

**Internal Revenue Service**  
Ogden, UT 84201

**Department of the Treasury**

**Taxpayer Identification Number:** 20-3268544

**Name of Partnership:**  
Mortgages Ltd Opportunity Fund MPIO LLC

**Tax Year Ended:** December 31, 2009

**Person to Contact:** Bridget Ortiz

**Employee Identification Number:** 1000143608

**Contact Hours:** 8 am – 4:30 pm MST

**Contact Telephone Number:** 801-620-2367  
(Not a toll-free number)

**Date:** August 23, 2013

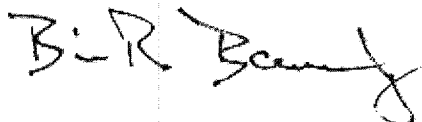
MORTGAGES LTD OPPORTUNITY FUND M  
530 E MCDOWELL RD STE 107-601  
PHOENIX AZ 85004

Dear Tax Matters Partner:

We agree with the Administrative Adjustment Request (AAR) you filed on April 14, 2012. We will not take any further action on the related adjustment to partner accounts however; partners may file their own amended returns reflecting the change until April 14, 2014.

If you have any questions about this matter, you may write or call the IRS contact person whose name, address, and telephone number are listed in the heading of this letter. If you write, please enclose a copy of this letter which we have provided for your convenience. Also include your telephone number with the best time for us to call you. If our number is outside of your local calling area, there will be a long distance charge to you.

Sincerely,



Enclosure (1):  
Copy of this letter

**Letter 3906 (10-2004)**  
Catalog Number 38740H

Department of the Treasury — Internal Revenue Service


**Examination Changes- Partnerships, Fiduciaries, S Corporations, and Interest Charge Domestic International Sales Corporations**

<b>Form 4605</b> Name and address Mortgages Ltd. Opportunity Fund MP11 LLC 14050 N. 83rd Ave., Suite 180 Peoria, Arizona 85381	Employer Identification Number 20-3268544	Form Number 1065
	Person Examination Changes Were Discussed With	Name Michael I. Fleming, CPA Title

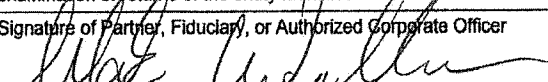
My examination of the above returns resulted in the following adjustments, which we have discussed. We will notify you by mail after the Area Director, Area Manager or Director of Field Operations has reviewed these changes.

1. Adjustments to ordinary, distributable net, or taxable income.	Period End: 12/31/2009	Period End:	Period End:
a.			
b.			
c.			
d.			
e.			
f.			
g.			
2. Total adjustments to ordinary, distributable net, or taxable income.			
3. Ordinary, distributable net, or taxable income as reported.			
4. Corrected ordinary, distributable net, or taxable income.			
5. Other adjustments			
a. Portfolio income (loss) interest			
(1) Adjustment	0.00		
(2) As Reported	55,854.00		
(3) Corrected	55,854.00		
b. Other income (loss)			
(1) Adjustment	(71,762,673.00)		
(2) As Reported	0.00		
(3) Corrected	(71,762,673.00)		

Remarks  
SEE Attached.

Examiner's Signature: 	Employee ID: 1000359752	Area Office: Phoenix, AZ	Date: 07/29/2013
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The person whose signature appears below has reviewed and hereby accepts the examiner's recommended adjustments listed above resulting from an examination of returns of the entity identified above.

Signature of Partner, Fiduciary, or Authorized Corporate Officer 	Date: 8/19/13
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**Form 4605 – Other Adjustments (Continued)**

	Period End: 12/31/2009	Period End:	Period End:
<b>c. Other deductions</b>			
(1) Adjustment	0.00		
(2) As Reported	34,010.00		
(3) Corrected	34,010.00		
<b>d. Interest expense on investment debts</b>			
(1) Adjustment	0.00		
(2) As Reported	47,534.00		
(3) Corrected	47,534.00		
<b>e. Investment income included in portfolio income</b>			
(1) Adjustment	0.00		
(2) As Reported	55,854.00		
(3) Corrected	55,854.00		
<b>f. Investment expenses in deduct. related to portfolio income</b>			
(1) Adjustment	0.00		
(2) As Reported	34,010.00		
(3) Corrected	34,010.00		
<b>g. Distributions - money (cash/securities)</b>			
(1) Adjustment	0.00		
(2) As Reported	1,183,692.00		
(3) Corrected	1,183,692.00		
(1) Adjustment			
(2) As Reported			
(3) Corrected			
(1) Adjustment			
(2) As Reported			
(3) Corrected			
(1) Adjustment			
(2) As Reported			
(3) Corrected			
(1) Adjustment			
(2) As Reported			
(3) Corrected			
(1) Adjustment			
(2) As Reported			
(3) Corrected			
(1) Adjustment			
(2) As Reported			
(3) Corrected			

Form 4605 attachment

Remarks:

On March 26, 2011 you filed an amended 1065 (non-substituted AAR) for the tax year ended December 31, 2009. As a result of our review, we allowed your amended return in part, as shown in this report.

