

June 14, 2004

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 Civ. 8855 (LAK) (the "SEC Action")

Dear Judge Kaplan:

This letter is my Third Report as Receiver for Safe Harbor Fund, L.P. ("Safe Harbor") and will summarize for the Court the various developments in the conduct of the Receivership since my Second Report to the Court dated March 16, 2004.¹

ONGOING GATHERING OF INFORMATION

I am engaged in the ongoing process of obtaining the books, records, and assets of Safe Harbor, as well as all information pertaining to its assets and liabilities from third parties. The following information requests are still ongoing:

- a) Beacon Hill Asset Management, LLC ("BHAM") Principals: I have made a request for Safe Harbor documents and assets to all the principals of BHAM. Mr. Daniels has responded to my request, through counsel, indicating that he has no Safe Harbor documents or assets in his possession, and that all documents he had were turned over to the SEC. Kevin Marino, counsel for Jack Barry, as well

¹ This Report has been prepared for the period of March 17, 2004 to June 14, 2004 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 within ninety (90) days of his appointment the financial condition of Safe Harbor.

The Honorable Lewis A. Kaplan

June 14, 2004

Page 2

as BHAM and Safe Harbor Asset Management LLC ("SHAM"), has been cooperative in providing Safe Harbor documents and information to me. However, I am not aware of any documents from Mr. Marino that were specifically turned over by Mr. Barry. The other two principals of BHAM have not responded to my requests.

b) Ernst & Young. The accounting firm of Ernst & Young in New York performed the tax work for Safe Harbor, a U.S. limited partnership. I have requested and received Safe Harbor tax documentation from Ernst & Young New York. Ernst & Young New York and Ernst & Young Cayman Islands were involved in performing and issuing the Safe Harbor audits.² The audit reports for the years of 1997 through 2001 were provided to me by BHAM. I have requested the background audit files and work papers relating to the Safe Harbor audits from both Ernst & Young New York and Ernst & Young Cayman Islands. To date, I have only received copies of draft audit reports from either entity.

c) Bear Stearns & Co., Inc. ("Bear Stearns"). Bear Stearns has provided me with detailed monthly account statements for all Safe Harbor accounts, the relevant statements dating in range from October of 1998 through September of 2003. Bear Stearns has also provided me with tax information related to Safe Harbor for the 2002 tax year. I have requested supporting documentation for all wire transfers made into and out of all Safe Harbor accounts and documentation pertaining to Bear Stearns pricing for Safe Harbor securities. Bear Stearns has indicated that it is in the process of complying with my requests and is still considering to what extent it will be able to produce the information requested.

d) BHAM. I have been working with counsel for BHAM to obtain all Safe Harbor documents in its possession. I have received numerous electronic documents and some hard copies from BHAM. I still have an outstanding request to BHAM for all brokerage statements from Solomon Brothers and ABN AMRO as well as any credit agreements with these brokers, management letters from Ernst & Young accompanying the Safe Harbor audits, and Ernst & Young engagement letters. Counsel for BHAM has indicated that they are working with their client to determine if they have such documents in their possession.

e) ATC Fund Services (Cayman), Ltd. ("ATC"). I have not yet received Safe Harbor's books and records from ATC. My relationship with ATC is detailed below.

² Other than the 1997 audit which was completed and issued solely by Ernst & Young New York.

The Honorable Lewis A. Kaplan

June 14, 2004

Page 3

RELATIONSHIP WITH ATC

As reported in my Second Report to the Court, I sent ATC a written notice of termination on March 16, 2004, effectively terminating ATC as administrator of Safe Harbor. Although the Administration Agreement between Safe Harbor and ATC provides that all books, records and other documents received or prepared by ATC on behalf of Safe Harbor are the exclusive property of Safe Harbor, ATC has refused to transfer Safe Harbor's books and records to me. The apparent basis for ATC's refusal is that it believes it has a lien, under Cayman Islands law, against the Safe Harbor books and records for all past due administration fees. While I believe that Safe Harbor may in fact have overpaid administration fees to ATC due to the over valuation of the net assets of Beacon Hill Master, Ltd. ("Master Fund"), in the interest of obtaining the books and records of Safe Harbor now, I am currently negotiating the terms of an agreed order with U.S. counsel for ATC. The agreed order will provide that Safe Harbor will pay ATC the sum of \$33,274.81 as payment in full of all administration fees ATC claims are owed in return for the transfer of all Safe Harbor's books and records to me. The payment to ATC under this proposed agreement will be without prejudice of my ability to pursue ATC for overpayments of fees or other matters.

