

VIA E-MAIL

To: Community Foundation for Northeast Georgia
Fieldale Farms Corporation
Holy Family Hospital of Bethlehem Foundation
Resort Hotels Insurance Company
Savannah Country Day School (c/o Wade Herring, Esq.)
Montford Associates
St. Josephs/Candler Health Systems, Inc. and GeeChee Reinsurance Company, LLC
(c/o Robert Brennan, Esq. and Leonard Panzitta, Esq.)
Hickory Springs Retirement Plan
Sea Island Resort and Pension Benefit Guaranty Corporation
Shelter Bay Fund, LP
Georgia Ports Authority

From: David Dantzer

Date: April 6, 2011

Re: *SEC v. Stanley J. Kowalewski and SJK Investment Management LLC*

This memorandum provides an update regarding the Receiver Team's activities to date. While we are moving forward in accordance with the Receiver's First Interim Report, we have encountered several key issues that will affect the administration of the Receiver Estate, generally, as well as the timing and content of the Receiver's proposed Plan of Distribution (the "Plan"). As more fully set forth below, our current expectation is to file the Plan by mid-May 2011.

SS&C and Fund Values

The Receiver has re-engaged SS&C Technologies as administrator of: the SJK Absolute Return Fund Ltd; the SJK Absolute Return Fund, LLC; the SJK Long/Short Equity Fund Ltd; and the SJK Long/Short Equity Fund, LLC. The Receiver Team is working with SS&C to obtain a better understanding of the net value of the assets in each of these funds compared to the values previously reported to investors, which included values reported by SJK for the SJK Special Opportunities Fund.

We also have received information regarding the late December 2010 investments made by Hickory Springs Retirement Plan and Shelter Bay Fund, LP, neither of which was issued shares or units in connection with their investments. Hickory Springs initially invested in the SJK Absolute Return Fund, Ltd, and Shelter Bay invested in the SJK Absolute Return Fund, LLC. The Receiver cannot provide statements to investors in these funds until issues related to the net asset values of the funds and the interests of Hickory Springs and Shelter Bay are

resolved. Our hope and expectation is that this can be accomplished by agreement, which will be much more efficient and cost effective than requiring Judge Batten to decide these issues. If these issues can be resolved without Judge Batten's involvement, we expect to file our Plan by mid-May.

We have now determined how the Hickory Springs and Shelter Bay investments were used by SJK and the SJK Funds. Within the next two weeks, we intend to provide information to the investors in the affected SJK Funds and make a proposal to investors regarding the treatment of the Hickory Springs and Shelter Bay investments. There are circumstances unique to each and, consequently, the Receiver's proposed plan for each likely will be different.

The Absolute Return and Long/Short Equity Funds

Since our last memo and the filing of the Receiver's First Interim Report on March 4, 2011, we have continued to work on issues related to the management of the four SJK Funds that are invested in third party hedge funds. The Receiver recently sent notice to all investors that redemptions in the SJK Funds have been suspended. Redemption suspensions were necessary to ensure the orderly administration and distribution of each Fund's assets to all investors at the same time. We also have analyzed the redemption terms of each of the third-party funds in which the SJK Funds invested. The Receiver's current plan is to redeem all of the SJK Funds' investments in all third-party funds on June 30, 2011. We will begin providing notices to third-party funds in the next few weeks. Third-party fund redemptions are subject to various fees and holdbacks, including "audit" holdbacks of up to ten percent (10%) of the amount invested. Typically, these holdbacks will be released upon the completion in 2012 of the audit for the year ending December 31, 2011. At least one third-party fund also has an early redemption fee that appears to apply in these circumstances. We continue to communicate with the third-party funds regarding these and other issues and we will provide more details regarding redemption in the Plan. We will also expect to provide, within the next ten days, the net asset value of each of these four Funds – excluding the "investments" in the Special Opportunities Fund – as of December 31, 2010.