On May 29, 2012 you filed an amended Form 1065 with Form 8082, Administrative Adjustment Request (AAR), for the tax year ended December 31, 2009. As a result of our review, we allowed your AAR in part, as shown in this report.

In addition, the May 29, 2012 amended Form 1065 was adjusted subsequent to its filing date, by an informal claim.

All adjustments requested by the taxpayer have been allowed and the amounts shown on this report reflect the consolidated effects of the March 26, 2011 and May 29, 2012 amended returns, AAR and the subsequent informal claim.

In summary, the first amended 1065 claimed a LTCL that was not claimed on the original filing. The May 29, 2012 amended 1065, with an attached Form 8082, reversed that LTCL in full and claimed a theft loss per Rev. Proc. 2009-20.

Subsequent to the May 29, 2012 AAR, the taxpayer submitted an informal claim for additional gains and losses.

In summary, we have allowed the net result of all the above filings as shown in this report.

Form <b>886-A</b>	U.S. Treasury Department-Internal Revenue Service <b>EXPLANATION OF ITEMS</b>	Schedule No.
Name of Taxpayer  <b>Mortgages Limited Fund</b>		Year / Period  <b>200912</b>

Other Income (Loss) – Ordinary Theft Loss

2009

Per Original Return:

-0-

Per Amended Return:

Form 8082, Line 11 as adjusted (see attachment)

Adjustment:

Form 8082, Line 11 as adjusted (see attachment)

***Issue:***

Whether an adjustment to claim ordinary theft loss is allowable?

***Facts:***

This adjustment is found on each of the Forms 8082 where they are requesting an Administrative adjustment request (AAR).

The return preparer had filed a first amended return on or about March 26, 2011, reporting a capital loss due to foreclosure and issued K-1s to the investors reporting their share of the long term capital loss. After a determination that the loss was due to theft, they filed a second amended return showing the reversal of the LTCL and claimed an ordinary theft loss. In addition, they claimed a third adjustment on some of the MP returns for distributions of cash and marketable securities. The adjustments on these AARs are made so losses are not duplicated. POA submitted all the details regarding how the amended returns and attached AARs were prepared.

Line 10 of F 8082

The explanation given on the reversal was, "to reflect a change from the LTCL which previously was reflected on a lower tier partnership amended K-1, to a theft loss deduction pursuant to Rev. Proc. 2009-20 as modified by Rev. Proc. 2011-58".

Line 11 of F 8082

The explanation given on the theft loss was to reflect the loss as calculated per the two Revenue Procedures and to reflect change of basis of property in lower tier partnership due to the recalculation of realized gain on foreclosure as a future recovery. In addition, the amount shown on the AAR was subsequently adjusted by one or more activities as shown on an attachment to this report as submitted by the POA.

Form <b>886-A</b>	U.S. Treasury Department-Internal Revenue Service <b>EXPLANATION OF ITEMS</b>	Schedule No.
Name of Taxpayer  Mortgages Limited Fund		Year / Period  200912

Line 12 of F 8082

The explanation given regarding the distribution adjustment was to reflect a decrease in partner transfers of capital as modified by the changes listed above. Also to reflect changes due to determination of partner transfers of capital based upon actual dates per taxpayer records.

Each MP Fund invested in one or more Loan, LLCs. Each Loan, LLC had one or more properties. Each Loan, LLC issued an original K-1 and some Loan, LLCs issued amended K-1s to the MP Funds. The detail of the foreclosures in each Loan, LLC was available for review and the roll up of each of the Loan, LLC activities appears to be accounted for in each of the MP Fund's calculation of theft loss, based on its ownership / investment in the Loan, LLC.

Each of the MP Funds contains the required statement by the taxpayer in using the procedures of Rev. Proc. 2009-20 to determine a theft loss deduction related to a fraudulent Investment Arrangement. The statements include the computation of the deductions, required declarations and proper signatures. The computation includes all investments, withdrawals and recoveries.

Subsequent activity

The POA submitted a draft of an amended 2010 return for MP 13 to show the proposed methodology to account for all future transactions involved in liquidating the Loan, LLCs and MP Funds.

One MP fund, for example, invested in 15 Loan, LLCs and they had several foreclosures during the 2010 year.