INVESTOR COMMUNICATIONS AND DATABASE

My office continues to receive numerous investor calls and correspondences. My staff has expended numerous hours responding to investor inquiries. As reported in my Second Report to the Court, I have established a Safe Harbor Receivership Website, SafeHarborFund-Receivership.com³, a resource for Safe Harbor investors who have general questions or need to download key documents. The Safe Harbor Receivership website posts copies of all reports and correspondences sent to investors, the Investor Response Form and other various forms, responses to Frequently Asked Questions, and contact information for my office. The Safe Harbor website also provides a link to the Master Fund website at BeaconHillMaster.com. A copy of this report will be posted on the Safe Harbor website.

Additionally, in order to identify all investors in Safe Harbor and the amount and date of each investment by each such investor in or payment to each such investor from Safe Harbor as required by Section I.E. of the September 16, 2003 Order appointing me

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 Honorable Lewis A. Kaplan

June 14, 2004

Page 4

as Receiver, I sent an Investor Response Form to each investor of record to notify them of the Receivership, request contact information, and request detailed investment information. The Investor Response Form was mailed on October 17, 2003 to all investors included in a register of investors maintained by ATC. Since that date, several other individuals have requested Investor Response Forms. To date, 46 Investor Response Forms have been completed and returned to my office. I am maintaining a detailed Receivership Database which tracks information obtained from each Investor Response Form.

TAX ISSUES

Safe Harbor is a New Jersey limited partnership and is taxed as a partnership for Federal income tax purposes. Partnerships are "pass through" entities, meaning that all items of income and expense are passed through to the partners and limited partners on K-1s, and the partners pay all associated taxes and benefit from losses or deductions based upon the K-1s. Safe Harbor appears to have properly and timely filed the required partnership tax returns and issued K-1s to partners for 1997 (year of inception), 1998, 1999, 2000 and 2001.

Effective January 1, 2002, Safe Harbor exchanged its assets for an interest in the Master Fund. Although it is a Cayman Islands entity and otherwise not required to file a tax return in the United States, Ernst & Young, who were the auditors and tax preparers for all three Feeder Funds, including Safe Harbor, and the Master Fund (until it resigned in about July 2003), has advised the Receiver that it filed an election to have the Master Fund treated as a partnership for federal income tax purposes. Therefore, for tax year 2002, the Master Fund should have filed a partnership tax return and issued a K-1 to Safe Harbor. The K-1 from the Master Fund is necessary to enable Safe Harbor to prepare K-1s for its partners. The Master Fund is unable to prepare K-1s because income and loss are derived from an appropriate calculation of Net Asset Value ("NAV"), the calculation of which the Court is aware is at the heart of this litigation. Without K-1s from the Master Fund, Safe Harbor is also unable to issue K-1s to its partners.

The Receiver has been advised by the accounting firm retained by him, Plante & Moran, to file incomplete tax returns for Safe Harbor even though it is still not possible to issue K-1s to the partners. As previously reported, the Receiver is not the general partner of Safe Harbor and, as a result, is not authorized to file the tax return. The Receiver intends to prepare tax returns for 2002 (due date was April 1, 2003) and 2003 (extended due date, July 15, 2004) and request that its general partner, SHAM, execute the returns. By doing this, the Receiver will prevent the imposition of penalties for

failure to file the 2003 tax return and stop the running of any failure to file penalties that might otherwise apply for the 2002 tax year.

