

MEMO ENDORSED

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February 3, 2006

PLEASE REPLY TO GRAND RAPIDS

VIA HAND DELIVERY

The Honorable Lewis A. Kaplan
United States District Court Judge
Daniel Patrick Moynihan Courthouse
500 Pearl Street, Room 310 (c/o Mail Room)
New York, NY 10007-1312

Re: *Securities and Exchange Commission v. Beacon Hill Asset Management LLC, et al.*
Case No. 02-8855-CIV (LAK) (the "SEC Action")

Dear Judge Kaplan:

On October 6, 2005, Beacon Hill Master, Ltd. (In Official Liquidation) ("Master Fund") and Bristol Fund, Ltd. (In Official Liquidation) ("Bristol") commenced litigation against Banc of America Securities, LLC ("BAS") for aiding and abetting Beacon Hill Asset Management, LLC's ("BHAM") fraud and breach of fiduciary duty by providing false and inflated security values to third parties, including the auditors (the "BAS Claims"). In the same action, Bristol asserts claims against Prudential Financial, Inc. and its affiliates ("Prudential") for similar conduct, which occurred prior to the Master Fund's inception (the "Prudential Claims"). The timing of the filing was controlled by possible statute of limitations concerns. The case was originally filed in State Court in New York, but was removed by BAS to Federal Court and has been assigned to your Honor. The action is captioned *Theo Bullmore, et al. v. Banc of America Securities, LLC, et al.*, 02 Civ 8855 (LAK) (HBP).

In approving the commencement of the BAS and Prudential Claims, the JOLs and the liquidation committees¹ of the Master Fund and Bristol also approved a cost and recovery sharing arrangement with respect to the Prudential Claims whereby, subject to Court approval, the Master Fund would be responsible for the costs associated with the Prudential Claims in return for which all amounts recovered on the Prudential Claims would go to the Master Fund and be distributed pro rata to all three feeder funds (the "Sharing Agreement").

¹ Under Cayman Islands law, liquidation committees are representative bodies of creditors or investors, similar to a creditors committee under U.S. Bankruptcy law.

MEMO ENDORSED

SO ORDERED

Grants
Mr. Kaplan
KAPLAN, USDJ
2/6/06

Concurrently with the filing of the action against BAS and Prudential, the JOLs filed a motion with Your Honor requesting instructions as to whether prior court approval was needed to prosecute the litigation and if so requesting that such authority be granted. In the motion, the JOLs indicated that they would petition the Court for approval of the Sharing Agreement once the position of the third feeder fund, Milestone Plus Partners LP ("Milestone"), was known. Initially, the Court granted approval to prosecute the litigation but after objection by the SEC vacated that approval subject to further submissions by the parties.

The SEC raised three objections to the litigation. First, the SEC objected to the Sharing Agreement based on the preliminary objection of Milestone to the Sharing Agreement. Second, the SEC believed that a fee hold-back for Mr. Berman and his firm for prosecuting the BAS and Prudential litigation was appropriate. Third, the SEC believed that there was a conflict or potential conflict of interest in the fact that Mr. Berman was representing Bristol and the Master Fund in the Prudential and BAS litigation (as well as investors of the funds in separate litigation) and that investors should be given an opportunity to object to such representation.

As to the first objection, the JOLs have now obtained the consent of Milestone to the Sharing Agreement. As to the second objection, the JOLs have negotiated with Mr. Berman and his firm a hold-back of 15% of fees on the BAS and Prudential Claims as reflected in the letter from the JOLs to the SEC dated January 6, 2006, a copy of which is attached as **Exhibit A**. A copy of the fee agreement and amendment to reflect the 15% hold-back for the BAS and Prudential litigation is attached as **Exhibit B**. Likewise, Mr. Stenger, in his capacity as JOL and Receiver of Safe Harbor Fund LP ("Safe Harbor"), has agreed to a hold-back of 15% of the fees billed by Stenger & Stenger PC (including his own fees) for work performed in connection with the BAS and Prudential Claims.

As to the conflict issue, on January 16, 2006, the JOLs sent a notice to investors in Bristol and Safe Harbor titled "NOTICE OF CONFLICT OF INTEREST: ACTION REQUIRED" (the "Waiver") informing investors of the potential conflict of interest and giving them the opportunity to waive, or decline to waive, the potential conflict. The JOLs requested that investors return the Waiver by no later than January 30, 2006. A copy of the Waiver is attached as **Exhibit C**.

There are 52 current investors in Safe Harbor.² As of today's date, 51 Safe Harbor investors had returned the Waiver, representing 98% of Safe Harbor investors and 98.6% in total invested capital. Each one of them has checked the box to indicate waiver of the potential conflict. One Safe Harbor investor has not returned the Waiver.³ As a result, a clear majority of Safe Harbor investors has waived the conflict.

² Historically there were 73 investors in Safe Harbor, however, since at least October of 2002, the ATC and BHAM books and records show that 21 investors have either fully redeemed or over-redeemed their investment. Thus, only 52 investors remain invested with positive capital and shareholding balances.

³ Additionally, as a matter of due process, we mailed the Waiver to 8 additional former Safe Harbor investors, including the principals of BHAM, BHAM, Safe Harbor Asset Management, and an investor

There are 111 investors in Bristol. As of today's date, 93 Bristol investors, representing 82% of Bristol investors and 88% in total invested capital, had returned the Waiver and all but two investors (representing .018% of total Bristol shareholders and .653% of invested capital) checked the box indicating waiver of the potential conflict. The other 18 Bristol investors have not returned the Waivers. As a result, a clear majority of Bristol investors has waived the conflict.

Additionally, we sent the Waiver to representatives of Milestone Plus Partners, L.P. ("Milestone") to request that they disseminate it to the Milestone investors.⁴ In response, we received one Waiver indicating that Milestone Global Advisors, L.P., the General Partner of Milestone, agreed to waive the conflict.

It should be noted that Mr. Berman and his firm seek to represent the Master Fund and Bristol in the BAS and Prudential Claims, not the shareholders of the Master Fund or the shareholders of Bristol⁵ and as a result seeking the approval of the investors in the funds was not required. Both the Master Fund and Bristol are corporate bodies in liquidation proceedings in the Cayman Islands and act through their court appointed liquidators, both of whom, with the advise and consent of their respective liquidation committees, have waived any potential conflict. In addition, Safe Harbor's receiver has also waived any potential conflict. However, if there were any doubt about the authority of the court appointed fiduciaries' ability to waive the potential conflict of interest, that doubt is now resolved as a clear majority of the investors in both Bristol and Safe Harbor have also waived the potential conflict.

The JOLs thus request that the Court enter an order that approves the Sharing Agreement and the retention of Mr. Berman and his firm to pursue the BAS and Prudential Claims according to the terms of the retention agreement, with the 15% fee hold-back.

Very truly yours,

STENGER & STENGER, P.C.


Sara E. D. Fazio

c: Attached Service List

who was a late redeemer). None of these investors has a current investment in Safe Harbor, and none responded to the waiver.

⁴ We have never been provided a list of the Milestone investors, and as such do not possess the identity of all individual investors of Milestone. Instead, we have historically communicated with Milestone through its counsel, Skadden Arps Slate Meagher & Flom, LLP and its representative, Jarod Riley

⁵ Separately, as the Court is aware, Mr. Berman is seeking to add BAS and Prudential as defendants in the Investor Litigation for claims that the investors have against BAS and Prudential.