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March 27, 2007

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VIA FEDERAL EXPRESS

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:

This letter is my Eleventh Report as Receiver for Safe Harbor Fund, L.P. ("Safe Harbor") and will summarize for the Court various developments in the conduct of the Safe Harbor Receivership and the Cayman Islands Joint Official Liquidation of Beacon Hill Master, Ltd. ("Master Fund") since my Tenth Report to the Court dated June 30, 2006.¹

INVESTOR COMMUNICATIONS

To keep investors apprised of case developments, the Joint Official Liquidators ("JOLs") accept telephone calls and emails from investors in Safe Harbor, Bristol Fund, Ltd. ("Bristol") and Milestone Plus Partners, L.P. ("Milestone"). The JOLs also maintain and update the Master Fund website at BeaconHillMaster.com.² I also continue to update

¹ This Report has been prepared for the period of July 1, 2006 to date in accordance with Section II of the *Order Appointing Receiver for Safe Harbor Fund L.P. on Consent* (the "Appointment Order"), which directs the Receiver to report to the Court, the parties, the Commission and Safe Harbor investors on a quarterly basis.

² Additionally, the following "URLs" have been reserved for use by the JOLs and will revert the user to the main BeaconHillMaster.com website: BeaconHillMaster.net, BeaconHillMaster.org, BeaconHillMasterFund.com, BeaconHillMasterFund.net, BeaconHillMasterFund.org, BeaconMaster.com, BeaconMaster.net, BeaconMaster.org, BeaconMasterFund.com, BeaconMasterFund.net, BeaconMasterFund.org, MasterFund.org, BHMaster.net, BHMaster.org, BHMasterFund.com, BHMasterFund.net, BHMasterFund.org.

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and maintain an independent Safe Harbor Receivership Website at SafeHarborFund-Receivership.com³. A copy of this report will be posted on the Safe Harbor website.

Additionally, the JOLs send periodic notices to all investors apprising them of developments in the liquidation of the Master Fund, as well as all related, ongoing litigation. The most recent notice to investors, dated March 7, 2007, provides a comprehensive update and is attached hereto as **Exhibit A**.⁴

In accordance with Section III of the *Stipulation and Order Granting Preliminary Injunction and Other Relief* entered by this Court on November 13, 2002, the JOLs distribute monthly estimated valuation reports to all investors in the feeder funds each month. These monthly estimated valuation reports are also filed with this Court.

SETTLEMENT WITH BHAM AND ATC

As previously reported, the JOLs have claims pending against Ernst & Young Cayman Islands ("E&Y CI"), Beacon Hill Asset Management, LLC ("BHAM"), John D. Barry ("Barry"), Thomas Daniels ("Daniels"), John Irwin ("Irwin"), and Mark Miskiewicz ("Miskiewicz"), in the matter of *Bullmore, et al. v. Ernst & Young, et al.*, Index No. 104314/05, in the Supreme Court of the State of New York, on March 29, 2005 (the "Master Fund Action"). Additionally, a group of investor plaintiffs have an action pending against BHAM, Barry, Daniels, Irwin, Miskiewicz, in the matter of *Fraternity Fund, Ltd., et al. v. Beacon Hill Asset Management, et al.*, 03 Civ. 2387 (LAK)⁵ (the "Investor Action").

As the Court is aware, the JOLs and counsel for the Investor Action successfully negotiated a global settlement agreement with counsel for BHAM and Asset Alliance in relation to all claims pending between the parties, including BHAM's indemnification claims against the Master Fund. While the terms of the settlement agreement remain contingent upon Court approval, the agreement was executed as between the parties on

³ The following additional "URLs" have also been reserved for use by the receivership and liquidation: BeaconHillAssetManagement.net, BeaconHillAssetManagement.com, SafeHarborFund-Receivership.net, and SafeHarborFund-Receivership.com. The Safe Harbor website can also be accessed through the Stenger & Stenger website at www.stengerlaw.com.

