

## NEWS RELEASE

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### **Freehold Royalty Trust Declares Additional 2005 Income Payable to Unitholders and Confirms 2005 Taxability**

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**CALGARY, Alberta / February 9, 2006 /CCN/** - Freehold Royalty Trust (“Freehold”) announces additional 2005 income payable to Unitholders of \$0.08 per Trust Unit. For Canadian tax purposes, distributions paid or payable to Unitholders for the 2005 taxation year are 100% taxable (other income).

#### **Additional 2005 Income Payable to Unitholders**

As a result of excess taxable income earned in 2005, Freehold Unitholders will receive an additional payment of \$0.08 per Trust Unit, which is 100% taxable. This amount will be reported as a corresponding increase in taxable income shown on those Unitholders’ T3 slips for 2005.

In settlement, holders of record on February 20, 2006 will receive an additional payment of \$0.08 per Trust Unit. To the extent that Trust Units have been disposed of between December 31, 2005 and February 20, 2006, this additional \$0.08 will increase Unitholders’ adjusted cost base (“ACB”) for those units disposed. This \$0.08 payment, will be made concurrently with the regular monthly distribution payment to Unitholders on March 15, 2006. Freehold’s Trust Units are expected to commence trading on an ex-distribution basis on February 16, 2006.

**The information contained herein is based on Freehold’s understanding of the Income Tax Act (Canada) and the regulations thereunder and is provided for general information only. Unitholders are advised to consult their personal tax advisors with respect to their particular circumstances.**

#### **CANADIAN TAX INFORMATION FOR UNITHOLDERS RESIDENT IN CANADA**

The following information is intended to assist individual Canadian Unitholders of Freehold in the preparation of their 2005 T1 Income Tax Return. This summary is directed to a Unitholder who, for the purposes of the Income Tax Act (Canada) is a resident of Canada and holds the Trust Units as capital property.

#### **2005 Taxability Information**

A total of \$2.04 per Trust Unit was paid or payable to Unitholders in respect of 2005.

For purposes of the Income Tax Act (Canada), Freehold is treated as a **mutual fund trust**. Each year, Freehold files a T3 income tax return with the taxable income allocated to and made taxable in the hands of Unitholders. This taxable income is allocated, on T3 supplementary forms, to each Unitholder who was entitled to distributions for the year. The T3 slip will report the amount in Box 26. This income is taxed as ordinary income.

### **Trust Units held within an RRSP, RRIF, DPSP or RESP**

Freehold Trust Units are qualified investments for registered plans such as a Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), Deferred Profit Sharing Plan (DPSP) or Registered Educational Savings Plan (RESP). Trust Units held inside such registered plans are completely tax-sheltered and no amounts are required to be reported on the 2005 T1 Income Tax Return.

### **Trust Units held outside of a Registered Plan**

For cash distributions received by a Canadian resident outside of an RRSP, RRIF, DPSP, or RESP, 100% of 2005 distributions are taxable. The amount reported in Box 26 on the T3 slip should be reported on the 2005 T1 Income Tax Return as “Other Income”.

The deadline for mailing all T3 Supplementary information slips as required by Canada Revenue Agency is March 31, 2006.

- Registered Unitholders who were entitled to distributions for 2005 from the Transfer Agent, Computershare Trust Company of Canada (and not from a brokerage firm or other intermediary) will receive a “T3 Supplementary” slip directly from Computershare.
- Non-Registered Unitholders who were entitled to distributions for 2005 from a brokerage firm or other intermediary will receive a “T3 Supplementary” slip directly from the brokerage firm or other intermediary, not from the Transfer Agent or Freehold.

### **Adjusted Cost Base Calculation for Capital Gains Purposes**

Unitholders are required to reduce the adjusted cost base (ACB) of their Trust Units by the amount equal to any distributions received in the form of return of capital (the tax-deferred portion of distributions received). **Unitholders should maintain a record of all distributions that are classified as partially or entirely a return of capital distribution while holding Freehold Trust Units.**

For Freehold investors in the \$10.00 per Trust Unit initial public offering in November 1996, the ACB of Trust Units still held as at December 31, 2005 is \$3.5284 per Trust Unit, taking into account the cumulative return of capital of \$6.4716 as provided in the following table:

<b>HISTORICAL TAX INFORMATION</b>						
<b>Year</b>	<b>Taxable Amount (Other Income) Per Unit</b>	<b>Tax Deferred Amount (Return of Capital) Per Unit<sup>1</sup></b>	<b>Taxable Percentage</b>	<b>Tax Deferred Percentage</b>	<b>Distribution for Tax Purposes Per Unit</b>	
<b>2005</b>	<b>\$2.0400</b>	<b>\$0.0000</b>	<b>100%</b>	<b>0%</b>	<b>\$2.04</b>	
2004	1.1628	0.5472	68%	32%	1.71	
2003	1.1730	0.5270	69%	31%	1.70	
2002	0.7598	0.5502	58%	42%	1.31	
2001	0.5928	0.9672	38%	62%	1.56	
2000	0.0000	1.2900	0%	100%	1.29	
1999	0.0000	0.7600	0%	100%	0.76	
1998	0.0000	0.8500	0%	100%	0.85	
1997	0.0000	0.9800	0%	100%	0.98	
<b>TOTAL</b>	<b>\$5.7244</b>	<b>\$6.4716</b>			<b>\$12.20</b>	

<sup>1</sup> The tax-deferred amount reduces the adjusted cost base of a Unitholder's investment in the Trust.

### **CANADIAN TAX INFORMATION FOR NON-RESIDENT UNITHOLDERS**

**The following information is provided for general information only. Unitholders who are not residents of Canada for income tax purposes are encouraged to seek advice from a qualified tax advisor in their country of residence for the tax treatment of distributions.**

#### **NR4 Summary and Slips**

For the purposes of preparing the NR4 Return the amount of the distribution is 100% taxable for Canadian purposes and is included in the gross income reported in Box 16 of the NR4 slip. The full amount of the tax withheld is reported in Box 17 of the NR4 slip.

#### **Non-Resident Withholding Tax**

Distributions paid or payable to non-residents of Canada are subject on the date of payment to a withholding tax of 25%, as prescribed by the Income Tax Act (Canada). This withholding tax may be reduced in accordance with reciprocal tax treaties. In the case of the Tax Treaty between Canada and the U.S., the withholding tax for U.S. residents is prescribed at 15%.

### **CANADIAN TAX INFORMATION FOR UNITHOLDERS RESIDENT IN THE U.S.**

Freehold is currently preparing an earnings and profit calculation to determine taxability for U.S. Unitholders. This information will be issued at a later date.

For more information on taxation please contact:

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