Ernst & Young Inc.
Ernst & Young Tower
1000, 440- 2nd Avenue SW
Calgary, AB T2P 5E9

Tel: (403) 206-5241
Fax:(403) 206-5075
www.ey.com

July 9, 2009

To the limited partners of:

Safeguard Real Estate Investment Fund Limited Partnership
Safeguard Real Estate Investment Fund II Limited Partnership
Safeguard Real Estate Investment Fund III Limited Partnership
Safeguard Real Estate Investment Fund IV Limited Partnership
Safeguard Real Estate Investment Fund V Limited Partnership

(collectively the "Entities" or the "Limited Partnerships")

As you are aware on May 26, 2009 Ernst & Young Inc. was named as Trustee under the Notice of Intention to Make a Proposal of the Entities. By Orders of the Court of Queen's Bench of Alberta dated June 9, 2009 (the "IR Orders") Ernst & Young Inc. was appointed Interim Receiver of the Limited Partnerships (the "Receiver").

It is important to note that at this time only the entities identified above are subject to these proceedings.

The following properties are impacted by these proceedings:

Deervalley Station – 13750 Bow Bottom Trail SE
Millrise Plaza – 15 Millrise Boulevard SW
SNC Lavalin Building – 909 – 5th Avenue SW
Castleridge Plaza – 55 Castleridge Boulevard NE
Concrete Equities Place – 396 – 11th Avenue SW
MEG Place – 1001 – 1st Street SE

In accordance with paragraph 33 of the IR Orders, please find attached a copy of the applicable IR Order.

As noted in the Receivers statement dated June 19, 2009, the Receiver's intended action plan is to maintain the Limited Partnerships in collaboration with the Management Committee (established pursuant to the IR Orders) pending the Notice of Intention to Make a Proposal Proceedings and carry out an investigation into the financial affairs of the Limited Partnerships.

In accordance the paragraph 3(s) of the IR Orders, the Receiver will be reviewing and investigating the conduct and financial affairs of the Limited Partnerships to determine whether there has been any misconduct or financial mismanagement on the part of the general partner of the Limited Partnerships or its principals. The Receiver will be issuing a report to the Court and the limited partners on its findings.

The Receiver established a web-site to keep stakeholders in these proceedings informed. The Receiver's web-site is the official web-site with respect to these proceedings. The Receiver will post copies of notices, Court Reports, Court Orders and other relevant material to these proceedings on its web-site.

The web-site address is:

www.ey.com/ca/safeguard

The Receiver prepared a list of frequently asked questions which is available on the Receiver's web-site. The most common questions are as follows:

Q. What is an Interim Receiver?

A. An Interim Receiver (the "Receiver") is an Officer appointed by the Court in order to preserve the assets of the entity for the benefit of creditors. The Receiver's powers are outlined in the IR Orders. In this specific case, the Receiver has the authority, but is not obligated, to perform the following functions, among others;

- To take possession and control of all of the Limited Partnership assets;
- To manage, operate and carry on the business of the Limited Partnership; and
- To review and investigate the conduct and financial affairs of the Limited Partnership in order to determine whether there has been any misconduct or financial mismanagement on the part of the general partner of the Limited Partnership or its principals.

Q. Who will be responsible for overseeing management of the Limited Partnership?

A. The IR Orders provide for the establishment of a management committee that is comprised of four individuals, two selected by the General Partner and two selected by Burstall Winger LLP (collectively the "Management Committee"). A designate of the Receiver will serve as chairperson of the Management Committee.

The following individuals comprise the Management Committee:

1. Steve Butt;
2. Dave Bulloch;
3. Vincenzo DePalma; and
4. Don Davis

As outlined in Schedule "A" to the IR Orders the Management Committee will have the following responsibilities;

- To approve all material contracts of the Limited Partnership;
- To approve all budgets and business plans of the Limited Partnership;
- To give such direction as they deem appropriate to the General Partners who shall act and only act in accordance with those directions;
- Any member of the Management Committee dissatisfied with any decision of the Management Committee may apply to the Court for such advise and direction as they deem necessary or appropriate; and

- Such ancillary powers as may be necessary or appropriate to give full or better effect to the mandate and powers of the Management Committee.

The Management Committee held its first meeting on July 7, 2009 at 9:00 a.m. Minutes of the First Meeting will be posted on the Receiver's web-site when they are available.

Q. What is the impact to the limited partners?

A. The corporate structure of the Limited Partnerships is not changed by the insolvency proceedings.

The Receiver also established a hotline for stakeholders to call with specific questions for the Receiver. The hotline telephone number is (403)-206-5241.

The Receiver will post further communications with respect to these proceedings on its web-site.

Sincerely,

ERNST & YOUNG INC.
In its capacity as Receiver of Safeguard Real Estate Investment Fund Limited Partnership
Safeguard Real Estate Investment Fund II Limited Partnership
Safeguard Real Estate Investment Fund III Limited Partnership
Safeguard Real Estate Investment Fund IV Limited Partnership
Safeguard Real Estate Investment Fund V Limited Partnership

Attachment