⁴ In the Notice to Investors under the discussion "Partial Distribution Payments" the statement is made that: "The JOLs have been working with the SEC to try to agree a payment plan so that this application can proceed as quickly as possible." Over time, the JOLs and the SEC have agreed to recommend to the Court that the averaging method be used for the distribution. In addition, between December of 2005 and March of 2006, the JOLs and the SEC developed a draft of a distribution plan which the parties believe can be finalized and presented to the Court.

⁵ As well as in two related actions, *Gibraltar Fund I, L.P., et al. v. Beacon Hill Asset Management, et al.*, and *Banca Nazionale del Lavoro S.P.A. v. Beacon Hill Asset Management, et al.*.

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December 7, 2006. Shortly thereafter, on December 15, 2006, the JOLs filed a *Motion and Brief Seeking Ratification of Global Settlement Agreement and Instructions Regarding Allocation of Settlement Funds* ("Ratification Motion"). On December 27, 2006, the SEC filed its *Partial Opposition to the Motion by Joint Official Liquidators Seeking Ratification of Global Settlement Agreement and Instructions Regarding Allocation of Settlement Funds*, objecting to the allocation of the settlement proceeds, but not the settlement itself. Pursuant to Your Honor's Order of January 30, 2007, the Ratification Motion is now pending before Magistrate Judge Pitman. The JOLs have filed a request with Judge Pitman to approve the settlement while he considers his decision on the allocation issue. A copy of the letter to Judge Pitman is attached as **Exhibit B**.

Separately, the JOLs and counsel for the Investor Action and counsel for ATC have been negotiating and are extremely close to finalizing a settlement agreement as between the Master Fund, the Investor Action, and ATC. At present, ATC has indicated that it is willing to settle its indemnification claims, roughly valued at \$1.4 million, for \$800,000 provided that, inter alia, the Master Fund also agrees to produce both investor and fund releases executed in favor of ATC. Similar to the BHAM/Asset Alliance global settlement agreement, the ATC settlement agreement will also remain subject to this Court's approval.

STATE COURT LITIGATION

Discovery in the Master Fund Action is ongoing. During the months of December 2006 and January 2007, counsel for the Master Fund conducted several depositions of key witnesses in New York, Chicago and Grand Cayman. It is anticipated that document production will be finalized within the coming weeks.

As was reported in the Tenth Report to the Court, following a ruling from Justice Ramos dismissing certain of the Master Fund's claims, on May 23, 2006, the JOLs filed a Motion for Reargument with regard to the Court's dismissal of the claims against BHAM and the BHAM principals for breach of fiduciary duty and the associated aiding and abetting claims. On July 10, 2006, Justice Ramos denied the Motion for Reargument.

Separately, on February 20, 2007, the JOLs perfected their appeal against the dismissal of EYLLP and ATC as parties to the Master Fund Action, as well as the basis for Justice Ramos' dismissal of the breach of fiduciary duty against BHAM and its principals and the associated aiding and abetting claims. Once the pending settlement agreement with ATC is finalized, the JOLs will move to dismiss ATC as a party to the appeal. A copy of the appellate brief is posted on the beaconhillmaster.com website.

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BANC OF AMERICA AND PRUDENTIAL LITIGATION

The Motions to Dismiss filed on May 30, 2006 by Banc of America Securities LLC ("BAS") and Prudential Financial, Inc. ("Prudential") in the matter of Bullmore, et al. v. Banc of America Securities LLC, et al., 02 Civ 8855 (LAK) (HBP) ("BAS Action"), and all related briefs are pending before the Court. Because the parties agreed to stay discovery while the motions to dismiss are pending and to coordinate discovery with discovery in the Investor Action, nothing further has transpired in this matter.

INVESTOR LITIGATION

Aside from the involvement of the Investor Group in the various settlement negotiations, no significant developments have occurred in the Investor Action since my Tenth Report to the Court. As with the BAS Action, motions to dismiss have been briefed and discovery is stayed pending resolution of the briefs.

DISTRIBUTION OF MASTER FUND ASSETS TO SHAREHOLDERS

As discussed in previous reports, the JOLs cannot distribute any of the Master Fund's assets to investors until the claims of its creditors are resolved. E&Y CI, BHAM, and ATC (collectively the "Claimants") have all filed indemnification claims against the Master Fund and are therefore obstacles to a distribution. There are currently three primary obstacles to moving forward with a partial distribution hearing, all of which are discussed in further detail in the notice to investors attached as **Exhibit A**.

