

INSTRUCTIONS TO FORMER TRUE ENERGY INC. (“TRUE”)
SHAREHOLDERS RE: JOINT TAX ELECTION

Introduction

Capitalized terms not defined in these instructions have the meaning ascribed to them in the Joint Information Circular and Proxy Statement with respect to a Plan of Arrangement (the “Arrangement”) involving True Energy Inc., True Energy Trust, TKE Energy Inc., Marengo Exploration Ltd., 1129440 Alberta Inc., Vero Energy Inc., Vero Finance Corp., True Energy Inc. Shareholders and Vero Finance Corp. Shareholders dated September 30, 2005 (the “Circular”).

The following instructions are of a general nature only and are not intended to be (nor should they be construed as) legal or tax advice to any particular former True Energy Inc. Shareholder concerning the joint tax election. **Furthermore, True Energy Inc. has not provided or will not provide former True Shareholders with any advice respecting the joint tax election or the manner of its completion or execution by virtue of (i) the following instructions, and (ii) the enclosed partially completed Form T2057. Accordingly, former True Shareholders are urged to consult with their own tax advisors for specific advice in respect of making the joint tax election and the proper completion and execution of the required forms, having regard to their personal circumstances. Further, former True Shareholders are urged to consult their own tax advisors for advice in respect of the requirements of any applicable provincial income tax laws analogous to or respecting subsections 85(1) or 85(2) of the *Income Tax Act* (Canada) (the “ITA”) having regard to their particular circumstances.**

True strongly recommends that each former True Shareholder review the enclosed forms and instructions carefully and consult with their tax advisors respecting their proper completion and execution. For further information, you may wish to review Information Circular 76-19R3 and Interpretation Bulletin IT-291R3 issued by Canada Revenue Agency (“CRA”), the text of which can be found on CRA’s website (www.cra-arc.gc.ca/tax/technical/incometax/menu-w.html).

The comments in the document are provided solely in respect of former True Shareholders other than those former True Shareholders that were Non-Residents, Tax-Exempt Shareholders or True Option holders.

Summary of Steps and Deadlines for Shareholders who wish to make the Section 85 Election

1. **Complete the Forms**
The required documents (including any applicable provincial documents) must be properly completed and executed by the former True Shareholder. Compliance with the requirements for a valid election, including selection of

the appropriate Elected Amount within the limitations of section 85 of the ITA and the provision of any documentation required under the applicable provincial legislation, is the sole responsibility of the Shareholder making the election. Accordingly, True will not be responsible or liable for any taxes, interest, penalties, damages or expenses resulting from the failure by anyone to properly complete any form of election or to properly file it within the time and in the form prescribed under the ITA (or the corresponding provisions of any applicable provincial legislation).

2. **Return the Forms to True Energy Inc.**

Once **properly completed and executed** by the former True Shareholder, the required documents (including any applicable provincial documents) must be provided **on or before January 31, 2006** to True Energy Inc. for signature care of: True Energy Trust at 2300, 530 – 8th Ave SW Calgary, Alberta T2P - 3S8 Attention: Nicholas Lau. **True requests that the required documents (including any applicable provincial documents) be delivered to True Energy Inc. at the above address on or before January 31, 2006.** We recommend all documents be sent by registered mail or courier as this provides evidence of sending.

3. **Forms Will Be Signed and Returned to You**

True will sign and return the required documents (including any applicable provincial documents prepared and provided by such shareholder) to the former True Shareholder within 60 days after the receipt thereof by True.

4. **You Must Timely File The Form**

It is the responsibility of the former True Shareholder to ensure that any form of election is properly filed within the time and in the form prescribed under the ITA (or the corresponding provision of any applicable provincial legislation). In order for CRA to accept a tax election without a late filing penalty being paid by a former True Shareholder, the election must be received by CRA on or before the day that is the earliest of the days on or before which either True Energy Inc. or the Shareholder is required to file an income tax return for the taxation year in which the disposition occurred. As a result of the amalgamation of TKE Energy Inc. and True Energy Inc. under the Arrangement, True Energy Inc. taxation year ended on Nov 1, 2005. Thus, for federal income tax purposes, **the tax election will be due on the earlier of May 1, 2006** and such time as the Shareholder's tax return is due to be filed for the year in which the disposition occurs.

True will assume the validity of all signatures and will not take any action to verify any signature. Furthermore, True will assume that any person who signs a joint tax election form on behalf of a former True Shareholder in a representative capacity has been validly authorized or appointed to do so, and will assume the validity of any such authorization or appointment. Former True Shareholders that are corporations, trusts or estates or who

have otherwise appointed or authorized representatives to sign on their behalf should consult their legal advisors to determine whether such authorization or appointment has been properly given. Finally, True will assume that any former True Shareholder who executes one of the election forms is entitled to make an income tax election pursuant to subsection 85(1) or 85(2) of the ITA, as applicable (and the analogous provisions of provincial income tax law).

Definitions

The following terms used in these instructions have the following meanings:

"True" means True Energy Inc.;

"True New Common Shares" means the Class B common shares of True created and issued pursuant to the Arrangement;

"True Preferred A Shares" means the Class A preferred shares of True created and issued pursuant to the Arrangement;

"True Share" means the common shares of True that were exchanged for True New Common Shares and True Preferred A Shares pursuant to the Arrangement.