The draft only discusses these foreclosures and reflects how the POA proposes to compute and present these foreclosures on the 2010 and future amended returns.

Generally, each Loan, LLC held a note from a developer. As the Loan, LLC foreclosed on the developer, the Loan, LLC received real estate in exchange for the note.

The POA is proposing that this exchange terminates the theft period and the theft loss should be calculated at this time using the fair value of the real estate received. This method is preferred because the Loan, LLC could hold the real estate for several years and it would be difficult on the eventual sale of the real estate, to go back and revisit the theft loss at that time.

Under this method; any foreclosure would result in additional theft loss or theft recovery based on the FMV vs the basis of the property. (25% remaining basis as figured under the Rev Proc) The FMV on the date of foreclosure is used for this calculation and is also the beginning of the holding period by the Loan, LLCs.

Form <b>886-A</b>	U.S. Treasury Department-Internal Revenue Service <b>EXPLANATION OF ITEMS</b>	Schedule No.
Name of Taxpayer  Mortgages Limited Fund		Year / Period  200912

Any sale of property (after it has been foreclosed) results in a capital gain or loss based on the difference between the sales price and the basis.

We understand that there are different positions available with respect to theft loss recovery, but we believe this is a reasonable, common sense, and consistent method in accounting for these activities of liquidating the investments; after theft losses have been claimed by the investors.

In addition, if a sale is within 6 months after foreclosure it would result in short term capital gain or loss.

An analysis shows that most transactions in 2009 and 2010 were foreclosures and to a lesser amount in years 2011 and 2012. Whereas, most transactions in 2012 and 2013, were the result of sales after foreclosure. In addition, there appears to be an overall loss when using this methodology and using the bid price as the fair market value.

Given the real estate market conditions existing in this area and during this period, we believe that the fair market values suggested by the taxpayer are reasonable and that any potential change in fair market value would be de minimus and particularly when spread over the 2,600 investors involved in this case.

Due to the complexity of these investments with respect to the 9 MP Funds and 48 Loan LLCs, we believe that the prior, proposed method is in the government's best interest in resolving the potential 2600 claims outstanding for each of the years 2009 through 2013.

**Conclusion:**

We believe that the AAR properly corrects all prior filings by the MP Funds. In addition, the AAR also properly claims the proper theft loss allowed by Rev. Proc. 2009-20.

The MP Funds are entitled to claim theft losses in accordance with Revenue Procedure 2009-20, as amended by Revenue Procedure 2011-58, with 2009 as the year of discovery and allowing a 75% theft loss on their loan interests (investments). The MP Funds reduce their basis in the loan interests by the 75% theft loss.

The MP Funds' theft losses are increased or decreased by their allocable shares of the Loan LLCs' gains or losses on foreclosures of property. A Loan LLC's foreclosure gain or loss is equal to (i) the Loan LLC's respective share of the bid price at foreclosure, minus (ii) the Loan LLC's basis in the loan (after reduction for the 75% theft loss.) A foreclosure terminates the calculation of the theft loss.

We believe that any gain or loss realized by a Loan LLC on the subsequent sale of foreclosed property should be reported in accordance with tax principles generally applicable to sales of property (e.g., as a disposition of a capital or Section 1231 asset, etc.)

MORTGAGES LTD. OPPORTUNITY FUND MP11 LLC  
 EIN 20-3268544  
 TAX YEAR 2009  
 FORM 8082 NOTICE OF INCONSISTENT TREATMENT OR  
 ADMINISTRATIVE ADJUSTMENT REQUEST (AAR)

SUBSEQUENT ADJUSTMENTS TO PART II:  
 INCONSISTENT OR ADMINISTRATIVE  
 ADJUSTMENT REQUEST (AAR) ITEMS  
 FOR ADDITIONAL AMENDED PASSTHROUGH  
 INVESTMENT ITEMS

(a) Description of inconsistent or administrative adjustment request (AAR) items	(b) Inconsistency is in, or AAR is to correct:		Amount you are reporting (As reported with Amended Form 1065)	AZ CL Loan LLC Yr 2009 Form 1065 Amendment Filed 12/18/2012	ZDC I Loan LLC Yr 2009 Form 1065 Amendment Filed 12/26/2012	RRE I LDAN LLC Pre-Loan LLC Formation - March 2009 Foreclosure	REVISED Amount you are reporting
	Amount of Item	Treatment of Item					
ITEM 10 LONG TERM CAPITAL GAIN (LOSS)		X	\$0	\$0	\$0	\$0	\$0
ITEM 11 OTHER INCOME (LOSS)		X	(\$72,393,647)	\$587,233	\$0	\$43,741	-\$71,762,673