



SENTINEL HILL VENTURES
CORPORATION

November 14, 2003

Dear Sentinel Hill Investor:

Re: CCRA audits of Sentinel Hill Limited Partnerships

As we advised you by letter dated September 15, 2003, the Notice of Determination (partnership re-assessment) issued by CCRA in respect of the 1999 transaction is currently under review by the Appeals Division of CCRA. We have not yet heard back from Appeals but consider that a response should be forthcoming within the next few months. Many investors took up our offer to receive a copy of Thorsteinssons submission made to CCRA on our behalf in respect of the 1999 transaction. This offer remains open to any Sentinel Hill investor that would like to review this document. [For a copy please email your request to: kgordon@sentinelhill.com].

In October, CCRA commenced an audit of our 2000 transaction and sent a letter to all 2000 investors so advising. Other than audit requests for information, we have not received any communication from CCRA in respect of this audit. Understandably, the receipt of a "CCRA letter" by many additional Sentinel Hill investors has prompted numerous calls and emails to our office by concerned investors.

As we have advised you since the summer of 2001 when the audit of Sentinel Hill transactions began, all production services transactions completed by Sentinel Hill were based on: (1) four Advance Income Tax Rulings issued by CCRA to Sentinel Hill between 1998 and 2001; (2) multiple meetings and dialogues with senior CCRA officials; (3) legal opinions from and transaction reviews by a number of law and accounting firms representing different parties to the transactions; and (4) our understanding of long-standing Canadian policy to support the film and television industry by way of tax assisted limited partnership financings.

CCRA has alleged (in respect to the 1999 transaction) non-compliance with certain Ruling facts. To repeat, Sentinel Hill and its counsel fundamentally disagree with this position. Many parties, representing different interests, reviewed the closing process both for commercial reasons and to ensure tax compliance.

We have requested that Goodmans LLP, Davis & Company and Thorsteinssons directly communicate their views on these audits to you, and accordingly, are pleased to enclose a letter to you from each firm.

Plased be assured that Sentinel Hill is doing everything in its power, aided by some of the top legal firms in Canada, to protect your interests. In addition to the firms mentioned, the Partnership has retained Torys LLP as special litigation counsel to actively monitor and review the audit process and CCRA's reasons for reassessments.

We try very hard to keep you informed on a current basis of all developments in respect to this matter. We also welcome hearing from you with questions, comments and issues. Please never hesitate to contact Bradley Sherman or Kenneth Gordon in Toronto, or Rob Strother or Paul Darc in Vancouver.

Yours very truly,

SENTINEL HILL VENTURES CORPORATION

Per: *Bradley J. Sherman*

Bradley J. Sherman, President

[bsherman@sentinelhill.com]

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November 11, 2003

To: Investors in Sentinel Hill Production Services Partnerships

Re: CCRA Audit

We have been retained as tax litigation counsel by the general partner for the Sentinel Hill 1999 transactions, and by the individual investors in the Sentinel Hill 1998 transactions, in connection with reassessments against the 1999 partnerships and the 1998 individual partners. We have also been retained by the general partner of the Sentinel Hill Alliance Atlantis Equicap Millennium Limited Partnership to advise on the present audit of the 2000 transactions.

For 1999, the partnership determinations (reassessments) were based on three grounds:

1. the lender did not deal at arm's length with the master limited partnership;
2. the Class B option issued by the underlying production limited partnerships constituted a benefit for the purposes of the "at-risk" rules in the *Income Tax Act*; and
3. certain fees paid to the film studios were "matchable expenditures" and must be amortized according to the rules in section 18.1 of the *Income Tax Act* instead of being deducted in the year in which they were incurred.

The CCRA raised the same major issues in reassessing the 1998 investors, along with several smaller issues. We have so far focused on the 1999 transactions in making representations to the CCRA.

