

28 February 2010

Fifth and Final Report and Accounts of the Joint Official Liquidators of Bayou Offshore Master Fund, Ltd; Bayou Offshore Fund A, Ltd; Bayou Offshore Fund B, Ltd and Bayou Offshore Fund C, Ltd (all in official liquidation)



28 February 2010

Contents

1.	Basis of presentation and disclaimer.....	1
2.	Receipts and payments account	2
3.	Return of fraudulent transfers	2
4.	Settlement with the Bayou Onshore Entities.....	2
5.	Forthcoming applications to the Grand Court of the Cayman Islands.....	4
6.	Dismissal of ancillary proceedings.....	4
7.	The liquidation committee	5
8.	Fees and expenses of the Joint Official Liquidators	5
9.	Meeting of investors and creditors	5
10.	Summary and conclusion	6

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28 February 2010

Appendices

Appendix I Receipts and payments account for the period 2 September 2005 to 28 February 2010

Appendix II Fees and expenses incurred in the period 2 September 2005 to 28 February 2010

28 February 2010

1. Basis of presentation and disclaimer

1.1 Basis of presentation

This report, covering the period 1 March 2009 to 28 February 2010, has been prepared for the purpose of informing the Grand Court of the Cayman Islands (the "Grand Court") and the investors and creditors of Bayou Offshore Master Fund Ltd ("Master"), Bayou Offshore Fund A, Ltd ("Fund A"), Bayou Offshore Fund B, Ltd ("Fund B") and Bayou Offshore Fund C, Ltd ("Fund C") (collectively, the "Bayou Offshore Funds") about the progress made in the liquidations since the last report dated 29 February 2009 (the "Fourth Report") and serves as the final report and accounts in respect of the liquidation of the Bayou Offshore Funds.

A copy of this report will be posted to the website www.bayoucaymanliquidation.ky that was set up for the express purpose of keeping investors and creditors informed about the progress of the liquidations of the Bayou Offshore Funds as well as for the publication of notices and other documents.

This report has been prepared by the Joint Official Liquidators of the Bayou Offshore Funds (the "Liquidators") using the information available at the time of preparation.

1.2 Disclaimer

This report should not be copied or disclosed to any third party or otherwise be quoted or referred to, in whole or in part, without the Liquidators' prior written consent. In the event that this report is obtained by a third party or used for any purpose other than in accordance with its purpose of informing the Grand Court and updating the investors and creditors of the Bayou Offshore Funds, any such party relying on the report does so entirely at their own risk and shall have no right of recourse against the Liquidators, Zolfo Cooper (Cayman) Limited ("Zolfo Cooper"), its partners, directors, employees, professional advisers or agents.

None of the Liquidators, Zolfo Cooper, its partners, directors, employees, professional advisers or agents accept any liability or assume any duty of care to any third party (whether it is an assignee or successor of another third party or otherwise) in respect of this report and any such party who receives a copy of this report whether from Zolfo Cooper, or any other source shall have no right of recourse against Zolfo Cooper, its partners, directors, employees, professional advisers or agents.

28 February 2010

In preparing this report the Liquidators have relied upon information in the possession of the Bayou Offshore Funds at the time of their appointment, and the statutory documentation and other information provided to them since that time. The Liquidators have not performed an audit examination of this information. Except where specifically stated, the Liquidators have been unable to establish the reliability of the sources of information presented to them by reference to independent evidence.

2. Receipts and payments account

Attached as Appendix I to this report is an account of receipts and payments covering the period from the commencement of the liquidations to 28 February 2010.

3. Return of fraudulent transfers

As noted in Section 3.3 of the Fourth Report, the Liquidators had recovered funds of US\$1.4 million from investors who had received early redemption payments from the Bayou Offshore Funds. In July 2009, the Liquidators reached a settlement with an additional investor that had received an early redemption payment (the "Additional Redeeming Investor").

Having obtained the approval of the liquidation committee of the Bayou Offshore Funds (the "Committee"), the Grand Court sanctioned the settlement with the Additional Redeeming Investor in the amount of US\$80,000 in September 2009. The settlement agreement is confidential and the order of the Grand Court and all related court documents have been sealed by the Grand Court.

4. Settlement with the Bayou Onshore Entities

The following companies are collectively referred to as the "Bayou Onshore Entities":

- Bayou Management;
- Bayou Group, LLC;
- Bayou Superfund, LLC;
- Bayou No Leverage Fund, LLC;
- Bayou Affiliates Fund, LLC;
- Bayou Accredited Fund, LLC;

28 February 2010

- Bayou Fund, LLC;
- Bayou Advisors, LLC and
- Bayou Equities, LLC.

