



CRESTSTREET

Flow-through Limited Partnerships

INVESTOR'S GUIDE
TO TAX-DRIVEN
INVESTMENT PRODUCTS

Excellence
in energy investing



Excellence

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About Creststreet

Creststreet is an investment management firm specializing in structuring and managing high quality energy focused investment products for Canadian and international institutional and high net worth investors.

Creststreet was founded on the view that in the decades ahead demand for energy will continue to experience strong rates of growth, yet supply of conventional sources of energy will become increasingly scarce and more valuable. Creststreet's mission is to be recognized for excellence in structuring and managing the highest quality energy focused investment funds available in the Canadian capital markets.

Creststreet has consistently delivered strong performance across all of its energy focused investment products by continuing to follow a conservative, disciplined, long-term value approach to investing. Since inception in 2000, Creststreet has raised over \$725 million for investment in resource and renewable energy companies.

Creststreet is an industry leader in structuring and managing energy focused flow-through investment funds that provide investors exposure to high quality publicly listed energy exploration and development companies and also yield attractive tax write-offs for high net worth Canadian investors.

Since 2000, Creststreet has structured 14 flow-through funds, raising in excess of \$400 million for investment primarily in energy focused exploration and production companies and has established a proven track record of delivering solid after-tax returns to investors in these funds.

The purpose of this brochure is to provide investors with an overview of how flow-through shares work and the benefits of investing in them through a Creststreet managed flow-through share limited partnership.

Should you have any further questions regarding Creststreet or our energy focused flow-through share limited partnerships, please contact your investment advisor or Creststreet directly at:

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About flow-through shares

> Flow-through common shares are issued from the treasury of a company engaged in resource exploration in Canada. In addition to issuing common shares, the resource company agrees to “flow-through” tax deductions related to resource exploration and/or development equal to the purchase price of the flow-through shares. The tax deductions associated with flow-through shares are not a “tax loophole” devised by tax lawyers but are a resource exploration incentive program sponsored by the Canadian federal government and clearly set out in the Canadian Income Tax Act.

Since inception in 2000, Creststreet has structured a continuous series of limited partnership offerings that invest in a portfolio of flow-through shares that provide investors a tax write-off of 100% of the amount invested.

Issuing flow-through shares is an attractive means of financing Canadian exploration expenditures for resource companies that have **significant tax deductions** available to them.

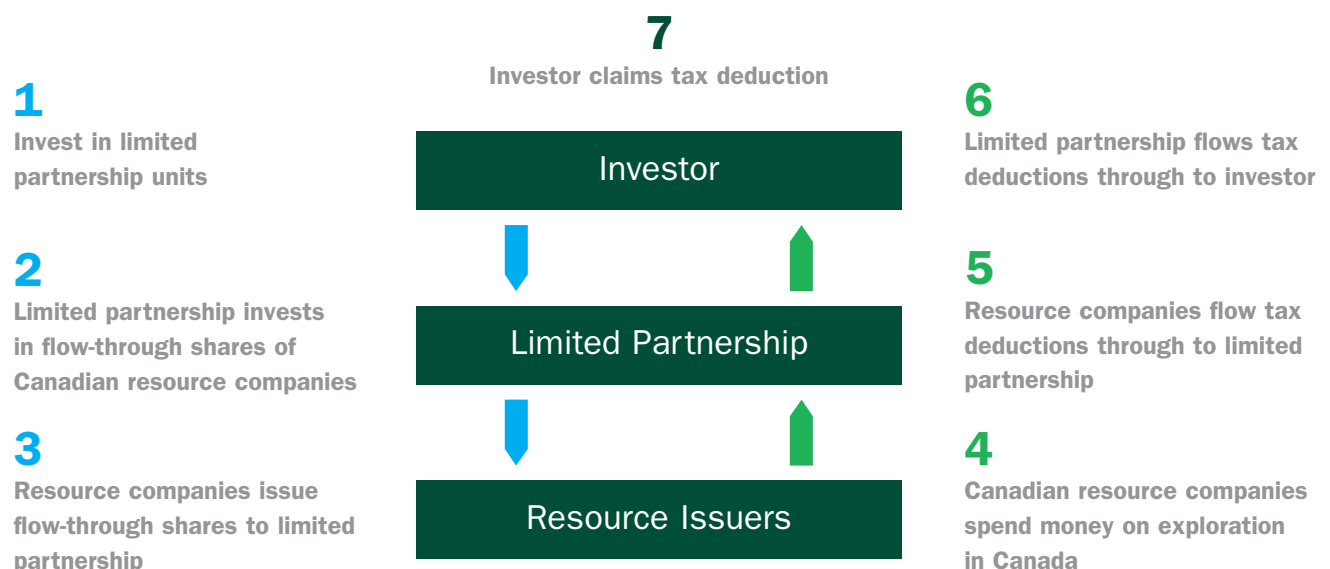
Benefits of Investment in Flow-through Shares:

- > Shelter income at highest marginal rate
- > Defer taxes until redemption
- > Convert income into a capital gain with a tax deferral until sale
- > Tax savings provide downside protection against adverse investment performance
- > 100% deductible against income from any Canadian source
- > Available capital losses can be used to offset capital gains to provide even better after-tax returns

Benefits of Investment in a Creststreet Flow-through Limited Partnership

- > Access to high quality portfolio of energy focused flow-through shares structured by expert asset managers
- > Reduced risk through portfolio diversification
- > High level of investor service including detailed tax packages, quarterly investment updates and easy to access website with detailed information about the limited partnership

Flow-through limited partnership structure

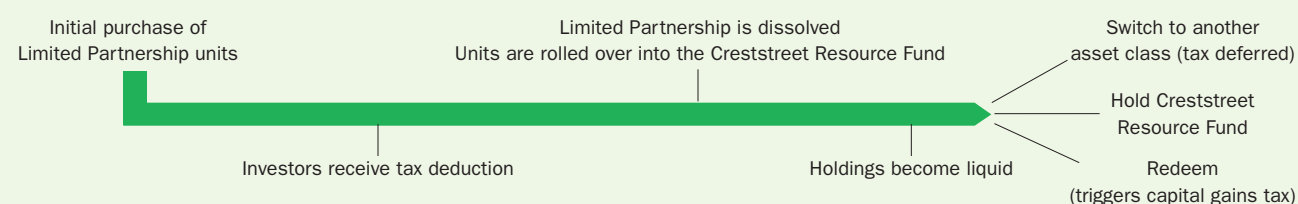


Creststreet flow-through limited partnerships

About Creststreet Limited Partnerships

Creststreet flow-through limited partnerships provide investors with access to specialist energy fund asset managers who have extensive experience and knowledge investing in natural gas, crude oil and renewable energy sectors.

Structure



An investment in a Creststreet limited partnership is structured as follows:

1. Investment in limited partnership by limited partners
2. General partner invests proceeds in Canadian resource issuers and obtains Canadian Exploration Expense (CEE) tax deductions for investors
3. Tax deduction equal to 100% is received by the investor for the year the investment is made. CEE deductions can be carried forward, if desired
4. After a period of approximately 18 months, the units of limited partnership are “rolled over” into shares of **Creststreet Resource Fund** on a tax-deferred basis
5. Once the shares of Creststreet Resource Fund become available for redemption investors have several options:
 - > Continue to defer the capital gains tax that results when a flow-through investment is sold by continuing to hold shares in the Creststreet Resource Fund
 - > Continue to defer capital gains tax and diversify into other asset classes by switching on a tax-deferred basis between additional Creststreet mutual fund classes – **Creststreet Managed Equity Index Fund** and **Creststreet Managed Income Fund**
 - > Transfer mutual fund holdings into an RRSP account and receive additional tax benefits
 - > Donate shares to a registered charity in return for a tax credit
 - > Redeem their mutual fund shares and trigger a capital gain

Highest Combined Marginal Tax Rate by Province (%)

	B.C.	Alta.	Sask.	Man.	Ont.	Que.	N.S.	N.B.	P.E.I.	N.F.
2007	43.70	39.00	44.00	46.40	46.41	48.22	48.25	46.84	47.37	48.64