PENDING LITIGATION

On April 8, 2003, thirty-two investors in Safe Harbor, Bristol Fund, Ltd. ("Bristol"), and Milestone Plus Partners, L.P. ("Milestone") (collectively the "Feeder Funds") filed the Alteram Action against BHAM, BHAM's principals, ATC, and Asset Alliance in this Court. A Corrected and Supplemental Complaint was filed in the Alteram Action on June 25, 2003. Upon information and belief, the Plaintiffs in the Alteram Action allegedly have made total investments in the Feeder Funds of approximately US\$81 million. On October 3, 2003, two additional institutional investors, Banc One Opportunity Fund LP and Banc One Capital Corporation, filed the Banc One Action against BHAM, its principals, ATC, and Asset Alliance. On February 27, 2004, this Court dismissed the Corrected and Supplemental Complaint in the Alteram Action granting the plaintiffs until June 30, 2004 to replead.

SAFE HARBOR'S ASSETS AND LIABILITIES

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

- A. The funds held by Master Fund at its account at Bear Stearns with an approximate balance of US\$323,425,741 as of May 31, 2004. Based upon the Master Fund's unadjusted NAVs as of May 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 \$58,185,530.
- B. Approximately US\$281,000 in funds that represent deferred quarterly incentive fees due to BHAM during 2002 that were paid into a suspense account pursuant to individual agreements concluded by certain investors in Safe Harbor during the course of 2002 pending a final calculation of incentive fees at year end. These funds are held in a bank sub-account with First Caribbean International, Cayman Islands in the name of "ATC Fund Admin: Bristol # 2."
- C. An account at Bear Stearns with minimal value.
- D. Minimal cash (\$200.00) in Safe Harbor's account at Wachovia Bank NA.

The Honorable Lewis A. Kaplan

June 14, 2004

Page 6

The only liability of Safe Harbor of which I am currently aware is a request from ATC for payment of administration fees from the period of August 2003 to March 16, 2004. I have negotiated a payment in full of all past due administration fees with ATC of US\$33,274.81. However, it is still my assessment that Safe Harbor has over-paid fees to ATC for all periods for which the assets of the funds were over valued. Therefore, upon calculation of that overpayment based upon the valuation exercise Master Fund has commissioned from Gifford Fong & Associates ("GFA"), I intend to make a demand for return of those overpaid administration fees.

JOINT OFFICIAL LIQUIDATION OF MASTER FUND

As noted in my Second Report to the Court, Chief Justice Smellie of the Grand Court of the Cayman Islands appointed Theo Bullmore of KPMG and myself as Joint Official Liquidators of Master Fund on February 3, 2004.⁴ Since the filing of my Second Report to the Court, Mr. Bullmore and I have undertaken the following activities:

1) Requesting and Reviewing Information from Third Parties

The JOLs have made numerous requests for documents and information pertaining to the business activities of the Master Fund as well as its assets and liabilities. The JOLs have specifically requested information from the following individuals and entities:

a) Don Seymour and DMS Management, Ltd. The JOLs have had ongoing communications with Mr. Seymour, a former director of Master Fund, and his legal counsel regarding all documents in his possession pertaining to Master Fund. Mr. Seymour has produced a number of documents in hard copy to the JOLs in response to their requests. Additionally, Mr. Seymour, through counsel, is in the process of providing the balance of documents in his possession to the JOLs electronically.

b) The Fund Administrators. The current fund administrator, Admiral Administration, Ltd. ("Admiral"), has been exceedingly cooperative with the JOLs in producing all Master Fund documents in its possession. ATC, the previous fund administrator for Master Fund, was supposed to have forwarded all Master Fund books and records to Admiral pursuant to a Severance Agreement

⁴ Mr. Bullmore was also appointed Official Liquidator of Bristol, a Cayman Islands feeder fund, on February 3, 2004.

