Intellectual Property

VOLUME 7 - FALL 2012

395.44 % AFTER-TAX RETURN ON INVESTMENT!

THE HAULTAIN BUILDING

One of the attractions of investing in real estate is the concept of limited quantity – they aren't making any more of it, as the saying goes. Consequently, some measure of demand is a given and, depending on the location, that demand can translate into handsome returns. This proved to be the case with The Haultain Building, which was offered to our investors through Russell Properties Limited Partnership in 2002.

The Haultain Building is located at the corner of 22nd Street East and 4th Avenue North in downtown Saskatoon, immediately to the east of the former main branch of Saskatoon Credit Union. The old credit union building was vacated as the result of mergers that led to the creation of Affinity Credit Union, which has a new main branch a few blocks away. It was largely because of this vacancy that the property between 3rd and 4th Avenues from 22nd Street back to the alleyway became an acquisition target for developers.

In January of 2012, we received an unsolicited offer to purchase The Haultain Building for $4,410,216.96. An oddball number to be sure, but it was based on an estimate of the rental income and a reasonably attractive capitalization rate of 6.25%. Although this was more than double the partnership's purchase price, we do have an obligation to the limited partners to maximize their returns. Hence, we countered the offer at $8,000,000.00.

We held our position through two more rounds of offers and counter offers, from $5,500,000.00 in January to $6,350,000.00 in May, finally agreeing to present an offer of $7,100,000.00 to the limited partners in July. A special resolution to accept the offer was supported by an overwhelming majority of the unit holders and the property was sold.

SOLD

After paying off the remaining mortgage and dealing with the costs associated with the sale, the proceeds to the limited partners are approximately $76,595.00 per unit, a substantial gain from the initial investment of $19,700.00 per unit. As the majority of this profit is taxed as capital gains, the tax liability for an investor in Saskatchewan's top marginal tax bracket of 44% is less than 21% of the proceeds.

Accounting for the cash distributions, write-offs, and income inclusions over the years, the after-tax cost of a partnership unit was $12,256.00. Subtracting this cost from the after-tax proceeds of $60,721.00 per unit results in a profit of $48,465.00. On an after-tax basis, the return is 395.44%! Please let us know the name of the bank where you get returns like these!

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OUR LATEST OFFERING

DELTON INDUSTRIAL CENTRE
Edmonton, Alberta

Located just off the Yellowhead Highway and the corner of 82 Street NW in the Yellowhead Corridor East area of Edmonton, The Delton Industrial Centre capitalizes on its accessibility to major traffic routes in northeast Edmonton.

OUR POLICY ON PROPERTY SALES

Our limited partnership property investments have been designed and managed over the years to provide investors with a long-term stream of income as project debt is reduced and then retired. These income payments are far superior to returns available from the regular financial markets due to the leverage implicit in our real estate investment model from tax advantages and rental income funded debt retirement, as well as inflationary increases in rents and value.

On occasion, however, we have unsolicited offers to purchase our properties presented to us from interested parties. We screen all of these proposals carefully. If they appear to offer a significant premium to market value, we will refer them to our investors for a decision on whether or not to sell. Such high value offers usually originate from potential purchasers that have plans to redevelop the site or property. Of course, all such proposals require a minimum 75% acceptance from our investors before we proceed further with them. Please see the chart below for examples of the returns achieved.

MILLENNIUM III GROUP OF COMPANIES
RETURN ON INVESTMENT FROM DISPOSITION OF PROPERTIES FOR REDEVELOPMENT SITES
OCTOBER 15, 2012

Partnership	**Baltimore**	**Grenville***	**Russell***	**Average**
Year of Syndication	2003	1999	2002	2001
Year of Sale	2010	2012	2012	2011
Proceeds Upon Sale	**$50,437.86**	**$52,481.00**	**$76,595.15**	**$59,838.00**
Total Taxes Payable (44% marginal tax rate)	10,749.20	11,367.00	15,873.66	12,663.29
After-Tax Proceeds	**39,688.66**	**41,114.00**	**60,721.49**	**47,174.72**
After-Tax Cost (ATC)	11,848.00	9,657.00	12,256.00	11,253.67
Total Profit	**27,840.66**	**31,457.00**	**48,465.49**	**35,921.05**
After-Tax Return on Investment (Profit / ATC)	**234.98%**	**325.74%**	**395.44%**	**319.19%**
Average Annual After-Tax Return on Investment	**33.57%**	**25.06%**	**39.54%**	**31.92%**

Note 1: All amounts shown are for one limited partnership unit.
Note 2: (*) Denotes final payout not yet confirmed

Your Data Security

You can be assured that all investor information required by the Millennium III Group is kept secure in accordance with the provisions of The Privacy Act, The Personal Information Protection and Electronic Documents Act, and protected by the confidentiality policies in place within our organization. Please note, however, that all limited partnerships are registered, as per government filing requirements, in order to protect investors from any liability associated with the project. Names and addresses of the limited partners are therefore accessible in the public domain.

To receive future editions of this newsletter electronically, please advise us via email at dawnh@millennium3.ca