Summary of Key Steps of the Arrangement

The Arrangement contained the following steps that are relevant to the proper reporting of the Arrangement by former True Shareholders for Canadian federal income tax purposes (references in this section are to clauses within the Arrangement and page numbers of the Circular):

1. **(c) – Page 28:** The True New Common Shares and the True Preferred A Shares shall be created as new classes of shares of True and each True Share held by a Shareholder that is a Resident, other than Dissenting Shareholder or an Option Shareholder, shall be exchanged pursuant to a reorganization of the capital of True for one True New Common Share and One True Preferred A Share and the Stated capital of each:
 - (i) True Preferred A Share shall be set at the paid-up capital of each True Share exchanged less the True New Common Share Stated Value; and
 - (ii) True New Common Share shall be set at the lesser of \$1.50 and the amount permitted under the ABCA (the “True New Common Stated Value”);
2. **(a) & (b) – Page 45:** Section 86(1) of the ITA applied to this exchange with the result that:

- The cost to the Shareholder of the True New Common Shares and True Preferred A Shares will be equal to their respective pro-rata share (based on relative fair market value) of adjusted cost base of the Shareholder's True Shares immediately prior to the reorganization; and
- The Shareholder will be deemed to have disposed of such True Shares for proceeds of disposition equal to the adjusted cost base of such True Shares immediately before the reorganization.

Optional Section 85 Election

Shareholders will be given the option of electing to have the provisions of section 85 of the Tax Act apply rather than subsection 86(1) of the Tax Act to the reorganization of capital of True discussed in the preceding section. Shareholders are strongly urged to make this election since it will enable them to consolidate their adjusted cost base in their True Shares into the True Preferred A Shares to the greatest extent thus reducing the capital gain recognized on the Effective Date. If a shareholder and True elect to have section 85 of the Tax Act apply, the effect of making such election is that the proceeds of disposition of the True Shares are deemed to be the amount set forth in the election, subject to the limitations imposed by the Tax Act upon the amount that can be elected.

Estimates of Fair Market Value

The following information is provided as an example of how a former True Shareholder may estimate the fair market value of True New Common Shares and True Preferred A Shares. We estimate fair market value of True Shares immediately before the Arrangement to be \$5.45 based on the closing price on November 1, 2005. Our allocation of fair market value between the True Preferred A Share and the True New Common Share is based on the closing price of the Trust Units and Vero Shares on the first trading date after the Plan of Arrangement. Based on this method of valuation, the estimated fair market value of True Preferred A Shares and True New Common Shares are \$4.91 and \$0.54 per share respectively.

Although management of True Energy Trust, the newly amalgamated True Energy Inc. and the former True Energy Inc. believe that the above values represent a reasonable estimate using appropriate valuation procedures, they make no explicit or implicit representation as to their accuracy and note that the values are not binding on any party and, in particular, the values have not been accepted by or reviewed with CRA.

While True believes that valuation methodology used in respect of determining the estimated fair market value of the True New Common Shares and True Preferred A Shares is reasonable, True accepts no responsibility for the consequences that may result by your use of these values for the purposes of filing your return or joint election. Former True Shareholders should consult their own tax advisors in this regard. Former True Shareholders are advised of the following key steps and deadlines respecting the joint tax elections:

Procedure for Completing the Federal Election Form T2057 (for former True Shareholders that are not Partnerships)

The following versions of Form T2057 are included in the information package:

1. A partially completed Form T2057, marked "SAMPLE" (the "Sample Form"), is included in the package **for illustration purposes only. Do not complete the Sample Form and do not return the Sample Form to True Energy Inc..**
2. One blank Form T2057 (the "Original Form") is also included in the package. The Original Form is to be completed and signed by the former True Shareholder and returned to True Energy Inc. care of True Energy Trust at the address listed above **on or before January 31, 2006**. The Original Form will then be executed by True and returned to the former True Shareholder for filing.

The instructions set forth below relate to the portions of the attached Sample Form that are labeled with the headings in the left hand column below.

Identification: Insert your name, address, postal code, social insurance number or business number and taxation year will be January 1, 2005 - December 31, 2005 (if you are an individual). Indicate the Tax Services Office that normally serves you. See the attached list of CRA tax centres and tax services offices. If your True Shares were held in joint ownership with another person or other persons, insert the name, address, postal code, social insurance number, and tax services office of that person or those persons.

Instruction #1: So long as the former True Shareholder files the Form T2057 by May 1, 2006, the area titled "Penalty for late-filed and amended elections" should be left blank

Instruction #2(a): If the former True Shareholder is a corporation that did not deal at arm's length with True at the time of Arrangement, then mark an "x" in the box labeled "yes" opposite the notation "Instruction #2(a)" on page 2 of the Form T2057. If the former True Shareholder is a corporation that dealt at arm's length with True at the time of the Arrangement, or if the former True Shareholder is not a corporation, then mark an "x" in the box labeled "no" opposite the notation "Instruction #2(a)".

Instruction #2(b) If the former True Shareholder answered "no" to the question discussed above in Instruction #2(a) then this box should be left blank.