Georgia Ports Authority

As indicated in the First Interim Report, the investments of the Georgia Ports Authority ("GPA") were held completely separate from the SJK Funds, and there was no comingling of money or other assets between the GPA's investments and the SJK Funds. Accordingly, prior to the filing of the Plan, the Receiver may seek the Court's approval to release the GPA investments from the Receiver Estate and turn them over to the GPA.

Other Receivership Assets

In addition to activities related to the SJK Funds and GPA investments, the Receiver Team also has continued the process of accounting for and securing the assets in the Receiver Estate. We have now secured all of the assets of which we are aware and we are beginning to make plans to liquidate these assets. As indicated in the First Interim Report, with the exception

of a beach house on Pawley's Island and some cash, it does not appear that the assets of the Special Opportunities Fund have much, if any value. The Receiver has listed the beach house for sale, secured the cash, and continues to analyze potential recoveries with respect to the Special Opportunities Fund's other assets. The Receiver Team is also in the process of liquidating the assets of SJK Investment Management, LLC.

Kowalewski's Assets, Taxes and Other Issues

Several issues need to be resolved prior to liquidating the assets of Stanley J. Kowalewski, including his investments in the SJK Funds, for the benefit of the Receiver Estate. Based on the Receiver Team's current understanding of circumstances surrounding the transfer of funds from the Special Opportunities Fund to SJK Investment Management, and from SJK Investment Management to Mr. Kowalewski, it appears that Mr. Kowalewski may have significant federal and state tax liability for both 2010 and 2011. The Receiver is working with tax counsel at Troutman Sanders and accountants to address these issues and their impact on the Receiver Estate. The administration of Mr. Kowalewski's assets also will be complicated by other issues, including the fact that his residence is jointly owned with his wife.

The Receiver Team also is addressing other matters related to Mr. Kowalewski. For example, Mr. Kowalewski recently requested over \$1 million in indemnification and advancement from both the SJK Absolute Return Fund, Ltd and the SJK Long/Short Equity Fund, Ltd. Mr. Kowalewski's entitlement to the indemnification and advancement involves questions of both United States' and Cayman Islands' law. We will keep you informed as this issue moves towards resolution.

Third Party Recoveries and Discovery

The Receiver Team continues to explore potential recoveries from third parties. To that end, we have served subpoenas on several individuals and institutions in recent weeks. We plan to serve additional subpoenas and to begin reviewing SJK's electronically stored information ("ESI"), including emails. The Receiver Team is mindful that the processing and review of ESI can be an expensive process, and we intend to limit our review to the records that we believe will best assist us in determining whether the Receiver Estate has viable claims for recoveries from third parties. We will provide the investors with an update if and when we identify any significant potential recoveries, and we will consult with the investors before expending substantial resources towards third-party recoveries.

Professional Fees and Expenses

As summarized in our previous memo and the Receiver's proposal and correspondence to the SEC attached thereto, the Receiver Team agreed to a fee structure under which certain core work is inside a \$500,000 fee cap and other, extraordinary work, including tax work, discovery, and third party recoveries are outside of the fee cap. We continue to manage all of our work in order to keep fees as low as reasonably possible; however, the administration of the Receiver Estate has proved to be much more complex than we initially anticipated, including the

resolution of the issues described in this memo, Cayman Island corporate governance, and other issues related to the SJK Absolute Return Fund Ltd and SJK Long/Short Equity Fund Ltd, as well as other issues. At this time, we continue to believe that fees for the core receivership work will be less than \$500,000, but fees for extraordinary work likely will be higher than we initially anticipated.

We understand that the priority of each investor is to minimize the losses related to your investment in the SJK Funds and we are committed to obtaining the best results under the circumstances. If you have any questions, please call me at (404) 885-3314 or Greg Hays at (404) 926-0051.

cc: S. Gregory Hays, Receiver
Known Attorneys for Investors
J. Alex Rue, SEC
Paul T. Kim, SEC
Michael J. Cates, SEC