

IN THE GRAND COURT OF THE CAYMAN ISLANDS

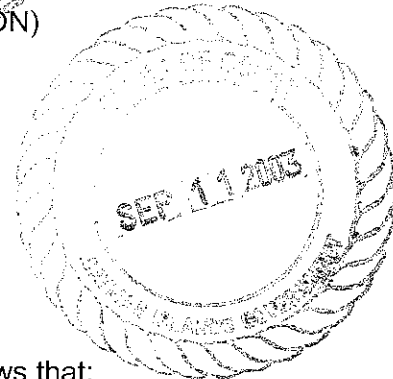


CAUSE NO: 592 OF 2003

In the matter of: THE COMPANIES LAW (2003 REVISION)

And in the matter of: BRISTOL FUND, LTD

**PETITION**



TO: The Grand Court of the Cayman Islands

The Humble Petition of Bristol Fund, Ltd ("the Petitioner") shows that:

1. The Petitioner was incorporated on 19 March 1997 under the Companies Law (Revised) as an Exempted Company with Limited Liability.
2. The Registered Office of the Petitioner is situated at the offices of Admiral Administration Ltd, PO Box 32021SMB, Anchorage Centre, 2<sup>nd</sup> Floor, Harbour Drive, George Town, Grand Cayman, Cayman Islands, BWI.
3. The capital of the Petitioner is US\$50,000 divided into 1,000 Founder Shares of US\$0.01 par value per share and 4,999,000 Shares of US\$0.01 par value per share. The Memorandum of Association of the Petitioner provides that each member is liable to the amount, if any, unpaid on shares respectively held by them.
4. The objects for which the Petitioner was established as set out in the Memorandum of Association are unrestricted. The Petitioner is incorporated with full power and authority to carry out any object not prohibited by any law as provided by Section 6 (4) of the Companies Law (1995 Revision).
5. The principal business of the Petitioner since incorporation has been that of an investment fund. With effect from 2 January 2002, it operated as a "feeder fund" investing in a "master fund", the purpose of which was to bring greater efficiency and portfolio diversification to the investment management process for the feeder funds. The master fund was Beacon Hill Master, Ltd ("Beacon Master"); the other feeder funds that invested in the Beacon Master were Safe Harbor Fund, L.P. ("Safe Harbor") and

Milestone Plus Partners, L.P. ("Milestone") (together with the Petitioner, the "Feeder Funds"; the Feeder Funds, together with Beacon Master, the "Funds").

6. The investments of the Funds (including the Petitioner) were managed by Beacon Hill Asset Management LLC ("BHAM") under the terms of an Investment Management Agreement entered into between BHAM and the Funds on 31 December 2001 ("the Investment Management Agreement"). Under the terms of the Investment Management Agreement, BHAM agreed to serve as the Investment Manager to the Funds and be responsible for the discretionary investment management of the Fund's assets.
7. Shares in Beacon Master were issued to the Petitioner (and the other Feeder Funds) under the terms and conditions of the Memorandum and Articles of Association. The first issue of shares took place on 2 January 2002.
8. On 8 October 2002, BHAM notified the Petitioner and its advisors that the Petitioner, Beacon Master and the other Feeder Funds had suffered significant losses and there had been a drop of approximately 25% in Net Asset Value previously reported. BHAM indicated that the loss was attributable primarily to the volatility of interest rates during the month of September 2002. BHAM requested that the Boards of Directors of the Petitioner and Beacon Master suspend redemptions of shares and the further determination of Net Asset Value as provided in its Articles of Association. Subsequent requests for information made by the Board of Directors of the Petitioner to BHAM were ignored.
9. As a result, the Board of Directors of the Petitioner determined on 14 October that it was in the best interests of all shareholders that redemption requests be suspended. BHAM subsequently reported that the losses were as high as 54% from reported Net Asset Values.
10. On 7 November 2002, the United States Securities and Exchange Commission (the "SEC") filed a Complaint in the United States District Court, Southern District of New York against BHAM (the "SEC Proceedings"), alleging amongst other things that BHAM had provided false and misleading information to investors about the value or performance of certain investment funds that it managed in violation of U.S. federal securities laws. The Petitioner, Beacon Master and the other Feeder Funds were named as Relief Defendants to the SEC Proceedings, although the SEC Proceedings

contain no allegations of wrongdoing by the Funds or their directors. On 13 November 2002, an order was made by consent in the SEC Proceedings (the "Consent Order") whereby, amongst other things, the Petitioner agreed to replace BHAM as Investment Manager with a new investment manager and require that the replacement enter into a regime for reporting to the SEC, the New York Court and the investors.

