Qwest
INVESTMENT MANAGEMENT

Understanding CEE & CDE

Flow-Through Limited Partnerships

Executive Summary

*Visit our website at **www.qwestfunds.com** for the full version of **"Understanding CEE & CDE Flow-Through Limited Partnerships"** (on the homepage click on "CDE & CEE Flow-Through Information")*

- Flow-through shares are common shares issued by resource companies.
- Flow-through shares allow resource companies to "flow-through" Canadian Exploration Expenses ("CEE") and Canadian Development Expenses ("CDE") to flow-through share investors.
- Resource issuers offering CEE flow-through shares typically demand a higher premium price than CDE flow-through shares.
- CEE flow-through shares are typically issued by smaller resource issuers (e.g. junior oil and gas companies) and CDE flow-through shares typically issued by larger junior and smaller mide-size companies.
- CEE flow-through shares offer 100% tax deduction and CDE flow-through shares offer a 100% tax deduction calculated on an annual 30% declining balance basis.
- There are numerous tax planning opportunities for individual investors and corporate investors who choose to purchase flow-through shares.
- Investors can invest directly in flow-through shares issued by resource companies. This is often challenging, if not available, to investors as "institutional investor" typically get all of the flow-through shares issued.
- Investors can participate in flow-through limited partnership offerings which are managed by portfolio managers and as an institutional investor typically access all flow-through share issuances.
- Flow-through limited partnerships typically provide liquidity by rolling, on a tax-deferred basis, to a mutual fund twelve to thirty-six months from partnership's closing date.
- Investors receive flow-through tax related information from their investment dealer or from the general partner of a limited partnership if investment is direct with the general partner.
