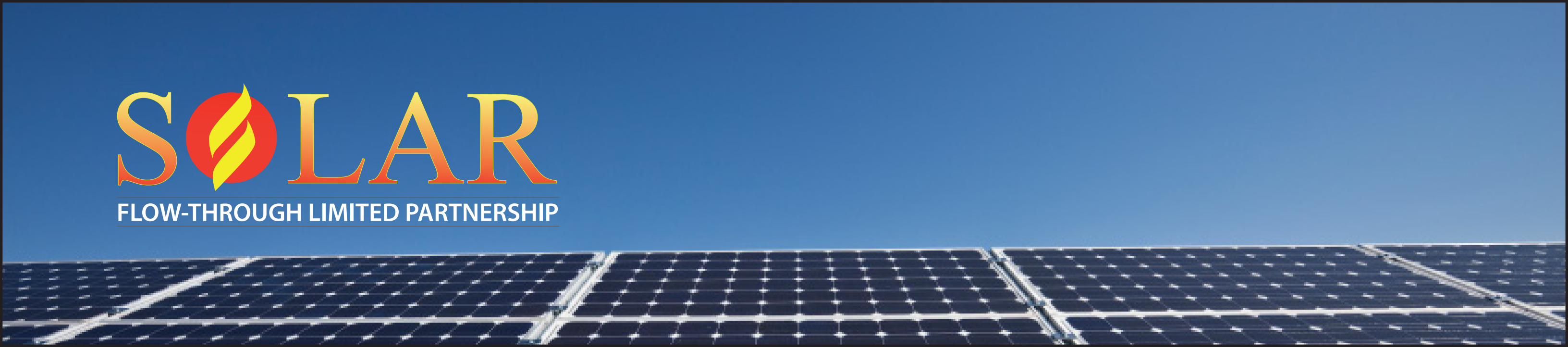

2012 LP Investor Update - September 2014

Overview

The investment objective of the Solar Flow-Through 2012-I Limited Partnership (2012 LP) is to develop and operate solar power generation projects in the Province of Ontario in a manner that provides for income tax deductions to investors during the start-up, development and construction phases, and steady income upon commencement of commercial operations. The 2012 LP has a targeted income distribution of 8% per annum. The 2012 LP raised $2,857,000 (2012 Proceeds) in December 2012.

> **The 2012 LP has completed almost all the rooftop assessments, engineering, designs, and approvals required from the OPA and local hydro companies to commence construction of projects.**

Tax

The 2012 LP did a renunciation for Canadian Renewable Conservation Expenses (CRCE) for all of the 2012 Proceeds prior to 2012 year end. T5013A tax receipts were issued to all unitholders for the full amount of their investment for the 2012 tax year. During calendar year 2013, all of the 2012 Proceeds were utilized to incur Canadian Renewable and Conservations Expenses ("CRCE"). Audits and tax returns have been completed for the 2012 LP for the years of 2012 and 2013. At this time, no issues regarding the tax deductions for the 2012 LP have been identified by unitholders, auditors or CRA.

Project Progress

The 2012 Proceeds were to be used to secure Ontario Power Authority ("OPA") Feed-in-Tariff 2 ("FIT 2") contracts to develop and operate solar projects to produce electricity for the OPA at a guaranteed rate over twenty years. Since being awarded FIT 2 contracts, the Solar 2012 LP has consolidated the number of projects to ensure it has greater economic interest in fewer projects without reducing its overall interest in the portfolio.

The original contract award process took significantly longer than originally indicated by the OPA. Nearly nine months elapsed from the time 2012 LP applied for contracts and the OPA's awarding of contracts. Since then, the 2012 LP has completed almost all the rooftop assessments, engineering, designs, and approvals required from the OPA and local hydro companies to commence construction of the projects. This process took three to six months longer than anticipated. As a result, construction on projects, originally anticipated to begin towards the end of Q2 2014, is now expected to begin Q4 2014. Initial FIT 2 projects are expected to be operational by the end of the year with all of the projects expected to be operational by the end of Q2 2015.

> **The original contract award process took significantly longer than originally indicated by the OPA.**

Performance

As a project becomes operational, it will produce electricity and generate revenue over the 20 years of the FIT 2 contract. In addition to the 2012 LP, the following parties also have interests in the FIT 2 projects:

- First Nations
- Solar-Flow Through 2013-I Limited Partnership (2013 LP)
- A solar developer

A First Nation has a 15% economic interest in each of the projects. In the case of only three projects, there is one solar developer with a 38% interest. In all the FIT 2 projects, the remaining interest is divided between the 2012 LP and the 2013 LP. The distributable cash flows resulting from the projects will be distributed to each party proportionate to their economic interest.

Earlier this year, the 2012 LP began paying quarterly dividends of 2% to its unitholders. As all the FIT 2 projects become operational in 2015, it is expected that the distributable cash flows to the 2012 LP will be sufficient to meet the targeted income distribution of 8% per annum. 100% of any distributable cash flows to the 2012 LP in excess of this target distribution will be paid to the unitholders subsequent to each year end.

As all the FIT 2 projects become operational in 2015, it is expected that the distributable cash flows to the 2012 LP will be sufficient to meet the targeted income distribution of 8% per annum.

FIT 3

In addition to the FIT 2 projects, the 2012 LP, in partnership with the 2013 LP, applied to the OPA for FIT 3 contracts in November and December 2013. The OPA had indicated that awarding of FIT 3 contracts would occur in May 2014. The awarding of FIT 3 contracts did not occur until July 30, 2014 with the delay due in part to the Ontario provincial election in June 2014. 123 MW. The 2012 LP was successful in securing only one FIT 3 contract. Reasons for not securing more contracts were as follows:

- large amount of applications with seven Priority Points where the majority of the 2012 LP applications had five Priority Points,
- larger than anticipated amount of applications under the public sector set aside category for contracts where the majority of the 2012 LP applications were submitted, and
- DAT/TAT constraints where there was no longer sufficient capacity for the project at its connection point on the electrical grid.

Subsequent to the awarding of FIT 3 contracts on August 29, 2014, there was a ministerial direction from the Ontario Minister of Energy instructing the OPA to extend the FIT 3 contract awards (FIT 3.5) where an additional 100 MW of contracts will be awarded to qualifying FIT 3 applications. Additionally, the OPA was instructed to conduct a review for the purpose of establishing the new tariff rate for FIT 3.5 contracts. Contract awards for FIT 3.5 are expected to occur by the end of this year.

It is anticipated that the 2012 LP with the 2013 LP will be awarded a high number of contracts based on its analysis of remaining FIT 3.5 applications. Any FIT 3.5 contracts that the 2012 LP receives should result in greater distributable cash flow to its unitholders.

FIT 3.5 contracts awarded are expected to be operational in nine to 15 months from the time of contract award.

We anticipate that the 2012 LP, with the 2013 LP, will be awarded a high number of contracts based on its analysis of remaining FIT 3.5 applications.

Liquidity

Unitholders in the 2012 LP can anticipate a steady income stream over the next 20 years. Alternatively, the General Partner of 2012 LP is investigating possible liquidity options for its unitholders if they choose to divest their units. These options include the following:

- a sale of some of the assets (project interest) that would generate available cash to buy back units from unitholders,
- a listing of the 2012 LP on a stock exchange, and
- an outright sale of all the assets or of the 2012 LP.

Acceptance of any of these liquidity options require the approval of at least two-thirds of the votes cast at a meeting of unitholders held to consider the transaction or, alternatively, by approval in writing by unitholders holding at least two-thirds of the outstanding Units.

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