The Honorable Lewis A. Kaplan

June 14, 2004

Page 7

executed in August 2003. However, upon review of the documents provided by ATC, it appears that ATC has withheld certain correspondence files pertaining to the Master Fund. The JOLs are following-up on this matter with ATC's U.S. legal counsel.

c) Walkers. Walkers acted as Cayman Islands legal counsel to Master Fund until Theo Bullmore was appointed Provisional Liquidator of Master Fund on October 28, 2003. Walkers has provided its Master Fund files to the JOLs. Upon review, it appears that the documents provided may have excluded files from the early set-up of Master Fund. The JOLs, through Cayman Islands legal counsel, are following up on this matter with Walkers.

d) Ernst & Young. The accounting firm of Ernst & Young in New York performed the tax work for the Master Fund, which had chosen to be treated as a partnership for U.S. tax purposes. The JOLs have requested tax documentation from Ernst & Young New York and have received some limited files consisting mostly of draft tax returns and K-1s. Based upon information reviewed by the JOLs to date, Ernst & Young New York and Ernst & Young Cayman Islands were involved in performing and issuing the Master Fund audit. The audit report issued for the period of January 1, 2002 through March 31, 2002 was provided to the JOLs by BHAM. The JOLs have requested the audit files and work papers relating to the Master Fund audit for that period from both Ernst & Young New York and Ernst & Young Cayman Islands, but have not yet received any such documents from either entity.

e) Ellington Management Group LLC. ("Ellington"). Ellington, the investment manager for the Master Fund that replaced Beacon Hill Asset Management, LLC in November 2002, has been cooperative with the JOLs in providing information and documentation.

f) Bear Stearns. To date, Bear Stearns has provided the JOLs with monthly account statements for all Master Fund accounts ranging in date from January 1, 2002 through April 30, 2004. The JOLs have also requested supporting documents for all wire transfers into and out of all accounts held by Bear Stearns for Master Fund, detailed back-up documentation for all wire transfers, and all documents regarding Bear Stearns pricing for Master Fund securities. Bear Stearns has indicated that it is in the process of complying with these requests and is still considering to what extent it will produce the requested information.

The Honorable Lewis A. Kaplan

June 14, 2004

Page 8

g) Simpson, Thatcher & Bartlett. The law firm of Simpson, Thacher & Bartlett ("Simpson Thacher") was retained by the directors of the Master Fund in November 2002. Simpson Thacher has been responsive to the JOLs' requests for documents and information.

h) BHAM. The JOLs have been working with counsel for BHAM to obtain all Master Fund documents in its possession. The JOLs have received numerous electronic documents and some hard copies from BHAM. The JOLs still have an outstanding request to BHAM for all brokerage statements from Solomon Brothers and ABN AMRO as well as any credit agreements with these brokers, management letters from Ernst & Young accompanying the Master Fund audit, and Ernst & Young engagement letters. Counsel for BHAM has indicated that they are working with their client to determine if they have such documents in their possession.

The JOLs are in the process of reviewing all documents provided to them and entering such documents into a master index.

2) *Marshalling of Assets*

The Master Funds assets total \$323,425,741 as of May 31, 2004. This total consists of \$69,426 in cash, \$322,106,181⁵ in invested assets at Bear Stearns, and \$1,250,134⁶ invested in Beacon Hill CBOs. As of May 31, 2004, the Master Fund had total liabilities of \$2,016,809. These total liabilities consist of accrued expenses for unpaid professional fees.

Currently, the Master Fund's assets are held in an account at Bear Stearns. However, in order to ensure that the Master Fund's assets are invested in safe and secure investments that are liquid and yield a reasonable rate of return given security and liquidity requirements, the JOLs circulated Requests For Proposal ("RFPs") to JP Morgan Chase Bank; Citigroup Global Markets, Inc.; Fifth Third Bank; Black Rock Financial Management; Standard Federal Bank/ABN-AMRO; Bank Austria Cayman Islands, Ltd; and Bear Stearns. In response to the RFPs, proposals were submitted by each financial institution except Bear Stearns, which declined to submit a proposal. After carefully reviewing each proposal submitted, the JOLs concluded that it would be in the best interest of the Master Fund, taking into consideration principal preservation,

⁵ This value is taken from the Bear Stearns May 2004 Estimated Valuation statement.

⁶ This value provided by Ellington, the investment manager.