Generally, pending finalization and Court approval of the settlement agreements, both ATC and BHAM continue to have a basis to object to the partial distribution because there are actual or potential claims which may be subject to indemnification pending against each. As discussed above, the JOLs have settled with BHAM (subject to court approval) and are very close to a settlement with ATC and therefore it appears that these obstacles to a distribution will be overcome in the near future.

E&Y CI has objected to a distribution on three grounds. First, E&Y CI claims that it is entitled to indemnification for costs it incurred in defending the Investor Action. Based on the hearing before Chief Justice Smellie of the Cayman Islands in June of 2006, it appears that E&Y CI will be entitled to indemnification for these fees (the Chief Justice issued an oral ruling but has not issued a written opinion as of this time). E&Y CI has just recently amended its claim for these fees from \$900,000 to \$1,200,000.

Second, E&Y CI claims that it will also be entitled to indemnification if it is sued and found liable for contribution by BAS or Prudential in the event the Master Fund or

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Investor action against the banks is successful. The JOLs and Investor Plaintiffs have proposed a resolution whereby any recovery against the banks be escrowed until the contribution and indemnification issues are resolved in the appropriate forums. If an agreement on this basis cannot be reached with E&Y CI, the JOLs will take the matter up with the Grand Court for a resolution.

Finally, E&Y CI objects to a distribution on the basis that it will be entitled to indemnification in the Master Fund action. Based on Judge Smellie's oral ruling it is clear that the Master Fund will have to indemnify E&Y CI for costs incurred in defending against the Master Fund Action (including the Appeal) if the Master Fund's claims are not successful. In our view, E&Y CI will not be entitled to indemnification in the Master Fund Action if they are found negligent, and we believe that their counsel's own correspondence supports this view. E&Y CI, however, has asserted that they are entitled to indemnification in all circumstances, including where they are found negligent. Of course, the answer to this question is critical to the JOLs litigation strategy as well as a distribution. The Chief Justice has indicated that he expects to issue his decision in the near future.

As soon as we have resolved the above issues, the JOLs will again move the Grand Court for a partial distribution. After the Grand Court approves the partial distribution, the SEC and the JOLs will file a distribution plan with Your Honor seeking similar approval.

**BEACON HILL MASTER, LTD. OFFICIAL LIQUIDATION COMMITTEE
("LIQUIDATION COMMITTEE")**

The Liquidation Committee⁶ continues to meet regularly to advise the JOLs of the views of investors on the outstanding litigation and distribution issues, and to review the professional fee applications of the JOLs and their retained professional service providers. Since the date of my Tenth Report to the Court, the Liquidation Committee convened via telephone conference on three occasions: (1) on September 22, 2006 to discuss finalizing the BHAM/Asset Alliance settlement agreement; the status of litigation, including the possibility of filing an appellate brief in light of Justice Ramos' decision dismissing E&Y LLP, ATC, and certain claims against BHAM and its

⁶ The Liquidation Committee consists of eight (8) investors of the feeder funds including Safe Harbor investors Ontario/Safe Harbor Liquidating Trust, Gibraltar Fund I, L.P., and Bank One Opportunity Fund, L.P. and Bristol investors Deutsche Bank, Meespierson Nominees (Guernsey) Limited N809, Banco Nazionale del Lavoro Spa, Field Nominees Account #1329745, and Magnum Special Situations Fund. The Liquidation Committee members' contact information has been distributed to all Safe Harbor and Bristol investors.

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principals; and other indemnification and distribution issues; (2) on November 3, 2006 to discuss the status of the partial distribution and the escrow proposal for E&Y CI; and (3) on February 28, 2007 to discuss the remaining obstacles to a partial distribution.

