

IMPORTANT INFORMATION REGARDING 2012 TAX DEDUCTIONS

March 2013

WCSB OIL & GAS ROYALTY INCOME 2010-II LIMITED PARTNERSHIP
WCSB OIL & GAS ROYALTY INCOME 2010 LIMITED PARTNERSHIP

Dear Investor:

Please find the following information with respect to reporting the WCSB Oil & Gas Royalty Income 2010-II Limited Partnership ("WCSB 2010-II Fund") and WCSB Oil & Gas Royalty Income 2010 Limited Partnership ("WCSB 2010 Fund") special distributions distributed in the 2012 tax year.

WCSB 2010-II FUND SPECIAL DISTRIBUTION

On November 16, 2012 WCSB 2010-II Fund sold royalty interests ("Royalty Interests") on two producing oil wells (see [November 22, 2012 News Release](#)). The WCSB 2010-II Fund paid a special distribution of \$9.35 per unit on November 30, 2012 from the net proceeds realized from the sale of these royalty interests.

As stated in the November 22, 2012 news release, each limited partner will be required to reduce its Cumulative Canadian Oil and Gas Property Expense ("CCOGPE") by its share of the WCSB 2010-II Fund's net proceeds of disposition and reduce its Cumulative Canadian Development Expense ("CCDE") by the amount of its CCOGPE reduction. Each limited partner will have an income inclusion to the extent, if any, that its CCDE balance is negative at the end of its taxation year in which the distribution occurs, and be subject to tax accordingly.

Please note the following with respect to the disposition of the Royalty Interests and special distribution:

- A. The special distribution of \$9.35 per unit is a non-taxable return of capital and will be reported on the T5013A for 2012 in Box 27 – Return of capital/capital repayment, together with all regular 2012 monthly distributions.
- B. As a result of the disposition of Royalty Interest each Limited Partner will:
 - I. Reduce their CCOGPE by their share of the partnership's net proceeds of disposition. Your 2012 T5013A slip will include a negative amount of -\$9.3397 per unit in Box 92 – Canadian Oil and gas property expense (COGPE).
 - II. If, at the end of the taxation year, the balance of the CCOGPE is in a credit position, the entire credit balance is applied to reduce the balance of cumulative CCDE to which the 30% rate is applied.
 - III. Have an income inclusion to the extent that its CCDE balance thereby goes negative, and is subject to personal or corporate tax accordingly, depending on what type of taxpayer it is.
 - IV. Have an increase in the ACB of their partnership interest by their share of the partnership's net proceeds from the disposition of the Royalty Interest.
 - V. Have a decrease in the ACB of its partnership interest by the amount of any income or capital distributed to it.
 - VI. Have a capital gain equal to the amount, if any, by which the ACB of its partnership interest is driven negative.

EXAMPLE USING A \$10,000 INVESTMENT

- Investors that own a \$10,000 investment in WCSB 2010-II received a special \$935 cash distribution in November 2012.
- As a result, investor CDE balance will be reduced by approximately \$934, 2012 tax deduction reduced by \$280 (\$934 x 30%).

WCSB 2010 FUND SPECIAL DISTRIBUTION

On November 16, 2012, WCSB 2010 Fund sold its Royalty Interest in a single producing oil well (see [November 19, 2012 News Release](#)). WCSB 2010 Fund paid a special distribution of dividends of \$5.00 per unit on November 30, 2012.

This special distribution is in addition to the regular monthly distributions paid in 2012. The WCSB 2010 Fund will allocate to each Limited Partner its share of the total dividend received by the WCSB 2010 Fund. Each limited partner will include its allocated share of the total dividends received by the WCSB 2010 Fund in income, and be subject to tax accordingly. The dividend will not be an eligible dividend for the purposes of the dividend tax credit rules in the Income Tax Act (Canada) and any similar provincial or territorial legislation applicable to taxable dividends paid by taxable Canadian corporations.

Please note that our WCSB 2012 Tax Filing Guide and other relevant information can be found on the Tax Reporting page of our website under the Tax Planning section www.wcsb.ca/taxplanning/taxreporting.

EXAMPLE USING A \$10,000 INVESTMENT

- Investors that own a \$10,000 investment in WCSB 2010 received a special \$500 cash distribution in November 2012.
- As a result, investor T5013A will report an additional \$500 in dividend income.

WCSB strongly recommends that each limited partner consult with their professional tax adviser to determine the tax consequences of the above noted distributions.

On behalf of the Board of Directors, we thank you for your investment in WCSB.

Yours Sincerely,



Shane Doyle, CEO