

PERSONAL TAX CONSIDERATIONS FOR UNITHOLDERS

ARC Energy Trust's cash distributions were fully tax deferred in 1996, so unitholders were not required to report any taxable income on their personal income tax returns for 1996. In 1997, the majority of cash distributions were tax deferred, with approximately 22% being taxable for unitholders. In 1998, the majority of cash distributions were tax deferred with approximately 10% being taxable for unitholders. In 1999, the majority of cash distributions were tax deferred with approximately 20% being taxable for unitholders (see 1999 Income Tax Information below). At this time, it is anticipated that approximately 30 - 35% of 2000 distributions will be taxable for unitholders. Specific 1999 Income Tax Information for previous Starcor and Orion unitholders regarding the exchange for ARC Energy Trust Units is provided below.

In general, the amount of taxable income in a given year may be reduced if acquisitions funded by newly issued Trust units increase the royalty granted to ARC Energy Trust and result in additional income tax deductions. Conversely, the taxable portion of income could increase if commodity prices are strong and distributions exceed current expectations.

The tax deferred or non-taxable portion of cash distributions received by a unitholder is considered a return of capital. The adjusted cost base of an ARC Energy Trust unit is calculated by deducting all tax deferred distributions received by the unitholder from the original cost of the unit. Capital gains or losses relative to this adjusted cost base will be realized by the unitholder upon the actual sale or deemed disposition of the ARC Energy Trust unit.

ARC ENERGY TRUST (AET.UN) 1999 INCOME TAX INFORMATION Revenue Canada Account Number T16-4073-86

The information contained herein is based on ARC Energy Trust's understanding of the Income Tax Act (Canada) and the regulations thereunder. Unitholders should consult their own tax advisors with respect to their particular circumstances.

- ***Legal Status of Trust:*** ARC Energy Trust ("the Trust") is a legal entity and is subject to Canadian income tax on a similar basis to that of an individual. The Trust has a December 31 year end and each year the Trust must perform an income tax calculation and allocate the taxable income to Unitholders of record on December 31.
- ***Taxation of Cash Distributions:*** a) No amounts are to be reported for tax purposes in respect of cash distributions received by a Registered Retirement Savings Plan,

Registered Pension Plan, Registered Retirement Income Fund or Deferred Profit Sharing Plan or any other such registered plans (collectively referred to as "Pension Plans"). b) For cash distributions received by a Canadian resident outside of a Pension Plan 19.26% of 1999 payments are taxable. The percentage is a combination of the January 15, 1999 distribution being 10% taxable (see note below) for 1999 and 20% of the remaining 1999 distributions being taxable, with the remaining 80% being tax deferred and deemed a return of capital, as scheduled below.

Record Date	Payment Date	Taxable Amount (Box 26 Other Income)	Tax Deferred Amount (Return of Capital)
December 31, 1998	January 15, 1999	\$0.01	\$-.01
January 31, 1999	February 15, 1999	\$0.02	\$0.08
February 28, 1999	March 15, 1999	\$0.02	\$0.08
March 31, 1999	April 15, 1999	\$0.02	\$0.08
April 30, 1999	May 15, 1999	\$0.02	\$0.08
May 31, 1999	June 15, 1999	\$0.02	\$0.08
June 30, 1999	July 15, 1999	\$0.02	\$0.08
July 31, 1999	August 15, 1999	\$0.02	\$0.08
August 31, 1999	September 15, 1999	\$0.02	\$0.08
September 30, 1999	October 15, 1999	\$0.03	\$0.12
October 31, 1999	November 15, 1999	\$0.03	\$0.12
November 30, 1999	December 15, 1999	\$0.03	\$0.12
Total		\$0.26	\$0.99

- A T3 Supplementary Slip will be issued by ARC Energy Trust to registered Unitholders for 1999 by March 15, 2000.
- Effective January 1, 1999 ARC Energy Trust is entirely on a cash basis for taxability. This resulted in the January 15, 1999 payment being taxed an additional \$0.01 per unit for a total of \$0.02 per unit, as \$0.01 per unit was taxed in the 1998 calendar year. Also,

the January 15, 2000 payment is not included in taxable income in 1999 but will be included in taxable income in 2000. These changes reduce the taxable portion of distributions by \$0.01 per unit.

