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January 23, 2015

VIA 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:

As you know, my law firm represents plaintiffs Beacon Associates (the "Beacon Fund") and Andover Associates (the "Andover Fund") in connection with the captioned matter. I am pleased to advise Your Honor that on January 20, 2015, pursuant to the October 31, 2014 Final Distribution Order and Judgment (the "Final Distribution Order"), the Beacon Fund distributed \$48,947,774 to 293 investors, and the Andover Fund distributed \$101,107 to 67 investors. Thus, in total, over \$49 million was distributed to investors.

I write today to propose a disclosure and briefing schedule with respect to the dispute identified for Your Honor during our conference call on January 14, 2015 (the "Court Conference Call"). As explained during the Court Conference Call, a dispute has arisen between Beacon investor AIJED International, Ltd. ("AIJED")¹, on the one hand, and two groups of other Beacon investors represented, respectively, by Max Folkenflik and Brian Whitely (the "Challenging Investors") concerning the computation of AIJED's Net Equity under the Final Distribution Order. As was also discussed during the Court Conference Call, a total of 18 other Beacon Fund investors (including AIJED, the "Affected Beacon Investors") have similar issues concerning the proper calculation of their Net Equity under the Final Distribution Order.²

¹ The definition of AIJED is for convenience only and includes any related entities. Counsel for the AIJED entities disputes that these entities should be treated as anything other than separate entities.

² There are no Andover accounts affected by this issue.

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The Beacon Fund recognizes that there are legitimate disputes between investors concerning the application of the Final Distribution Order and will remain neutral regarding how these disputes should be resolved.

Given the uncertainty regarding the Affected Beacon Investors' Net Equity computations, and as discussed during the Court Conference Call, in order to effectuate the January 20, 2015 distribution without delay, the Beacon Fund calculated the maximum amount that it believes could be due to AIJED and the other Affected Beacon Investors under any scenario, and withheld those amounts from the January 20, distribution. The Beacon Fund then placed the amounts in question in escrow (the "Holdback") and distributed to each Affected Beacon Investor only those amounts that are not subject to the current dispute.

During the Court Conference Call, the Court requested that the parties propose a procedure to brief the issues in dispute so that the Court may render a decision on the proper calculation of Net Equity of AIJED and any other Affected Beacon Investor. The Beacon Fund, the Challenging Investors, and AIJED have conferred and agreed to the following proposed procedures:

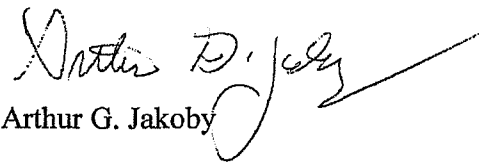
1. **Confidentiality:** All proceedings relating to the instant dispute, including the disclosures and submissions contemplated below, shall be subject to and governed by the *Stipulation and Protective Order for the Production and Exchange of Confidential Information* (1:14-cv-02294-AJP, Docket No. 18) (the "Protective Order") which will be promptly executed by AIJED's counsel and by any Participating Investor or its counsel that wishes to have access to confidential material in connection with these proceedings.
2. **Notice:** (i) To the extent it has not already done so, the Beacon Fund or Mr. Folkenflik (if he has represented an Affected Beacon Investor) shall immediately notify each Affected Beacon Investor in writing of their holdback amount (the "Notices") and provide each such investor with a copy of this letter, and (ii) Messrs. Folkenflik and Whiteley shall, on or before January 29, 2015, provide to counsel for the Beacon Fund and AIJED a list of each of the Challenging Investors they represent in connection with this dispute.
3. **Participation by Affected Beacon Investors:** Any Affected Beacon Investor who wishes to participate in these procedures shall so notify the Beacon Fund, by 5:00 p.m. on February 13, 2015 (Affected Beacon Investors who provide such notice are referred to herein as "Participating Investors") and the Beacon Fund shall immediately provide the Challenging Investors and AIJED with contact information for any Participating Investor and provide them with any notices received from any Participating Investor.

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4. **Informal Limited Discovery:** AIJED, the Challenging Investors and the Participating Investors (the "Parties") shall serve informal discovery requests by 5:00 p.m. on February 16, 2015 on all Parties and the Beacon Fund. The Parties and the Beacon Fund shall try to resolve all discovery disputes but to the extent not resolved by February 20, 2015, any Party can file simultaneous letters with the Court by February 20, 2015 at 5:00 p.m. explaining its position with respect to any such discovery dispute (and copy all Parties). The Parties and the Beacon Fund shall produce all responsive documents, other than discovery requests objected to, by 5:00 p.m. on February 20, 2015. Following a decision by the Court concerning any discovery disputes all Parties and the Beacon Fund shall promptly comply with the Court's decision and produce any required documents within three (3) business days of the Court's decision.
5. **Briefing:** (i) AIJED, any Challenging Investor and any Participating Investor shall each have the right to file one opening brief each on March 6, 2015; and (ii) AIJED, any Challenging Investor and any Participating Investor shall each have the right to file a single brief on March 23, 2015 in opposition to any of the opening briefs.

We thank the Court for its attention to this matter.

Respectfully submitted,


Arthur G. Jakoby

cc: All Parties (via e-mail)