



Key Events for Q1 2021

COVID-19 Update

In response to the COVID-19 pandemic, Solar Flow-Through Funds (the “Fund”) took precautionary measures to ensure the health and well-being of our employees and to minimize any potential risk of business disruption. The Fund responded quickly to the global COVID-19 pandemic by introducing policies and procedures tailored to the outbreak that restricted non-essential business travel and implemented World Health Organization recommendations for slowing the transmission of COVID-19 in the workplace. While the Fund maintains a comprehensive business continuity plan, it is our belief that the focused actions we have taken to address COVID-19 will serve both to protect the well-being and safety of our employees and mitigate any potential business or operational disruption.

Commercial Operation of All Solar Projects

The Fund completed the construction and commissioning of its last projects under the Ontario FIT program with the successful start-up and commercial operation of three solar projects in the fourth quarter of 2020. The Fund now has 73 projects totalling 29.2 MW DC expected to generate \$10M in annual revenue for the Fund. The projects operate under the FIT program for a remaining period between 15 and 20 years depending on when each project became operational. Thereafter, a project may continue generating revenue not under the FIT Contract but at merchant electricity rates at the time.



Project MS 05, a 600kW AC project completed in November 2020.

Cost Recovery of Pre-Construction Development Costs (“PCDC”)

On July 13, 2018, the Government of Ontario issued a Ministerial order to cancel and wind down 758 renewable energy contracts.

Management continues to focus on the cost recovery of 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. The recovery of these development costs for the terminated projects remains a top priority for the Fund.

Since December 2019, over 200 terminated FIT Contracts submitted for PCDC reimbursement have been under review by the IESO. The total value of PCDC claims submitted is about \$35 million. The ultimate amount to be recovered is subject to the IESO’s approval, and there is no certainty as to the actual amount to be recovered from the IESO.

To date, we have received payment for only one PCDC submission. We continue to diligently and accurately respond to any requests for clarification from the IESO.

Legal Claims for Improper Termination of FIT Contracts

Lawsuit #1 Filed on December 2, 2020

On December 2, 2020, a Statement of Claim was filed by the Fund and an independent solar project developer (collectively the “Plaintiffs”) against the Ontario Ministry of Energy, Northern Development and Mines (“MOE”) and the IESO (collectively the “Defendants”). Plaintiffs seek damages from the Defendants in the amount of \$240 million in lost profits, \$17.8 million in development costs, and \$50 million in punitive damages for misfeasance of public office, breach of contract, inducing the breach of contract, breach of the duty of good faith and fair dealing, and conspiracy resulting in the wrongful termination of 111 FIT Contracts.

The 450kW Van Kirk Project.



Lawsuit #2 Filed on December 3, 2020

The Fund's force majeure claims in respect of six FIT 5 Contracts that encountered environmental permitting issues were rejected by the IESO. Subsequent to the dispute resolution process having no avail, the Fund has filed a legal claim to seek damages in the amount of \$15 million for breach of contract against the IESO on December 3, 2020. The exchange of documents and affidavits for the legal claim is scheduled for May 2021. Discovery and cross-examinations for the legal claim have been delayed due to the backlog in the court system resulting from the COVID-19 pandemic and are scheduled for November 2021.

Lawsuit #3 Filed on January 29, 2021

On January 29, 2021, a second Statement of Claim was filed by the Fund and an independent solar project developer (collectively the "Plaintiffs") against the MOE and the IESO (collectively the "Defendants"). Plaintiffs seek damages from the Defendants in the amount of \$260 million in lost profits, \$26.9 million in development costs, and \$50 million in punitive damages for the wrongful termination of 133 FIT contracts. This second Statement of Claim is separate and in addition to the first Statement of Claim filed and outlined above under Lawsuit #1.

Liquidity Event and Consolidation of Limited Partnerships

Management is exploring options to combine the limited partnerships into a consolidated entity ("Newco") in preparation for a public listing on a Canadian stock exchange. Listing options for Newco include a direct listing of Newco on an exchange or a reverse takeover by Newco of an existing publicly listed company.

As part of the public listing process, Management have begun to investigate the reorganisation and combination of the nine Limited Partnerships

that are part of the Fund into a single entity (the "Reorganisation"). In addition to the Reorganisation being a prerequisite for a public listing, it will provide significant operational and cost efficiencies in areas including, but not limited to, general and administrative costs, tax filings and compliance, and audit and financial reporting requirements. Prior to all seventy-three solar projects becoming operational, the Fund were not able to conduct the Reorganisation.

The Reorganisation will result in the limited partners receiving ownership in Newco in exchange for units held in the Limited Partnerships. Additionally, Management have agreed to receive ownership in Newco in lieu of management fees owing to Management. The Fund has engaged a certified business valuator for the purpose of valuing the Fund's business and determining each stakeholder's respective economic interest in the business.



Project MC-ML81, a 600kW AC ground mount solar project.



88 Todd, a 600kW Rooftop Solar Project.

Upon completion of the valuation report, Management will prepare a proposal to the limited partners to obtain approval for the Reorganisation, which is anticipated to occur in Q3 2021. At this time, Management is assessing various listing options to maximise value to the limited partners. Additionally, Management have begun to take the necessary steps to be prepared to conduct a public listing of Newco as soon as practically possible following the Reorganisation.

Net Asset Value

Management are currently not able to update the NAV of the limited partnerships. The NAV will ultimately be determined in part by the valuation report being prepared for the Reorganisation. Management are cautioning unitholders to not rely on the NAV at this time.

About Solar Flow-Through Funds

Solar Flow-Through Funds is a group of limited partnerships (“LPs”) that share the same management team to develop, own, and operate solar power generation projects in the Province of Ontario. These LPs include Solar Flow-Through 2012-I Limited Partnership (“2012-I LP”), Solar Flow-Through 2013-I Limited Partnership

(“2013-I LP”), Solar Flow-Through 2014-I Limited Partnership (“2014-I LP”), Solar Flow-Through 2015-I Limited Partnership (“2015-I LP”), Solar Flow-Through 2016-I Limited Partnership (“2016-I LP”), Solar Flow-Through 2017-I Limited Partnership (“2017-I LP”), Solar Flow-Through 2017-A Limited Partnership (“2017-A LP”), Solar Flow-Through 2018-I Limited Partnership (“2018-I LP”) and Solar Flow-Through 2018-A Limited Partnership (“2018-A LP”).

The investment objective 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.

Forward-Looking Information

This unitholder update contains forward-looking information within the meaning of applicable securities legislation, including statements relating to our objectives, strategies to achieve those objectives, our beliefs, plans, estimates, projection and intentions, and similar statements concerning anticipated future events, future growth, results of operations, performance, business prospects and opportunities, as well as statements regarding our strategic plan, our commitment to maintaining or reducing the current distribution policy, a potential unit buyback program, the effects of not paying management fees in units on our cash flows and our ability to pay distributions. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Management’s control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to: general and local economic and business conditions including foreign exchange rates, employment levels, mortgage and interest rates and regulations, the uncertainties around the timing and amount of future financings, regulatory risks, environmental risks, consumer confidence, the financial condition of tenants and borrowers, local real estate conditions, adverse weather conditions and variability in solar irradiation, reliance on key clients, partners and personnel, the uncertainties of acquisitions and new projects, inflation and competition. All forward-looking information in this unitholder update speaks as of June 30, 2020. Management does not undertake to update any such forward looking information whether as a result of new information, future events or otherwise.



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