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February 13, 2007

**Re: Securities and Exchange Commission v. Mercer Capital, Inc., et al.
Case No. 06-81080 CIV-Middlebrooks/Johnson**

Dear Investor:

The purpose of this update is to answer many of the questions that have been asked of myself and those assisting me. To the extent that you have questions in addition to those stated below, or the answers provided do not fully answer any questions you may have, as always, please feel free to contact us.

FREQUENTLY ASKED QUESTIONS

What can I do to help?

Since the inception of the Receivership, we have spoken to many investors. In my letter to the investors dated December 22, 2006, I requested that all investors provide me with copies of the documentation relating to their investments in Mercer Capital, Inc. or Tri-State Energy Group, LLC's limited partnerships. This information will assist us in documenting your investment, as well as assist us in our investigation of the conduct of those responsible for selling you these investments. Further, to the extent representations were made to you in connection with your investments that are not contained in the written materials you received, I request that you also provide a short narrative about those representations. Finally, if any former Mercer Capital Management or Tri-State Energy Group sales people are still contacting you, we request that you let us know of this fact immediately.

How long will the case or the Receivership take to be resolved?

Currently, the SEC is prosecuting its claims against the Defendants and no trial date has been established. We cannot predict when or how the SEC's case will be resolved. However, it is possible that the case could be resolved before my work as Receiver is completed and this is frequently the situation. We are in the process of marshalling the assets of Mercer Capital, Inc., Mercer Capital Management, Inc., Tri-State Energy Group, LLC, Tri-State Energy Group I, Ltd., and Tri-State Energy II, Ltd. (the "Mercer Entities") in accordance with the Court's Order, as well as investigating whether it is appropriate to bring claims against third parties to seek recovery for the benefit of the Receivership Estate. We have subpoenaed over forty individuals

and entities and are in the process of reviewing the documentation that has been provided to us. Furthermore, we are in the process of deposing individuals that, may have knowledge concerning the operation of the Mercer Entities' businesses. As I have discussed with many investors, this process will likely proceed for many more months and I ask that you be patient.

Will I get my money back and how much can I expect to receive?

We have been successful in marshalling a significant amount of assets. At this point, we have recovered in excess of \$1.2 million. There are additional assets that we have located which we are trying to bring within the Receivership Estate. We are also examining the financial obligations of the Receivership Estate. It is my ultimate goal to be able to recommend to the Court that a claims process be established. It is likely that if the Court were to approve a claims process, upon verification of investment, investors would receive a pro-rata return on their investment. At this point, I do not know the total amount of funds that will be available for investor recovery and, therefore, cannot provide a percentage of money that investors can expect to receive on their investment. Furthermore, there were two different types of investments offered by the Mercer Entities. Some of you invested in Mercer Capital and others invested in the Tri-State Energy Group limited partnerships. At this early stage, I cannot yet recommend whether or not investors in these two types of investments be treated the same until further investigation is concluded.

When can I expect to receive my Forms K-1?

We have filed a Motion with the Court to retain an accounting firm to assist us in forensics and with other services. At present, they are looking through the information to assist us. We are currently working on gathering and analyzing the financial records of Tri-State Energy Group and the partnerships, so that the partnership's tax returns and the partners' Schedule K-1s can be prepared. While we are making every effort to provide you with this information prior to March 15 for use in preparing your own income tax returns, we believe that there is a significant likelihood that we will need to file for an automatic extension of the partnership's tax returns (which has an original due date of April 17, 2007). If this occurs, it will be necessary for you to file for extensions of your own income tax returns in order to properly reflect your interests in the partnerships. At this time, we are unable to accurately determine the amount of losses that will be available to be allocated to the partners.

What tax implications does this have for me?

Unfortunately, I am unable to provide you with tax advice. Therefore, I recommend that if you have questions concerning your personal taxes, you contact your tax advisor.

Was any of the money ever used to purchase oil and gas wells?

Prior to the Receiver being appointed, Tri-State Energy Group did not receive any funds from the operation of producing oil and gas wells. Many of you received documents and PPMs that represented that oil and gas properties would be purchased from or operated with various companies such as Kerr-McGee or BASA Resources. No oil and gas producing properties were purchased from these entities. In September and October 2006, there were attempts by Tri-State Energy Group to purchase partial interests in producing oil and gas wells through on-line oil and gas auction services. In this regard, in September 2006, money was forwarded to purchase a working interest in three wells in La Perla, Texas. Although the funds were transferred, I took the position, upon examining the transaction, that those transactions were never completed and demanded the recipient of the funds return them to the Receivership Estate. That resulted in the Receivership Estate's receipt, in December 2006, of \$206,000.00. Additional monies were forwarded to an on-line oil and gas auction firm to purchase a partial working interest in wells in Haskell County, Oklahoma. A portion of those funds were returned in November 2006 and are in the possession of the Receivership Estate. I am in the process of attempting to recover the remaining amount of those funds which were forwarded to purchase a partial interest in a well called Eva McDaniel 1. Finally, funds were forwarded to purchase a working interest in a well in Campbell County, Wyoming called South Wallace. An assignment of a partial interest in this well to Tri-State Energy Group was executed by Robert Flickinger prior to my appointment. We have been in contact with the operator for that well and the well in Haskell County.

Who is operating the oil wells?

The Eva McDaniel 1 Unit in Haskell County, Oklahoma is currently being operated by Exxon Mobil Corporation ("Exxon Mobil"). Exxon Mobil notified us that it intends to cease operations. We are currently in discussions with Exxon Mobil and the on-line auction concerning the funds used in an attempt to purchase this interest, as I have taken the position that the contract was never completed and, therefore, the funds for the purchase must be returned. As a precaution, however, at the request of another operator that also owns an interest in that same unit, the Receiver has agreed, without waiving any rights, to allow that other operator to take over operations should Exxon Mobil cease to operate the well. With regard to the South Wallace Unit in Campbell County, Wyoming, this Unit is being operated by Lario Oil & Gas Co. ("Lario"). Lario has advised us that the production in this Unit is in decline and current prices are not currently supportive. We are currently assessing our options with regard to this well.

How do the Receiver, his counsel, and others assisting him get paid?

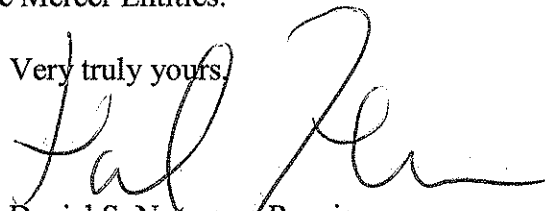
Upon my appointment, I retained the law firm of Broad and Cassel as my counsel. I am an attorney at Broad and Cassel. I also have filed motions to retain the accounting firm of Berenfeld, Spritzer, Shechter & Sheer to assist me in computer consulting and accounting-related services. In order to receive any payment, my firm must submit to the Court an application for fees. The Court must approve any fees paid to my law firm. You should be aware that my firm

is working at significantly discounted rates with regard to the services being provided to the Receivership Estate. Furthermore, we are not billing for any travel time and are billing expenses at our cost. We are also working as efficiently as possible to maximize the return of funds to the investors. Moreover, I am requiring those consultants workings with me to work at discounted rates.

Have any criminal charges been brought against any of the principals?

At this time we have no information as to whether or not any criminal authority is reviewing the conduct of those involved with the Mercer Entities.

Very truly yours,



Daniel S. Newman, Receiver