

VIA E-MAIL

**To:** Community Foundation for Northeast Georgia  
Fieldale Farms Corporation  
Holy Family Hospital of Bethlehem Foundation  
Resort Hotels Insurance Company (via fax)  
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 Dantzler

**Date:** February 7, 2011

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

On February 2, 2011, S. Gregory Hays was appointed as receiver for the defendants in the civil enforcement action filed by the United States Securities and Exchange Commission (the "SEC") against Stanley J. Kowalewski and SJK Investment Management LLC. Troutman Sanders represents the Receiver as his attorneys, and Hays Financial Consulting acts as financial advisor to the Receiver. A copy of the Order Appointing Receiver and Continuing Asset Freeze is included with this memorandum. The Order provides the Receiver with the authority to manage SJK, as well as the assets of Mr. Kowalewski.

Upon appointment, the Receiver and other professionals working with him (the "Receiver Team") began to identify and secure the assets in receivership, including the monies invested with and managed by SJK. Mr. Hays and two members of his staff were in Greensboro on Thursday and Friday to meet with Mr. Kowalewski and other SJK employees. We have contacted each of the outside investment managers and provided them with copies of the enclosed Order, so that we can begin to work with them to provide an accurate accounting of the amounts invested and management of the funds in their possession.

While we have only begun to review and analyze the relevant information, a very preliminary analysis indicates that, with the exception of the Georgia Ports Authority, each of the recipients of this memorandum invested directly in one or more of the SJK hedge funds. It also appears that the SJK Special Opportunities Fund was actually funded, in whole or in part, by transfers from other SJK funds. Currently, we expect to be able to provide an accurate accounting of the amounts invested in each fund, as well as the current balance of each, in the

report that will be filed with the Court on or about March 4, 2011. In order to accomplish this, we may require information from some or all of you regarding your investments. If so, we will contact you individually.

The Receiver is not an investment adviser or money manager. Accordingly, we are working to gain an understanding of how and when investments in the third-party funds may be redeemed or transferred. A fundamental objective of the receivership will be to turn the management of your investments over to you or another financial advisor as soon as reasonably possible. As soon as we have a better understanding of these issues, we will provide you with additional information. This issue is a very high priority for the Receiver, so we hope to have more substantive information fairly quickly.

As we undertake this effort, you should understand that all of us who are involved in this investigation and recovery effort are paid out of the assets that are the subject of the receivership. At the request of the SEC, we agreed to a fee structure, which provides a cap for professional fees in connection with “core receiver functions.” A copy of Mr. Hays’ letter to the SEC regarding the fee structure was included in the information provided to Judge Batten in connection with the Receiver’s appointment and is included with this memorandum.

Based on our experience in cases like this, we know that the investigation and administration of this receivership could be expensive. As indicated in Mr. Hays’ letter, if the factual circumstances require significant “extraordinary activity,” professional fees could exceed the fee cap. Because the investor group is small, we expect that we will communicate with some or all of you as we make decisions about whether to undertake certain extraordinary activities. Our goal is to spend time and money wisely. Therefore, in virtually all of our planning and recovery efforts, we will take cost and potential financial benefit into account.

Our hope is that we will have a very good understanding of the overall factual circumstances by the time that the first report is filed. Assuming that this can be accomplished, we should be able to provide you with additional information regarding how we expect to approach this case.

In general, the administration of the receivership will be a transparent process. Except for confidential matters, we will endeavor to provide timely updates during the course of the proceeding. Accordingly, the Receiver will establish a page for this case on the HFC website, which you will find at [www.haysconsulting.net](http://www.haysconsulting.net). On the HFC home page, click on the “Investor/Claimants” link and on that page you will find a tab for SJK Investment Management LLC to find relevant information on this case. As reports and other papers are filed with the Court, they will be posted on the website. Given the size of the investor group, we may find that we are able to communicate easily and efficiently by e-mail.

We understand that this process is likely stressful and unsettling for you and your constituents. We are committed to achieving the best result possible for investors under these circumstances. As indicated above, we anticipate being able to provide more concrete information and suggested strategies in early March.

If you have any questions please call me at (404) 885-3314 or Greg Hays at (404) 926-0051.

Enclosures/Attachments

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

bcc