If the former True Shareholder answered "yes" to the question discussed above in Instruction #2(a), and the True Shares that were transferred pursuant to the Arrangement made up 90% or more of all the properties owned by the former True Shareholder, then mark an "x" in the box labeled "yes" opposite the notation "Instruction #2(b)". If the True Shares made up less than 90% of the former True Shareholder's properties, then mark an "x" in the box labeled "no" opposite the notation "Instruction #2(b)"

Instruction #3: Indicate whether or not you are a non-resident of Canada for purposes of the ITA. If you a non-resident of Canada, then mark an "x" in the box labeled "yes" opposite the notation "Instruction #3" on page 2 of the Form T2057. If you are a resident of Canada, then mark "x" in the box labeled "no" opposite the same notation. Whether a former True Shareholder is a resident or non-resident of Canada is a question of fact, which must be determined by each former True Shareholder based on a consideration of all relevant circumstances. Determining residency for income tax purposes is a complex process in certain cases. Former True Shareholders should consult their tax advisors if they have any questions concerning this aspect of the joint tax election.

Instruction #4: If you held your True Shares as capital property, insert an "x" in the "yes" box on page 2 of the Form T2057 opposite the notation "Instruction #4". If you did not hold your True Shares as capital property, insert an "x" in the "no" box on page 2 of the form T2057 opposite the same notation. Whether such shares are capital property to a particular holder is a question of fact, which must be determined by each former True Shareholder based on a consideration of all relevant circumstances. **The instructions below assume that you held the True Preferred A Shares and True New Common Shares as capital property (this affects Questionnaire 6 and Instructions #7to #15).**

Whether shares are "capital property" for income tax purposes is difficult to determine in certain circumstances. Former True Shareholders should consult their tax advisors if they have any questions concerning this aspect of the joint tax election.

Instruction #5: The boxes opposite the notation "Instruction #5" on page 2 of the Form T2057 should be left blank.

Instruction #6(a): Insert in this box the total number of True New Common Shares you received. This should be equal to the number of True Shares that you beneficially owned at the time of the Arrangement.

Instruction #6(b) Insert in this box the total number of True Preferred A Shares you received. This should also be equal to the number of True Shares that you beneficially owned at the time of the Arrangement.

In order to properly complete page 3 of the Form T2057, a number of computations are necessary in order that various required amounts can be determined.

Instruction #7: Insert in this box on page 3 of the Form T2057 the number of True Shares that you beneficially owned at the time of the Arrangement followed by the words “Common Shares of True Energy Inc.”

Instruction #8: Insert in this box the **fair market value of the True Shares** you exchanged for True New Common Shares and True Preferred A Shares pursuant to the Arrangement. The fair market value must be determined on a reasonable basis. There is no specific method prescribed for Canadian income tax purposes for determining the fair market value of a share, nor has CRA published a clear administrative position on this point.

True, for purposes of Canadian federal and provincial tax filings, estimates the value of the True Shares at \$5.45 per share based on information contained in the Circular. While True believes that the True Share valuation methodology used is reasonable, it is not binding on CRA and True accepts no responsibility for the consequences that may result by your use of this value for purposes of filing your tax return or the joint tax election.

Instruction #9: Insert in this box the **total adjusted cost base** (i.e. your cost for tax purposes) **of the True Shares** you exchanged for True New Common Shares and True Preferred A Shares pursuant to the Arrangement. The determination of an “adjusted cost base” for income tax purposes is complex in certain cases. Former True Shareholders should consult their tax advisors if they have any questions concerning this aspect of the joint tax election.

Instruction #10: Insert in this box the number of True Preferred A Shares that you received pursuant to the Arrangement. This number should equal the number determined pursuant to Instruction #6(b).

Instruction #11: Insert in this box the number of True New Common Shares that you received pursuant to the Arrangement. This number should equal the number determined pursuant to Instruction #6(a).

Instruction #12: Insert in this box the fair market value of the True Preferred A Shares that you received pursuant to the Arrangement. To determine this amount, multiply the fair market value of each True Preferred A Share times the number of True Preferred A Shares that you received.

True estimates that the fair market value of the True Preferred A Shares is \$4.91/Share. While True believes that the valuation methodology used is reasonable, it is not binding on CRA and True accepts no responsibility for the consequences that may result by your use of this value for purposes of filing your tax return or the joint tax election. You are not bound to use this value in completing your form (see section below titled "*Estimates of Fair Market Value*").

Instruction #13: Insert in this box the estimated fair market value of the True New Common Shares that you received pursuant to the Arrangement. To determine this amount, multiply the estimated value of each True New Common Share times the number of True New Common Shares that you received.

True estimates that the fair market value of the True New Common Shares is \$0.54/Share. While True believes that the valuation methodology used is reasonable, it is not binding on CRA and True accepts no responsibility for the consequences that may result by your use of this value for purposes of filing your tax return or the joint tax election. You are not bound to use this value in completing your form (see section below titled "*Estimates of Fair Market Value*").

Instruction #14: Insert the Elected Amount (i.e. the elected transfer value) in respect of your True Shares in this box (agreed amount) . If you intend to defer all gain otherwise associated with your exchange of the True Shares you will ordinarily select an Elected Amount equal to your adjusted cost base of the True Shares (subject to limitations described below). As outlined in the Circular, in general, where an election is made:

- (a) The Elected Amount cannot exceed the fair market value of the True Shares and cannot be less than the adjusted cost base to the Shareholder of such True Shares, as the case may be, at the time of the exchange;

- (b) A capital gain (or capital loss) will, therefore, be realized to the extent that the proceeds (Elected Amount) deemed to have been received for the True Shares, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Shareholder of your True Shares.

