BEACON ASSOCIATES LLC I
(A Limited Liability Company)

FINANCIAL STATEMENTS

PERIODS DECEMBER 18, 2008 THROUGH DECEMBER 31, 2008 (LIQUIDATION BASIS) AND JANUARY 1, 2008 THROUGH DECEMBER 17, 2008

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
FOR THE PERIODS DECEMBER 18, 2008 THROUGH DECEMBER 31, 2008
(LIQUIDATION BASIS) AND
JANUARY 1, 2008 THROUGH DECEMBER 17, 2008

Table of Contents

Citrin Cooperman & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of
Beacon Associates LLC I

We have audited the accompanying statement of net assets in liquidation of Beacon Associates LLC I (a limited liability company) (the "Company") as of December 31, 2008, and the related statements of operations, changes in members' capital and cash flows for the period from January 1, 2008 to December 17, 2008, and the statement of changes in net assets in liquidation for the period December 18, 2008 to December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 5 to the financial statements, a significant portion of the Company's assets were held in custody accounts with Bernard L. Madoff Investment Securities, LLC ("BLMIS"). On December 11, 2008, management learned of the alleged fraud involving BLMIS. As a result of the loss incurred on its investments with BLMIS, on December 18, 2008, management informed its investors of its decision to liquidate the fund and sent redemption notices to all of its investment managers. Management believes that these events will ultimately necessitate and result in the winding down and liquidation of the Company, and, accordingly, effective December 18, 2008, the Company has changed its basis of accounting from the going-concern basis to a liquidation basis.

709 WESTCHESTER AVENUE, WHITE PLAINS, NY 10604 • (914) 949-2990 • FAX (914) 949-2910

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets in liquidation of Beacon Associates LLC I as of December 31, 2008, and the changes in its net assets and cash flows for the period from January 1, 2008 to December 17, 2008, and the changes in its net assets in liquidation for the period from December 18, 2008 to December 31, 2008, in conformity with accounting principles generally accepted in the United States of America applied on the basis of accounting described in the preceding paragraph.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

September 25, 2009

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
STATEMENT OF NET ASSETS IN LIQUIDATION
DECEMBER 31, 2008

Assets:	
Investment in private investment funds, at fair market value	$ 107,166,905
Cash and cash equivalents	4,636,141
Receivable from private investment funds	11,074,763
Receivables from Beacon II	260,693
Prepaid litigation expenses	968,800
Prepaids and other assets	496,008
Total assets	124,603,310
Liabilities:	
Other liabilities	118,061
Reserve for liquidation costs	11,201,464
Total liabilities	11,319,525
Commitments and contingencies (Notes 11, 16 and 17)	
NET ASSETS IN LIQUIDATION	$ 113,283,785

See accompanying notes to financial statements.

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
STATEMENT OF CHANGES IN NET ASSETS IN LIQUIDATION
FOR THE PERIOD FROM DECEMBER 18, 2008 THROUGH DECEMBER 31, 2008

Increase (decrease) in net assets in liquidation:	
Net realized and unrealized losses on investment	$ (670,088)
Investment income	8,603
Total decrease in net assets in liquidation	(661,485)
Decreases in net assets in liquidation:	
Management fees	61,916
Other expenses	145,027
Reserve for liquidation costs	11,201,464
Total decrease in net assets in liquidation	11,408,407
Net decrease in net assets in liquidation	12,069,892
Net assets in liquidation at December 18, 2008	125,353,677
NET ASSETS - DECEMBER 31, 2008	$ 113,283,785

See accompanying notes to financial statements.

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
STATEMENT OF OPERATIONS
FOR THE PERIOD FROM JANUARY 1, 2008 THROUGH DECEMBER 17, 2008

Investment income:	
Interest income	$ 5,727,684
Dividend income	3,070,082
Total investment income	8,797,766
Expenses:	
Loss attributable to assets held by Bernard L. Madoff Investment Securities, LLC	358,710,309
Management fees	6,071,915
Other expenses	1,683,459
Total expenses	366,465,683
Net investment loss	(357,667,917)
Realized and unrealized appreciation (depreciation) from investment transactions:	
Net realized gains on marketable securities	22,571,330
Net realized and unrealized loss on investment in private investment funds	(10,573,285)
Net realized and unrealized appreciation from investment transactions	11,998,045
NET LOSS	$ (345,669,872)

See accompanying notes to financial statements.

