

Freehold Royalty Trust 1997 Income Tax Information for Unitholders

The following information is provided to assist individual unitholders of Freehold Royalty Trust (“Freehold”) in preparing their 1997 individual Income Tax (T1) Returns and tracking the tax basis of their unit.

Units held within a RRSP, RRIF, or DPSP

No amount should be reported on the 1997 T1 in respect of trust units held within a Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), or Deferred Profit Sharing Plan (DPSP).

Units held outside a RRSP, RRIF, or DPSP

As no portion of the 1997 cash distributions to unitholders of Freehold is taxable, unitholders who held trust units outside of an RRSP, RRIF or DPSP will not receive a “T3 Supplementary Slip” for 1997. No amount need be reported as income on their 1997 T1 returns.

Adjusted Cost Base (“ACB”) Reduction

The Adjusted Cost Base is used in calculating capital gains or losses on the disposition of trust units held as capital property by a unitholder. As set out below, the ACB of each trust unit is reduced by the portion of distributions received which are not reported on a T3 slip. Should a taxpayer’s ACB be reduced below zero, that negative amount is deemed to be a capital gain of the individual and the ACB is deemed to be nil. That capital gain must be reported on Schedule 3 of your T1 return.

The following amounts represent the total per unit cash distributions since inception of the trust, paid in 1997 and 1998. The amount by which individuals must reduce the ACB of each unit for the applicable taxation year in respect of these distributions is as follows:

Distribution Record Date	Distribution Payment Date	Amount (\$)	Taxation Year
January 31, 1997	February 28, 1997	0.13	1997
March 31, 1997	May 15, 1997	0.32	1997
June 30, 1997	August 15, 1997	0.28	1997
September 30, 1997	November 15, 1997	0.25	1997
December 31, 1997	February 15, 1998	0.25	1998
TOTAL		\$1.23	