Although True will not review the contents of the election for accuracy, where True receives an election and the Elected Amounts do not appear to comply with the foregoing limitations, the election may be returned to the former True Shareholder without being executed.

Former True Shareholders are strongly encouraged to consult their own tax advisors regarding the selection of the appropriate Elected Amounts having regard to their particular circumstances.

Instruction #15: You must perform the calculation described at the top of the column above this box, and report the result as a capital gain in your income tax return for your taxation year that includes November 2005. Accordingly, subtract the amount in the box described in Instruction #14 from the amount in the box described in Instruction #9, and fill in the result in the box #15.

Instruction #16: You (or the authorized representative, if the former True Shareholder is a corporation or other entity) should sign on this line.

Instruction #17: Leave this line blank. Provided that you send the complete and executed Form T2057 to True Energy Trust (at the address listed above) by January 31, 2006, an authorized officer of True will sign on this line.

Instruction #18: Leave this line blank. The authorized officer of True will insert the appropriate date at the time True executes the tax election.



Canada Customs
and Revenue Agency

Agence des douanes
et du revenu du Canada

ELECTION ON DISPOSITION OF PROPERTY BY A TAXPAYER TO A TAXABLE CANADIAN CORPORATION

- For use by a taxpayer and a taxable Canadian corporation to jointly elect under subsection 85(1) where the taxpayer has disposed of eligible property within the meaning of subsection 85(1.1) to the corporation and has received as consideration shares of any class in that corporation.
- File one completed copy of the election and related schedules (if any) as follows:
 - one copy by the transferor, or
 - two or more copies if two or more transferors elect regarding the transfer of the same property (co-ownership), or two or more members of the same partnership elect for the transfer of their partnership interests. In these situations, one transferor designated for the purpose should file simultaneously one copy for each transferor, together with a list of all transferors electing. This list should contain the address and Social Insurance number or Business Number of each transferor;
 - on or before the earlier date on which any one of the parties to the election is required to file an income tax return for the taxation year in which the transaction occurred, taking into consideration any election under subsection 99(2) (due date);
 - at the tax centre where the transferor's income tax return is normally filed. Where two or more co-owners or members of a partnership referred to above elect, the elections will be processed in bulk and should be filed at the tax centre of the transferee; and
 - separate from any tax returns. You may put it in the same envelope with a return, but do not insert it in or attach it to the return.

Do not use this area

"SAMPLE"

Sections and subsections referred to on this form are from the *Income Tax Act*.

Name of taxpayer (transferor) (print)		IDENTIFICATION		Social Insurance number or Business Number				
Address				Postal code				
Taxation year of taxpayer for the period from	Year	Month	Day	to	Year	Month	Day	Tax services office
Name of co-owner(s), if any (if more than one, attach schedule giving similar details) (print)				Social Insurance number				
Address				Postal code		Tax services office		

Name of corporation (transferee) (print)		Business Number						
True Energy Inc.		896021615						
Address		Postal code						
2300, 530 - 8th Avenue SW, Calgary, AB		T2P 3S8						
Taxation year of corporation for the period from	Year	Month	Day	to	Year	Month	Day	Tax services office
	2	10	15		2	10	15	Calgary
Name of person to contact for additional information		Area code		Telephone number				
Nicholas Lau		403		266-8670				

Penalty for late-filed and amended elections

An election that is filed after its due date is subject to a late-filing penalty. Form T2067 can be filed within 3 years after its due date if an estimate of the penalty is paid at the time of filing. Form T2067 can also be amended or filed after the 3-year period, but in these situations, a written explanation of the reason for why the election is amended or late-filed must be attached for consideration by the Minister and an estimate of the applicable penalty must be filed at the time of submission.

Calculation of late-filing penalty:

Fair market value of property transferred			
Less: agreed amount			
Difference			A
Amount A	$\times 1/4 \times 1\% \times N^m$	=	B
\$100 x N ^m		=	C

^mN represents the sum of each month or each part of a month in the period from the due date to the actual filing date. Amount C cannot exceed \$8,000.

Late-filing penalty is the lesser of B and C above

Make cheque or money order payable to the Receiver General. Specify "T2067" on the remittance and, to ensure proper credit, indicate the name and social insurance number of the taxpayer, or Business Number if a corporation.

Unpaid amounts including late-filing penalties are subject to daily compound interest, at a prescribed rate.

Do not use this area

Amount enclosed _____

Information required

On the following page, list, describe, and state the fair market value of transferred properties. The description and fair market value of the consideration received has to be shown opposite the related property transferred. Where the transferred property is a partnership interest, attach a schedule of the calculation of the adjusted cost base. If space on the form is insufficient, attach schedules giving similar details. You have to designate the order of disposition of each depreciable property. With this election you do not have to file the following materials: schedules supporting this designation, documentation relating to the responses to the questions below, and a brief summary of the method of evaluating the fair market value of each property transferred. However you have to keep them as the Canada Revenue Agency may ask to see them at a later date.