- ***Tax upon the disposition of Royalty Trust Units:*** In most circumstances the return of capital distributions will reduce the Unitholder's cost base of their units. The cost base of the units is required in the calculation of a capital gain or capital loss (assuming the units are capital property of the Unitholder) upon the disposition of the Trust units. Unitholders should maintain a record of all distributions that are classified as partially or entirely a capital distribution while holding ARC Energy Trust units. ***For investors in the \$10.00 per unit initial public offering in July 1996 the cost base of units still held as at December 31, 1999, is \$6.02 per unit taking into account the return of capital of \$0.81 in 1996, \$1.089 in 1997, \$1.08 in 1998 and \$1.00 in 1999.***
- ***Estimate of Tax on 2000 Distributions:*** The 2000 distributions are anticipated to be approximately 30-35% taxable with the remaining 65-70% to be classified as a return of capital, based upon current expectations for oil and natural gas prices.
- 1999 cash Distributions received by the Unitholders of Starcor Energy Royalty Fund and Orion Energy Trust, prior to the March 12, 1999 acquisition, are classified as a return of capital with no portion being taxable in 1999.
- For further information please contact Dan Geremia, Treasury Manager at Suite 2100, 440 - 2nd Avenue SW, Calgary, Alberta, Canada, T2P 5E9, Telephone (403) 503-8753, and Facsimile (403) 503-8609.

**PREVIOUS ORION ENERGY TRUST UNITHOLDERS
1999 TAX INFORMATION REGARDING THE EXCHANGE FOR
ARC TRUST UNITS
AND DISPOSITION OF ORION ENERGY TRUST UNITS**

As part of the business combination of Orion Energy Trust and ARC Energy Trust, each of your Orion Energy Trust units was exchanged for 0.875 ARC Energy Trust units and 0.175 ARC Energy Trust warrants. The date of this transaction was March 12, 1999. For income tax purposes, this exchange is considered a disposition of your Orion Energy Trust units. As such, if you do not hold your trust units within a Registered Retirement Savings Plan or a Registered Retirement Income Fund, you are responsible to report any gains or losses arising from this disposition in your 1999 Personal Income Tax Return (form T1). The purpose of this letter is to explain how to report this transaction in your tax return.

The information contained in this letter is for general information only. Unitholders are urged to consult their tax advisors to determine the specific tax implications to them. This letter is not intended to be, nor should it be construed to be, tax advice to any particular Unitholder.

The following instructions are applicable only to Unitholders who are residents of Canada, and who hold such units as capital property, for the purposes of the Income Tax Act. Non-residents of Canada are urged to consult their tax advisors to determine the specific tax implications to them.

The gain or loss to be reported on your tax return equals the amount by which the "proceeds of disposition" exceed the "adjusted cost base". Where the proceeds of disposition exceed the adjusted cost base, a capital gain will be reported on your tax return. Three-quarters of the capital gain should be included in your income as a taxable capital gain. Where the adjusted cost base exceeds the proceeds of disposition, a capital loss will be reported on your tax return. Three-quarters of this amount can offset taxable capital gains in the current year or, alternatively, can reduce taxable capital gains in any of the three prior years or any subsequent year.

The proceeds of disposition equal the total value of all property received in exchange for your Orion Energy Trust units. In the attached Appendix I, we explain how to calculate your proceeds of disposition.

The adjusted cost base equals the amount you paid for your Orion Energy Trust units less the sum of tax deferred "return of capital distributions" received from the Trust. All amounts distributed to Unitholders of Orion Energy Trust in the past were designated as "return of capital distributions" and must be deducted in calculating your adjusted cost base. In the attached Appendix II, we explain how to calculate your adjusted cost base.

