

ML Manager LLC
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Dear Investor:

As reported in several of our newsletters we are attempting to obtain a basis for investors to treat the losses suffered as a result of the investments in Mortgages Ltd as theft losses. We retained PricewaterhouseCoopers to represent us in this matter. There has been a significant amount of dialog and meetings with the IRS over the past many months and we want to take this opportunity to update you on the latest developments. The following is a message that we have received from PricewaterhouseCoopers that we would like to share with you.

“In October 2010, PricewaterhouseCoopers submitted a request for a private letter ruling to the IRS Office of Chief Counsel ("IRS Counsel") requesting that the IRS rule on whether a representative taxpayer could rely on Revenue Procedure 2009-20, which provides a safe-harbor with respect to claiming theft losses associated with ponzi-type schemes, notwithstanding the fact that the lead figure to the fraudulent scheme was not charged prior to his death. Recently, IRS Counsel advised PricewaterhouseCoopers that given the factual nature of the issue presented in the ruling request, it has determined that it cannot issue a ruling in this matter. However, in a telephone conversation, IRS Counsel stated they will propose a retroactive modification to Revenue Procedure 2009-20, designed to provide relief where, as in our case, the lead figure dies prior to being charged in relationship to the fraudulent arrangement. Given internal procedures associated with modifying a revenue procedure, IRS Counsel could not provide specific language that might be included in the modified revenue procedure or provide a time frame within which a modified revenue procedure would be released. Notwithstanding this uncertainty as to timing of any modification of the Revenue Procedure 2009-20, we view this as a potentially favorable development. PricewaterhouseCoopers has initiated a dialog with the Service in an effort to delay any potential audits of investors while the IRS works on the modification to Revenue Procedure 2009-20.”

We are optimistic that we will obtain a positive result from the IRS and believe the foregoing message to be encouraging. We will continue to keep you updated on developments regarding this issue as they occur. As always we urge you to consult with your personal tax professionals with respect to this and all other tax issues.

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