- 1 - Is there a written agreement relating to this transfer? yes no
- 2 - Does a price adjustment clause apply to any of the properties? (See the Interpretation Bulletin IT-189 for details.) yes no
- 3 - Do any persons other than the taxpayer own or control directly or indirectly any shares of any class of the transferee? yes no
- 4 - Does a non-arm's length rollover exist between 2 or more corporations? ..INSTRUCTION #2 (a) yes no
 - a) Have all or substantially all (90% or more) of all the properties of the corporation(s) been transferred to the transferee corporation? ..INSTRUCTION #2 (b) yes no
- 5 - Is the taxpayer a non-resident of Canada? ..INSTRUCTION #3 yes no
- 6 - Are any of the properties transferred capital properties? ..INSTRUCTION #4 yes no
 - If yes,
 - a) have they been owned continuously since Valuation-Day (V-Day)? yes no
 - b) have they been acquired after V-Day in a transaction considered not to be at arm's length? yes no
 - c) since V-Day, has the taxpayer or any person from whom shares were acquired in a non-arm's length transaction received any subsection 83(1) dividends for transferred shares? (If yes, provide details of amounts and dates received and attach a schedule.) yes no
- 7 - Is the agreed amount of any of the transferred properties based on an estimate of fair market value on V-Day? yes no
 - a) If yes, does a formal documented V-Day value report exist? ..INSTRUCTION #5 yes no
- 8 - Has an election under subsection 26(7) of the Income Tax Application Rules (Form T2078) been filed by or on behalf of the taxpayer? yes no

Where shares of the capital stock of a private corporation are included in the property disposed of, provide the following:

Name of corporation (print)	Business Number	Paid-up capital of shares transferred

Description of shares received

Number of shares transferred received	Class of shares	Redemption value per share	Paid-up capital	Voting or non-voting	Are shares retractable? *
INSTRUCTION #5(a)	Common		(*)	Voting	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
INSTRUCTION #5(b)	Preferred A		(*)	Non-Voting	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no

* Retractable means redeemable at the option of the holder.

Informative notes

- The rules for section 85 elections are complex. Essential information is contained in Information Circular, IC76-19 and Interpretation Bulletins, IT-189, IT-291, and IT-378.
- Complete all the information areas and answer all questions. If this form is incomplete, the Canada Revenue Agency may consider the election invalid, and subsequent submissions may be subject to a late-filing penalty.
- If the agreed amount exceeds the adjusted cost base of the property in the election, you must report the difference as a capital gain, as income or a combination of both, whichever applies.

(*) to be determined

Particulars of Eligible Property Disposed of and Consideration Received

Date of sale or transfer of all properties listed below:		Year	Month	Day	Note: For properties sold or transferred on different dates, use separate T2067s.			
		2005	11	01				
	Property Disposed of				Agreed Amount B	Amount to be reported B - A (If > 0 see Note 4)	Consideration Received	
	Description	Elected Amount Limit ^a		Non-shares Description			Shares Number and Class	Fair Market Value of Total Consideration
	(Brief legal)	Fair Market Value	A					
Capital Property Excluding Depreciable Property	INSTRUCTION #7	\$ #8	(See Note 1) \$ #9	\$ #14	\$ #15		#10	\$ #12
	# of Common Shares of						#11	#13
	True Energy Inc.						Preferred A Shares of True Energy Inc.	
Depreciable Property	(Description and prescribed class)		(See Note 2)				New Common Shares of True Energy Inc.	
Eligible Capital Property	(Cost)		(See Note 3)					
Inventory Excluding Real Property	(Cost)		(Cost Amount)					
Reversion Property	(Brief legal)		NIL					
			NIL					
Security or Debt Obligation Property	(Description)		(Cost Amount)					
Specified Debt Obligation (For financial institutions only)								
Capital Property That is Real Property Owned by a Non-Resident Person								
ISA Part 14.2								

Note 1: Adjusted cost base (which is subject to adjustment per section 53).

Note 2: The lesser of undepreciated capital cost of all property of the class and the cost of the property.

Note 3: The lesser of 4/3 x cumulative eligible capital and the cost of the property. (New rules will apply on subsequent dispositions of eligible capital property occurring after December 20, 2002).

Note 4: This amount is to be reported either as a capital gain or as income, whichever applies. Also, in the case of depreciable property or eligible capital property, a portion of the amount may have to be reported as a capital gain while another portion may have to be reported as income.

*Refer to current Interpretation Bulletin IT-291 for more information on eligible property and an explanation of the limits.

Election and Certification

The taxpayer and corporation hereby jointly elect under subsection 85(1) in respect of the property specified, and certify that the information given in this election, and in any documents attached, is to the best of their knowledge, correct and complete.

INSTRUCTION #16 _____ and _____ INSTRUCTION #17 INSTRUCTION #18

Signature of Transferor, of Authorized Officer or Authorized Person _____ Signature of Authorized Officer of Transferee _____ Date _____

* Attach a copy of authorizing agreement.



ELECTION ON DISPOSITION OF PROPERTY BY A TAXPAYER TO A TAXABLE CANADIAN CORPORATION

- For use by a taxpayer and a taxable Canadian corporation to jointly elect under subsection 85(1) where the taxpayer has disposed of eligible property within the meaning of subsection 85(1.1) to the corporation and has received as consideration shares of any class in that corporation.
File one completed copy of the election and related schedules (if any) as follows:
1 - a) one copy by the transferor, or
b) two or more copies if two or more transferors elect regarding the transfer of the same property (co-ownership), or two or more members of the same partnership elect for the transfer of their partnership interests.
2 - on or before the earlier date on which any one of the parties to the election is required to file an income tax return for the taxation year in which the transaction occurred, taking into consideration election under subsection 99(2) (due date);
3 - at the tax centre where the transferor's income tax return is normally filed.
4 - separate from any tax returns.
Sections and subsections referred to on this form are from the Income Tax Act.