SAFE HARBOR'S ASSETS AND LIABILITIES

Based upon the information I have received to date, Safe Harbor appears to own or have an ownership interest in the following assets:

- A. The funds held by Master Fund at its account at Fifth Third Bank with an approximate balance of US\$345,067,683 as of February 28, 2007. Based upon the Master Fund's unadjusted NAVs as of July 31, 2004 (for which I have not determined reliability), Safe Harbor owns 18.1% of the NAV of the Master Fund (123,158 of its outstanding shares), with an estimated value of US\$62,457,251.
- B. Funds in the amount of US\$308,717 as of February 28, 2007 held in an account at Fifth Third Bank on behalf of the Receiver for Safe Harbor. The assets in this account consist of funds transferred in August 2006 from an account at First Caribbean International, Cayman Islands in the name of "ATC Fund Admin: Bristol # 2" to the Receiver's account pursuant an order of this Court and the return of a retainer from Appleby, Spurling & Hunter, Cayman Islands counsel to Safe Harbor.

MASTER FUND'S ASSETS AND LIABILITIES

The Master Fund's assets total US\$345,067,683 as of February 28, 2007. These assets are held in an account at Fifth Third Bank and earn interest at a rate of official British Bankers Association One-month LIBOR minus 0.08%. The current interest rate being earned is 5.29%. As of February 28, 2007, the Master Fund had total liabilities of US\$1,761,179, which consist of accrued expenses for unpaid professional fees.

* * *

STENGER & STENGER, P.C.

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I hope this report has been informative. If requested, I would be happy to discuss any aspect of this Report with the Court, the Commission, counsel for the parties, and investors.

Very truly yours,

STENGER & STENGER, P.C.

A handwritten signature in black ink, appearing to read 'P. Stenger', written over a horizontal line.

Phillip S. Stenger, Receiver (PS-9969)

Enclosures:

Exhibit A: Notice to Investors

Exhibit B: Letter to Judge Pitman

c: To the following parties via Federal Express
Kevin O'Rourke, SEC
David Kagan-Kans, SEC
Theo Bullmore, KPMG Cayman Islands

c: To the following parties via U.S. Mail:
Skadden Arps Slate Meagher & Flom LLP c/o Seth Schwartz
All Safe Harbor investors of record

EXHIBIT A

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

March 7, 2007

Dear Investor,

We write to update you on the progress, in the last 6 months, of various issues regarding the liquidation and outline various matters relevant to the JOLs being able to make a partial distribution.

Over the past several months the JOLs have been involved in:

1. Negotiating and finalising settlements with the Master Fund's investment manager, Beacon Hill Asset Management LLC ("BHAM"), and its principals, as well as negotiating a separate settlement with the Fund's administrator ATC Fund Services (Cayman) Limited ("ATC"). The settlement with BHAM was part of a global settlement that also resolved claims asserted by a group of investors in the Feeder Funds (the "Investor Plaintiffs"), and the settlement similarly resolves claims asserted by the Investor Plaintiffs against Asset Alliance. Under the terms of the settlement, Asset Alliance has agreed to pay \$2.5 million upon approval of the settlement agreement and \$1 million on the one year anniversary of the settlement. BHAM has agreed to waive its \$6 million indemnification claim against the Master Fund (of which approximately \$5 million related to legal fees and costs in connection with the SEC litigation, the Investor Action, the Master Fund Action and the arbitration with Asset Alliance), withdraw its objection to the distribution and assign management fee cash flows from an investment contract. Asset Alliance and three Beacon principals have guaranteed that the cash flows will equal \$1.75 million on or before December 19, 2012. Asset Alliance has guaranteed the payment of 50% of this total amount and

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each of three Beacon principals has guaranteed one third of the remaining 50%. Under the settlement agreement, the Master Fund is allocated \$1 million and the Investor Plaintiffs are allocated \$1.5 million of the first \$2.5 million payment since that money is coming from Asset Alliance, which the Master Fund did not sue. All other payments are to be split 50/50 between the Master Fund and the Investor Plaintiffs. In total the settlement has a value of approximately \$13 million inclusive of BHAM's waiver of its indemnification claim. Of this amount, approximately \$6.25 million (prior to discounting) is in the form of cash or cash flows. Even if the Master Fund's claims against the Beacon Hill defendants were ultimately successful, the recovery of this amount would likely be difficult and therefore the JOLs believe this settlement is fair, reasonable and advantageous to the estate.

