

Introduction to the Economics of Building Value with Flow-Through LPs

Strategy 1a: Make 2 Investments AND Re-invest the Redemption Proceeds

A compelling value-building investment strategy is to re-invest the after-tax redemption proceeds from a flow-through limited partnership liquidity event (typically 18 to 24 months after the closing of the original offering) into a new flow-through limited partnership and receive additional flow-through tax deductions.

Simply stated, here is how it can work over a ten-year time period...

- 1) An investor makes **two consecutive annual investments** of \$10,000 in a flow-through limited partnership;
- 2) When each flow-through limited partnership investment rolls over, the investor **re-invests the after-tax flow-through redemption proceeds** (based on the "Key Assumptions" below).

Summary Results	After 10 Years	AND	After 15 Years	AND	After 20 Years
Gross Cash Proceeds Returned to Investor:	\$25,408		\$28,019		\$29,437
After-Tax Amount At-Risk:	(\$11,000)		(\$11,000)		(\$11,000)
Net Return on Investment:	\$14,408		\$17,019		\$18,437
After-Tax Internal Rate of Return:	18.71%		18.71%		18.71%

Key Assumptions

First Year Investment Amount:	\$10,000
Second Year Investment Amount:	\$10,000
Investment Return Assumptions:	0%
Tax Assumptions:	
- Marginal tax rate	45%
- Capital gains inclusion rate	50%
- Assumes tax savings on redemption proceeds received in year of reinvestment	

Introduction to the Economics of Building Value with Flow-Through LPs

Strategy 1b: Make 2 Investments AND Re-invest the Redemption Proceeds AND Invest the Tax Savings

A compelling value-building investment strategy is to re-invest the after-tax redemption proceeds from a flow-through limited partnership liquidity event (typically 18 to 24 months after the closing of the original offering) into a new flow-through limited partnership and also invest the tax savings and receive additional flow-through tax deductions.

Simply stated, here is how it can work over a ten-year time period...

- 1) An investor makes two consecutive annual investments of \$10,000 in a flow-through limited partnership;
- 2) When each flow-through limited partnership investment rolls over, the investor re-invests the after-tax flow-through redemption proceeds;
- 3) The investor also invests the tax savings, triggered from the re-invested redemption proceeds, into a flow-through limited partnership investment (based on the "Key Assumptions" below).

Summary Results	After 10 Years	AND	After 15 Years	AND	After 20 Years
Gross Cash Proceeds Returned to Investor:	\$61,107		\$146,148		\$339,458
After-Tax Amount At-Risk:	(\$11,000)		(\$ 11,000)		(\$ 11,000)
Net Return on Investment:	\$50,107		\$135,148		\$328,458
After-Tax Internal Rate of Return:	18.71%		18.71%		18.71%

Key Assumptions

First Year Investment Amount:	\$10,000
Second Year Investment Amount:	\$10,000
Investment Return Assumptions:	0%
Tax Assumptions:	
- Marginal tax rate	45%
- Capital gains inclusion rate	50%
- Assumes tax savings on redemption proceeds received in year of reinvestment	

Introduction to the Economics of Building Value with Flow-Through LPs

Strategy 1c: Make 2 Investments AND Re-invest the Redemption Proceeds AND Invest the Tax Savings AND Prior Year's Tax Refund

A compelling value-building investment strategy is to re-invest the after-tax redemption proceeds from a flow-through limited partnership liquidity event (typically 18 to 24 months after the closing of the original offering) into a new flow-through limited partnership and also invest the tax savings and receive additional flow-through tax deductions.

Simply stated, here is how it can work over a ten-year time period...

- 1) An investor **makes two consecutive annual investments** of \$10,000 in a flow-through limited partnership;
- 2) When each flow-through limited partnership investment rolls over, the investor **re-invests the after-tax flow-through redemption proceeds**;
- 3) The investor also **invests the tax savings**, triggered from the re-invested redemption proceeds, as well as the **prior year's tax refund** into a flow-through limited partnership investment (based on the "Key Assumptions" below).

Summary Results	After 10 Years	AND	After 15 Years	AND	After 20 Years
Gross Cash Proceeds Returned to Investor:	\$103,845		\$245,416		\$576,875
After-Tax Amount At-Risk:	(\$ 20,000)		(\$ 20,000)		(\$ 20,000)
Net Return on Investment:	\$83,845		\$225,416		\$556,875
After-Tax Internal Rate of Return:	18.71%		18.71%		18.71%

Key Assumptions

First Year Investment Amount:	\$10,000
Second Year Investment Amount:	\$10,000
Investment Return Assumptions:	0%
Tax Assumptions:	
- Marginal tax rate	45%
- Capital gains inclusion rate	50%
- Assumes tax savings on redemption proceeds received in year of reinvestment	