

Solar Flow-Through
2012-I Limited Partnership (2012 LP)



2012 LP Snapshot for Q4 2018

- \$2 per unit distribution to unitholders paid at January 31, 2019
- \$39 per unit in total distributions paid to date
- All FIT 2 and FIT 3.1 rooftop projects operational and generating revenue
- Eight of nine FIT 3.1 ground mount projects operational

Overview

2012 LP is part of a group of limited partnerships that share the same management team which own, operate and develop solar power generation projects in the Province of Ontario. These limited partnerships include 2012 LP, Solar Flow-Through 2013-I Limited Partnership, Solar Flow-Through 2014-I Limited Partnership, Solar Flow-Through 2015-I Limited Partnership, Solar Flow-Through 2016-I Limited Partnership, Solar Flow-Through 2017-I Limited Partnership, Solar Flow-Through 2017-A Limited Partnership, Solar Flow-Through 2018-I Limited Partnership and Solar Flow-Through 2018-A Limited Partnership (collectively the “SFT Group”).

The investment objective of the 2012 LP is to develop and operate solar power generation projects under the Province of Ontario’s Feed-in-Tariff (“FIT”) program 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 raised \$2.857 million in 2012. All of the funds raised were incurred on Canadian Renewable and Conservation Expenses (“CRCE”). Unitholders received tax receipts for their investment in the 2012 LP in early 2013.

The 2012 LP primarily shares an economic interest in FIT 2, FIT 3.1 rooftop, and FIT 3.1 ground mount projects developed and financed by entities in the SFT Group.

The 2012 LP targeted income distribution at the time of offering was 8% per annum.

Performance of the 2012 LP

Since Q2 2014, management of the 2012 LP (“Management”) has met its targeted income distribution of 8% per annum paid quarterly, with the most recent payment made on January 31, 2019. To date, unitholders of the 2012 LP have received \$39 of distributions for each \$100 unit purchased.

Management Fee Update

The Progressive Conservative Party of Ontario won a majority government on June 7, 2018 resulting in changes to many of the provincial policies affecting the climate, energy, and electricity policy environment. On July 13, 2018, the Government of Ontario made the decision to cancel and wind down 758 renewable energy contracts. SFT Group received termination notices for a total of 218 Feed-in-Tariff (“FIT”) contracts representing 113.8 MW DC. SFT Group has 57 operating solar projects and 23 under development which are unaffected by the termination notices and continue to be secured under the 20-year power purchase agreements pursuant to the FIT contracts. However, the cancellation of the 218 FIT Contracts by the Independent Electricity System Operator (“IESO”) has impacted SFT Group’s business outlook. 2012 LP unitholders will continue to be paid the full targeted distribution, however management fees have been suspended effective January 1, 2018 to ensure cash flow preservation for future operations. Management fees will continue to be suspended until such time that it is determined there is sufficient cash flow or unitholders are provided a liquidity event.

Cost Recovery of Pre-Construction Development Costs

Management is focused on the cost recovery of Pre-Construction Development Costs (“PCDCs”) as provided for pursuant to the terms under the cancelled FIT contracts. PCDCs are defined as reasonable costs incurred in development of a project from FIT contract award date to termination date. Accordingly, PCDCs do not include all costs incurred on terminated contracts due to the allowable time period and nature of costs incurred. PCDCs are recoverable up to a maximum of \$0.50/W AC or about \$250,000 per cancelled FIT contract subject to verification and approval of the PCDCs by the IESO.

2012 LP has a very small economic interest in the terminated contracts and is not greatly impacted by the terminations. Management estimates an after-tax cost recovery of \$30.3 million from PCDCs funds across the SFT Group. From this amount, the 2012 LP is entitled to a recovery of approximately \$0.3 million after tax.

The IESO has not announced a timeline for the review and return of PCDCs funds. To date, IESO has not processed any PCDC submissions from SFT Group. Management is dedicating significant resources to comply with the IESO’s PCDC recovery guidelines and requirements to receive the recoveries in the most expeditious manner. Management anticipates that complete recovery of PCDC funds will not occur until 2020.

Net Asset Value (NAV)

At the end of Q4 2018, the NAV of 2012 LP units has not been updated and remains at \$118.17. Management has delayed updating the NAV until the impact of terminated contracts on the SFT Group’s limited partnerships has been fully assessed.



600 kW DC FIT 2 Project located in Ajax, Ontario, completed in October 2015.

Liquidity Options

In Q4 2015, unitholders of the 2012 LP were provided an opportunity to sell their units to secondary buyers. Management has delayed the next liquidity event until the impact of terminated contracts on the SFT Group’s limited partnerships has been fully assessed.

FIT 2 – All Projects Operating

The 2012 LP has a shared economic interest in FIT 2 projects owned and operated by the SFT Group totalling 5.5 MW DC. Since 2015, all FIT 2 projects have been connected into Ontario’s electrical grid and are generating revenue from the production of electricity.

FIT 3.1 Projects – All Rooftop Projects Operating and Most Ground Mount Projects Operational

All FIT 3.1 rooftop projects are now generating revenue from the production of electricity into Ontario’s electrical grid. Eight of nine FIT 3.1 ground mount projects were completed and became operational in 2018. The ninth FIT 3.1 ground mount project has become operational in the first quarter of 2019. Upon completion of the FIT 3.1 ground mount projects, Management expects the 2012 LP will have a shared economic interest in FIT 3.1 projects owned and operated by the SFT Group totalling 17.48 MW DC.



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