The JOLs filed a motion with Judge Kaplan to approve the settlement agreement and the SEC filed an objection to the allocation of the settlement proceeds but not the settlement itself. Subsequently, Judge Kaplan referred the matter to Magistrate Judge Pitman for resolution. Copies of the motion to approve the settlement agreement and the SEC's objection will be posted on the JOL's website <http://www.beaconmaster.com>.

2. Undertaking discovery in connection with the Master Fund's litigation against Ernst & Young Cayman Islands ("EYCI"). Fact discovery is well underway, and is currently due to finish at the end of April 2007. Expert discovery will follow the completion of fact discovery. Depositions taken in connection with the action have been very helpful to the Master Fund's case.

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3. Drafting an appeal with respect to those claims dismissed by the New York State Supreme Court (Justice Ramos) in relation to EY LLP, EYCI, and ATC. The JOLs' brief was filed on 21 February 2007. The brief challenges the Court's dismissal of the aiding and abetting claims against EYCI, EY LLP, and ATC, the negligence/professional malpractice claim against EY LLP, and the breach of contract claims against ATC. If, and when, the ATC settlement agreement is finalised, the JOLs will dismiss the claims the Master Fund is appealing against ATC and thus discontinue that portion of the appeal.

4. Seeking approval of the "averaging" method of distribution by Judge Kaplan with a view to agreeing a payment plan with the SEC for partial distribution.

While the JOLs have undertaken the activities noted above, there are other issues that remain outstanding. Specifically, as set forth in more detail immediately below: (I) the Grand Court of the Cayman Islands ("Grand Court") has yet to issue a written decision on Ernst & Young Cayman Islands' claim for indemnification; and (II) there remain a few obstacles to partial distribution of the Master Fund's assets, which obstacles the JOLs are working to remove.

I. EYCI indemnity claim

EYCI's engagement letter with the Master Fund entitles EYCI to indemnification for certain damages it may suffer, including losses attributable to the fraud of the Fund's management. EYCI has argued that any judgment against it resulting from its audit of the Master Fund is attributable to the acts of management and therefore subject to indemnification by the Master Fund. In an oral decision in July of 2006, the Chief Justice indicated that the Court would find

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that BHAM would be considered management of the Master Fund, but did not indicate the extent to which indemnification would be permitted. (The JOLs do not agree that BHAM is management of the Master Fund.) We still have not received the written decision. Until a written decision is issued, the exact position of the Grand Court is unclear. At this point, we know that EYCI will be entitled to indemnification for its purported expenditures in defending an action asserted by the Investor Plaintiffs in the approximate amount of \$900,000. We also know that EYCI will be entitled to indemnification for legal fees expended in defending the claims asserted by the Master Fund (including the pending appeal) if those claims are ultimately unsuccessful. In our view, EYCI are not entitled to indemnification in the Master Fund action if they are found negligent, and we believe that their counsel's own correspondence demonstrates concurrence with this view. EYCI, however, has asserted that they are entitled to indemnification in all circumstances, including where they are found to be negligent. Without the aid of a written decision, the JOLs are required to give some credence to EYCI's view for the purposes of considering retentions from the distribution.

II. The Partial Distribution application

You will recall that we have appeared twice before the Grand Court of the Cayman Islands to seek an Order for Partial Distribution of the Assets of the Funds. As we have explained, the difficulty is that in a liquidation of a company Cayman law requires creditors to be paid before any surplus assets are paid to shareholders.

In this case the investment manager (BHAM), the administrator (ATC) and the auditors (EYCI) have claimed indemnity from the Funds in regard to costs, expenses and liability for damages they allegedly have incurred (or will incur) as a result of both claims against them by investors

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and claims against them by the Funds. They assert, in turn, that these contingent claims make them creditors of the Funds and so the JOLs must reserve for payment of any claim by them before making a payment to shareholders (i.e., to investors).

In light of this background, there are presently three obstacles to a partial distribution of assets held by the Funds. Each of the obstacles is addressed below.