The Honorable Lewis A. Kaplan

June 14, 2004

Page 9

liquidity and return, to accept the proposal submitted by Fifth Third Bank. The JOLs expect to submit a motion authorizing the transfer to Fifth Third Bank in the near future.

3) *Communication with Investors*

Both KPMG Cayman Islands and Stenger & Stenger, P.C. receive frequent telephone calls and correspondences from investors. In an effort to coordinate responses to frequently asked questions, provide background information on the case, and provide regularly requested documents to the investors, the JOLs have established a Master Fund website that is available to the public. The Master Fund website is available at BeaconHillMaster.com.⁷

Since February 2004, the JOLs have been distributing the monthly estimated value reports to investors on the 16th of each month.

4) *Forming an Informal Liquidation Committee*

A Practice Direction was issued by the Grand Court of the Cayman Islands in December 2003 entitled "Practice Direction No. 2/03 Remuneration of Official Liquidators" and focuses on the creation of Liquidation Committees (similar to a creditors' committee in bankruptcy). One of the primary purposes of the committee under the Practice Direction is to review the professional fees of the liquidators and their retained professionals. The Practice Direction states that a committee shall be appointed for solvent liquidations such as the liquidation of the Master Fund. Since there are only three investors in Master Fund – Safe Harbor, Bristol and Milestone – and two of those investors are represented by the JOLs in official capacities, the JOLs determined that it would most effective to "collapse" the feeder fund structure for the purpose of forming an informal liquidation committee, so that investors in the feeder funds could sit directly on the Master Fund Informal Liquidation Committee.

On March 11, 2004, a letter was sent to all investors in the Feeder Funds seeking volunteers to serve on the Master Fund Informal Liquidation Committee and to canvas views on committee membership. As a result, many investors chose to stand for election on the Informal Liquidation Committee. The investors also determined that there would

⁷ 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.

The Honorable Lewis A. Kaplan

June 14, 2004

Page 10

be eight total investors on the committee, three (3) from Safe Harbor and five (5) from Bristol, and that the basis for voting on the committee would be one vote per member (as opposed to voting by ownership percentage).

On April 27, 2004, the JOLs distributed Master Fund Informal Liquidation Committee ballots to all Safe Harbor and Bristol investors. The ballot was also sent to counsel for Asset Alliance with a request that it be sent to all Milestone investors.

On May 26, 2004, the JOLs sent correspondence to investors regarding the results of the balloting for the Informal Liquidation Committee. The following three Safe Harbor investors were elected to sit on the Informal Liquidation Committee: Ontario/Safe Harbor Liquidating Trust; Gibraltar Fund I, L.P.; and Bank One Opportunity Fund, L.P. Additionally, the following five Bristol investors were elected to sit on the Informal Liquidation Committee: Deutsche Bank; Meespierson Nominees (Guernsey) Limited N809; Banco Nazionale del Lavoro Spa; Field Nominees Account #1329745; and Magnum Special Situations Fund. A copy of the May 26, 2004 letter to investors is attached hereto as **Attachment A**.

The first meeting of the Informal Liquidation Committee will occur on July 1, 2004 in New York.

5) *Addressing Tax Issues*

Since its inception, the Master Fund chose to be treated as a U.S. partnership for U.S. tax purposes. The JOLs are currently reviewing the tax reporting obligations of the Master Fund.

6) *Investigating and Reporting on Pre-Liquidation Professional Fees*

When the JOLs were appointed, Chief Justice Smellie of the Grand Court of the Cayman Islands requested that we investigate pre-liquidation professional fees prior to paying such fees. The Chief Justice's concerns were based upon the magnitude of professional fees incurred by the Master Fund prior to liquidation and the level of concern expressed by investors in the Feeder Funds.

Upon appointment, the JOLs began reviewing the professional fees billed by pre-liquidation service providers including Admiral Administration, ATC, the directors, GFA, Simpson Thacher, PwC, and Walkers. On April 21, 2004, the JOLs filed a Report on Professional Fees with the Grand Court of the Cayman Islands and served the same upon the investors in the Feeder Funds in which the JOLs recommended immediate

The Honorable Lewis A. Kaplan

June 14, 2004

Page 11

payment of 80% of the outstanding pre-liquidation fees of all service providers except Walkers (Cayman counsel) and Don Seymour (director of Master Fund) with the balance of all fees to be reviewed by the Informal Liquidation Committee prior to payment. The Grand Court of the Cayman Islands did not object to this proposed action.