If you require any further information regarding these matters, please contact Dan Geremia, Treasury Manager at (403) 503-8753

Appendix I Calculation of Proceeds of Disposition

The fair market value of an ARC Energy Trust unit received has been estimated by ARC to be \$6.5677, being the weighted average trading price of the unit in the ten days prior to March 12, 1999, the closing date. ARC has estimated the fair market value of an ARC Energy Trust warrant to be \$0.4655, being the warrant's average trading price in the first five days of trading. ARC believes that such estimates represent fair market value and proposes to record its acquisition of Orion based on the aforementioned amounts.

Although former unitholders of Orion are free to make their own computation of the fair

market value of an ARC Energy Trust unit or an ARC Energy Trust warrant, Revenue Canada has publicly advised in similar circumstances that the amount chosen as the fair market value of a property in a barter transaction must be consistent as between the parties to the transaction.

Orion Energy Trust unitholders received 0.875 ARC Energy Trust units and 0.175 ARC Energy Trust Warrants for each Orion Energy Trust unit exchanged.

The following example illustrates the calculation of proceeds for a unitholder who owned 1,000 units of Orion Energy Trust.

	Units	Warrants	Total
Number of Orion Energy Trust units held	1,000 x .875	1,000 x .175	
Number of ARC Energy Trust units/warrants received in exchange	875	175	
Market value of each ARC Energy Trust unit on March 12	x \$6.5677	x \$0.4655	
Proceeds of disposition	\$5,747	\$81	\$5,828

Appendix II Calculation of Adjusted Cost Base

The adjusted cost base equals the amount the Orion Energy Trust unitholder paid for his/her units less return of capital distributions received subsequent to the date of purchase. We attach as Appendix III a schedule of the capital distributions made by Orion Energy Trust. Unitholders as of a particular "record date" would have received distributions on the "distribution date". We emphasize that only capital distributions received after the date of purchase should be included in the calculation of the adjusted cost base.

The following example illustrates the calculation of the adjusted cost base for a unitholder who purchased 1,000 units of Orion Energy Trust on September 10, 1998 for \$5.20 each.

Purchase price (\$5.20 x 1,000 units) **\$5,200**

Less capital distributions received:

Record Date

Payment Date

\$ Per Unit

August 31, 1998	September 15, 1998	N/A *
September 30, 1998	October 15, 1998	0.07
October 31, 1998	November 15, 1998	0.07
November 30, 1998	December 15, 1998	0.07
December 31, 1998	January 15, 1999	0.07
January 31, 1999	February 15, 1999	0.07 **
February 28, 1999	March 15, 1999	0.07 **
Total per unit distributions received		0.42
		x 1,000 units

420

Adjusted cost base

\$4,780

*Because the shares were purchased on September 10, 1998, the units were not owned as of the August 31, 1998 record date. Therefore, the September 15, 1998 distribution would not have been received and is not included in the adjusted cost base calculation.

**These amounts represent the total per unit distributions. The entire amount represents a capital distribution and thus must reduce your adjusted cost base.

Appendix III Schedule of Distributions

Record Date	Distribution Date	Capital Distributions (\$ per unit)
September 30, 1997	October 15, 1997	0.40
December 31, 1997	January 15, 1998	0.31
March 31, 1998	April 15, 1998	0.24
June 30, 1998	July 15, 1998	0.18
July 31, 1998	August 15, 1998	0.07

August 31, 1998	September 15, 1998	0.07
September 30, 1998	October 15, 1998	0.07
October 31, 1998	November 15, 1998	0.07
November 30, 1998	December 15, 1998	0.07
December 31, 1998	January 15, 1999	0.07
January 31, 1999	February 15, 1999	0.07*
February 28, 1999	March 15, 1999	0.07*

*These amounts represent the total per unit distributions. The entire amount represents a capital distribution and thus must reduce your adjusted cost base.