(i). ATC's Claim for Indemnification and Banco Nazionale Lavoro Spa ("BNL")

ATC has asserted a claim for indemnification in the approximate amount of \$1.4 million against the Master Fund based on its purported expenditures in defending claims asserted against ATC by the Investor Plaintiffs. The JOLs have made significant progress in resolving this impediment to distribution by negotiating a settlement agreement with ATC whereby ATC agrees to accept a payment of \$800,000 in satisfaction of its indemnity claim. The settlement agreement is largely finalised and ready for execution by the parties.

As part of the settlement, however, ATC is requiring releases from all of the investors in the Funds. One investor, BNL, which has a significant shareholding in Bristol Fund, Ltd., and which sued BHAM, ATC and EYCI, has, until now, refused to execute such a release. The ATC settlement could be finalised if BNL would, like the Funds' other investors, release its claims against ATC.

The JOLs have recently been advised that BNL are prepared to execute a waiver of claims against, amongst others, ATC. BNL's representatives have indicated that this matter requires the approval of the Board of BNL and have asked that the JOLs provide a written request for the

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waiver to be put before their Board for their consideration. The JOLs have also been requested by BNL to enquire if BHAM and Asset Alliance will give a release to BNL in return for BNL's waiver of claims. ATC have already agreed to do this and BHAM and Asset Alliance's representatives are taking instructions on this point. The JOLs have provided the required written request for the waiver to BNLs' representatives and understand that on that basis the Board of BNL should be able to consider the request by 31 March 2007. If BNL does waive its claims, the JOLs will petition the New York Court for authorization to pay the \$800,000 settlement amount to ATC.

If BNL is not prepared to waive its claims against ATC, or is not prepared to address the issue within a reasonable timetable, then we will be discussing with ATC's Cayman counsel an application to the Grand Court for directions on this issue or some other way to resolve this impediment to finalizing the ATC settlement. This will take a minimum of 6-8 weeks to resolve, and quite possibly longer, through the Courts, so we are making every effort to resolve the situation directly with BNL and its advisers.

(ii) EYCI's Potential Claim for Indemnification/Contribution in the Event of a Judgment Against Banc of America Securities ("BAS") or Prudential Securities ("Pru")

Certain investors in the Funds have asserted claims against BAS and Pru, alleging that these banks aided and abetted BHAM's fraudulent conduct by providing false securities valuations for use in connection with audits of the Master Fund and Bristol. The JOLs believe that these claims have merit, and have asserted similar claims against the banks for the damages suffered by the Funds.

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In the event that the investors obtain a judgment against either BAS or Pru, one or both of those defendants may assert a claim for contribution against EYCI, asserting that EYCI is partially responsible for any losses suffered by the investors. The JOLs (and we are advised, the investor plaintiffs) believe that any such contribution claim against EYCI would be without merit. Nonetheless, EYCI has raised the possibility of such a claim, and has further asserted that, should it be held liable to either of the banks for contribution, it would seek indemnification and /or contribution for those damages from the Master Fund. EYCI would be relying on the indemnification provision in its engagement letter with the Master Fund and/or a legal principle that allows a person who is found liable for losses to seek a contribution to payment of those losses from anyone else who is responsible for the same loss. In this case if BAS and/or Pru are found liable to the investors for losses they could assert a claim for contribution against EYCI for such losses. If this does occur, then EYCI state they would be entitled, in turn, to claim indemnification/contribution from the Funds for any amounts they are required to pay. The basis for EYCI's contribution claim would be their assertion that the Funds' directors would be liable, in part, for the losses, and that the Funds would therefore be obligated to pay that portion of the loss. EYCI asserts that this contingent claim makes them a creditor of the Funds and so the JOLs have to reserve for payment of any claim by them before making a payment to shareholders.

In order to resolve this impediment to distribution, the investor plaintiffs have agreed that, if they obtain a final judgment against BAS and/or Pru, any payments from the banks in satisfaction of that judgment would be placed in escrow pending a final determination of any contribution claim by the banks against EYCI (and, if necessary, the determination of a claim by EYCI against the Master Fund for indemnification/ contribution). This would provide adequate protection to EYCI because any contribution judgment against EYCI would necessarily be no more than the amount of any judgment made against BAS and/or Pru.