As a result, on June 2, 2004, I filed a Motion for Payment of Professional Fees with this Court requesting this Court's determination that payments made to Simpson Thacher, GFA, and PwC are "payments in the ordinary course of business" under the terms of the *Stipulation and Order Granting Preliminary Injunction and Other Relief* of November 13, 2004, thereby allowing the JOLs to make a payments to these service providers without additional approval from this Court.

Prior to paying the 20% balance of pre-liquidation professional fees of Simpson Thacher, GFA, and PwC, the JOLs will consult with the Master Fund Informal Liquidation Committee. The fees of Don Seymour and Walkers would similarly be subject to committee approval. However, even after committee approval, the fees to Mr. Seymour and Walkers would be paid only upon separate order from this Court.

7) *Investigating Potential Litigation*

In an effort to maximize the funds available for distribution to investors, the Receiver and the JOLs of the Master Fund are currently determining whether Safe Harbor and/or the Master Fund have causes of action against any third parties.

8) *Reviewing Strategies to Hasten Distribution*

As reported in my earlier reports to the Court, there are several impediments to an immediate distribution of the Master Fund's assets to investors including the identification of all investors who will be eligible to participate in a distribution, the total value of their claims, and the basis upon which each investor will be paid. I, as Receiver for Safe Harbor, am in the process of gathering this information through Investor Response Forms⁸ and Mr. Bullmore, as Liquidator of Bristol, is in the process of gathering this information for Bristol from the share registers of the company. Neither the JOLs nor I, as Safe Harbor Receiver, have petitioned the Court to sanction a claims bar date and or approve a detailed claims procedure.

⁸ Although I have received an investor list from ATC which indicates that there are approximately 58 investors currently in Safe Harbor, to date only 46 completed Investor Response Forms have been filed with my office by Safe Harbor investors.

The Honorable Lewis A. Kaplan

June 14, 2004

Page 12

There is also considerable controversy regarding the basis upon which each investor will participate in any distribution. There are three, and perhaps more, methods upon which investors could receive payment. First, distributions could be made based upon the limited partnership share of each investor as shown in the books and records of the Feeder Funds. Second, distributions could be made based upon the actual net cash or principal loss each investor incurred. This method would only require verification of the amount of cash invested and the amount of redemptions received. Third, distributions could be made based upon the revaluation of NAVs by GFA and PwC⁹ for each subscription and redemption.

Finally, the Administration Agreement between ATC and the Funds and the Investment Management Agreement between BHAM and the Funds allegedly require the Funds to indemnify ATC and BHAM against liability arising from certain claims asserted by third parties in connection with their duties as fund administrator and investment advisor, respectively. The Master Fund and Safe Harbor strongly believe that they have no liability to ATC or BHAM under the agreements. ATC claims to have notified the Funds that they may have an indemnity claim of up to \$1 billion for any liability and attorneys' fees it may incur as a result of defending two investor actions: *Alteram, et al. v. Beacon Hill Asset Management, LLC, et al.* (S.D.N.Y.) ("Alteram Action") and *Banc One Opportunity Fund, LP, et al. v. Beacon Hill Asset Management, LLC, et al.* (S.D.N.Y.) ("Banc One Action") (collectively the "Investor Actions").¹⁰ BHAM and its principals have also claimed an indemnity from the Funds based upon the Investment Management Agreement for legal costs incurred in defending proceedings brought against them by third parties as a result of its role as investment manager for the Funds.

The Master Fund's and Safe Harbor's position is that such indemnification claims are invalid and improper. The JOLs are investigating the best way to dispense with any indemnification claims made by ATC and BHAM so that this potential roadblock to an investor distribution is finally resolved.

* * *

I hope this Report has been informative. My next quarterly report is due to be filed by September 13, 2004. In the interim, I would be happy to discuss any aspect of this Report with the Court, the Commission, counsel for the parties, or the Safe Harbor investors.