**PREVIOUS STARCOR ENERGY ROYALTY FUND UNITHOLDERS
1999 TAX INFORMATION REGARDING THE EXCHANGE FOR
ARC TRUST UNITS
AND DISPOSITION OF STARCOR ENERGY ROYALTY FUND UNITS**

As part of the business combination of Starcor Energy Royalty Fund and ARC Energy Trust, each of your Starcor Energy Royalty Fund units was exchanged for 0.965 ARC Energy Trust units, 0.193 ARC Energy Trust warrants and \$1.50 in cash. The date of this transaction was March 12, 1999. For income tax purposes, this exchange is considered a disposition of your Starcor Energy Royalty Fund units. As such, if you do not hold your trust units within a Registered Retirement Savings Plan or a Registered Retirement Income Fund, you are responsible to report any gains or losses arising from this disposition in your 1999 Personal Income Tax Return (form T1). The purpose of this letter is to explain how to report this transaction in your tax return.

The information contained in this letter is for general information only. Unitholders are urged to consult their tax advisors to determine the specific tax implications to them. This letter is not intended to be, nor should it be construed to be, tax advice to any particular Unitholder.

The following instructions are applicable only to Unitholders who are residents of Canada, and who hold such units as capital property, for the purposes of the Income Tax Act. Non-residents of Canada are urged to consult their tax advisors to determine the

specific tax implications to them.

The gain or loss to be reported on your tax return equals the amount by which the "proceeds of disposition" exceed the "adjusted cost base". Where the proceeds of disposition exceed the adjusted cost base, a capital gain will be reported on your tax return. Three-quarters of the capital gain should be included in your income as a taxable capital gain. Where the adjusted cost base exceeds the proceeds of disposition, a capital loss will be reported on your tax return. Three-quarters of this amount can offset taxable capital gains in the current year or, alternatively, can reduce taxable capital gains in any of the three prior years or any subsequent year.

The proceeds of disposition equal the total value of all property received in exchange for your Starcor Energy Royalty Fund units. In the attached Appendix I, we explain how to calculate your proceeds of disposition.

The adjusted cost base equals the amount you paid for your Starcor Energy Royalty Fund units less the sum of tax deferred "return of capital distributions" received from the Trust. A portion of amounts distributed to Unitholders of Starcor Energy Royalty Fund was designated as "return of capital distributions" and must be deducted in calculating your adjusted cost base. In the attached Appendix II, we explain how to calculate your adjusted cost base.

If you require any further information please contact Dan Geremia, Treasury Manager at (403) 503-8753.

Appendix I Calculation of Proceeds of Disposition

The fair market value of an ARC Energy Trust unit received has been estimated by ARC to be \$6.5677, being the weighted average trading price of the unit in the ten days prior to March 12, 1999, the closing date. ARC has estimated the fair market value of an ARC Energy Trust warrant to be \$0.4655, being the warrant's average trading price in the first five days of trading. ARC believes that such estimates represent fair market value and proposes to record its acquisition of Starcor based on the aforementioned amounts.

Although former unitholders of Starcor are free to make their own computation of the fair market value of an ARC Energy Trust unit or an ARC Energy Trust warrant, Revenue Canada has publicly advised in similar circumstances that the amount chosen as the fair market value of a property in a barter transaction must be consistent as between the parties to the transaction.

Starcor Energy Royalty Fund unitholders received 0.965 ARC Energy Trust units, 0.193 ARC Energy Trust warrants and \$1.50 in cash for each Starcor Energy Royalty Fund unit

exchanged.

The following example illustrates the calculation of proceeds for a unitholder who owned 1,000 units of Starcor Energy Royalty Fund.

