

# Canadian Tax Information - 2008

## Tax Treatment of Distributions

This information is intended to provide general guidance regarding taxation matters to any particular holder or potential holder of Progress Energy Trust ('Progress') units. It is not meant to be an exhaustive discussion of all possible income tax considerations nor is it intended to be legal or tax advice to any particular holder or potential holder of Progress units. Holders or potential holders of trust units should consult their own income tax advisors as to the particular income tax consequences of holding the trust units.

## Canadian Individual Unitholders

The Trust qualifies as a mutual fund trust under the Income Tax Act (Canada) and, accordingly, trust units of the Trust are qualified investments for RRSPs, RRIFs, RESPs and DPSPs.

Each year, the Trust is required to file a Canadian income tax return and any taxable income in the Trust is allocated to the unitholders. The distributions paid by the Trust throughout the year can be, for tax purposes, both a return of capital and a return on capital (ie: income). The allocation between 'return of capital' and 'income' for tax purposes is contingent on the tax deductions that the Trust can claim against the royalty and interest income earned by the Trust. The main deduction is the COGPE (Canadian Oil & Gas Property Expense) claim representing the cost of acquiring the royalty from the operating company.

Each year the taxable income portion is calculated, reported in the Trust's T3 return and allocated to unitholders who are entitled to receive distributions during the calendar year.

Unitholders are generally required to include in income their pro-rata share of any taxable income earned by the Trust in that year. Provided trust units are held as capital property, an investor's adjusted cost base ('ACB') of a trust unit generally equals the purchase price of the trust unit (including commissions) less any non-taxable cash distributions received or receivable from the date of acquisition. To the extent the ACB is reduced below zero, such amount will be deemed to be a capital gain to the unitholder in that year and the unitholder's ACB will be brought to \$ nil. Capital gains are reported on Schedule 3 of the T1 Personal Income Tax Return. Unitholders should maintain a record of all distributions that are classified as partially or entirely a tax-deferred distribution while holding Progress units.

## 2008 Canadian Tax Information

The following information is intended to assist individual unitholders of Progress units resident in Canada in the preparation of their 2008 T1 Personal Income Tax Return.

### Trust units held within a RRSP, RRIF, RESP or DPSP

No amounts are required to be reported on the 2008 T1 Income Tax Return where the Progress trust units are held within an RRSP, RRIF, RESP or DPSP.

### Trust units held outside of a RRSP, RRIF, RESP or DPSP

#### Non-registered Unitholders:

Unitholders who held their Progress trust units outside of an RRSP, RRIF, RESP or DPSP, through a broker or other intermediary and were entitled to receive cash distributions during 2008, will receive 'T3 Supplementary' slips directly from their broker or intermediary, not from Progress nor our Trustee and Transfer Agent, Computershare Trust Company of Canada ('Computershare').

**Registered Unitholders:**

Registered unitholders of Progress units who were entitled to receive cash distributions during the period from Computershare (and not from a broker or intermediary), will receive 'T3 Supplementary' slips directly from Computershare.

Progress has determined that distributions earned by Canadian resident Unitholders in respect to the 2008 taxation year are 96% taxable and 4% a tax-deferred return of capital. The table below summarizes, on a per unit basis, the taxability of distributions included in the 2008 'T3 Supplementary' slips.

**2008 Distributions**

<b>Record Date</b>	<b>Payable Date</b>	<b>Distribution (\$/Unit)</b>	<b>Taxable AMT (Other Income) (\$/Unit)</b>	<b>Tax Deferred AMT (Red. to ACB) (\$/Unit)</b>
January 31	February 15	\$0.10	\$0.096	\$0.004
February 28	March 17	\$0.10	\$0.096	\$0.004
March 31	April 15	\$0.10	\$0.096	\$0.004
April 30	May 15	\$0.10	\$0.096	\$0.004
May 31	June 16	\$0.10	\$0.096	\$0.004
June 30	July 15	\$0.10	\$0.096	\$0.004
July 31	August 15	\$0.10	\$0.096	\$0.004
August 31	September 15	\$0.10	\$0.096	\$0.004
September 30	October 15	\$0.10	\$0.096	\$0.004
October 31	November 17	\$0.10	\$0.096	\$0.004
November 30	December 15	\$0.10	\$0.096	\$0.004
December 31	January 15, 2009	\$0.10	\$0.096	\$0.004

As required by the Income Tax Act, taxable amounts allocated by Progress in 2008 to the unitholders must be reported by the unitholders in their 2008 Income Tax Return. Accordingly, the taxable amount of cash distributions (i.e. 'Other Income' Box (26) on the T3 slips) with respect to record dates from January 31, 2008 up to and including December 31, 2008 are included in your 'T3 Supplementary.' The deadline for mailing all T3 Supplementary Information slips as required by Canada Revenue Agency ('CRA') is February 28, 2009.