Qwest Investment Management

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

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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	

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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	