



Wednesday, November 15, 2006

IMPORTANT ANNOUNCEMENT: REIT CONVERSION

Ladies and Gentlemen,

I count it a great privilege to announce to you the following:

Acting in good faith as General Partners for both the MPCP and IGWI Limited Partnerships, and in the interests of best serving the Limited Partners, it is resolved that:

The properties in both the MPCP and IGWI Limited Partnerships will be independently re-appraised, and the units re-valued to reflect the increased property values. Subsequently, by way of a tax-free roll-over, all of these properties will be merged within a new legal structure — effectively completing the conversion from a Limited Partnership to a private Real Estate Investment Trust (REIT).

Congratulations are in order for all member-partners currently subscribed to either (or both) of these high-yield asset pools. As I will explain to you in detail below, as a result of the conversion to a REIT, every member subscribed to either of these pools before December 15, 2006 will realize the increase in value, and upon the completion of the merger and conversion, be immediately issued a corresponding number of new units.

This is very good news indeed!

As you well know by now, it is in *our* best interests (contractually, ethically, and in every other way) to continually promote *your* best interests, and we consider it an awesome privilege to act on your behalf. We have given this decision careful consideration, and have planned every detail of this transition for many months. In this letter, I will do my best to explain both the process and the effects.

I know that many of you will be just as unfamiliar with the REIT format now as you once were with the LP format (prior to reading the Blue Book). There are a great many benefits to the REIT structure itself, and you can read about them here <http://www.league.ca/REITpreview.pdf> in a preview of the new section on REITs that will replace the information on LPs in the upcoming new addition of the Blue Book. If you do not have access to the internet, please call our office to request a hard copy, and we will immediately send one out to you by mail.

For the sake of efficiency, in this letter I will focus specifically on the benefits that converting to a REIT will have for our current MPCP LP and IGWI LP subscribers and leave the REIT basics to the preview document. That said, I have no doubt that you will have questions about the conversion itself, so below I will try to explain as best I can the answers to all those I could anticipate. Starting with this one:

Will the recently announced changes to Income Trusts affect my investments with League?

In a word: No.

For those of you who have been following the news of the recent changes to the rules for Income Trusts, I want to begin by stating clearly and unequivocally that our conversion has *nothing to do with*, and is *in no way affected* by the changes to the tax treatment of Income Trusts announced on October 31st, 2006. Income Trusts invest in businesses, where REITs invest in real estate. Furthermore, where either can be publicly traded on stock exchanges, League is committed to remaining a private institution in order to ensure the long-term sustainability and stability of your investments. We are absolutely confident that our conversion to a Trust will be both final and fruitful.

Why the conversion?

When Adam and I first partnered together, we set out to create the absolute best, most tax-efficient and profitable investment vehicle (for real estate) ever devised — for ourselves, our families, and our close friends. We found that by inviting new like-minded friends and families to join with us within an investment framework regulated by positive inter-dependence, we could all prosper together on a much greater scale and faster than any of us could on our own.

We built this framework of positive inter-dependence believing that the strength of like-minded member-partnership would amplify the stability of our investments. You proved us right. As our membership grew, so did our success (and vice-versa). And now, in order to fulfill our goal, we are taking the next step in the evolution toward that “perfect” investment vehicle we seek.

What specific benefits will the conversion bring to the member-partners?

If you are invested in the MPCP or IGWI pools prior to December 15th, you will enjoy the benefits of substantially *increased flexibility and stability* of ownership.

Flexibility of ownership

- **RRSP Investment** — As a REIT, we will now offer two ways to invest your registered funds:
 - a) Directly, so *all* of your investment—including the monthly disbursements—is continually re-invested, and your RRSP portfolio benefits from *all* of your returns being fully compounded so our investment value grows as big as possible, as fast as possible; and,
 - b) Through the alternate (and increasingly popular) structure we introduced a few months ago, that allows a portion of your monthly disbursements to be paid to you *outside* your RRSP each month — just as if you had invested *non-RRSP* funds.
- **Foreign investment** — Some of our members have family living abroad who would like to join League and become a member-partner, but as non-residents of Canada they were not permitted to participate in the Limited Partnership. Becoming a REIT means we can now accept their subscriptions and allow our members’ friends and families to invest, no matter where in the world they reside.
- **Automatic Re-Investment of Distributed Income** — Many of our members have asked for the ability to automatically re-invest their monthly distributions so that their investment could compound and grow as quickly as possible. This is finally possible. Member-Partners will now have the option to re-invest distributions automatically through our *Distribution Re-Investment Program* (or, “DRIP” for short). This provides our members the option to compound the growth potential of their investment and “self-fund” the purchase of additional income-producing units, and thereby accelerate the growth of their investment.

