

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

- For use by a taxable Canadian corporation and all the members of a partnership, to jointly elect under subsection 85(2) where the partnership has disposed of property to the corporation and has received as consideration shares of any class of the capital stock of the corporation.
- File one completed copy of the election and related schedules (if any) as follows:
 - by a partner designated for the purpose by the partnership;
 - on or before the earlier date on which any party to the election has to file an income tax return for the tax year in which the transaction occurred (due date);
 - at the tax centre serving the area where the transferee is located; and
 - separately 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.
- Sections and subsections referred to on this form are from the *Income Tax Act*.

Do not use this area

Name of partnership (transferor) (print)						Partnership identification number						
Address											Postal code	
Tax year of partnership	from	Year	Month	Day	to	Year	Month	Day	Tax services office			

Name of corporation (transferee) (print) PanWestern Energy Inc.						Business Number 8 9 9 2 8 7 9 1 6						
Address 550, 333 - 11 Avenue S.W., Calgary, AB											Postal code T2R 1L9	
Tax year of corporation	from	Year	Month	Day	to	Year	Month	Day	Tax services office Calgary			
Name of person to contact for more information Steve Bjornson						Area code 403		Telephone number 237-7102				

Penalty for late-filed and amended elections

An election that is filed after its due date is subject to a late-filing penalty. Form T2058 can be filed within 3 years after its due date if an estimate of the penalty is paid at the time of filing. Form T2058 can also be amended or filed after the 3-year period, but in these situations, a written explanation of the reason 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 filing.

Calculation of late-filing penalty:

Fair market value of property transferred	_____	
Less: agreed amount	_____	
Difference	0.00	A
Amount A _____ x 1/4 x 1% x N*	0.00	B
\$100 x N*	0.00	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 0.00

Make cheque or money order payable to the Receiver General. Specify "T2058" 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 properties transferred. 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 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 Interpretation Bulletin IT-169 for details.) Yes No
3. Do any persons other than the members of the partnership 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 the partnership(s) and the transferee corporation? Yes No
 - a) Have all or substantially all (90% or more) of all properties of the partnership been transferred to the corporation? N/A
5. Are any partners non-residents 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 partnership 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 transferor? 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	Business Number	Paid-up capital of shares transferred
Northern Hunter Energy Inc.	8 3 7 1 7 4 5 2 3	As calculated under s.85(2.1)

Description of shares received

Number of shares transferor received	Class of shares	Redemption value per share	Paid-up capital	Voting or non-voting	Are shares retractable?*
	Common	N/A		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
					<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 76-19 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.