11. BHAM resigned as Investment Manager of the Petitioner, Beacon Master and the other Feeder Funds by letter dated 31 October 2002. The Board of Directors of the Petitioner appointed Ellington Management Group LLC ("Ellington") as replacement Investment Manager. Ellington was appointed as Investment Manager of the Petitioner under the terms of an agreement dated 6 November 2002. Ellington has been managing the Petitioner, Beacon Master and the other Feeder Funds, and, where appropriate and in the interests of the Funds has been realising Beacon Master's portfolio.
12. On 8 April 2003, certain investors in the Feeder Funds filed a Complaint in the United States District Court, Southern District of New York against BHAM and others. Neither the Petitioner nor its directors are named in that Complaint. In that Complaint the plaintiffs seek the recovery of compensatory and punitive damages against BHAM and others, in respect of alleged fraud, breach of fiduciary duty and negligence (amongst other things) in relation to the management of the investments of the Feeder Funds.
13. The Boards of Directors of the Petitioner and Beacon Master have appointed professional advisers to ascertain the true and full extent of the losses suffered in its portfolio. The work of those advisers is ongoing.
14. The Petitioner is of the view that to achieve the most expedient means of distributing the Petitioner's assets to its shareholders, it would be just and equitable for the Petitioner to be wound up. The Petitioner considers that the following factors are relevant:-
  - a. As a result of the losses suffered in the Beacon Master's portfolio, the SEC Proceedings and the Consent Order the Petitioner as a practical matter is no longer able to function or carry out its objects, save to the extent that its portfolio is being managed to protect the investments it holds;

- b. The Board of Directors of the Petitioner expects that the losses suffered by the Petitioner as a result of the losses in the Beacon Master's portfolio will be significant;
  - c. Significant questions having arisen about the historical valuations of the Beacon Master's assets, true Net Asset Values and share ownership of investors have not yet been determined, as a result of which (and as specifically provided in the Consent Order) investors including the Petitioner are prevented from redeeming shares in the Beacon Master, and therefore the investors in the Petitioner are prevented from redeeming their shares in the Petitioner;
  - d. The work of Beacon Master's and the Petitioner's professional advisers to determine the true historical valuation of investments in Beacon Master's portfolio has not yet been completed. That exercise must be completed before a true Net Asset Value can be determined.
  - e. Litigation has already been commenced against BHAM (and others) in the United States District Court by the SEC and by investors. There is a possibility that a multiplicity of proceedings involving the Petitioner, Beacon Master and the other Feeder Funds in different jurisdictions might occur, which would result in delays in the distributions to the investors in the Feeder Funds. Such proceedings would also result in the incurring of significant legal costs, which would further reduce the amounts available for distribution to the investors;
  - f. A winding up of the Petitioner will enable any claims by investors or others against the Petitioner to be determined in a single forum in an orderly and cost-effective way;
  - g. An equitable distribution of the assets of the Petitioner will be better achieved by way of a realisation by independent liquidators.
15. The Petitioner is solvent.
16. In the circumstances, the Petitioner considers that it is just and equitable that the Petitioner be wound up as provided in Section 94(d) of the Companies Law (2003 Revision).

YOUR PETITIONER THEREFORE HUMBLY PRAYS:

1. That the Petitioner be wound up by the Court subject to the provisions of Part V of Companies Law (2003 Revision).
2. That Nicholas Freeland and Russell Smith of PricewaterhouseCoopers of PO Box 258G, Strathvale House, North Church Street, Georgetown, Grand Cayman (to hold their offices jointly and severally) be appointed Official Liquidators of the Petitioner and that the Official Liquidators be authorised to do any acts or things considered by them to be necessary or desirable in connection the liquidation of the Petitioner and the winding up of its affairs.
3. That the Official Liquidators be authorised to exercise all the powers set out in Section 109 of the Companies Law (2003 Revision) without further sanction or intervention of the Honourable Court.
4. That the Official Liquidators provide to this Honourable Court, on a bi-annual basis or at such other times as Official Liquidators consider appropriate, reports on the progress of the liquidation.
5. That the Official Liquidators be at liberty to employ attorneys at law, counsel, professional advisers or other agents in the Cayman Islands or elsewhere as they may consider necessary to assist them in the performance of their duties as will be required to be carried out by them, at such hourly rates as agreed from time to time by the Official Liquidators.
6. That the Official Liquidators and their staff be remunerated out of the assets of the Company.
7. That the costs of the Petitioner and the Petition be paid out of its assets as a cost in the winding up.

8. Such further or other relief as this Honourable Court deems appropriate.

AND your Petitioner will ever pray etc.

DATED the 11th day of September 2003



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**WALKERS**

Attorneys-at-Law for the Petitioner

**NOTE:** This Petition is intended to be served on the Company and the Registrar of Companies.

**TIME ESTIMATE:** The estimated length of the hearing of this Petition is 1 hour.

#### NOTICE OF HEARING

This Petition having been presented to the Court on the 11th day of September 2003 will be heard at the Court House, George Town, Grand Cayman on the            day of            2003 in the forenoon/afternoon, or as soon thereafter as the Petition can be heard.

This Petition is presented by Walkers, Attorneys-at-Law, Walker House, Mary Street, P.O. Box 265 GT, George Town, Grand Cayman, for the Petitioners whose address for service is care of its said Attorneys-at-Law.