

November 5, 2014

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

Dear Beacon Investor:

I last wrote to you on June 9, 2014 advising you that both the Beacon Fund and Andover Fund (collectively the "Funds") had commenced an action seeking a Declaration from the Court advising the Funds on the appropriate method to distribute monies which the Funds had already recovered and are going to continue to recover from the Madoff Trustee as well as from other sources.

The Purpose of this Letter

I am writing to advise you that on October 31, 2014 the Court issued a Final Distribution Order and Judgment which will serve as a road map for the Funds to distribute all future money to investors. A copy of the Final Distribution Order and Judgment is enclosed herewith and below I have attempted to explain each paragraph of the Final Distribution Order and Judgment. Also set forth below are instructions advising you how to file an appeal of the Final Distribution Order and Judgment if you disagree with the distribution method Ordered by the Court.

The Meaning of the Court's Final Distribution Order and Judgment

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

1. First Ordered Paragraph - *Beacon Fund Only*

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 some monies which will need to be distributed in accordance with the Valuation Method, this paragraph defines which monies are

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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.

5. Fifth Ordered Paragraph

This Ordered paragraph defines the Valuation Method for purposes of distributing money.

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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

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 and directs the Funds to mail the Final Distribution Order and Judgment to all investors in addition to posting a copy of the Final Distribution Order and Judgment on the Beacon-Andover litigation Webpage www.Herrick.com/BeaconAndover.

9. Ninth Ordered Paragraph

This Ordered paragraph directs the Funds to distribute monies to investors within 30 days after the Final Distribution Order and Judgment 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 attempted to anticipate all issues which may arise in connection with the distribution, because the distribution is complex and the Funds may be a need to seek further assistance from the Court in connection with the Final Distribution Order and Judgment, 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 and Judgment; (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) provides the right for any such investor affected to challenge any such adjustments.

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11. Eleventh Ordered Paragraph

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

The proposed Final Distribution Order and Judgment constitutes a very detailed and methodical road map for the Funds to follow in connection with future distributions of recovered funds from all sources.

How to Appeal the Final Distribution Order and Judgment

If you disagree with the Court's ruling, in whole or in part, you have the right to file an appeal. In order to understand how to appeal the Final Distribution Order and Judgment please go to the web site for the United States Court of Appeals for the Second Circuit. www.ca2.uscourts.gov. Once on the web site you will see a "Search" box in the upper right hand corner. Type into the search box: "How to Appeal as a Pro Se Party" and you will find instructions on how to appeal. Please note that the last day to file an appeal is 30 days after you receive this notice.

The Final Distribution Order and Judgment sets forth in the Ninth Ordered paragraph (the third from last) that the Funds *must* distribute absent either the District Court or a higher court (the Second Department) issuing an Order staying the Funds' obligation to make a distribution. Therefore, *if you are going to appeal and do not successfully seek a stay of the Final Distribution Order (i.e., an Order from a Court directing the Funds to not distribute until the appeal is concluded)* the Fund will be obligated to make a distribution in accordance with the road map set forth in the Final Distribution Order and Judgment. Therefore, if you are going to appeal you must seek and obtain a stay or you may not achieve the result you hope to achieve, even if you prevail on appeal because the money will have already been distributed according to the method prescribed by the Court in the Final Distribution Order and Judgment.

When will Beacon Next Distribute Money

The timing of any distribution depends on whether any investor appeals the Final Distribution Order and Judgment and successfully seeks a stay. If an appeal is taken we may need to seek a ruling from the Court as to any further distribution. If for some reason a distribution cannot be made until a further court decision we will advise investors by making an announcement on our webpage www.Herrick.com/BeaconAndover.

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Conclusion

As we advised you in our June 9th letter, we and Fund Management know that investors want a distribution as quickly as possible, and therefore we did everything possible to get an expedited decision from the Court. We were successful in getting a decision of the Court in less than seven (7) months which is very fast. Further, you should know that we, as Funds' counsel, and Fund Management did not express an opinion as to the proper methodology to be applied under these circumstances, but rather, allowed investors and lawyers representing investors to express their opinions to the Court. The Court, before rendering its decision, carefully reviewed extensive briefs on all issues raised in our Complaint and held a hearing at which several lawyers and at least one investor argued different positions. These briefs and other information concerning the litigation can be found at www.Herrick.com/BeaconAndover.

