

October 31, 2014

VIA E-FILING AND FAX 212-805-7933

The Honorable Andrew J. Peck
United States Magistrate Judge
United States Courthouse, Courtroom 20D
500 Pearl Street
New York, NY 10007-1312

***Re: Beacon Associates LLCI, et al. v. Beacon Associates Management Corp.
Civil Case No: 14-cv-2294 (AJP)***

Dear Judge Peck:

I am writing to advise the Court that all named parties to the Complaint as well as investor Howard Siegel (the only investor who expressed an interest in participating in the drafting of a proposed Order for the Court) have reached an agreement as to the wording of a proposed Final Distribution Order. Furthermore, the parties have agreed that the enclosed proposed Final Distribution Order constitutes a final Order of the Court as to the proper method of distributions of all fund monies *albeit*, as explained below, Mr. Siegel has indicated that he may appeal from that part of the Final Distribution Order which directs that after each investor has reached a breakeven point as a result of distribution of monies pursuant to the Net Equity method, all future monies after that point should be distributed in accordance with the Valuation Method. Also, counsel for defendant Income Plus has advised me that another investor which wanted the Valuation Method to be used for the distribution of all of the Funds' money has indicated that it may appeal the Final Distribution Order.

The enclosed proposed Final Distribution Order contains 11 Ordered paragraphs. Set forth below is a short summary describing the purpose of each Ordered paragraph of the proposed Final Distribution Order:

1. First Ordered Paragraph - Beacon Fund Only

Consistent with this Court's ruling on October 7, 2014, this paragraph orders that until investors are made whole (i.e., have received a return of 100% of their principal investment), the Beacon Fund shall distribute all money in accordance with the Net Equity Method. Since there were prior distributions in accordance with the Valuation Method, and the Fund has in reserve and is still holding onto

The Honorable Andrew J. Peck
October 31, 2014
Page 2

some monies which will need to be distributed in accordance with the Valuation Method, this paragraph defines which monies are to be included in Net Equity Method distributions and which monies are not to be included in Net Equity Method distributions.

2. Second Ordered Paragraph - Andover Fund Only

Similar to the first so Ordered paragraph, describing monies to be distributed in accordance with the Net Equity Method this Ordered paragraph deals with the same issues described in paragraph one above but with respect to the Andover Fund (not Beacon).

3. Third Ordered Paragraph

At the court hearing, on October 7, 2014, the Court indicated that after each investor reaches a breakeven point (i.e., has received a return of invested money), the Court is inclined to rule that all future monies be distributed in accordance with the valuation method. Counsel for all party defendants have agreed that the proposed Final Distribution Order can contain a directive to this effect. Accordingly, the third Ordered paragraph directs that after each investor has reached a Net Equity Breakeven Point (as defined in the Order), all future monies be distributed in accordance with the Valuation Method. The parties realized that because there are already a few Net Equity Winners (i.e., investors who have already recovered all of their principal investment and also currently have a profit), in accordance with the spirit of the Court's October 7, 2014 ruling, such investors should not participate in distributions until after all other investors have reached the percentage of profit already made by such Net Equity Winner investor, and only then should they participate in future distributions in accordance with their pro rata share of the fund.

4. Fourth Ordered Paragraph

This Ordered paragraph defines the Net Equity Method for purposes of distributing money in accordance with this Court's October 7, 2014 ruling.

5. Fifth Ordered Paragraph

This Ordered paragraph defines the Valuation Method for purposes of distributing post-breakeven monies.

The Honorable Andrew J. Peck
October 31, 2014
Page 3

6. Sixth Ordered Paragraph--Beacon Fund Only

This paragraph confirms that the Beacon Fund \$19,766,425.29 of clawback money paid to the Madoff Trustee out of Valuation Method money which the Fund paid back into the category of Valuation Method money from money received from the Madoff Trustee was properly distributed in accordance with the Valuation Method.

7. Seventh Ordered Paragraph

Consistent with the Court's October 7, 2014 ruling, this paragraph deals with the allocation of Funds' expenses (both past and future).

8. Eighth Ordered Paragraph

This paragraph directs the Funds as to the procedure for advising all investors of the Court's ruling. The Funds have already posted this Court's ruling of October 7, 2014 on the Beacon-Andover Webpage and this paragraph directs the Funds to mail the Final Distribution Order to all investors in addition to posting a copy of the Final Distribution Order on the Beacon-Andover litigation Webpage.

9. Ninth Ordered Paragraph

This Ordered paragraph directs the Funds to distribute monies to investors within 30 days after the Final Distribution Order becomes final unless a party or investor successfully obtains a stay of all or part of the Final Distribution Order from this Court or the appellate court.

10. Tenth Ordered Paragraph

Although the Funds and the parties have attempted to anticipate all issues which may arise in connection with the distribution, we recognize that the distribution is complex and that there may be a need to seek further assistance from the Court in connection with the Final Distribution Order. Accordingly, this paragraph (i) provides that the Court will retain jurisdiction over any issues that arise with respect to distribution by the Funds pursuant to the Final Distribution Order; (ii) allows the Funds to make potential adjustments with respect to any unique individual investor issue (as opposed to issues that affect all investors); and (iii)

The Honorable Andrew J. Peck
October 31, 2014
Page 4

provides the right for any such investor affected to challenge any such adjustments.

11. Eleventh Ordered Paragraph

The final Ordered paragraph merely states that the Final Distribution Order constitutes the final decision and Order of the Court in this matter.

The proposed Final Distribution Order constitutes a very detailed and methodical road map for the Funds to follow in connection with future distributions of recovered funds from all sources and resulted from effort by the Funds to work with all the parties in this litigation as well as investor Howard Siegel (the sole investor who at the October 7, 2014 Fairness Hearing expressed a desire to review and comment on the Funds' proposed Final Distribution Order) to reach a consensus of what is fair and equitable for all investors consistent with this Court's October 7, 2014 ruling. In doing so, the Funds, through its CFO, ran numerous calculations showing the parties how changing various components of the distribution algorithm would affect different investors. Accordingly, this proposed Final Distribution Order represents a consensus of what the parties deemed to be fair, equitable and a clear and detailed directive for distribution of monies in light of this Court's October 7, 2014 ruling (notwithstanding the fact that Mr. Siegel objects to the post-Net Breakeven Point distribution of monies pursuant to the Valuation Method).

If the Court has any questions or concerns, I am sure that we can very quickly schedule a conference call or in-court appearance by all parties and Mr. Siegel (who is currently in Florida and therefore can participate by phone). I believe that I speak for all parties in thanking the Court for its quick and prompt attention to this matter so that even with the delay (effectuated by the drafting of this proposed Final Distribution Order and the desire to reach a consensus) the Funds are hopeful that absent an appeal a distribution can be made prior to December 31, 2014.

Respectfully submitted,



Arthur G. Jakoby

cc: All Parties (via ECF and e-mail)
Howard Siegel, JD, LLM, CPA (*pro se* via email)