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The investors plaintiffs' proposal has been shared with Maples & Calder, counsel to EYCI, and we have repeatedly been informed by Maples & Calder that comments on that proposal would be received in the near future. However, if we do not hear from EYCI with their position on this issue then we will file an application, which is currently being drafted, with the Grand Court for directions that the escrow proposal sufficiently protects EYCI as a potential creditor. It is anticipated the application will be ready for filing by 9th March 2007. The application would be listed before the Chief Justice as soon as there is time available in the Court's lists, and subject to availability of counsel. It is currently anticipated the application might be heard in the first week of May 2007. In the meantime, however, it is hoped that EYCI will voluntarily accept this escrow proposal, which would save the need for a further directions hearing.

(iii). Court Approval of Settlement with BHAM

Like ATC and EYCI, BHAM had asserted substantial indemnification claims against the Funds. The BHAM indemnification, claims, however, have been resolved by a global settlement between BHAM, its principals, the Master Fund, the investor plaintiff group, and Asset Alliance (against which the investor plaintiffs asserted claims). In the settlement, which has been fully executed, BHAM has agreed to abandon its indemnification claims.

Although the settlement has been finalised and submitted to the U.S. District Court in New York for approval, the SEC has raised a partial objection to the settlement. The SEC has not objected to settlement vis-à-vis the defendants, but rather contests the division of settlement proceeds between the Master Fund and the investor plaintiffs. The JOLs and, separately, the investor plaintiffs, believe that the SEC's objection is without merit.

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On February 1, 2007, US District Court Judge Kaplan referred the BHAM settlement to Magistrate Judge Pitman for report and recommendation. The JOLs are currently drafting a letter to the Magistrate Judge to advise that time is of the essence, but we are unable to estimate as to when his report and recommendation is going to be made available.

* * *

In light of the three obstacles to distribution set forth above, the JOLs' intention is to get a new date for the Grand Court to hear the application for partial distribution. Prior to doing so, the JOLs will attempt to secure approval of the BHAM settlement by the US District Court in New York and to finalise the ATC settlement, including approval by the US District Court of New York of the payment to ATC under the terms of the settlement. This is because until the settlements are finalised both BHAM and ATC will object to a partial distribution.

Partial Distribution Payments

Finally, once the Grand Court approves a partial distribution it will be necessary for the JOLs to seek approval of the US District Court in New York for the actual payments to be made to the shareholders. This will also involve the SEC scrutinising the proposed payment process and amounts. The JOLs have been working with the SEC to try to agree a payment plan so that this application can proceed as quickly as possible.

Motion for Payment from Master Fund to investors

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You may recall that when the Master Fund engaged Scott Berman's firm ("Berman") to act for it, to bring claims against BHAM, ATC and EYCI, Berman was already acting for some investors ("Investor Plaintiffs") who had brought claims against BHAM, ATC and EYCI. It was agreed between the Master Fund and the Investor Plaintiffs, as part of the arrangements on fees and conflicts, that the Master Fund would pay the sum of US\$500,000 to the Investor Plaintiffs ("the Payment") This sum represented the saving to the Master Fund of instructing Berman, who was already familiar with the factual and legal background to the Master Fund's claims against BHAM, ATC and EYCI by virtue of the fact that Berman had brought claims against those entities on behalf of the Investor Plaintiffs.

The Master Fund applied to Judge Kaplan for approval of the Payment and, after objection by the SEC, he referred the matter to Magistrate Judge Pitman for report and recommendation. (It should be noted that this is a different report to that now being prepared by Magistrate Judge Pitman on the BHAM settlement as explained in this letter). That report was recently issued and recommended that approval not be given. Judge Kaplan has now adopted the report and so the Payment has not been approved by him and will not be made by the Master Fund to the Investor Plaintiffs.

Summary and Timeline

As stated, and explained above, there are, presently, three matters to be resolved before a distribution application can be brought back before the Grand Court.

ATC settlement: The JOLs have written to the BNL Board requesting the waiver. The BNL Board is anticipated to consider the request by 31 March 2007. As noted, the JOLs will seek to resolve this issue in Court if BNL does not take the necessary steps.

