



SENTINEL HILL PRODUCTIONS IV CORPORATION

March 14, 2011

Investor Name
Address
City, Province Postal

Dear Limited Partners of SHAAE (2001) Master Limited Partnership:

RE: Special Meeting to be held on April 14, 2011 - URGENT ACTION REQUIRED

The management of Sentinel Hill Productions IV Corporation (the “General Partner”), which is the general partner of SHAAE (2001) Master Limited Partnership (“MLP”), has called a special meeting of the limited partners of MLP (the “**Limited Partners**”) to be held on Thursday, April 14, 2011 (the “Meeting”) as set out in the notice of meeting attached hereto.

The primary purpose of the Meeting is to seek the approval of the Limited Partners to implement certain transactions pertaining to the winding up of the business operations of MLP and the repayment of the unit loans owing by the Limited Partners (the “**Wind-up Transactions**”). **Failure to implement the steps of the Wind-up Transactions could result in the Limited Partners (i) retroactively losing all tax deductions claimed in respect of their investment in MLP as a result of failing to repay the unit loans within the time allowed under the *Income Tax Act (Canada)* (the “Tax Act”) and/or (ii) incurring an extra capital gain in 2011 which will only be offset by a capital loss in a later year.** A detailed description of the tax issues associated with the Wind-up Transactions is contained in the memorandum from Heenan Blaikie LLP attached hereto entitled “Tax Implications of Wind-Up Transactions”. The steps of the Wind-up Transactions will result in the majority of each unit loan being repaid. Limited Partners may have received correspondence from Veritus Capital Corp. as to a shortfall amount of \$94.40 per unit. Limited Partners are responsible for making this payment directly to Veritus Capital Corp. **Limited Partners who fail to pay this amount by April 15, 2011 may be exposed to losing any tax deductions that were financed by their unit loans.**

Another purpose of the Meeting is to seek confirmation from the Limited Partners as to the authority of the General Partner in connection with resolving the tax dispute between the Canada Revenue Agency (the “CRA”) and MLP (the “**Tax Dispute**”). As you are aware, the General Partner has been dealing with the CRA on behalf of MLP and the Limited Partners since the CRA issued **Notices of Determination** in March 2005 in respect of deductions claimed by MLP and the Limited Partners for the tax years 2001 and 2002 (the “**Determinations**”). In particular, the General Partner filed notices of objection to the Determinations. The Tax Act requires that the person filing an objection to a partnership determination must be designated under the tax information return for the partnership or be otherwise expressly authorized by the partnership to

so act. While the partnership agreement for MLP (the “**Partnership Agreement**”) grants general authority to the General Partner to deal with tax matters for MLP, the General Partner is seeking approval for an amendment to the Partnership Agreement to expressly provide that the General Partner is the designated partner of MLP for the purpose of filing objections to any partnership determinations issued to MLP and for negotiating with the CRA on behalf of MLP. Please note that all publicly available information respecting the Tax Dispute is available electronically at www.sentinelhill.com. The password to access the documents is **SH2001CRA**.

Lastly, at the Meeting, the Limited Partners will be asked to ratify an extension to the management agreement (the “**Management Agreement**”) between MLP, the General Partner, and Sentinel Hill Alliance Atlantis Equicap Limited Partnership (the “**Manager**”), pursuant to which the Manager has been providing management services to MLP. The current terms of the Management Agreement provide that the services of the Manager would expire on December 31, 2003, however, continuing management by the Manager was necessitated by the Tax Dispute and ongoing reporting requirements. Accordingly, the Manager has continued to provide management services since 2003, and it is intended that the Manager will continue to do so until the Tax Dispute is resolved and the MLP is wound up. While the Manager has previously received compensation for its services, the Manager has agreed that no additional compensation will be payable to it for services to be rendered in the future. Limited Partners are being asked to (i) approve an extension to the Management Agreement such that it remains in force until a reasonable period after the Tax Dispute is resolved and (ii) ratify the provision of management services by the Manager from January 1, 2004 until the date of the ratification.

The General Partner is requesting that each Limited Partner either attend the Meeting in person or complete the enclosed proxy allowing the General Partner to vote on behalf of the Limited Partner in respect of the following actions:

1. to approve an amendment to the Partnership Agreement to allow MLP to be formally dissolved at any time after April 30, 2011, provided that the Tax Dispute has concluded (either by settlement or final court decision);

2. to approve the sale of all, or substantially all, of the assets of MLP to Participation Corp., a new company incorporated for the purpose of facilitating the Wind-Up Transactions in a tax efficient manner, in exchange for a promissory note of Participation Corp. as part of the Wind-up Transactions;

3. to approve an amendment to Section 6.2 of the Partnership Agreement by adding the following paragraph (e.1) after paragraph (e):

(e.1) without limiting the generality of Section 6.2(e), hold any necessary discussions with, and provide any requested information to, CRA, and/or execute and file all elections, determinations or designations under the Income Tax Act or any other fiscal or tax legislation or other laws of like import of Canada or any province or territory in respect of the affairs of the Partnership or a Limited Partner's interest in the Partnership, including, without limitation, agreeing to or objecting to any determinations made pursuant to section 152(1.4) and following the Income Tax Act or appealing any such determinations or confirmations of such determinations, as well as any other appropriate tax elections or designation

forms, or the dissolution of the Partnership including all appropriate tax election forms;

4. to ratify the past actions of the General Partner in acting on behalf of MLP in connection with the Tax Dispute, including the filing of a notice of objection to the Determinations pursuant to subsection 165(1.15) of the Tax Act;

5. to approve (i) the extension of the Management Agreement from December 31, 2003 until a reasonable period after the Tax Dispute is resolved, and (ii) ratify the provision of management services by the Manager between January 1, 2004 and the date hereof.

