

# SWEF TERRAWINDS RESOURCES CORP\*SWEF GP INC.\*SWEF LP

Dear SWEF Investor

March 26, 2009

## **Re: Tax Reporting Information Regarding SWEF LP Unit Repurchase and Update on CRA Reassessments and Tax Indemnity Process**

### **Tax Reporting Information Re: SWEF LP Unit Repurchase**

As you know from our previous communications, your SWEF LP Units (the "Units") were purchased for cancellation on December 19, 2008. As consideration for your Units, you received one non-voting common share (the "Share") of SWEF Terrawinds Resources Corp. ("Terrawinds") for every Unit you held. If your Units were held by your broker, your broker now holds the Shares on your behalf. Terrawinds was a wholly-owned subsidiary of SWEF LP that held all of the wind park assets that were sold in December of 2007.

As substantially all cash available for distribution has already been distributed to Unitholders in 2008, it is not currently anticipated that there will be any further distributions made to SWEF Investors, other than amounts to be paid under the tax indemnity fund. **Accordingly, SWEF GP Inc. has determined that the Shares distributed to Unitholders have a nominal value of \$0.01 per Share.**

The summary below is being provided to SWEF Investors for information purposes only in order to assist you in preparing your 2008 tax returns. SWEF Investors who are residents of Quebec will be required to file both a federal and Quebec provincial income tax return.

**The summary below is of a general nature only and is not intended to constitute tax or legal advice to any particular SWEF Investor. Accordingly, SWEF Investors are urged to consult their own tax advisors concerning the tax consequences to them of the purchase for cancellation of their Units and the proper tax reporting based on their own particular circumstances.**

Unitholders will generally have realized a capital loss as a result of the purchase for cancellation of their Units equal to the difference between the adjusted cost base of their Units at the time of cancellation (see discussion below) and the value of the Shares received by the Unitholder (i.e. \$0.01 per Share, as determined by SWEF GP Inc.). Unitholders will generally be entitled to deduct one-half of the amount of such capital loss against net taxable capital gains realized in the year (including the taxable portion of the capital gain allocated to Unitholders from SWEF LP for 2008, as reported on your 2008 form T5013) or net taxable capital gains for any of the three preceding years or any subsequent year, subject to certain restrictions.

The adjusted cost base of a Unit will generally start out as the purchase price paid for the Unit (i.e. \$10/unit). The adjusted cost base will be increased by any share of income allocated to the Unitholder in respect of the Unit, including the Unitholder's share of any capital gains realized by SWEF LP. The adjusted cost base will generally be reduced by any share of losses allocated from SWEF LP, including the Unitholder's share of any capital losses realized by SWEF LP, any CEE

allocated to the Unitholder and the amount of any distributions made to the Unitholder from SWEF LP in respect of the Unit. This information can generally be obtained from the tax slips (form T5013's) previously issued by SWEF LP to Unitholders, including the form T5013 recently issued by SWEF LP for the 2008 taxation year.

Set out below is a computation of the adjusted cost base of a Unit to a typical Unitholder. This computation does not take into account possible adjustments that may arise as a result of any unique circumstances affecting a particular Unitholder unrelated to their ownership of Units:

Initial Acquisition Cost	\$ 10.00
Less: 2005 CEE allocation (net of CEE reduction)	\$ (0.85367)
Less: 2005 Partnership loss allocation	\$ (0.22172)
Less: 2006 Partnership loss allocation	\$ (0.26156)
Less: 2007 Partnership loss allocation	\$ (0.76525)
Less: 2008 Partnership distributions	\$ (5.92303)
Plus: 2008 Capital gain allocation	\$ 5.36176
Less: 2008 Partnership loss allocation	\$ (0.29172)
Adjusted cost base per Unit at time of cancellation:	\$ 7.04481

Based on the above calculation, the Unitholder would have realized a capital loss on the purchase for cancellation of each Unit equal to approximately \$7.03 (i.e. \$7.04 - \$0.01), one-half of which would be an allowable capital loss for income tax purposes. As noted above, the Unitholder should be entitled to deduct such allowable capital loss against net taxable capital gains realized in the year (including the taxable portion of the capital gain allocated to Unitholders from SWEF LP for 2008, as reported on your 2008 form T5013) or net taxable capital gains for any of the three preceding years or any subsequent year, subject to certain restrictions.

#### **Update Re: CRA Reassessments and Tax Indemnity Process**

As we previously communicated to Unitholders, a notice of reassessment from the Canada Revenue Agency ("CRA") (and Revenu Quebec, in the case of Quebec resident Unitholders) must be received and submitted to the tax indemnity payment agent for review and approval before Unitholders will be entitled to payment from the tax indemnity fund. Detailed instructions for initiating a reassessment from CRA and submitting a claim to the tax indemnity payment agent are available at [www.sweflp.com](http://www.sweflp.com) (see Letter to Unitholders of SWEF LP dated August 29, 2008 and March 10, 2008, respectively).

For those Unitholders who have not yet requested a reassessment from CRA, SWEF has recently been advised that the CRA intends to mail out notices to all Unitholders (the "CRA Notice") requesting that Unitholders submit a request for reassessment to the CRA and providing detailed instructions for doing so (consistent with the instructions previously provided by SWEF). We

understand that Unitholders will have 30 days from the date of mailing of the CRA Notice to file the requests for reassessment, and Unitholders failing to do so will be reassessed by CRA in due course.

For Unitholders who contemplate filing a request for reassessment with the CRA prior to receiving the CRA Notice, in addition to following the detailed instructions available at [www.sweflp.com](http://www.sweflp.com) (as noted above), the following additional procedures should be followed. Requests for reassessment submitted to the CRA should include a statement indicating that the Unitholder "is entitled to a one year interest waiver pursuant to subsection 161(6.2) of the *Income Tax Act* (Canada)". All such requests for reassessment should be submitted to the CRA by facsimile as follows:

Canada Revenue Agency  
Toronto Centre Tax Services Office  
Attention: Winnie Ho and/or Queenie Young

Facsimile No.: 416-954-6015

It has also recently come to our attention that a number of the reassessments issued by the CRA to Unitholders included arrears interest charges in excess of the amount that should have been charged in these circumstances. SWEF has brought this issue to CRA's attention and we are taking steps to correct this problem. It is anticipated that affected Unitholders will be issued revised notices of reassessment by CRA reflecting the correct interest charges in the near future.

Once Unitholders have received a notice of reassessment from CRA (and Revenu Quebec if applicable), Unitholders can follow the procedures outlined at [www.sweflp.com](http://www.sweflp.com) (see Letter to Unitholders of SWEF LP dated March 10, 2008) in order to complete their tax indemnity refund process. SWEF will be informing Unitholders who receive tax indemnity payments how to report the receipt of such payments for income tax purposes prior to the filing deadline for submitting their 2009 tax returns.

We hope that the above information is helpful in assisting you in preparing your 2008 tax returns and in completing the CRA reassessments and tax indemnity process.

For Unitholders who have specific questions regarding the CRA reassessment process or who require further instructions for filing a request for reassessment with the CRA, you can contact the CRA at 416-250-5073 (Ms. Winnie Ho) or at 416-250-8631 (Ms. Queenie Young). For any other inquiries please contact me at [Judsonmartin@sweflp.com](mailto:Judsonmartin@sweflp.com).

Yours truly,

A handwritten signature in black ink, appearing to read 'W. Judson Martin', with a stylized, flowing script.

W. Judson Martin  
Chairman  
SWEF GP Inc.