As detailed in previous reports to the Grand Court, a number of claims were filed by the Bayou Offshore Funds against Bayou Management LLC (“Bayou Management”) for recovery of amounts that were paid to that entity by the Bayou Offshore Funds. In summary, those claims were:

- Claim filed by Master in the amount of US\$37.24 million. This claim is duplicative, but protective, of the three claims filed by each of Fund A, Fund B and Fund C;
- Claim filed by Fund A in the amount of US\$15.00 million;
- Claim filed by Fund B in the amount of US\$16.13 million; and
- Claim filed by Fund C in the amount of US\$6.11 million.

The Liquidators also filed protective claims in an undetermined amount against each of the other Bayou Onshore Entities.

During the course of the liquidations and as referred to in previous reports, the Liquidators have, on a number of occasions, sought to reach a settlement with the Receiver for the Bayou Onshore Entities, Mr. Marwil (the “Onshore Receiver”). As detailed in section 2.3 of the Third Report, the Liquidators successfully negotiated an agreement with the Onshore Receiver but this settlement was not consummated as the pre-condition for approval, confirmation of the Onshore Plan of Reorganization, was not obtained.

Thereafter, as part of the negotiations in connection with the Bayou Onshore Entities' Second Amended Joint Plan of Reorganization, the Liquidators once again entered into settlement negotiations with the Onshore Receiver. The terms of the settlement agreement (the “Final Settlement Agreement”) were agreed by the Liquidators and the Receiver in early February 2010. The Final Settlement Agreement was approved by the Committee 3 March 2010 and is contingent upon the approval of the Grand Court of the Cayman Islands (the “Grand Court”) and the US Bankruptcy Court. The hearing before the Grand Court will be heard on a date which is yet to be allocated. The hearing before the US Bankruptcy Court will be heard in the last week of March or the first week of April, 2010.

Approval of the Final Settlement Agreement will result in US\$457,000 being paid to the Bayou Offshore Funds which will be used to defray, in part, the outstanding fees and expenses of the Liquidators and their advisors.

28 February 2010

5. Forthcoming applications to the Grand Court of the Cayman Islands

Following the approval of the Final Settlement Agreement, all the affairs of the Bayou Offshore Funds will have been completely wound up. As can be seen from the Appendices, even if the Final Settlement Agreement is approved and consummated, the amount of receipts recovered during the course of the liquidations of the Bayou Offshore Funds will be less than the total amount of the fees and expenses incurred in connection with the liquidations up to 28 February 2010. Accordingly, the Liquidators and the Liquidators' attorneys will not recover the full amount of the fees and expenses which they have incurred in connection with the liquidations, and there will be no distribution from the Bayou Offshore Funds to investors or creditors. However, as noted in section 3 of the Liquidators' Third Report, as a result of work undertaken by the Liquidators with certain United States federal agencies, investors in the Bayou Offshore Funds have previously received substantial dividends directly from those US federal agencies and may receive further dividends in the future.

To minimise the cost to the estates and to ensure that the liquidations are concluded in a prompt manner, the Liquidators propose to file and list for a combined hearing before the Grand Court applications (the "Applications") seeking;

- Approval of the Final Settlement Agreement;
- Approval of the Liquidators' remuneration for the period 1 September 2008 to 28 February 2010; and
- The Liquidators' discharge and the dissolution of the Bayou Offshore Funds.

Any creditor or investor may appear or be heard on the application for dissolution. The Liquidators will notify creditors and investors of the date on which the Applications are listed for hearing.

6. Dismissal of ancillary proceedings

To coincide with the dissolution of the Bayou Offshore Funds by the Grand Court, the Liquidators will seek the dismissal of the ancillary proceedings commenced under section 304 of title 11 of the Bankruptcy Code in the Connecticut Bankruptcy Court.

28 February 2010

7. The liquidation committee

The Liquidators have continued to liaise with the Committee, in particular in relation to the developments described in sections 3 and 4 of this report.

In accordance with the Insolvency Practitioners' Regulations 2008 (as amended), the Committee has also been asked to approve the Liquidators' remuneration incurred between 1 September 2008 and 28 February 2010. The views of the Committee will be presented to the Grand Court in support of the application referred to in section 5.

