

As we have previously communicated to you, last November the Internal Revenue Service issued Rev Proc. 2011-58, expanding use of theft loss treatment for certain investors. We retained PricewaterhouseCoopers, LLP ("PWC") to represent us in working with the IRS and it took the IRS over a year to issue the new Revenue Procedure. Our last communication informed you about the issuance of the PWC opinion (which is posted on our website), which opines that the year of discovery was 2009. The IRS, however, has not yet agreed that 2009 is the appropriate year of discovery and could conclude that 2010 is the year of discovery. Based upon the PWC opinion and on meetings and telephone conferences between PWC and representatives of the IRS, ML Manager has commenced the process of amending 2009 tax returns of the 9 MP Funds to claim theft loss treatment. It is possible that the IRS will not agree with this action and may challenge the amended returns. Although ML Manager believes claiming the theft loss in 2009 is the appropriate action, it is possible that the IRS could challenge this action and ultimately prevail. ML Manager has been advised by PWC that even if the IRS challenges 2009 as the year of discovery and prevails, no penalties will be imposed as a result of ML Manager amending the 2009 MP Fund returns to claim a theft loss for 2009. We anticipate the amendments to the 2009 MP Fund returns will be filed and the corresponding K-1's will be sent out in late March. ML Manager's tax advisors are analyzing the issues relating to amending the 2010 MP Fund returns and preparing the 2011 returns for the MP Funds and the Loan LLC's. At this point it appears highly likely that we will file for an extension for additional time to file our 2011 returns. We will apprise you of the process and timing as soon as it is determined. We are sorry that it was not possible to prepare the returns and the amendments any earlier, but the issues that must be addressed are complex and involve significant amounts of tax refunds that may be available to many of our investors.