

# **ARC ENERGY TRUST (AET.UN)**

## **1997 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 the 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 outside of a Pension Plan 22.2115% of the 1997 distributions are taxable income and the remaining 77.7885% are tax deferred and deemed a return of capital.

Record Date	Taxable Amount (Box 26 Other income)	Tax Deferred Amount (Return of Capital)	Total Cash Distribution
March 31, 1997	\$.0889	\$.3111	\$.40
June 30, 1997	.0711	.2489	.32
July 31, 1997	.0222	.0778	.10
August 31, 1997	.0222	.0778	.10
September 30, 1997	.0222	.0778	.10
October 31, 1997	.0222	.0778	.10
November 30, 1997	.0400	.1400	.18
December 31, 1997	.0222	.0778	.10
<b>Total</b>	<b>\$.3110</b>	<b>\$1.0890</b>	<b>\$1.40</b>

- A T3 Supplementary Slip will be issued by ARC Energy Trust to registered Unitholders for 1997 by February 28, 1998.
- **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 unit 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 of 1996 the current cost base is \$8.10 per unit taking into account the return of capital of \$.81 in 1996 and \$1.089 in 1997.
- **Estimate of Tax on 1998 Distributions:** The taxable portion of 1997 distributions was higher than initially anticipated due to the one time change from quarterly to monthly distributions. In 1998 the taxable portion of distributions is expected to be approximately 15% with the remaining 85% to be classified as a return of capital.
- For further information please contact Steven Sinclair, Vice President Finance at the above address.