Do not use this area

Name of taxpayer (transferor) (print) Social insurance number or Business Number
Address Postal code
Taxation year of taxpayer for the period from Year Month Day to Year Month Day Tax services office

Name of co-owner(s), if any (if more than one, attach schedule giving similar details) (print) Social insurance number
Address Postal code Tax services office

Name of corporation (transferee) (print) Business Number
Address Postal code
Taxation year of corporation for the period from Year Month Day to Year Month Day Tax services office
Name of person to contact for additional information Area code Telephone number

Penalty for late-filed and amended elections

An election that is filed after its due date is subject to a late-filing penalty. Form T2057 can be filed within 3 years after its due date if an estimate of the penalty is paid at the time of filing. Form T2057 can also be amended or filed after the 3-year period, but in these situations, a written explanation of the reason for why the election is amended or late-filed must be attached for consideration by the Minister and an estimate of the applicable penalty must be paid at the time of submission.

Calculation of late-filing penalty:

Fair market value of property transferred
Less: agreed amount
Difference A
Amount A x 1/4 x 1% x N* = B
\$100 x N* = C

*N represents the sum of each month or each part of a month in the period from the due date to the actual filing date. Amount C cannot exceed \$8,000.

Late-filing penalty is the lesser of B and C above

Make cheque or money order payable to the Receiver General. Specify "T2057" on the remittance and, to ensure proper credit, indicate the name and social insurance number of the taxpayer, or Business Number if a corporation.

Amount enclosed

Unpaid amounts including late-filing penalties are subject to daily compound interest, at a prescribed rate.

Do not use this area

Information required

On the following page, list, describe, and state the fair market value of transferred properties. The description and fair market value of the consideration received has to be shown opposite the related property transferred. Where the transferred property is a partnership interest, attach a schedule of the calculation of the adjusted cost base. If space on the form is insufficient, attach schedules giving similar details. You have to designate the order of disposition of each depreciable property. With this election you do not have to file the following materials: schedules supporting this designation, documentation relating to the responses to the questions below, and a brief summary of the method of evaluating the fair market value of each property transferred. However you have to keep them as the Canada Revenue Agency may ask to see them at a later date.

- 1 - Is there a written agreement relating to this transfer? yes no
- 2 - Does a price adjustment clause apply to any of the properties? (See the Interpretation Bulletin IT-169 for details.) yes no
- 3 - Do any persons other than the taxpayer own or control directly or indirectly any shares of any class of the transferee? yes no
- 4 - Does a non-arm's length rollover exist between 2 or more corporations? yes no
 - a) Have all or substantially all (90% or more) of all the properties of the corporation(s) been transferred to the transferee corporation? yes no
- 5 - Is the taxpayer a non-resident of Canada? yes no
- 6 - Are any of the properties transferred capital properties? yes no
 - If yes,
 - a) have they been owned continuously since Valuation-Day (V-Day)? yes no
 - b) have they been acquired after V-Day in a transaction considered not to be at arm's length? yes no
 - c) since V-Day, has the taxpayer or any person from whom shares were acquired in a non-arm's length transaction received any subsection 83(1) dividends for transferred shares? (If yes, provide details of amounts and dates received and attach a schedule.) yes no
- 7 - Is the agreed amount of any of the transferred properties based on an estimate of fair market value on V-Day? yes no
 - a) If yes, does a formal documented V-Day value report exist? yes no
- 8 - Has an election under subsection 26(7) of the *Income Tax Application Rules* (Form T2076) been filed by or on behalf of the taxpayer? yes no

Where shares of the capital stock of a private corporation are included in the property disposed of, provide the following:

Name of corporation (print)	Business Number	Paid-up capital of shares transferred

Description of shares received

Number of shares transferred received	Class of shares	Redemption value per share	Paid-up capital	Voting or non-voting	Are shares retractable? *
					<input type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no

* Retractable means redeemable at the option of the holder.

Informative notes

- The rules for section 85 elections are complex. Essential information is contained in Information Circular, IC76-19 and Interpretation Bulletins, IT-169, IT-291, and IT-378.
- Complete all the information areas and answer all questions. If this form is incomplete, the Canada Revenue Agency may consider the election invalid, and subsequent submissions may be subject to a late-filing penalty.
- If the agreed amount exceeds the adjusted cost base of the property in the election, you must report the difference as a capital gain, as income or a combination of both, whichever applies.

Particulars of Eligible Property Disposed of and Consideration Received

Date of sale or transfer of all properties listed below:	Year	Month	Day	Note: For properties sold or transferred on different dates, use separate T2057s.				
	Property Disposed of			Consideration Received				
Description	Elected Amount Limits*		Agreed Amount B	Amount to be reported B - A (If > 0 see Note 4)	Non-share	Share	Fair Market Value of Total Consideration	
	Fair Market Value	A			Description	Number and Class		
Capital Property Excluding Depreciable Property	(Brief legal)	\$	(See Note 1)	\$	\$		\$	
Depreciable Property	(Description and prescribed Class)		(See Note 2)					
Eligible Capital Property	(Kind)		(See Note 3)					
Inventory Excluding Real Property	(Kind)		(Cost Amount)					
Resource Property	(Brief legal)		NIL					
Security or Debt Obligation Property	(Description)		(Cost Amount)					
Specified Debt Obligation (For financial institutions only)								
Capital Property That is Real Property Owned by a Non-Resident Person								
NISA Fund No. 2								

Note 1: Adjusted cost base (which is subject to adjustment per section 53).