Management of the General Partner is soliciting support from the Limited Partners in respect of all matters to be put before the Meeting and is encouraging Limited Partners to **VOTE FOR** all of the resolutions set forth above (the “**Resolutions**”). In the event that the Resolutions are not approved, the General Partner may consider resigning as it would not have the support of the Limited Partners. This would necessitate the appointment of another general partner and/or a receiver to manage the affairs of MLP, including dealing with the Tax Dispute.

In order to VOTE FOR the resolutions, it will be necessary for you to either (i) attend the Meeting in person or (ii) complete, sign and date the enclosed form of PROXY and return it to the General Partner by fax to: 416-515-1012 or 604-669-9485 or by email to ivana@sentinelhill.com on or before the close of business on Tuesday, April 12, 2011.

If you require additional information respecting the foregoing, email your queries to erivest@sentinelhill.com.

Following the Meeting, if the General Partner has obtained confirmation from the Limited Partners as to its authority to continue to act on behalf of MLP in connection with the Tax Dispute, we will send you further information regarding the next steps to be taken by MLP in the Tax Dispute. We will also send you further information regarding the funds contributed by the Limited Partners to date in respect of the Tax Dispute, which funds remain in trust at Thorsteinssons LLP.

We look forward to seeing you at the Meeting.

Yours truly,

SENTINEL HILL PRODUCTIONS IV CORPORATION
(as General Partner of SHAAE (2001) Master Limited Partnership)

“Robert Strother”

Robert Strother
Chairman

4. APPROVAL OF AMENDMENT TO PARTNERSHIP AGREEMENT AND RATIFICATION OF AUTHORITY OF GENERAL PARTNER

To pass, with or without variation, an extraordinary resolution: (i) authorizing and approving an amendment to section 6.2 of the MLP Partnership Agreement to add paragraph (e.1) after paragraph (e) thereof all as more particularly described in the March Letter, so as to confirm the authority of the General Partner to act on behalf of MLP in connection with the Tax Dispute; and (ii) confirming, ratifying and approving the past actions of the General Partner pertaining to it acting on behalf of MLP in connection with the Tax Dispute:

Vote For **Vote Against** (or, if no specification is made, to **Vote For**)

5. APPROVAL OF AMENDMENT TO MANAGEMENT AGREEMENT

To pass, with or without variation, a resolution authorizing and approving an amendment to section 7 of the management agreement between MLP, Sentinel Hill Alliance Atlantis Equicap Limited Partnership and the General Partner deleting the phrase "December 31, 2003" and replacing it with "a reasonable date following the resolution of all matters between the Partnership and the Canada Revenue Agency":

Vote For **Vote Against** (or, if no specification is made, to **Vote For**)

6. OTHER BUSINESS

To vote on such other business as may properly come before the Meeting or any adjournment thereof.

This proxy is solicited by and on behalf of management of MLP. If any amendments or variations to the matters identified in the Notice of Special Meeting are proposed at the Meeting or any adjournment thereof, or if any other matters properly come before the Meeting or any adjournment thereof, this proxy confers discretionary authority to vote on such amendments or variations or such other matters at the Meeting or any adjournment thereof.

The undersigned hereby revokes any proxies previously given.

Dated this _____ day of _____, 2011

Investor Name

Signature of Limited Partner

Name of Limited Partner

Address
City, Province Postal

Address

Number of MLP Units Held

Notes:

1. The MLP Units represented by this proxy will be voted in accordance with the instructions of the Limited Partner on any ballot that may be called for and, if the Limited Partner specifies a choice with respect to any matter to be acted upon, the MLP Units will be voted accordingly. **If no instructions are given, this proxy shall confer discretionary authority on the proxyholder to vote FOR the matters identified in notice of the Special Meeting (the “Notice of Meeting”).** If any amendments or variations to the matters identified in the notice of the Meeting are proposed at the Meeting or if any other matters properly come before the Meeting or any adjournment thereof, discretionary authority is hereby conferred on the proxyholder with respect thereto.
2. **A Limited Partner has the right to appoint a person or company (who need not be a Limited Partner) to attend and act on his/her/its behalf at the Meeting or any adjournment thereof, other than the persons specified above. To exercise this right, the Limited Partner must insert the name of his/her/its nominee(s) in the space provided.**
3. To be valid, this proxy must be signed by the Limited Partner or by his/her/its attorney authorized in writing or, if the Limited Partner is a corporation, this proxy must be executed by a duly authorized officer or attorney thereof. Persons signing as executors, administrators, trustees, etc. should so indicate and give their full title as such. Where MLP Units are jointly owned, each owner must sign.
4. **To be effective, a proxy must be returned to the General Partner by fax to: 416-515-1012 or 604-669-9485 or by email to: ivana@sentinelhill.com on or before the close of business on Tuesday, April 12, 2011.**
5. Please date this proxy. If not dated, this proxy shall be deemed to bear the date on which it was mailed to the Limited Partner.
6. Reference is made to the accompanying letter to Limited Partners dated March 14, 2011 and the Notice of Meeting for further information regarding completion and use of this proxy and other information pertaining to the Meeting.
7. Should you have any questions with respect to the matters to be voted at the Meeting, email your queries to erivest@sentinelhill.com.