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
STATEMENT OF CHANGES IN MEMBERS' CAPITAL
FOR THE PERIOD ENDED JANUARY 1, 2008 TO DECEMBER 17, 2008

Members' capital - January 1, 2008	$ 434,169,631
Members' capital contributions	69,374,831
Members' capital withdrawals	(32,520,913)
Net loss	(345,669,872)
MEMBERS' CAPITAL - DECEMBER 17, 2008	$ 125,353,677

See accompanying notes to financial statements.

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 1, 2008 THROUGH DECEMBER 17, 2008

Cash flows from operating activities:	
Net loss	$ (345,669,872)
Adjustments to reconcile net loss to net cash used in operating activities:	
Impairment loss	358,710,309
Changes in assets and liabilities:	
Investments	(366,109,003)
Receivables from Beacon II	10,573
Prepaid litigation	(1,000,000)
Other assets, net	(401,298)
Receivable from affiliate	(84,928)
Other liabilities	40,284
Net cash used in operating activities	(354,503,935)
Cash flows from financing activities:	
Repayment on line of credit	(2,500,000)
Members' capital contributions	69,374,831
Members' capital withdrawals	(32,520,913)
Capital contributions received in advance	(200,000)
Due to members for capital withdrawal	(4,199,356)
Net cash used in financing activities	29,954,562
Net decrease in cash and cash equivalents	(324,549,373)
Cash and cash equivalents - beginning	329,238,086
CASH AND CASH EQUIVALENTS - ENDING	$ 4,688,713
Supplemental disclosure of cash flow information:	
Interest paid	$ 59,323

See accompanying notes to financial statements.

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS (LIQUIDATION BASIS EFFECTIVE DECEMBER 18, 2008)
DECEMBER 31, 2008

NOTE 1. ORGANIZATION

Beacon Associates LLC I (the "Company") is a New York limited liability company formed for the purpose of pooling its members' capital in order to have such capital invested through trading and investment strategies, both directly and indirectly through other private investment funds. Profits and losses are allocated to all members in proportion to their capital balances, except that Beacon Associates Management Corp. (the "Managing Member") is entitled to a 1% allocation of profits, subject to certain minor adjustments (Note 15).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months to be cash equivalents.

Liquidation Basis of Accounting Adopted on December 18, 2008

Under the liquidation basis of accounting adopted on December 18, 2008, all assets have been adjusted to their fair value and liabilities, including estimated costs associated with implementing a plan of liquidation, were adjusted to their estimated settlement amounts. Actual values received from the sale of the Company's assets and the settlement of liabilities may differ materially from the amounts estimated.

Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Members' Capital Withdrawals

Pursuant to the Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," the Company is required to report the amount of gross capital withdrawals to be made effective as of January 1, 2009, as a liability on the accompanying statement of net assets in liquidation as of December 31, 2008. For all other purposes, consistent with past practice, the Company considers that such amounts are a component of members' capital until the effective date of withdrawal.

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS (LIQUIDATION BASIS EFFECTIVE DECEMBER 18, 2008)
DECEMBER 31, 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

In accordance with Federal income tax regulations, income taxes are the responsibility of the individual members. Consequently, no provision or liability for income taxes has been reflected in the accompanying financial statements.

Valuation of Investments

The Company records its investment in affiliated and non-affiliated limited partnerships at fair value, which represents the Company's share in the net assets of each respective limited partnership. Fair values for investment partnerships are determined utilizing net asset value information supplied by each individual investment fund, which includes realized and unrealized gains and losses on investments, as well as management, incentive and administration fees and all other income and expenses.

Investment Transactions and Related Income

The net realized and unrealized appreciation from investment transactions reported in the accompanying statement of operations includes the Company's proportionate share of interest, dividends, expenses, and realized and unrealized gains and losses on security transactions and fees of its investments, including its investment in the affiliated and nonaffiliated limited partnerships.

In circumstances where the Company has notified the private investment fund of a withdrawal of funds from the investment at the end of the reporting period, such amounts are recorded as "receivable from investment funds" in the accompanying statement of net assets in liquidation. Additionally, where the Company is notified by investors of a withdrawal of funds from the investment at the end of the reporting period, such amounts will be recorded as "withdrawal payable" in the accompanying statement of net assets in liquidation.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is accrued as earned.

Securities listed on a national exchange or traded over-the-counter are valued at their last sale price or last quoted bid price.

Receivable from Investment Funds
Receivable from investment fund consists of investments maintained with investment managers for securities and amounts due from the redemption of investment balances.