As I am sure you can understand, if we have a multitude of telephone calls and/or email transmissions from investors, concerning this letter it will unnecessarily and potentially significantly, increase the cost of legal fees associated with our services to the Funds. While we know that some of you may have questions, we ask that, to the extent possible, you email me at ajakoby@herrick.com rather than call. As always, we will continue to update you at www.Herrick.com/BeaconAndover when there is news to share.

Thank you.

Very truly yours,


Arthur G. Jakob

USDC SDNY
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DATE FILED: 10/31/14

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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BEACON ASSOCIATES LLC I, BEACON :
ASSOCIATES LLC II, ANDOVER ASSOCIATES, :
L.P., ANDOVER ASSOCIATES LLC I, ANDOVER :
ASSOCIATES (QP) LLC, :

Plaintiffs, :

-vs- :

BEACON ASSOCIATES MANAGEMENT CORP.; :
ANDOVER ASSOCIATES MANAGEMENT CORP.; :
INCOME PLUS INVESTMENT FUND; DAVID :
FASTENBERG, TRUSTEE, LONG ISLAND :
VITREO-RETINAL CONSULTANTS 401K FBO :
DAVID FASTENBERG, :

Defendants. :

Index No. 14-CV-2294

FINAL DISTRIBUTION ORDER & JUDGMENT

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This matter having come before the Court at an in-person Fairness Hearing, held on October 7, 2014, and having been opened to the Court by Herrick Feinstein LLP, attorneys for Plaintiffs Beacon Associates LLC I ("Beacon I"), Beacon Associates LLC II ("Beacon II"), (collectively, "Beacon"); Andover Associates, L.P. ("Andover LP"), Andover Associates I.L.C I ("Andover I"), Andover Associates (QP) LLC ("Andover QP"), Andover Associates LLC II ("Andover II") (collectively, "Andover"); (both Beacon and Andover collectively, the "Funds" or "Fund"); and by Folkenflik & McGerity, attorney for David Fastenberg, Trustee, Long Island Vitreo-Retinal Consultants 401k FBO David Fastenberg ("Fastenberg"); and by Hiscock & Barclay, LLP, attorney for Income Plus Investment Fund ("Income Plus");

And, upon the Memorandum of Defendant Income-Plus Investment Fund In Response to Plaintiffs' Request for Declaratory Judgment, and the Declaration of Brian E. Whiteley and the exhibits thereto, and the Declaration of John P. Jeanneret, Ph.D. and the exhibits thereto; and

upon the Defendant Fastenberg's Memorandum of Law in Support of His Request for a Mandatory Injunction and a Declaratory Judgment, and the Declaration of Max Folkenflik and the exhibits thereto; and upon the Memorandum of Defendant Income-Plus Investment Fund in Reply to Defendant Fastenberg's Memorandum of Law in Support of His Request for a Mandatory Injunction and Declaratory Judgment, and the Reply Declaration of Brian E. Whiteley and exhibit thereto; and upon the Fastenberg Reply Memorandum of Law in Further Support of His Request for A Mandatory Injunction and a Declaratory Judgment, and the Reply Declaration of Max Folkenflik and exhibit thereto; and upon the submissions of Robert E. Decker, Ironworkers Local 6 Pension Fund, Raubvogel Investors, and Howard Siegel, and upon oral argument before this Court on October 7, 2014 in which counsel for the Funds, Fastenberg, and Income Plus, as well as investors Robert E. Decker and Howard Siegel argued;

And, the Funds having provided notice of the Complaint (the "Action") and issues to be decided in this Action to all investors by letter dated June 26, 2014 (the "June 26, 2014 Investor Notice Letter"), which letter informed all investors of the issues to be decided in this Action, each investor's rights in accordance with the determination of the issues to be decided in this Action, the details of this Court's June 2, 2014 Scheduling Order, the deadlines set forth therein for the submission of papers to the Court and Notice of the October 7, 2014 Fairness Hearing;

And, the Funds having informed each investor in the June 26, 2014 Investor Notice Letter that it had set up a web page at www.herrick.com/beaconandover (the "Beacon Andover Litigation Web Page") where copies of the Complaint, the Scheduling Order and all other relevant documents posted by parties to this Action on United States District Court for the Southern District of New York's CM/ECF System would be timely posted so as to afford all

investors timely notice of all issues in this Action, and the Funds having fully complied with such directive;

And, the Funds having provided all inquiring counsel and inquiring Fund investors with financial information in order to evaluate the different methods of distribution and the amounts of the Funds' expenses and the past allocation of such expenses and any and all other financial and other data requested;