⁹ Simpson Thacher retained GFA and PwC to revalue the portfolio prior to institution of the liquidation. The revaluation work has not yet been completed.

¹⁰ The Alteram Action has been dismissed by this Court. However, the plaintiffs in that action have until June 30, 2004 to refile their action. Counsel for the Alteram plaintiffs have indicated that they will refile.

STENGER & STENGER, P.C.

The Honorable Lewis A. Kaplan
June 14, 2004
Page 13

Very truly yours,

STENGER & STENGER, P.C.

/S/

Phillip S. Stenger, Receiver (PS-9969)

Attachments:

Attachment A: May 26, 2004 Letter to Investors

cc: To the following parties via Federal Express

Kevin O'Rourke, SEC
David Kagan-Kans, SEC
Theo Bullmore, KPMG

cc: To the following parties via U.S. Mail:

Simpson, Thacher & Bartlett c/o Tom Bell
Skadden Arps Slate Meagher & Flom LLP c/o Seth Schwartz
Gibbons Del Deo Dolan Griffinger & Vecchione c/o Lawrence Lustberg
United States Attorney's Office c/o Amy Winkleman
Kevin H. Marino, P.C. c/o Kevin Marino
Miller & Wrubel c/o Joel Miller
Brown Rudnick Berlack Israels, LLP c/o Scott Berman
Schindler Cohen & Hochman, LLP c/o Jonathan Hochman
Janvey Gordon Herlands Randolph Roxenberg & Cox, LLP c/o Richard Janvey
Kornstein, Veisz, Wexler & Pollard, LLP c/o Daniel J. Kornstein
All Safe Harbor investors of record

Attachment A

May 26, 2004 Letter to Investors

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

May 26, 2004

Dear Investor:

Beacon Hill Master, Ltd. (In Official Liquidation) (“Master Fund”)

Please find outlined below the names of the candidates elected to the Informal Liquidation Committee of the Master Fund and the Formal Liquidation Committee of Bristol Fund, Ltd. (In Official Liquidation) (“Bristol”).

Committee Members	Feeder Fund	Amount/Number of Shareholder Votes Received	% of Total Capital Account / Shares
Ontario/Safe Harbor Liquidating Trust	Safe Harbor	\$80,279,095	57.37%
Gibraltar Fund I, L.P.	Safe Harbor	\$61,252,977	43.77%
Banc One Opportunity Fund, LP	Safe Harbor	\$44,672,452	31.92%
Deutsche Bank	Bristol	180,110.784	56.81%
Meespierson Nominees (Guernsey) Limited N809	Bristol	171,693.316	54.16%
Banco Nazionale del Lavoro Spa	Bristol	160,588.987	50.65%
Field Nominees Account #1329745	Bristol	132,121.178	41.67%
Magnum Special Situations Fund	Bristol	103,698.525	32.71%

With regards to the Formal Liquidation Committee of Bristol, the committee is required to be ratified by the Grand Court of the Cayman Islands (“Court”) before it can be formally constituted. We will notify investors of the hearing date to obtain the Court’s approval, when this has been determined by the Court. Please note that approval from the Court is seen as a formality and it is unlikely that the Court will refuse to ratify the formation of Bristol’s Formal Liquidation Committee.

The Joint Official Liquidators (the “JOLs”) have tentatively scheduled the first meeting date for the Informal Liquidation Committee of the Master Fund for the third week of June. A summary of the discussions and conclusions reached by the committee, together with any resolutions passed by the committee, will be circulated to investors shortly thereafter.

Should you have any questions or concerns please contact Sara Fazio at sara@stengerlaw.com or Tsui Donnelly at tsuidonnelly@kpmg.ky.

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

Yours faithfully,

A stylized, cursive handwritten signature in black ink, appearing to be the initials 'TB'.

Theo Bullmore
Joint Official Liquidator

A cursive handwritten signature in black ink that reads 'Phillip Stenger'.

Phillip S. Stenger
Joint Official Liquidator