- **Liquidity** — The REIT structure allows us to provide redemption rights for all member partners. Now, a fixed amount (the value of two percent of the subscribed units per semiannual period in cash) will be set aside to buy back units from members needing to sell some of their units to meet a need.

Stability

- Essentially, by combining the assets of the MPCP and IGWI pools, we will be immediately doubling the diversity of the asset base. Diversity brings greater stability to the investment and further reduces risk.
- Greater efficiencies and economies of scale — both for the properties and the pool itself. For example, from now on, there will be just one audit to pay for and no more fees for setting up new offerings.
- Better financing from the banks who like to see one big pool of inter-dependent assets. This results in better rates and terms for the pool, which translates to more profit for the member-partners.
- To provide liquidity and protect the properties from shortfalls while so many are undergoing re-development simultaneously, future disbursements (for new subscriptions received after January 1st) will likely be at a slightly lower rate than the current 10.25% per annum. (More on this in the next section of this letter.)
- Volatility is one thing we decided long ago that we wanted to avoid for our member-partners' investments. The reaction to the recent Income Trust announcement proved our wisdom. Even though real estate is distinct from all other investments and normally quite stable, publicly-traded REITs introduce an element of instability and volatility to the investment by making them susceptible to the knee-jerk reactions of nervous co-investors responding irrationally to totally unrelated events.

What stays the same?

- No interruption of disbursements.
- The total dollar amount currently distributed monthly to each member-partner invested prior to December 15, 2006 will remain unchanged.
- The tax-efficiency of the REIT will be the same as that of the former IGWI investments and improve that of the MPCP investments.
- No liability for debt or litigation.
- The net result of the conversion will be a tax-free roll-over into the REIT, so no one will incur a tax liability.

Is there a downside for the member-partners?

- No. Not one.

How will the conversion affect the other investments/pools?

Cygnets and Londondale

No change. We will continue their development and re-visit the possibility of rolling these assets into the REIT at a future date—after the major developments are completed and re-financings occur for Londondale, and the individual condo units are sold off for the Cygnets.



Here are the steps to our conversion:

- 1) Each of the assets in the MPCP and IGWI asset pools will be individually re-appraised. We have already contracted several appraisers with offices local to our various properties to re-assess the values of all of the properties, and they are working diligently to bring the appraisals up to date.
- 2) Based on the new appraised values, we will re-calculate the new LP unit values for the MPCP investments and IGWI units *individually*.
- 3) Through a set of legal exercises too complicated to describe here, we will perform a tax-free roll-over of the assets (and your profit)— so there will be no tax repercussions for the member-partners.
- 4) Member-partners will realize the increase in unit values this way: We will roll the amount of your original investment into the REIT (leaving your profit from the increased value in LP units where they will remain un-taxed until/unless you sell), and issue you new REIT units equal to the amount of your original investment. (For those of you with experience in the stock market, think of it as a “stock-split”.)

EXAMPLE:

If you originally invested \$100,000 at \$1.00 per unit in either of the MPCP or IGWI pools (before December 15, 2006) you currently own 100,000 LP units.

Let's say, for the sake of this example, that the new unit values increase by one cent per unit. So, you now have 100,000 units valued at \$1.01 each for a total of \$101,000.00 in value.

When our conversion is complete, you would be issued \$100,000 in new REIT units, and your \$1,000 profit will remain in LP units. (Remember, you are not taxed on the profit until/unless you sell your units. So, by leaving the profit in your original investment vehicle, you can continue deferring the tax obligation indefinitely.)

For those of you investing before December 15th, your monthly distribution amount will remain unchanged, but we will likely slightly decrease the distribution rate in January for all new investments.

We take the responsibility to keep your monthly distributions steady very seriously. We've been doing a lot of development, and we want to make sure we finish that off before we start incrementally increasing the distributions again. Only now, rather than basing the increases in distribution on the increased incomes, we can more accurately peg them to increases in the property values. As you'll come to understand as you read the next section, when we begin systematically re-appraising the properties and re-valuing the units every six months, we will have greater control over the stability of the investment. From here on out, even if we never raise the rate of distribution again, the total dollars we send you each month will regularly rise as we make improvements to the properties. Here's why...



