



SENTINEL HILL VENTURES
CORPORATION

September 15, 2003

Dear Sentinel Hill Investor:

Re: Sentinel Hill 1999 Master Limited Partnership ("1999 MLP")

This letter is a follow up to our letter of February 20, 2003, sent to limited partners in all Sentinel Hill limited partnerships, in which we reported on the audit of the 1999 MLP by Canada Customs and Revenue Agency ("CCRA"). While limited partners of the 1999 MLP will be aware of many of the matters contained in this letter, we believe that it is in the interests of all Sentinel Hill investors to be apprised of recent developments.

The CCRA auditor, R.C. Goodwin, commenced his audit of the 1999 MLP's 1999 fiscal year on April 10, 2001, and completed his audit and issued a Notice of Determination to the 1999 MLP on March 27, 2003. This resulted in a substantial portion of the Partnership's losses for 1999 being denied. The CCRA auditor subsequently produced a report ("Position Paper") dated May 14, 2003, in which he outlined in detail the bases of the Notice of Determination. The Position Paper was forwarded to our counsel, Thorsteinssons, on June 4, 2003.

The Partnership promptly filed a Notice of Objection to CCRA's Notice of Determination, and the matter moved to the Appeals Division of CCRA. The Appeals Division's mandate is to review the facts and law giving rise to the dispute, and then decide whether to confirm the auditor's decision or allow the appeal in whole or in part.

On June 9, 2003, representatives of the Partnership, including our counsel, met with several senior members of the Appeals Division in Toronto in order to discuss our position with respect to the issues. At the meeting, the appeals officers requested that our counsel prepare and submit more detailed written representations.

As a result, Thorsteinssons worked throughout the summer to produce a detailed and thorough submission on the 1999 MLP's behalf. The submission was completed and delivered to the CCRA Appeals Division on August 23rd. While it addresses a large number of issues, including many of those raised in the CCRA's Position Paper, the main focus of the submission is on the advance income tax rulings that were issued by CCRA

in respect of Sentinel Hill film production services transactions, and the fact that they are, and should continue to be, binding upon CCRA.

The appeals process will likely take another few months to conclude. It may involve further submissions by our counsel and the appeals officers may seek to discuss matters with the Rulings Directorate of CCRA and other parties. If the result is unsatisfactory to the 1999 MLP and its counsel, the final recourse will be to litigation.

We believe it is important that all investors are given the opportunity to review (or have their advisors review) the issues remaining in respect of the Audit. If you would like to **view the submissions sent to the Appeals Division** on behalf of the 1999 MLP, and/or would like to read the Position Paper of the CCRA auditor, please email the undersigned at kgordon@sentinelhill.com. We will be pleased to attach PDF files of either or both documents by return email (hard photocopies are simply not practical to reproduce due to the lengthy nature of both documents).

Of course, if you have any questions regarding the matters raised in this letter, please do not hesitate to contact us.

Yours truly,
SENTINEL HILL VENTURES CORPORATION

A handwritten signature in black ink, appearing to read 'Ken J. Gordon', with a long horizontal flourish extending to the right.

Kenneth M. Gordon