Estimated Costs of Liquidation

The preparation of financial statements in accordance with the liquidation basis of accounting requires the Company to record on the statement of net assets in liquidation all estimated costs through the final liquidation date. Such costs include professional fees (audit, consulting and legal) and costs related to the disposal of the Company's

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS (LIQUIDATION BASIS EFFECTIVE DECEMBER 18, 2008)
DECEMBER 31, 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated Costs of Liquidation (Continued)

remaining investment portfolio and are reflected as reserve for liquidation costs on the statement of net assets in liquidation. The estimated costs of liquidation may differ (by material amounts) from the costs that will be ultimately incurred by the Company in connection with the dissolution.

NOTE 3. LIQUIDATION OF THE COMPANY

A significant portion of the Company's assets were held in a custody account with Bernard L. Madoff Investment Securities, LLC ("BLMIS"). On December 11, 2008, management learned of the alleged fraud involving BLMIS. As a result of the loss incurred on its investments with BLMIS, on December 18, management informed its investors of its decision to liquidate the fund and sent redemption notices to the Company's investment managers. In addition, the Company ceased accepting capital contributions. The Managing Member believes that these events will ultimately necessitate and result in the winding down and liquidation of the Company, and, accordingly, effective December 18, 2008, the Company has changed its basis of accounting from the going-concern basis to a liquidation basis.

NOTE 4. ADJUSTMENTS OF ESTIMATED VALUES

Effective with the adoption of liquidation accounting, the carrying amounts of assets and liabilities were adjusted from their historical bases to the amounts expected from their realization and settlement. The initial adjustment decreased net assets by $369,911,773 from $484,063,986 to $114,152,213 as follows:

	December 17, 2008	
	Historical Basis	Estimated Liquidation Value
Investment in Private Investment Funds, at fair value	$ 118,583,422	$ 118,583,422
Investment in marketable securities (BLMIS)	358,710,309	-
Cash and cash equivalents	4,688,713	4,688,713
Receivable from private investment funds	314,811	314,811
Receivables from Beacon II	323,914	323,914
Prepaids and other assets	1,582,160	1,582,160
Other liabilities	(139,343)	(139,343)
Reserve for liquidation costs	-	(11,201,464)
	$ 484,063,986	$ 114,152,213

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS (LIQUIDATION BASIS EFFECTIVE DECEMBER 18, 2008)
DECEMBER 31, 2008

NOTE 5. LOSS ATTRIBUTABLE TO ASSETS HELD WITH BLMIS

The Company's losses from assets held with BLMIS were recorded effective December 17, 2008. As the Company is unable to determine when the loss actually incurred, the amount of the loss attributable to previous reporting periods cannot be quantified. Accordingly, the Company has recorded the entire loss of $358,710,309 in the period January 1, 2008 through December 17, 2008, and has not charged any portion of this loss to the Company's capital balances as of January 1, 2008.

NOTE 6. CONCENTRATION RISK

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. The Company places its temporary cash investments with high credit quality financial institutions. At various times during 2008, such investments were in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit. No losses were incurred in 2008, nor is any loss expected in the future as a result of the Company having deposits in excess of the FDIC limit at various financial institutions.

NOTE 7. INVESTMENTS

In 2008, the Company adopted the provisions of SFAS No. 157, "Fair Value Measurements," for financial assets and liabilities. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurement.

SFAS 157 establishes a three level fair value hierarchy. The fair value hierarchy gives the first order of liquidity to quoted prices in active markets for identical assets or liabilities [Level 1], and the last order of liquidity to unobservable inputs [Level 3]. If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investment.

Investments recorded in the statement of net assets are categorized based on the inputs to valuation techniques as follows:

Level 1. Valued at quoted prices for identical assets or liabilities in an active market, such as exchange-traded equity and over-the-counter securities.
Level 2. Values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments, such as less liquid restricted securities and warrants that trade less frequently.
Level 3. Values are based on on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about the assumptions market participants would use in pricing the investments.