Note 2: The lesser of undepreciated capital cost of all property of the class and the cost of the property.

Note 3: The lesser of 4/3 x cumulative eligible capital and the cost of the property. (New rules will apply on subsequent dispositions of eligible capital property occurring after December 20, 2002).

Note 4: This amount is to be reported either as a capital gain or as income, whichever applies. Also, in the case of depreciable property or eligible capital property, a portion of the amount may have to be reported as a capital gain while another portion may have to be reported as income.

*Refer to current Interpretation Bulletin IT-291 for more information on eligible property and an explanation of the limits.

Election and Certification

The taxpayer and corporation hereby jointly elect under subsection 85(1) in respect of the property specified, and certify that the information given in this election, and in any documents attached, is to the best of their knowledge, correct and complete.

Signature of Transferor, of Authorized Officer or Authorized Person*

and

Signature of Authorized Officer of Transferee

Date

* Attach a copy of authorizing agreement

CRA DISTRICT OFFICES

District Offices are as follows:

INTERNATIONAL TAXATION OFFICE

2204 Walkley Road
Ottawa ON K1A 1A8
Canada
Local calls: 952-3741
Long distance from Canada and U.S.: 1-800-267-5177
From outside Canada and U.S.: (613) 952-3741

ATLANTIC PROVINCES

Newfoundland and Labrador district

Sir Humphrey Gilbert Building
165 Duckworth Street
PO Box 12075
St. John's NL A1B 4R5
Fax: (709) 754-5928
Local calls: 772-2610
Long distance: 1-800-959-8281

Charlottetown District

Sherwood Business Centre
161 St. Peters Road
PO Box 8500
Charlottetown PE C1A 8L3
Fax: (902) 566-7197
Local calls: 628-4259
Long distance: 1-800-959-8281

Halifax District

Ralston Building
1557 Hollis Street
PO Box 638
Halifax NS B3J 2T5
Fax: (902) 426-7170
Local calls: 426-2210
Long distance: 1-800-959-8281

Sidney District

47 Dorchester Street
PO Box 1300
Sydney NS B1P 6K3
Fax: (902) 564-3095
Local calls: 564-7080
Long distance: 1-800-959-8281

Moncton District

50 King Street
Moncton, NB E1C 4M2
Mailing Address:
P.O. Box 1070
Moncton, NB E1C 8P2
Local calls: 1-800-959-8281
Long distance: 1-800-959-8281

Saint John District

126 Prince William Street
Saint John NB E2L 4H9
Fax: (506) 636-5200
Local calls: 636-5999
Long distance: 1-800-959-8281

Bathurst District
201 St. George Street
Bathurst NB E2A 4L8
Fax: (506) 548-9905
Local calls: 548-7100
Mailing Address:
P.O. Box 8888
Bathurst NB E2A 4L8

PROVINCE OF QUEBEC

Québec District
165 de la Pointe-aux-Lièvres Street
Québec QC G1K 7L3
Fax: (418) 649-6478
Local calls: 648-3180
Long distance: 1-800-959-8281

Chicoutimi District
100 La Fontaine St
Chicoutimi QC G7H 6X2
Fax: (418) 698-6387
Local calls: 698-5580
Long distance: 1-800-959-8281
Mailing Address:
P.O. Box 1660 Strn Main
Jonquière QC G7S 4L3

Rimouski District
Suite 101
180 de la Cathédrale Avenue
Rimouski QC G5L 5H9
Fax: (418) 722-3027
Local calls: 1-800-959-8281
Long distance: 1-800-959-8281

Sherbrooke District
50 Place de la Cité
PO Box 1300
Sherbrooke QC J1H 5L8
Fax: (819) 821-8582
Local calls: 564-5888
Long distance: 1-800-959-8281

Trois-Rivières District
111-25 des Forges Street
Trois-Rivières QC G9A 2G4
Fax: (819) 371-2744
Local calls: 373-2723
Long distance: 1-800-959-8281

Montréal District
305 René Lévesque Boulevard West
Montréal QC H2Z 1A6
Fax: (514) 496-1309
Local calls: 283-5300
Long distance: 1-800-959-8281

Laval District
3400 Jean-Béraud Avenue
Laval QC H7T 2Z2
Fax: (514) 956-7071
Local calls: 956-9101
Long distance: 1-800-959-8281

Montérégie-Rive-Sud District

3250 Lapinière Boulevard
Brossard QC J4Z 3T8
Fax: (450) 926-7100
Local calls: 283-5300
Long distance: 1-800-959-8281

Rouyn-Noranda District

44 du Lac Avenue
Rouyn-Noranda QC J9X 6Z9
Fax: (819) 797-8366
Local calls: 764-5171
Long distance: 1-800-959-8281

Outaouais District

1100 Maloney Blvd West
Gatineau, QC K1A 1L4
Fax: (819) 994-1103
Local calls: (819)-994-1995
Long distance: 1-800-959-8281

PROVINCE OF ONTARIO

Ottawa District

333 Laurier Avenue West
Ottawa ON K1A 0L9
Fax: (613) 238-7125
Local calls: 598-2275
Long distance: 1-800-959-8281

Kingston District

31 Hyperion Court
PO Box 2600
Kingston ON K7L 5P3
Fax: (613) 545-5570
Local calls: 545-8371
Long distance: 1-800-959-8281

