside an adequate reserve to cover possible future claims by investors who have not waived their claims. You will recall, too, that the interim distribution hearing held on February 15, 2006 was adjourned partially due to pending resolution of whether the JOLs are required to reserve funds out of the Master Fund’s assets to satisfy indemnification claims that may be asserted by the Indemnitees as a result of presently non-litigating investors filing future claims against the Indemnitees. Accordingly, given the Chief Justice’s recent ruling regarding E&Y’s indemnification claim, it is now even more critical that investors take action to waive their claims to facilitate a partial distribution.

Theo Bullmore

KPMG, Century Yard, P.O. Box 493GT, Grand Cayman, Cayman Islands Telephone: (345) 949-4800 Fax: (345) 949-7164 E-mail: tbullmore@kpmg.ky

Phillip S. Stenger

Stenger & Stenger, P.C., 4095 Embassy Drive, SE, Suite A, Grand Rapids, Michigan, 49546 Telephone: (616) 940-1190 Fax: (616) 940-1192 E-mail: phil@stengerlaw.com

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In addition, the JOLs are currently negotiating potential global settlement options with counsel for a few of the Indemnitees; however, it is not likely that a settlement will be reached with all Indemnitees prior to the time that a distribution hearing will be heard.

Counsel for the JOLs has advised that if that hearing goes forward, the JOLs argument for authorization to make an interim distribution will be strengthened if the JOLs can demonstrate to the Court that they have either (1) obtained releases from investor plaintiffs who are not participating in the Investor Litigation for claims they may have against the Indemnitees or (2) reserved sufficient funds to cover these contingent claims.¹

Accordingly, to facilitate an interim distribution, the JOLs request that you carefully consider executing one of the three options below, as also stated on the attached Release. Prior to signing this Release, you should consult your legal advisor concerning the effect of executing this Release.

Option	Legal result	Effect on interim distribution
<u>Agree</u>	Investor will fully and forever release, acquit and discharge the Indemnitees, their successors and assigns from any and all liability, claims, causes of action, suits, damages or demands, that the Investor had, may now have, or that may subsequently accrue to it, whether known or unknown, arising out of or connected with, directly or indirectly, the Investor's investment.	Investor will be entitled to receive distributions on a pro rata basis once the Court has approved a partial distribution of the Master Fund.
<u>Decline</u>	Investor does not agree to sign the release form. Investor has the right to file presently un-filed litigation against the Indemnitees.	Investor will not be entitled to receive a distribution from an interim distribution. Instead the investor's shareholdings will be held in reserve to satisfy indemnification claims that may be asserted by the Indemnitees in the future, pending resolution of those claims.
<u>Cap damages</u>	Investor agrees to cap the amount of damages against the Indemnitees in any presently un-filed investor litigation.	Investor is entitled to receive distributions on a pro rata basis less the amount of the cap. If the payout of the proportionate shares of the assets is lower than the capped amount, the investor will not receive payments from a partial distribution, pending resolution of those claims.

¹ The plaintiffs in *Fraternity Fund, Ltd., et al. v. Beacon Hill Asset Management, et al.*, 03 Civ. 2387 (LAK) and in the related action, *Gibraltar Fund I, L.P., et al. v. Beacon Hill Asset Management, et al.*, (collectively the "Investor Litigation") have agreed to an overall cap of \$40,000,000 against the Indemnitees, which will be reduced significantly if a settlement agreement is reached with the Indemnitees.

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As stated above, please note that “capped investors” are not releasing their claims against the Indemnitees. Instead, investors are capping the amount they can recover from the Indemnitees in pursuing claims against them. Therefore, capped investors are choosing to initiate, continue or preserve the option to file claims against the Indemnitees in the future.

The JOLs will assume that investors who have not returned the enclosed release form do not agree to release the Indemnitees. Therefore, the JOLs will exclude these investors from any interim distribution, pending resolution of the indemnification claims.

Please return the executed Releases to us by the close of business on Friday, August 11, 2006. You may mail, fax or email the forms to the following addresses:

Phillip S. Stenger, Joint Official Liquidator
Beacon Hill Master, Ltd.
(In Official Liquidation)
Stenger & Stenger, P.C.
4095 Embassy Drive, SE
Suite A
Grand Rapids, MI 49546
Facsimile: (616) 940-1192

Theo Bullmore, Joint Official Liquidator
Beacon Hill Master, Ltd.
(In Official Liquidation)
KPMG Cayman Islands
P.O. Box 493 GT
Century Yard
Grand Cayman, Cayman Islands
Facsimile: (345) 949-7164

Please do not hesitate to contact either Heather Adams at heather@stengerlaw.com or Michael Schulz at schulz@kpmg.ky should you have any additional questions or concerns.

Very Truly Yours,



Phillip S. Stenger



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