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS (LIQUIDATION BASIS EFFECTIVE DECEMBER 18, 2008)
DECEMBER 31, 2008

NOTE 7. INVESTMENTS (CONTINUED)

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table summarizes the valuation of the Company's investments by the above SFAS 157 fair value hierarchy levels as of December 31, 2008:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Investment funds	$ -	$ -	$ 107,166,905	$ 107,166,905
Total investments - fair value	$ -	$ -	$ 107,166,905	$ 107,166,905

	Level 3 Asset Gains and Losses Year ended December 31, 2008	
	Investment Funds	Total
Balance, beginning of year	$ 110,674,650	$110,674,650
Purchases, sales, net	7,735,627	7,735,627
Realized and unrealized loss, net	(11,243,372)	(11,243,372)
Balance, end of year	$ 107,166,905	$107,166,905

For the period ended December 31, 2008, the Company invested only in Level III investments, whose fair value represents the net asset value of the Company's proportional share of the private investment funds, as confirmed by the management of the private investment funds. Change in net asset value of investments in private investment funds in the accompanying statement of operations includes the Company's proportionate share of dividends, interest, expenses, realized and unrealized gains and losses on securities transactions and fees of the private investment funds.

The adoption of SFAS No. 157 did not have a material impact on the Company's financial statements.

NOTE 8. CAPITAL CONTRIBUTIONS, WITHDRAWALS AND DISTRIBUTIONS

Capital contributions are accepted on a monthly basis on the first day of each month. The Managing Member, in its sole and absolute discretion, can accept or reject capital contributions from existing members or prospective investors.

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS (LIQUIDATION BASIS EFFECTIVE DECEMBER 18, 2008)
DECEMBER 31, 2008

NOTE 8. CAPITAL CONTRIBUTIONS, WITHDRAWALS AND DISTRIBUTIONS (CONTINUED)

In accordance with the Company's operating agreement (the "Agreement"), interest of the Company are issued in two series, Series I and Series II. Each series of ownership is invested in a separate investment portfolio. Otherwise, each series has equal relative rights, powers and duties, pursuant to the terms of the Company Agreement. The Series I and Series II units participate in all Company investments on a pro-rata basis, except that only the Series I units are permitted to engage in any investment activity involving futures contracts and options thereon. As of December 31, 2008, $111,389,374 and $1,894,411 of the Company's net assets were owned by the Series I and Series II members, respectively.

Voluntary withdrawals are permitted at the beginning of each calendar quarter (January 1, April 1, July 1, October 1) provided that the investor provides the Managing Member 60 days' prior written notice. Partial withdrawals are permitted as well.

Capital account withdrawals are payable to the withdrawing member as follows: (a) 90% of the value in the member's capital account will be paid within 90 days of the withdrawal date, and (b) the balance will be paid within 30 days of receipt by the Managing Member of the Company's audited financial statements.

Notwithstanding the Company's historical policy per the Agreement, all withdrawals have been suspended by virtue of the liquidation basis adopted on December 18, 2008.

NOTE 9. ALLOCATION OF PROFITS, NET LOSSES AND EXPENSES

Net profits and net losses are allocated to the members in the proportion that their capital account bears to all other capital accounts of their Series as of the beginning of the year, adjusted for capital contributions and withdrawals during the year. In accordance with the Agreement, 1% of the net profits of each Series for the year is allocated to the Managing Member.

The Company is responsible for (i) transaction costs and investment-related expenses incurred in connection with its trading activities, including brokerage, broker-dealer markups, clearing, margin interest, and custodial expenses (both direct and indirect), (ii) routine legal, accounting, auditing, tax preparation, and related fees and expenses, (iii) expenses associated with the continued offering of interests, (iv) extraordinary expenses, as defined (e.g., litigation costs and indemnification obligations), if any, (v) its proportionate share of any investment pool in which it invests that are not otherwise enumerated, including advisory fees to the investment pool's managers, (vi) the administrative fee, and (vii) the Managing Member's fees.

The Managing Member's fees are paid monthly for services rendered in an amount equal to .125% of the capital account balance of each member, less any amounts attributable to the Managing Member and any other adjustments as determined by the managing member. The Managing Member pays a portion of its fee to its investment,

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS (LIQUIDATION BASIS EFFECTIVE DECEMBER 18, 2008)
DECEMBER 31, 2008

NOTE 9. ALLOCATION OF PROFITS, NET LOSSES AND EXPENSES (CONTINUED)

Ivy Asset Management Corp. ("Ivy") on account of Ivy's consulting services (see Note 15). In addition, the Company also pays for direct and indirect overhead and operating expenses incurred in the Managing Member's operation of the Company in an amount not to exceed 1% per annum of the Company's net worth, as adjusted for withdrawals, new admissions or additional contributions by members. The Managing Member is responsible for all of its overhead and operating costs in excess of 1%.