	Units	Warrants	Cash	Total
Number of Starcor Energy Royalty Fund units held	1,000 x .965	1,000 x .193	1,000	
Number of ARC Energy Trust units/warrants received in exchange Per unit value received	965 x \$6.5677	193 x \$0.4655	x \$1.50	
Proceeds of disposition	\$6,338	\$90	\$1,500	\$7,928

Appendix II Calculation of Adjusted Cost Base

The adjusted cost base equals the amount the Starcor Energy Royalty Fund unitholder paid for his/her units less return of capital distributions received subsequent to the date of purchase. We attach as Appendix III a schedule of the capital distributions made by Starcor Energy Royalty Fund. Unitholders as of a particular "record date" would have received distributions on the "distribution date". We emphasize that only capital distributions received after the date of purchase should be included in the calculation of the adjusted cost base.

The following example illustrates the calculation of the adjusted cost base for a unitholder who purchased 1,000 units of Starcor Energy Royalty Fund on September 10, 1998 for \$6.75 each.

Purchase price (\$6.75 x 1,000 units) **\$6,750**

Less capital distributions received:

Record Date	Payment Date	\$ Per Unit
September 8, 1998	September 15, 1998	N/A *
October 7, 1998	October 15, 1998	0.0733

November 6, 1998	November 15, 1998	0.0733	
December 8, 1998	December 15, 1998	0.0733	
January 8, 1999	January 15, 1999	0.0800 **	
February 8, 1999	February 15, 1999	0.0900 **	
March 8, 1999	March 15, 1999	0.0900 **	
Total per unit distributions received		0.4799	
			x 1,000 units
			480
Adjusted cost base			\$6,270

*Because the shares were purchased on September 10, 1998, the units were not owned as of the September 8, 1998 record date. Therefore, the September 15, 1998 distribution would not have been received and is not included in the adjusted cost base calculation.

**These amounts represent the total per unit distributions. The entire amount represents a capital distribution and thus must reduce your adjusted cost base.

Appendix III Schedule of Distributions

Record Date	Distribution Date	Capital Distributions (\$ per unit)
July 8, 1996	July 15, 1996	0.0564
August 8, 1996	August 15, 1996	0.1332
September 9, 1996	September 15, 1996	0.0564
October 8, 1996	October 15, 1996	0.0564
November 8, 1996	November 15, 1996	0.1303
December 9, 1996	December 15, 1996	0.0564
January 8, 1997	January 15, 1997	0.0642

February 10, 1997	February 15, 1997	0.1735
March 10, 1997	March 15, 1997	0.1116
April 8, 1997	April 15, 1997	0.0642
May 8, 1997	May 15, 1997	0.2385
June 9, 1997	June 15, 1997	0.0642
July 8, 1997	July 15, 1997	0.0642
August 8, 1997	August 15, 1997	0.1462
September 8, 1997	September 15, 1997	0.0803
October 7, 1997	October 15, 1997	0.0803
November 7, 1997	November 15, 1997	0.0835
December 8, 1997	December 15, 1997	0.0803
January 8, 1998	January 15, 1998	0.0917
February 9, 1998	February 15, 1998	0.1082
March 9, 1998	March 15, 1998	0.0917
April 7, 1998	April 15, 1998	0.0733
May 8, 1998	May 15, 1998	0.0733
June 8, 1998	June 15, 1998	0.0733
July 7, 1998	July 15, 1998	0.0733
August 10, 1998	August 15, 1998	0.1375
September 8, 1998	September 15, 1998	0.0733
October 7, 1998	October 15, 1998	0.0733
November 6, 1998	November 15, 1998	0.0733
December 8, 1998	December 15, 1998	0.0733
January 8, 1999	January 15, 1999	0.0800*

February 8, 1999	February 15, 1999	0.0900*
March 8, 1999	March 15, 1999	0.0900*

*These amounts represent the total per unit distributions. The entire amount represents a capital distribution. The portion that represents a capital distribution and thus must reduce your adjusted cost base.

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