THE NEW MATH

Until now, the amount of your monthly distributions were calculated like this:

The number of units you purchased × the unit value (currently static at \$1.00 per unit) × the distribution rate (variable, but currently at 10.25%) = your distribution amount (\$).

We then divide by 12 months to determine the monthly distribution dollar amount that shows up in your account each month—until we set the new distribution rate based on the increase in the income from the properties.

So, as a Limited Partnership, the distribution rate varied with the income of the properties as we raised rents and filled vacancies, and the number of units purchased and the unit value remained constant. *After* the conversion from a Limited Partnership to a REIT, this calculation will be done differently...

Since we will now be re-appraising the properties — and therefore re-valuing the units — every-six months, the unit value will now vary and increase with the value of the properties (based on physical improvements and increased income). As a result, to correctly determine your distribution amounts, we must now fix the distribution rate.

So to review, even though the rate will now be fixed, it will be multiplied by the value of your units — which will increase periodically as we re-appraise the properties — to determine the new increased amount of dollars we distribute to you each month.

This new methodology will bring four major benefits to the member-partners:

1. You will now receive a semi-annual statement declaring the current value of your units (as well as any increase to the distribution rate—if any), which enhances liquidity since everyone now knows exactly what the current value of your investment is;
2. It allows us greater degree of financial control — so we can more accurately determine the maximum amount of cash we can continuously distribute without putting the sustainability of the properties at risk (especially when multiple re-development projects are occurring simultaneously and the improvement budgets are able to keep up with the demands of the projects);
3. It will ensure the amount of cash that we distribute to your account each month remains stable, since we will be fixing the rate of distribution to a rate we are confident will be sustainable for the short and long terms; and,
4. It will allow us to conserve enough cash to purchase additional income-producing properties for the pool, and thereby increasing values and cash flows, while using less cash from new investors — which results in increased distributions to you anyway.

So as you can see, the best result of all is that you can have even greater confidence in your investments with League.



Principled Private Investment™

Page 6 of 6

The future:

As the appraisals are still coming in, we do not yet know the new values of the properties (other than that they will all likely increase — some more significantly than others), so we do not yet know what the new value of the LP units will be prior to conversion, and therefore the corresponding “unit-split” ratio that will ultimately determine the number of additional units each of the member-partners will receive.

Keeping in mind only that our mutual goal is sustainable returns and IGW, and not “Get what you can, while you can”, the only thing more I can tell you at this time is this: We have one opportunity now to set the rate at an amount we know we can live with over the long long term, and not go down from there. When we do raise it in the future, it would again be at amounts we know you will be able to count on for a long long long time, and withstand all sorts of vacancy issues and economic events.

So, more than ever, our primary aim will be to maximize the value of the properties (and their cash flow output) as that will directly result in increased distribution dollars at a smart and sustainable rate. And with the properties being re-appraised regularly, we'll be able to see the results of our efforts with greater precision and frequency.

What Should I do now?

To take advantage of the unit-split, and effectively buy “today’s real estate at yesterday’s prices”, you must subscribe before December 15th. To begin the process and receive your subscription form and partnership agreement documents, please fax a completed “Notice of Interest” form (included as the last page of every Investment Summary) without delay. To receive one, please call our office, or download one from <http://www.league.ca/NOI.pdf>. Please take note that RRSP investments can take up to three weeks to process, so you can’t afford to delay beginning the paperwork to subscribe on time.

Although we will not be advertising the advantage that the unit-split will provide investors, (as we fear it may attract the wrong kind of members), you are welcome to tell your family and friends about it and introduce them to League. We will send them any information they may need and answer any questions they may have.

If you are thinking of using your home equity to fund the purchase of a new or additional investment, call us now and we will put you in touch with an experienced mortgage-broker who is also a trusted friend. His level of service is superb, and we are confident that he will help you get the best rates and terms available from any institution.

Friends, I’ve done my best to make the matter straight-forward, but if you still have questions about anything you’ve read here, feel free to call or email me — just re-read this letter a couple of times first to make sure your answer isn’t already here. (With over 200 members, and 1,200 people in my database who will receive this letter, you can imagine how many emails and phone calls I’ll be handling.) If you want to make or increase your subscription, please speak with our assistant, Darlene Glencross and she will help you just as I would.

Sincerely yours,

Emanuel Arruda
Chairman & COO
emanuel@league.ca