NOTE 10. CONDENSED SCHEDULE OF INVESTMENTS

The condensed schedule of investments in private investment funds (the "Investments") as of December 31, 2008 is as follows:

Investment Strategy	% of Net Assets	Net Asset Value at December 31, 2008	Redemptions Permitted
Long/short-term investing:			
Cobalt Partners, L.P. (a)	7.90%	$ 8,944,631	Semi-annually
Relative value trading:			
Elliott Associates, L.P. (b)	63.06%	71,436,930	Semi-annually
Canyon Balance Equity Fund, L.P.(c)	0.63%	714,813	Semi-annually
Total relative value trading	63.69%	72,151,743	
Special situations:			
Longacre Capital Partners (QP), L.P. (d)	3.86%	4,370,307	Quarterly
Fir Tree Value Fund L.P. (e)	4.12%	4,669,092	Every 2 years
Anchorage Capital Partners, L.P. (f)	2.21%	2,504,929	Annual
King Street Capital, L.P. (g)	12.82%	14,526,203	Quarterly
Total special situations	23.01%	26,070,531	
Investments, at net asset value	94.60%	$ 107,166,905	

(a) Invests principally in publicly traded securities. The funds may be "long" or "short". Long positions will typically be in companies and industries that have been overlooked and\or those with strong value characteristics. Short positions are often related to long positions (i.e. competitors) and in companies with over-leveraged balance sheets and poor fundamentals.

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS (LIQUIDATION BASIS EFFECTIVE DECEMBER 18, 2008)
DECEMBER 31, 2008

NOTE 10. CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)

(b) Invests in diverse mix of securities including distressed securities, related securities arbitrage, long\short equities, event driven, private placement equity and fixed income arbitrage.

(c) Invests in equity securities, fixed income securities and derivatives including but not limited to options, credit default swaps, futures and forwards.

(d) This fund is invested in undervalued or "special situation" companies, including companies that are the subject of pending bankruptcy proceedings or are otherwise financially distressed.

(e) This is a diversified investment fund that invests and trades long and short positions primarily in publicly traded securities, commercial bank loan debt and derivatives which are traded in the United States and other countries.

(f) This fund invests in both relative value and absolute strategies based on detailed credit analysis.

(g) This fund is global long/short credit and event-driven. Primarily invests in securities of distressed and out-of-favor companies. It may include bankruptcies, restructuring and liquidations.

NOTE 11. LINE OF CREDIT

On March 1, 2007, the Company entered into a one-year line of credit agreement ("Agreement") with a bank. The agreement was subsequently amended in 2008, to increase the original maximum advance from $5,000,000 to $10,000,000 at an interest rate of prime minus 1% with a minimum of 4%. The line of credit was collateralized by the Company's investment in one of the investment funds in which the Company invests and expires on September 30, 2009. The purpose of the line of credit was to provide liquidity for temporary timing differences between member capital withdrawals and member capital contributions, and between reallocations of funds among investment managers. As of December 31, 2008, the line of credit was closed.

NOTE 12. UNCERTAIN TAX POSITIONS

In June 2006, the FASB released FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes." FIN 48 interprets the guidance in SFAS No. 109, "Accounting for Income Taxes." When FIN 48 is implemented, reporting entities utilize different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008, the FASB Staff issued FASB Staff Position ("FSP") FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises." As deferred by the guidance in FSP FIN 48-3, the Company was not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, the Company has implemented those provisions in the 2008 financial statements.

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS (LIQUIDATION BASIS EFFECTIVE DECEMBER 18, 2008)
DECEMBER 31, 2008

NOTE 12. UNCERTAIN TAX POSITIONS (CONTINUED)

Since the implementation of the provisions of FIN 48 in accounting for uncertain tax positions, the Company has continued to utilize its prior policy of accounting for these positions, following the guidance in SFAS No. 5, "Accounting for Contingencies" since there has not been any change in its operations. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of December 31, 2008, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

NOTE 13. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Company employs trading and investment strategies both directly in BLMIS and indirectly through other private investment funds, which trade in financial instruments in connection with their normal proprietary activities. The Company and the private investment funds may fully or partially mitigate the potential off-balance sheet risk associated with such activities by reason of their trading strategies and through the selection of suitable counterparties.

The Company and the investment funds in which the Company invests may utilize option contracts. These contracts are used primarily for managing the risk associated with a portfolio of investments, as well as for trading purposes. The Company's risk is embedded in its own investment portfolio and its investments with each of the investment funds.