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EYCI Escrow position: The JOLS will apply to the Grand Court for directions on whether the escrow proposal provides for EYCI's potential creditor claim by 9th March 2007 and anticipate the application would be heard by 4th May 2007, unless this issue is resolved in the meantime.

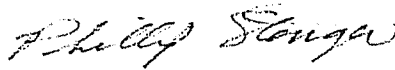
BHAM settlement: The JOLs will write to the Magistrate Judge stating that time is of the essence and asking for recommendation of approval of the part of the settlement that is not objected to by the SEC.

If you have additional questions regarding this notice, please do not hesitate to contact the undersigned.

Very Truly Yours,



Theo Bullmore



Phillip S. Stenger

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EXHIBIT B

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***ONLY ADMITTED IN INDIANA

PLEASE REPLY TO GRAND RAPIDS

March 20, 2007

VIA FEDERAL EXPRESS

Honorable Henry Pitman
United States Magistrate Judge
Daniel Patrick Moynihan Courthouse
500 Pearl Street, Room 750 (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 Civ 8855 (LAK)

Dear Judge Pitman:

On January 30, 2007, Judge Kaplan entered an order wherein he referred the Joint Official Liquidators' December 15, 2006, *Motion and Brief Seeking Ratification of Global Settlement Agreement and Instructions Regarding Allocation of Settlement Funds* ("Motion") to Your Honor for Report and Recommendation.

In the Motion, the JOLs seek Court approval of a Global Settlement Agreement between the Master Fund, Beacon Hill Asset Management, LLC ("BHAM") and its principals, certain investor plaintiffs and Asset Alliance. In addition to settling the claims between the plaintiffs and the defendants, the Global Settlement Agreement also allocates the settlement proceeds between the Master Fund and the Investor Plaintiffs.

No party has filed an objection to ratification of the terms of the settlement agreement pertaining to BHAM, its principals, or Asset Alliance. However, on December 27, 2006, the United States Securities and Exchange Commission filed a *Partial Opposition to the Motion by Joint Official Liquidators Seeking Ratification of Global Settlement Agreement and Instructions Regarding Allocation of Settlement Funds* ("Partial Opposition"), which opposes only approval of the allocation of settlement proceeds. Notably, in paragraph 2 of the SEC's Partial Opposition, the Commission

STENGER & STENGER, P.C.

Hon. Henry Pitman

March 20, 2007

Page 2

expressly states that it “has no objection to the proposed settlement as it relates to the Beacon Hill defendants and the Asset Alliance defendants, and approval of the settlement as it relates to those defendants need not be delayed.”

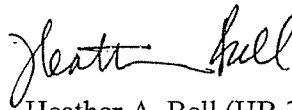
Accordingly, the JOLs respectfully request that Your Honor expedite review of the Motion and related briefs and recommend ratification of the terms of the settlement agreement as they pertain to BHAM, its principals, and Asset Alliance, even if Your Honor defers on the issue of allocation of the settlement funds.

It is critical that the terms of the settlement agreement pertaining to BHAM and Asset Alliance be resolved in a timely fashion for two principal reasons. First, until the Global Settlement Agreement is approved as to these parties, the Joint Official Liquidators will be unable to proceed with a motion to the Grand Court of the Cayman Islands for a partial distribution to investors. Second, a key element of the settlement agreement provides that the principals of BHAM will cooperate with the JOLs in the matters of *Bullmore, et al. v. Ernst & Young Cayman Islands, et al.*, Index No. 104314/05 and *Bullmore, et al. v. Banc of America Securities LLC*; No. 05 Civ. 10206 (LAK). Discovery is scheduled to end in the former matter at the end of April 2007 and BHAM’s cooperation could be greatly beneficial. Barring approval of the Global Settlement Agreement as to BHAM, however, the principals are under no obligation to provide such cooperation.

We appreciate the Court’s busy schedule and would appreciate any time Your Honor is able to devote to this time sensitive matter.

Respectfully,

STENGER & STENGER, P.C.



Heather A. Bell (HB 3960)

c: Kevin O'Rourke, Esq. (Via Federal Express)
Seth M. Schwartz, Esq. (Via Federal Express)
Kevin Marino, Esq. (Via Federal Express)
Scott Berman, Esq. (Via Federal Express)