8. Fees and expenses of the Joint Official Liquidators

Attached, as Appendix II, is a summary that shows the total cost of professional fees and expenses, from the start of the liquidations to 28 February 2010, incurred by the Liquidators and their advisors.

The Liquidators' fees and expenses to 31 August 2008 have previously been approved by the Committee and sanctioned by the Grand Court. As yet, there have been insufficient realisations to discharge these approved costs in full but the extent to which they have been defrayed is shown in Appendix I to this report.

If the Final Settlement Agreement is approved, all proceeds from this settlement will be used to further defray, in part, the outstanding costs.

9. Meeting of investors and creditors

In accordance with the Companies Winding Up Rules 2008, a meeting of the investors and creditors of the Bayou Offshore Funds will be held on 9 April 2010. The meeting will provide an update on the work performed by the Liquidators between 1 March 2010 and 28 February 2010 (the period covered by this report). Investors and creditors will not be required to deal with any formal matters of business.

Dial in details for the meeting are:

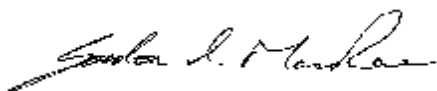
Dial in numbers: 1-480-629-1624 or 1-866-394-4146

Access code: 11173142

28 February 2010

10. Summary and conclusion

The Liquidators are hopeful that the Final Settlement Agreement will be approved by both the Grand Court and the US Bankruptcy Court so that the liquidations can be brought to a close and the Bayou Offshore Funds can be dissolved.

A handwritten signature in black ink, appearing to read "Gordon I. MacRae". The signature is written in a cursive style with a long, sweeping underline.

Gordon I MacRae
Joint Official Liquidator of the Bayou Offshore Funds

Appendix I Receipts and payments account for the period 2 September 2005 to 28 February 2010

The Bayou Offshore Funds
Receipts and payments account
For the period from 2 September 2005 to 28 February 2010

Receipts	US\$	US\$
<i>Recoveries from early redeeming investors</i>		1,504,690.00
<i>Bank interest</i>		0.91
Total receipts		1,504,690.91
Payments		
<i>Joint Provisional Liquidators' fees and expenses</i>	232,852.93	
<i>Joint Official Liquidators' fees & expenses</i>	378,263.74	
<i>Liquidators' fees and expenses in respect of Funds D, E and F</i>	<u>3,967.94</u>	615,084.61
<i>Legal fees and expenses</i>		
<i>Diamond McCarthy</i>	604,878.88	
<i>Maples and Calder</i>	220,974.85	
<i>Zeissler and Zeissler</i>	<u>24,488.59</u>	850,342.32
<i>Website maintenance charges</i>		731.70
<i>Petitioning creditors' fees</i>		36,262.47
<i>Bank charges</i>		909.40
Total payments		1,503,330.50
Net position as at 28 February 2010		1,360.41

Represented by

Cash at Bank	<u><u>1,360.41</u></u>
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Appendix II

Fees and expenses incurred in the period 2 September 2005 to 28 February 2010

Appendix II

The Bayou Offshore Funds
Professional fees and expenses incurred and balances outstanding
for the period 2 September 2005 to 28 February 2010

	Fees and expenses incurred from 2 Sep 05 to 31 Aug 08	Fees and expenses incurred from 1 Sep 08 to 28 Feb 10	Total fees and expenses incurred to 28 Feb 10	Paid to date	Unpaid fees and expenses
	US\$	US\$		US\$	US\$
Liquidators' fees and expenses	725,305.07	147,513.26	872,818.33	(611,116.67)	261,701.66
Attorney's fees: Maples and Calder	261,998.10	99,670.63	361,668.73	(220,974.85)	140,693.88
Attorney's fees: Diamond McCarthy	717,172.62	37,596.96	754,769.58	(604,878.88)	149,890.70
Attorney's fees: Zeissler & Zeissler	24,488.59	0.00	24,488.59	(24,488.59)	0.00
	1,728,964.38	284,780.85	2,013,745.23	(1,461,458.99)	552,286.24
Petitioning creditor's fees and expenses	42,994.40	0.00	42,994.40	(36,262.47)	6,731.93
Fees and expenses for the Bayou Offshore Funds D, E & F	3,967.94	8,744.05	12,711.99	(3,967.94)	8,744.05
TOTALS	1,775,926.72	293,524.90	2,069,451.62	(1,501,689.40)	567,762.22



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