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August 23, 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 letter is to update you on the status of the Form K-1s associated with your investment in the Tri-State Energy Group Limited Partnerships. As I previously advised you, the books and records of the Mercer entities were not maintained in an organized fashion which has required the Receiver's accountants to reconstruct the history of transactions for the Mercer entities. I met with the accountants for the Receivership last week. They have reported to me that after considerable effort, they have substantially completed the accounting for the Tri-State entities for calendar year 2006.

Because Tri-State Energy Group I Ltd. and Tri-State Energy Group II Ltd. were never funded or began operations, the accountants have recommended the preparation of one tax return for Tri-State Energy Group LLC which will reflect each investor in the partnerships as an owner, with ownership percentages based upon the amounts of capital contributed. By treating it in this fashion, it accurately reflects the investment into the entity that received and used the funds. The accountants expect to complete the tax return and mail the Form K-1s to the investors by no later than the week of September 10, 2007, but they hope to have it completed before then.

As always, please feel free to contact me if you have any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Daniel S. Newman', is written over a horizontal line. The signature is fluid and cursive.

Daniel S. Newman, P.A., Receiver