NOTE 14. FINANCIAL HIGHLIGHTS

The financial highlights represent information applicable to the member class of the Company taken as a whole (the non-managing member). The operating performance of the Company (calculated as total return before incentive allocation, incentive allocation and total return after incentive allocation) was (75.90)%, 0% and(75.90)%, respectively. The total return is calculated for the member class taken as a whole. An individual investors's return may vary from these returns based on the timing of capital contributions and withdrawals.

The ratio of operating expenses, including management fee; incentive allocation; and total expenses (including management fee and incentive allocation) to member average net assets (members' capital) was 1.80%, 0% and 1.80%, respectively. The ratios are calculated for the member class taken as a whole.The ratio for an individual investor may vary from these ratios based on the timing of capital contributions and withdrawals. Theses ratios do not reflect the Company's proportionate share of income and expenses of the underlying investment funds.

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS (LIQUIDATION BASIS EFFECTIVE DECEMBER 18, 2008)
DECEMBER 31, 2008

NOTE 15. RELATED PARTY TRANSACTIONS

The Agreement provides that the Managing Member shall receive a monthly Managing Member fee of .125% of the net assets of the Company.

For the year ended December 31, 2008, the Managing Member earned Managing Member fees totaling $6,133,831. A significant portion of this amount was paid by the Managing Member to Ivy Asset Management Corp. (the "Ivy") as its unrelated investment consultant.

In accordance with the Agreement, the Managing Member is entitled to 1% allocation of profits, which amounted to $0 for the year ended December 31, 2008.

The Managing Member of the Company is also the Managing Member of Beacon Associates LLC II (the "Beacon II"), which invests substantially all of its net assets in the Company. Shareholders of the Managing Member corporation are also shareholders of corporations which are general partners of several private investment funds which are engaged in a similar business. The investment strategy for each entity is determined independently.

As of December 31, 2008, the capital account balances of the Managing Member and parties related to the Managing member totaled. $379,136.

NOTE 16. LEASE OBLIGATION

Effective July 1, 2002, the Company entered into an assignment and assumption of lease agreement with a related party under which the Company leases office space from the unrelated landlord of the premises and remits rental payments directly to the landlord. The agreement extends to March 31, 2012, at a present annual rate of $44,000, including certain utilities, with periodic increases up to a maximum annual rate of $45,000 over the term of the agreement. The Company's office space can be assigned back to the related party, with no further obligation by the Company, upon twelve months' written notice by either party. Rent and utilities charged to operations aggregated $43,875 for the year ended December 31, 2008.

BEACON ASSOCIATES LLC I
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS (LIQUIDATION BASIS EFFECTIVE DECEMBER 18, 2008)
DECEMBER 31, 2008

NOTE 17. LITIGATION

The Company has been named in multiple lawsuits related to losses from assets held with BLMIS. The plaintiffs seek to recover damages allegedly caused by the defendants' violations of rules under the Securities Exchange Act of 1934, as well as common law fraud, negligent misrepresentation and breach of fiduciary duty under New York Law.

The Company and the Managing Member intend to vigorously defend these actions and currently, cannot determine the likelihood of an unfavorable outcome. The Company advanced $1,000,000 to a legal escrow account for expected legal expenses. At December 31, 2008, approximately $969,000 remained in the escrow account. In addition, the Company has established a reserve of approximately $11,200,000 for ongoing administrative expenses, legal and accounting fees, which is shown in the accompanying statement of net assets in liquidation. The Company will establish a seperate reserve for possible clawback claims by the bankruptcy trustee once the claim, if any, is ascertainable.

NOTE 18. SUBSEQUENT EVENTS

Administrative Agreement

On June 1, 2009, the Company signed a new administrative agreement with SS&C Technologies Inc. ("SS&C"). SS&C will provide administrative services for the Company and serves as a replacement for Ivy. The administrative agreement between the Company and SS&C is effective June 1, 2009. The fee for the service is based on a percentage of the Company asset balance as defined the the agreement. Fees are paid on a quarterly basis. (The Company is obligated to pay these fees for the initial term of its agreement, June 1, 2009 through to December 31, 2010.)

Asset Redemption

As of September 30, 2009, approximately 94% of the Company's assets were redeemed from the Company's investment managers and invested with a high credit quality financial institution. 90% and 4% of the redeemed assets are been held in the form of U.S treasuries and cash, respectively.