



SENTINEL HILL PRODUCTIONS  
CORPORATION

March 2, 2009

**Re: Sentinel Hill 1998 Master Limited Partnership 2008 TAX REPORTING INFORMATION**

We are writing to provide you with your final planned package of tax reporting information for the Sentinel Hill 1998 Master Limited Partnership (the “MLP”). We expect to continue corresponding with you with respect to the reassessment by the Canada Revenue Agency (the “CRA”) of the MLP losses allocated to you and the anticipated appeal to the Tax Court of Canada.

A special meeting of the limited partners of the MLP was held on December 10, 2008 where a resolution to dissolve the MLP was approved. Upon dissolution, the assets of the MLP, which consisted of units in the production limited partnerships (the “PLPs”) were distributed pro rata to the former MLP limited partners. As a former limited partner in the MLP, you now hold units in Sentinel Hill No. 4 Limited Partnership, Sentinel Hill No. 16 Limited Partnership and Sentinel Hill No. 17 Limited Partnership. These units were transferred to you pursuant to an election filed by the MLP (Election for Disposition of Property Upon Cessation of Partnership) which deemed the proceeds of disposal to be equal to the MLP’s cost base of the units immediately prior to disposal.

On December 31, 2008, distributions from the PLPs were applied to each limited partner’s outstanding loan amount owing to Veritus Trust. Each limited partner’s loan and all accrued interest owing were fully repaid on that date.

We have been in contact on a regular basis with the CRA with respect to the status of the tax reassessments of the individual limited partners of the MLP. We have pointed out on a number of occasions to the CRA that the effect of the reassessments is to restore the “adjusted cost base” of each limited partner’s investment in the MLP such that the capital gain that would otherwise have occurred at December 31, 2008 (resulting from the distributions repaying the loans to Veritus Trust) would not materialize. The CRA would therefore not receive the tax on the capital gain payable by each limited partner for the 2008 year and would have to wait until after the matter was heard by the Tax Court. By settling the reassessments, the CRA could not only avoid costly litigation and possible embarrassment, but could realize tax money in 2009 (from the capital gain) that otherwise would likely not be due for many years.

The CRA was unmoved by these arguments and is continuing their action to tax court. Obviously this means that the capital gain in 2008 you expected to pay tax on has been deferred. Once the tax court case has run its course, it will be open to the CRA to reassess a capital gain in each limited partner’s 2008 taxation year, even if we are successful in our appeal. The CRA will have one year from the date of the resolution of the tax appeal to reassess such a capital gain and will do it by communicating directly with you. **Each limited partner’s circumstance is different and we recommend that you speak to your tax advisor about your specific situation.** In any case, we recommend that you ensure that you have set aside sufficient funds to provide for the eventual payment of the tax on the capital gain. In the absence of tax litigation, the ultimate capital gain would be equal to the negative adjusted cost base of your limited partnership units at January 1, 2009 as outlined on Schedule B attached (in the “Original ACB” column).

**T5013A – Statement of Partnership Income for Tax Shelters and Renounced Resource Expenses**

Please find attached a T5013A from each of the **three** PLPs. The amount reported in Box 50 from each T5013A should be reported on Schedule 4, Part II, Line 121 of your 2008 Income Tax Return

There was no income or losses reported in the MLP for the 2008 year prior to dissolution, therefore there is no T5013A from the MLP.

**Tax Deductible Interest Expense**

The attached *Schedule A* provides details of your loan and deductible interest for the current year. The interest expense should be reported on Schedule 4, Part IV, Line 221.

**Financial Statements**

If you require copies of the financial statements for the MLP or the PLPs, please contact Eau-Vive Rivest at erivest@sentinelhill.com.

It has been a pleasure to act as your general partner since 1998 and we thank you for your support over the last ten years.

Yours truly,

**SENTINEL HILL PRODUCTIONS CORPORATION (General Partner)**

A handwritten signature in black ink, appearing to be 'TAR', written over a horizontal line.