Sample Break-even Calculation

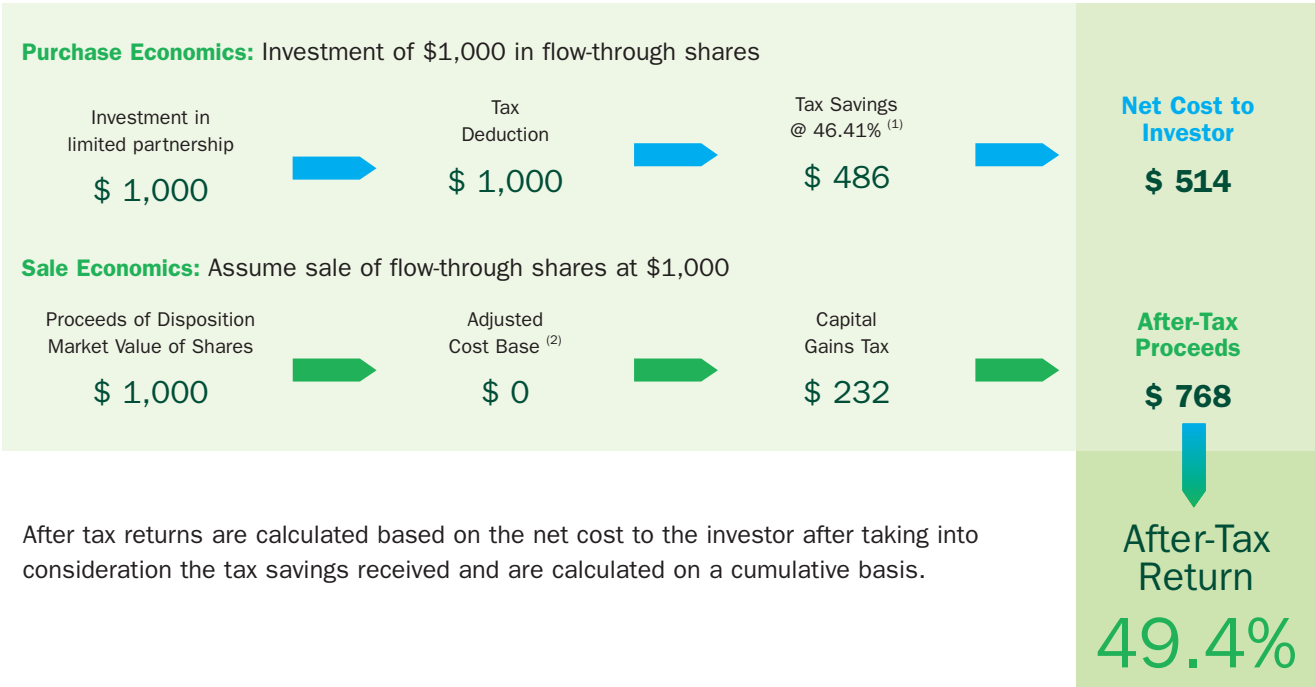
Break-even: net after tax return = zero

As illustrated in the Creststreet 2007 Limited Partnership Prospectus

	B.C.	Alta.	Sask.	Man.	Ont.	Que.	N.S.	N.B.	P.E.I.	N.F.
Investment	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Less: Tax savings	458	408	461	486	486	505	505	490	496	509
Money at risk	\$ 542	\$ 592	\$ 539	\$ 514	\$ 514	\$ 495	\$ 495	\$ 510	\$ 504	\$ 491
Break-even proceeds of disposition	\$ 694	\$ 735	\$ 691	\$ 670	\$ 669	\$ 652	\$ 652	\$ 665	\$ 661	\$ 648

Flow-through economics

example: Ontario investor
at the highest marginal tax rate



⁽¹⁾ Tax savings assume total deductions of \$1,094 for every \$1,000 invested: \$1,000 in the first year and an estimated \$94 equally over 5 years.

⁽²⁾ **Adjusted Cost Base (ACB)**

The rules governing flow-through shares set out in the Income Tax Act (Canada), generally speaking, provide that tax deductions associated with flow-through shares reduce the Adjusted Cost Base of a flow-through investment.

As a result, when a flow-through investment is sold, the full proceeds of disposition are taxed as a capital gain.



Charitable donations

- > Charitable donations of mutual fund shares qualify for a tax credit, reducing tax liability and providing additional benefits to investors.