And, this Court having found that prior monies distributed by the Funds were properly distributed and the prior expenses allocated by the Funds were properly allocated;

And, this Court having found that the method of distribution set forth below is the most equitable method of distribution taking into account the Funds' operative documents, the law and equity, and for good cause shown:

IT IS on this 31st day of OCTOBER, 2014:

ORDERED THAT all monies recovered by the Beacon Funds from the Madoff Bankruptcy Trustee (the "Beacon Bankruptcy Recovery") and future money due to the Beacon Funds from the Madoff Trustee based upon an Allowed Madoff Bankruptcy claim of \$159,867,924.62 and any monies recovered by the Beacon Funds directly attributed or based upon the Beacon Funds' Madoff loss (i.e. settlements of the lawsuits identified by the parties), exclusive of: (a) the Beacon Clawback Amount (defined below) which was paid back to the Beacon Funds by the Madoff Bankruptcy Trustee (the "Beacon Net Bankruptcy Recovery") and (b) the \$2,842,270.00 return of unpaid but accrued management fees which in accordance with the Ivy Class Action settlement before the Honorable Colleen McMahon (the "Judge McMahon Ordered Plan of Allocation") were previously distributed to investors out of Madoff Trustee money, should be distributed in accordance with Net Equity Method, as defined below, until all

investors are made whole (i.e., have received back all of their principal invested in Beacon), hereinafter referred to as the "Beacon Net Equity Break Even Point";

IT IS FURTHER ORDERED THAT All monies recovered by the Andover Funds from the Madoff Bankruptcy Trustee (the "Andover Bankruptcy Recovery") and future money due to the Andover Funds from the Madoff Trustee based upon an Allowed Madoff Bankruptcy claim of \$5,032,817.38, and any monies recovered by the Andover Funds directly attributed or based upon the Andover Funds' Madoff loss (i.e. settlements of the lawsuits identified by the parties), *exclusive of* the \$515,423.00 return of unpaid but accrued management fees which in accordance with the Judge McMahon Ordered Plan of Allocation were previously distributed to investors out of Madoff Trustee money, should be distributed in accordance with Net Equity Method, as defined below, until all investors are made whole (i.e., have received back all of their principal invested in Andover), hereinafter referred to as the "Andover Net Equity Break Even Point"(and when referring generically to the separate Beacon Net Equity Break Even Point and Andover Net Equity Break Even Point, generally the "Net Equity Break Even Point");

IT IS FURTHER ORDERED THAT once each Beacon or Andover investor reaches Net Equity Break Even Point, all future distributions by either the Beacon Fund or Andover Fund to its respective investors will be distributed in accordance with the Valuation Method pursuant to this Court's July 27, 2010 Decision and Order (the "2010 Valuation Distribution Order") and as further defined below, with any necessary appropriate immaterial adjustments such as an audit adjustment or otherwise. The sole exception to the foregoing shall be that any net winner investor -- i.e., any investor in the Beacon Fund or Andover Fund who, as of the Madoff fraud discovery date recalculation of such investor's Net Equity, has received distributions in excess of the investor's investment (hereinafter, a "Net-Winner"), or any investor who became a Net-

Winner due to distributions subsequent to the Madoff fraud discovery date by the investor's respective Fund -- will not share in post Net Equity Break Even Point distributions by the investor's respective Fund until all other non-Net-Winner investors of such Fund have reached the level of profit of such Net-Winner, and then, from the next dollar of distribution forward by the investor's Fund, such Net-Winner's will receive their *pro rata* share of all future Valuation Method distributions by the Fund , after first deducting the amount previously received in excess of the Break Even Point;

IT IS FURTHER ORDERED THAT in employing the Net Equity Method the following computation shall be used by each of Beacon and Andover: Each Fund shall compute each investor's remaining unpaid investment in such Fund based upon each investor's total cash contributions and subtract all cash distributions or withdrawals to that investor (inclusive of (i) the money investors received from the Ivy Class Action settlement before the Honorable Colleen McMahon distributed in accordance with the "Judge McMahon Ordered Plan of Allocation"), (ii) the monies distributed to Beacon Fund investors in 2010 in accordance with the July 27, 2010 Decision and Order of this Court (the "2010 Valuation Distribution Order"), and (iii) the 2013 distribution to Beacon Fund investors which included money distributed pursuant to the plan of allocation set forth in the 2010 Valuation Distribution Order and money distributed pursuant to the Judge McMahon Ordered Plan of Allocation), resulting in the investor's remaining "Net Equity." The total Net Equity of each investor in the Fund is then divided into the total remaining Net Equity of all investors in the Fund to calculate the investor's "Net Equity Sharing Ratio" in that Fund. Any money distributed by the Fund shall first be distributed on the basis of each investor's Net Equity Sharing Ratio in that Fund. Distributions to each investor shall cease when that investor's Net Equity Sharing Ratio is zero (i.e., all Net Equity for that

investor has been recovered). Distribution from the Fund to each such investor shall be resumed, on the Valuation basis, only after all investors reach a Net Equity Sharing Ratio of zero in that Fund.