The CCRA's advance income tax rulings issued to the Sentinel Hill group in 1998 and 2000 should have precluded the present reassessments. In choosing to ignore the rulings for the 1998 and 1999 transactions, the CCRA audit division alleged, firstly, that the transactions were not implemented according to the terms of the rulings (which, they say, invalidates the entire ruling), and secondly, in any event the rulings contained "caveats", or limitations, which (they say) permitted the reassessments even if the transactions were carried out to the letter of the rulings.

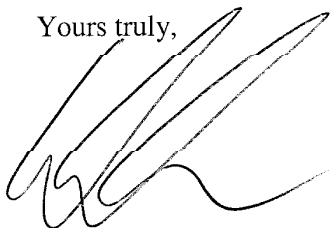
We have undertaken a comprehensive review of the documentation for the 1999 transactions and the terms of the rulings issued to the Sentinel Hill group in 1998 and 2000. Following that review, we have concluded that, in relation to the 1998 and 1999 transactions, there were no material deviations by the Sentinel Hill group in implementing the transactions from the manner in which they were described in the rulings.

In light of the history of advance income tax rulings issued for film production services transactions such as Sentinel Hill, in our view, if the CCRA is acting in good faith, it should admit that the rulings bind it notwithstanding the standard "caveat" language contained in the rulings.

In respect of the 2000 transaction documentation, to date we have not commenced a comprehensive review of the transaction as the audit only recently began and we have not heard from CCRA as to whether they have issues with the transaction. However, we have reviewed the 2000 ruling in detail. We fully expect that our formal review of the 2000 documentation will disclose similar compliance with the terms of that ruling.

We will be in a position to provide you with our further views on the 2000 transaction if and when we hear from CCRA as to any issues they may have.

Yours truly,

A handwritten signature in black ink, appearing to be a stylized name, possibly 'G. Hill' or similar, written in a cursive script.

November 12, 2003

Our File No.: 014175

Sentinel Hill Ventures Corporation
95 St. Clair Avenue West
Suite 1102
Toronto, ON M4V 1N6

Dear Sirs:

**Re: Sentinel Hill Alliance Atlantis Equicap Millennium Limited Partnership
(the "Partnership")**

We understand that each of the limited partners in the Partnership has been advised by the Canada Customs and Revenue Agency ("CCRA") that the Partnership is currently under audit for its 2000 and 2001 taxation years.

We were co-counsel to the Partnership and were involved in structuring the 2000 transaction and obtaining the advance income tax ruling (the "Ruling") from CCRA which confirmed certain of the income tax consequences of the 2000 transaction. Prior to our engagement by the Partnership, we were involved with film-related transactions for the preceding ten-year period and, in that respect, we obtained numerous rulings and had continuous dialogue with the Rulings Directorate of the CCRA.

The Ruling in respect of the 2000 transaction, and the process through which it was obtained, were consistent with our past experience. The Rulings Directorate was provided with a comprehensive ruling request and drafts of the offering memorandum and the principal transaction documents – they were also asked on numerous occasions whether any additional information would assist in their review of the transaction. The issuance of the Ruling by CCRA, without significant questioning of the issues, reinforced our belief that CCRA had a full understanding of the fundamental aspects of the 2000 transaction and were satisfied with the income tax consequences to investors.

We believed that the Ruling, like the many film rulings that both preceded and followed it, was intended to support the Canadian film industry by facilitating the production of films in Canada. CCRA understood that tax benefits would be available to investors.

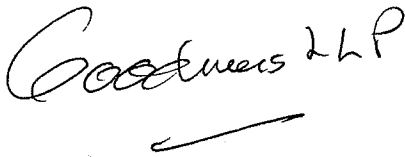
Unfortunately, the audit of Sentinel Hill's 1998 and 1999 transactions has witnessed a fundamental change in CCRA. The Audit Directorate has entirely discounted the benefit to Canada of these transactions, and has shown a disdain for them which stands in stark contrast to the uniformly positive attitude of the Rulings Directorate when the Ruling was issued. In addition, the audit has focused on a

level of minute transaction detail that was not remotely questioned by the Rulings Directorate when the Ruling was issued.