The Government of Canada has reduced the inclusion rate (amount of taxable capital gains on charitable donations) to **zero**, providing further incentive to donate securities to registered charities.

example: Ontario investor at the highest marginal tax rate

Tax Implications of Gifting Shares to a Registered Charity (Qualified Donee)

1. Individual invests in Creststreet limited partnership	\$ 1,000
2. Individual realizes tax savings on initial investment (($\$1,094 \times 46.41\%$)-($\$94 \times 50\% \times 46.41\%$))	\$ (486)
3. Limited Partnership units roll over into the Creststreet Resource Fund and individual subsequently gifts the shares to a registered charity. Individual receives a tax credit ($\$1,000 \times 46.41\%$) on the value of gifted shares (assuming no change in value of units)	\$ (464)
After Tax Cost 	\$50

Additional tax-planning strategies

Contribution of Mutual Fund Shares to RRSP Accounts

By transferring mutual fund shares from a non-registered account to an RRSP account, shareholders receive an additional tax benefit. This contribution in kind to an RRSP account will trigger capital gains, of which 50% is taxable. However, the RRSP contribution is 100% tax-deductible.

Monetizing Capital Losses

A flow-through investment converts income into a capital gain. For investors that have capital losses, an investment in Creststreet limited partnerships can be used to “monetize” those capital losses by creating capital gains that can be used to offset those losses. Capital losses can be applied against capital gains from three previous years or carried forward indefinitely to offset future capital gains.





Creststreet's consistent, strong investment performance across all product areas is founded on our conservative, disciplined, value approach to investing. This focus on quality is core to our long-term values and will remain the cornerstone that Creststreet is built upon.

Creststreet has two principal business units: energy investment management and windpower project financing, construction and operations.

Energy Investment Management

- > **Flow-through Funds** – Since 2000, Creststreet has structured 14 flow-through funds, raising in excess of \$400 million for investment primarily in energy focused exploration and production companies and has established a proven track record of delivering strong after-tax returns to investors in these funds.
- > **Mutual Funds** – Creststreet Mutual Funds Limited is an open-end, multi-class mutual fund anchored by the Creststreet Resource Fund. In 2004, Creststreet Mutual Funds introduced the Creststreet Managed Income Fund and the Creststreet Managed Equity Index Fund, giving investors the option to diversify their portfolios by transferring assets between funds on a tax-deferred basis.
- > **Hedge Funds** – In 2005, Creststreet launched the Creststreet Energy Hedge Fund LP for Canadian investors and the Creststreet Offshore Energy Hedge Fund Inc. for non-resident and non-U.S. institutional investors. These funds employ a long/short strategy that seeks to generate returns by focusing on specific movements in equity prices of companies operating in the energy sector, and returns that are less correlated to commodity prices and general market performance.

Windpower Project Financing, Construction and Operations

Creststreet has proven its ability to combine the financial and operational expertise required to see wind energy projects through from development to construction to operation. Our strategy is to finance the development and construction of wind energy projects independently, isolating the respective risks associated with each stage of a project.

- > **Creststreet Power & Income Fund LP** – Creststreet Power & Income Fund LP (CRS.UN, CRS.DB, CRS.DB.A) is Canada's first 100% windpower income fund. Creststreet Power & Income Fund LP currently operates two wind energy projects with a nameplate capacity of 84.6 megawatts (MW) of power generating capacity. The fund's objective is to grow by acquiring accretive renewable energy projects, principally being developed through Creststreet's 1,000 MW portfolio of advanced-stage Canadian wind energy projects.
- > **Creststreet Kettles Hill Windpower LP** – Creststreet Kettles Hill Windpower LP completed its initial public offering in July 2005 and raised \$40 million for investment in Kettles Hill Wind Energy Inc. to construct and operate a 63 megawatt wind energy project near Pincher Creek, Alberta, to generate electricity for sale to the provincial grid at then market prices. The windpower project comprises a total of 35 wind turbines constructed over two phases.
- > **Creststreet Windpower Development LPs** – The objective of the Partnerships is to finance the development by wind energy companies of projects that, upon completion, will provide predictable energy production from wind, long-term cash flow and capital appreciation. The funds will finance the pre-construction stage investments in Canadian wind power development companies and will focus on projects that can begin construction within 12 to 30 months.

The information contained in this brochure is general in nature and shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale or acceptance of an offer to buy any flow-through securities. Partnership units are not guaranteed, their values change frequently and Partnership past performance may not be repeated.

Limited partnerships and flow-through securities may not be suitable for all investors. Investors should consult a tax specialist and financial advisor to determine their individual risk tolerance and investment needs.

The opinions expressed in this brochure are subject to change without notice. All third party references are general in nature and cannot be guaranteed by Creststreet. For additional information from third party references, please contact the sources directly.