IT IS FURTHER ORDERED THAT in employing the Valuation Method the following computation shall be used by each of Beacon and Andover: Each Fund shall compute each investor's allocated pro rata share of the Madoff losses as used for the Madoff Theft Loss deduction in each investor's Schedule K-1 for 2008¹ (the "Valuation Sharing Ratio"), exclusive of the Defendants named in the Funds' Bankruptcy Recovery Settlement Agreement as having waived any entitlement to and receipt of any distributions. Once all Non- Net-Winner investors in the Fund reach a Net Equity Sharing Ratio of zero, all subsequent distributions from that Fund shall be on the basis of each investor's Valuation Sharing Ratio, except, the excess amount distributed to or withdrawn by Net -Winner investors over their Net Equity Break Even Point shall be deducted from any distributions to be made to them based on their Valuation Sharing Ratio. In calculating distributions under the Valuation Method, the deduction of excess distributions by Net Winners shall be made and properly distributed to comply with the intent of this Order.

IT IS FURTHER ORDERED THAT the Beacon \$19,766,425.29 clawback paid to the Madoff Bankruptcy Trustee (the "Beacon Clawback Amount") previously distributed in accordance with the Valuation Method, as defined by the 2010 Valuation Distribution Order was and hereby shall be deemed properly distributed;

1. The theft loss allocations under the Valuation Method were almost identical to the allocations had they been made pursuant to the Sharing Ratios (as such term is used in the Agreement) of the Investors in the Beacon Fund. A slight difference between those allocations arose because two investors had interests only in Beacon's investments in BMIS, and not in any other investments made by Beacon. Accordingly, the Valuation Method produced an allocation of a slightly higher portion of losses due to those two investors than would have resulted from an allocation based on Sharing Ratios.

IT IS FURTHER ORDERED THAT the method used to allocate expenses in the past was and hereby shall be deemed proper and shall not be modified. On a going forward basis, should the Funds incur expenses over the amounts already reserved for, the Beacon and Andover Funds shall allocate these additional expenses *pro rata* based upon the percentage of money distributed in accordance with the Net Equity Method and monies distributed in accordance with the Valuation Method;

IT IS FURTHER ORDERED THAT the Funds shall within five (5) business days of the issuance of this Order: (i) mail, by U.S. first-class postage mail, a copy of this Order to every Fund investor along with a letter describing this Order and such investor's right to challenge or appeal this Order (the "Funds' Final Distribution Order Notice Letter"); and (ii) post of copy of the Funds' Final Distribution Order Notice Letter and the Final Distribution Order on the Beacon Andover Litigation Web Page;

IT IS FURTHER ORDERED THAT a distribution to investors of monies currently held by the Funds in an amount determined in the discretion of the Fund Managers, after consultation with the Fund Accountants, shall be made in accordance with this Order no later than thirty (30) days after this Order becomes final and all appeals therefrom have been exhausted (calculated as affording each investor forty-five days from the date of mailing of this Order to each investor by first-class U.S. Mail, to challenge or appeal this Court's Order) absent further order from this Court or any higher court that such distribution shall be stayed in part or in whole;

IT IS FURTHER ORDERED THAT this Court shall retain jurisdiction over any issues that arise with respect to the distribution of funds pursuant to this Order, the final liquidation of the Funds and any potential adjustments made to any individual investor with such

investor having the right to challenge any such adjustment after being advised of the proposed adjustment by the Funds or the Fund seeking a further Order from the Court's with respect to any such proposed adjustment upon notice to the investor; and

IT IS FURTHER ORDERED THAT this constitutes the final decision and Order of the Court. *THE CLERK OF COURT SHALL CLOSE THE CASE*

Andrew J. Peck 10/31/14

Honorable Andrew J. Peck, U.S.M.J.
Southern District of New York
HON. ANDREW J. PECK
United States Magistrate Judge
Southern District of New York

BY ECF: All Counsel

BY ECF