In conclusion, we believe that the Rulings Directorate of CCRA had a full understanding of the fundamental issues applicable to the 2000 transaction when the Ruling was issued, all consistent with our many dealings with CCRA over the years. We believe that the 2000 transaction was completed in material conformity with the Ruling and that, in relation to the fundamental issues addressed in the Ruling, CCRA should be precluded from making any material change to the income tax position of the Partnership or its investors.

Yours very truly,

GOODMANS, LLP

A handwritten signature in cursive script that reads "Goodmans LLP". Below the signature is a horizontal line.

from the office of: Paul D. Lailey
direct tel: 604.643.2912
direct fax: 604.605.3520
paul_lailey@davis.ca

November 14, 2003

file number: 45132-00081

Sentinel Hill Ventures Corporation
95 St. Clair Avenue West
Suite 1102
Toronto, Ontario M4V 1N6

Dear Sirs:

Re: Canada Customs and Revenue Agency Audit of Sentinel Hill 1999 Master Limited Partnership
(the "Partnership")

We acted as co-counsel to the Partnership in 1999 and were involved in the closing of a number of the Sentinel Hill 1999 transactions. We understand that the Canada Customs and Revenue Agency ("CCRA") has conducted an audit of the Partnership for its 1999 taxation year. We are also aware that the CCRA has previously reassessed individual investors in the Sentinel Hill 1998 transactions and has reassessed the Sentinel Hill Partnerships in the Sentinel Hill 1999 transactions.

In our role as co-counsel to the Partnership, we were also responsible for providing a summary of the income tax considerations for investors who acquired units in the Partnership. In providing the summary we relied upon an advance income tax ruling (the "Ruling") of CCRA obtained by Sentinel Hill Entertainment Corporation for a proposed Sentinel Hill transaction.

While the Ruling is not binding on CCRA with respect to any transaction other than the one described in the Ruling, we believe that the rulings and the opinions of CCRA contained in the Ruling should be equally applicable to the Sentinel Hill 1999 transactions provided that those other transactions are implemented in material conformity with the Ruling.

In our view, the Sentinel Hill 1999 transactions which we were involved in closing were completed in material conformity with the Ruling.

Yours sincerely,

DAVIS & COMPANY

Per: 

Paul D. Lailey

PDL/jdm

from the office of: Paul D. Lailey
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direct fax: 604.605.3520
paul_lailey@davis.ca

November 14, 2003

file number: 45132-00081

Sentinel Hill Ventures Corporation
95 St. Clair Avenue West
Suite 1102
Toronto, Ontario M4V 1N6

Dear Sirs:

Re: Canada Customs and Revenue Agency Audit of Sentinel Hill Alliance Atlantis Equicap
Millennium Limited Partnership (the "Partnership")

We acted as co-counsel to the Partnership in 2000 and were involved in the closing of a number of the Sentinel Hill 2000 transactions. We understand that the Canada Customs and Revenue Agency ("CCRA") has commenced an audit of the Partnership for its 2000 and 2001 taxation years. We are also aware that the CCRA has previously reassessed individual investors in the Sentinel Hill 1998 transactions and has reassessed the Sentinel Hill Partnerships in the Sentinel Hill 1999 transactions.

In our role as co-counsel to the Partnership, we were also responsible for providing a summary of the income tax considerations for investors who acquired units in the Partnership. In providing the summary we relied upon an advance income tax ruling (the "Ruling") of the CCRA obtained by Goodman Phillips & Vineberg on behalf of the Partnership for one of the proposed Sentinel Hill 2000 transactions.

While the Ruling is not binding on CCRA with respect to any transaction other than the one described in the Ruling, we believe that the rulings and the opinions of CCRA contained in the Ruling should be equally applicable to the other Sentinel Hill 2000 transactions provided that those other transactions are implemented in material conformity with the Ruling.

In our view, the Sentinel Hill 2000 transactions which we were involved in closing were completed in material conformity with the Ruling.

Yours sincerely,

DAVIS & COMPANY

Per: 

Paul D. Lailey

PDL/jdm