Freehold Royalty Trust
1999 Income Tax Information For Unitholders

Notice to Brokerage Firms and Nominees

You are not required to prepare T3 supplementary slips for Freehold Royalty Trust Units as no portion of the 1999 cash distribution is taxable to Unitholders.

Understanding the Tax Treatment

During the 1999 taxation year, Freehold Royalty Trust Unitholders received a total of $0.76 in distributions, all of which was sheltered from tax. **We are not sending T3 tax slips to our Unitholders for the 1999 taxation year because there are no taxable distributions for them to declare.** Please note that the December 1998 distribution ($0.05 per Trust Unit) is included in this table as it was ***received*** in the 1999 taxation year. As well, the December 1999 distribution ($0.07 per Trust Unit) is **not** included in this table as it was ***received*** in the 2000 taxation year.

Record Date	Payment Date	Total Distribution Paid	Taxable Amount	Return of Capital Amount	Taxation Year
December 31, 1998	January 15, 1999	$0.05	$0.00	$0.05	1999
January 31, 1999	February 15, 1999	$0.05	$0.00	$0.05	1999
February 28, 1999	March 15, 1999	$0.04	$0.00	$0.04	1999
March 31, 1999	April 15, 1999	$0.04	$0.00	$0.04	1999
April 30, 1999	May 15, 1999	$0.04	$0.00	$0.04	1999
May 30, 1999	June 15, 1999	$0.05	$0.00	$0.05	1999
June 30, 1999	July 15, 1999	$0.05	$0.00	$0.05	1999
July 31, 1999	August 15, 1999	$0.06	$0.00	$0.06	1999
August 31, 1999	September 15, 1999	$0.07	$0.00	$0.07	1999
September 30, 1999	October 15, 1999	$0.07	$0.00	$0.07	1999
October 31, 1999	November 15, 1999	$0.07	$0.00	$0.07	1999
November 15, 1999	December 15, 1999	$0.17	$0.00	$0.17	1999
Total paid during the 1999 Taxation Year		**$0.76**	**$0.00**	**$0.76**	

Tax law in Canada allows money spent in the exploration and development of new oil and gas reserves to be credited to and accumulated in tax pools that are used to reduce a company's taxable income. As a mutual trust fund, Freehold is not a taxable entity – the income which flows through it is taxed only in the hands of the ultimate investor without intervening levels of taxation. If a royalty trust has enough tax pools available to offset income, Unitholders will pay no current income taxes on the distributions (and no T3 form will be issued). Due to Freehold's significant tax pools, Revenue Canada considers the distributions Freehold has paid as a return ***of*** capital to Unitholders, rather than a return ***on*** capital. In effect, for tax purposes, Revenue Canada holds that these distributions simply involve a return to you of part of your original investment in Freehold.

Distributions will become taxable, or at least partly taxable, at some point as Freehold's tax pools are depleted. Currently we expect that a small portion of the distributions might become taxable in 2001, although there are many factors that could change this timing. **Distributions received in 2000 are expected to be 100% tax deferred.**

What does this mean to the Unitholder?

Adjusted Cost Base: While Unitholders get a "break" by not having to pay tax on distributions, they may end up facing a capital gain or loss down the road when they sell their units. Because Revenue Canada deems that the distributions include a return ***of*** capital, Unitholders must change their **"adjusted cost base"** to reflect the return of capital they have received from Freehold. The adjusted cost base is used in calculating capital gains or losses on the disposition of Trust Units. The adjusted cost base is the original cost of the Trust Unit paid by the Unitholder, less any distributions received by the Unitholder. Should a Unitholder's adjusted cost base reach zero, all subsequent cash distributions are to be reported as a capital gain in the year the distributions are received.

Registered plans: If you hold your Freehold Trust Units in a registered plan – such as a Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), Deferred Profit Sharing Plan (DPSP) or Registered Educational Savings Plan (RESP) – no amount should be reported on the 1999 individual Income Tax Return ("T1"). Your investments are completely tax-sheltered until you de-register them. Freehold Trust Units are an eligible investment for all these plans.

Withholding tax for non-resident Unitholders: Royalty income in Canada and the United States is treated as ordinary income, and not as dividend income. The Income Tax Act requires the taxable amount of the **income portion** of the cash distribution to be withheld from payments made by a trust to non-residents of Canada. The base withholding rate is 25%, although that is reduced to 15% by the applicable provisions of the Canada-U.S. Convention. In the case of a U.S. resident, a credit would be claimed on the U.S. tax return for the Canadian withholding tax paid. Since Revenue Canada considers Freehold's distributions to be a "return ***of*** capital", non-residents of Canada are **exempt** from Canadian withholding tax. **Subsequently, no amounts were withheld from source during the 1999 taxation year.** Income tax liability will depend on the jurisdiction in which the Unitholder must file a tax return.

This summary is of a general nature only and is not intended as legal or tax advice to any particular Unitholder. Unitholders and prospective investors should consult their own tax advisors about their particular circumstances.