Barrie District

81 Mulcaster Street
Barrie ON L4M 6T7
Fax: (705) 721-0056
Long distance: 1-800-959-8281

Belleville District

11 Station Street
Belleville ON K8N 2S3
Fax: (613) 969-7845
Local calls: 969-3706
Long distance: 1-800-959-8281

Peterborough District

185 King Street West
Peterborough ON K9J 8M3
Fax: (705) 876-6422
Local calls: 876-6412
Long distance: 1-800-959-8281

Toronto Centre (Toronto) District

1 Front Street West
Toronto ON M5J 2X6
Fax: (416) 360-8908
Local calls: 954-3500
Long distance: 1-800-959-8281

Toronto North District

5001 Yonge Street
North York ON M2N 6R9
Fax: (416) 512-2558
Local calls: (416)-221-9309
Long distance: 1-800-959-8281

Toronto East (Scarborough) District

200 Town Centre Court
Scarborough ON M1P 4Y3
Fax: (416) 973-5126
Local calls: (416)-973-5150
Long distance: 1-800-959-8281

Toronto West (Mississauga) District

5800 Hurontario Street
Mississauga ON L5R 4B4
Fax: (905) 566-6182
Long distance: 1-800-959-8281
Mailing Address:
PO Box 6000
Mississauga ON L5A 4E9

Sudbury District

1050 Notre Dame Avenue
Sudbury ON P3A 5C1
Fax: (705) 671-3994
Local calls: 671-0581
Long distance: 1-800-959-8281

Hamilton District

55 Bay Street North
PO Box 2220
Hamilton ON L8N 3E1
Fax: (905) 546-1615
Local calls: (905)-570-7266
Long distance: 1-800-959-8281

St. Catherine District

32 Church Street
PO Box 3038
St. Catharines ON L2R 3B9
Fax: (905) 688-5996
Local calls: 688-1000
Long distance: 1-800-959-8281

Kitchener/Waterloo District

166 Frederick Street
Kitchener ON N2G 4N1
Fax: (519) 579-4532
Local calls: 579-4211
Long distance: 1-800-959-8281

London District

451 Talbot Street
London ON N6A 5E5
Fax: (519) 645-4029
Local calls: 645-4211
Long distance: 1-800-959-8281

Windsor District

185 Ouellette Avenue
Windsor ON N9A 5S8
Fax: (519) 257-6558
Local calls: 258-8302
Long distance: 1-800-959-8281

Thunder Bay District

130 South Syndicate Avenue
Thunder Bay ON P7E 1C7
Fax: (807) 622-8512
Local calls: 623-3443
Long distance: 1-800-959-8281

PRAIRIE PROVINCES

Winnipeg District

325 Broadway
Winnipeg MB R3C 4T4
Fax: (204) 983-2066
Local calls: 983-6350
Long distance: 1-800-959-8281

Regina District

1955 Smith Street
Regina SK S4P 2N9
Fax: (306) 757-1412
Local calls: 780-6015
Long distance: 1-800-959-8281

Saskatoon District

340 3rd Avenue North
Saskatoon SK S7K 0A8
Fax: (306) 652-3211
Local calls: 975-4595
Long distance: 1-800-959-8281

Calgary District

220 4th Avenue South East
Calgary AB T2G 0L1
Fax: (403) 264-5843
Local calls: 233-5133
Long distance: 1-800-959-8281

Edmonton District

Suite 10
9700 Jasper Avenue
Edmonton AB T5J 4C8
Fax: (780) 495-3533
Local calls: 495-5400
Long distance: 1-800-959-8281

Lethbridge District

200-419 7th Street South
Lethbridge AB T1J 4A9
Fax: (403) 382-3052
Mailing Address:
P.O. Box 3009 Stn Main
Lethbridge AB T1J 4A9

Red Deer District

4996 49th Avenue
Red Deer AB T4N 6X2
Fax: (403) 341-7053

BRITISH COLUMBIA

Vancouver District

1166 West Pender Street
Vancouver BC V6E 3H8
Fax: (604) 689-7536
Local calls: (604) 689-5411
Long distance: 1-800-959-8281

Burnaby-Fraser District

9737 King George Highway
Surrey BC V3T 5W6
Fax: (604) 587-2010
Local calls: (604) 689-5411
Long distance: 1-800-959-8281

Vancouver Island District

1415 Vancouver Street
Victoria BC V8V 3W4
Fax: (250) 363-8188
Local calls: (250) 363-0121
Long distance: 1-800-959-8281

Southern Interior B.C. District

277 Winnipeg Street
Penticton BC V2A 1N6
OR
118-1835 Gordon Drive
Kelowna BC V1Y 3H5
Fax: (250) 492-8346
Local calls: (250) 492-9200
Long distance: 1-800-959-8281

Northern B.C. & Yukon District

280 Victoria St
PO Box 7500 Stn A
Prince George BC V2L 5N8
Fax: (250) 561-7869
Local calls: 1-800-959-8281
Long distance: 1-800-959-8281

YUKON TERRITORY

Northern B.C. & Yukon District

280 Victoria St
PO Box 7500 Stn A
Prince George BC V2L 5N8
Fax: (250) 561-7869
Local calls: 1-800-959-8281
Long distance: 1-800-959-8281

NORTHWEST TERRITORIES

(Administered by Edmonton District. See Above.)