



Key Events for Q2 2023

Commercial Operation of Our Solar Projects

As at June 30, 2023, Solar Flow-Through Funds (the “Fund”) has 70 solar photovoltaic generation projects totaling 28.8 MW DC as outlined in Table 1. The projects operate under the Ontario FIT program for a remaining contract period between 12 and 17 years based on when each project reached commercial operation. After the FIT contracts expire, a project may continue generating revenue at the merchant electricity rate. Presently, the projects generate annual revenue and adjusted EBITDA of about \$9 million and \$6 million, respectively. The Fund is currently focused on improving its operational performance and securing new opportunities to expand its portfolio.

Table 1. Portfolio of Solar Projects

	Rooftop			Ground Mount			Total	
	Number	\$/kWh	kW DC	Number	\$/kWh	kW DC	Number	kW DC
FIT 2	20	\$0.54	5,926	0	-	0	20	5,926
FIT 3.1	26	\$0.33	9,422	10	\$0.29	5,700	36	15,122
FIT 4	0	-	0	4	\$0.22	2,400	4	2,400
FIT 5	0	-	0	10	\$0.19	5,400	10	5,400
Totals	46		15,348	24		13,500	70	28,848

Budget, Adjusted and Actual Generation

Table 2 provides a summary of the portfolio energy performance over the last quarter and over the last twelve months. Budget Performance, Adjusted Performance and Actual Generation are used to measure and monitor the operating performance of the projects. **kWh Budget** is the amount of energy expected to generate in kilowatt hours based on the irradiance (i.e., amount of sunlight) that was forecast for each site prior to commercial operation. **kWh Adjusted** is the Budgeted kWh adjusted for the actual irradiance weather conditions at each site within the listed period (i.e. the expected generation based on each project and the actual amount of irradiance for each project). **kWh Actual** is the amount of energy actually produced in kilowatt hours within the listed period.

Table 2. Portfolio Summary: Energy Generation Performance

Portfolio	Q2 2023				
	kWh Actual	kWh Budget	Budget Performance %	kWh Expected	Adjusted Performance %
Rooftop	5,580,900	5,939,637	93.96%	5,491,885	102%
Ground Mount	5,746,768	5,632,116	102.04%	4,970,052	116%
Total	11,327,667	11,571,752	97.89%	10,461,937	108%
Last 12 Months (Q2 2023 – Q3 2022)					
Portfolio	kWh Actual	kWh Budget	Budget Performance %	kWh Expected	Adjusted Performance %
Rooftop	13,896,699	16,430,257	84.58%	14,639,386	95%
Ground Mount	15,805,894	16,968,125	93.15%	14,529,813	109%
Total	29,702,594	33,398,382	88.93%	29,169,199	102%

In Q2 2023, performance across all of our sites were only 2.1% off from budgeted levels. This is in part due to actual irradiance levels being very near and at some sites exceeding budgeted levels, as well as the minimal downtime across the portfolio. Across our rooftop sites, the 240kW DC project that was severely damaged by a windstorm is still operating at 50% of its total capacity, and we are working with engineers on remediating the damaged portion of the solar project. A 300kW DC rooftop project was damaged by a fire caused by a tenant; it is still in remediation, operating at 41% capacity. A 500kW rooftop project was operating at 60% capacity due to several power surges over the last few months, all damaged inverters have now been replaced and additional surge protectors have been installed. Additionally, a few sites have had minor inverter faults which are out for repairs/replacements. Performance at our ground mount sites exceeded expectations with minimal downtime, no major outages, and good irradiance levels. The Expected Generation amount for Q2 2023 across the portfolio was 10,461,937 kWh and lower than the Budget Generation of 11,571,752 kWh (i.e., the actual amount of irradiance was slightly less than the budget irradiance for the quarter). The Actual Generation over the last quarter across all sites was 98% of Budget Generation and 108% of Adjusted Generation.

600 kW DC FIT 2 Project
located in Brampton,
Ontario.



IESO Expedited Long-Term Request for Proposal (“E-LTI”)

In Q3 2022, the Fund qualified to participate under Ontario’s Independent Electricity System Operator (“IESO”) [E-LTI](#), a program the IESO established to acquire resources to meet Ontario’s growing electricity needs. The Fund submitted five battery energy storage (“BESS”) projects totaling 25 MW and 100 MWh under the IESO RFP on February 16, 2023. On June 26, 2023, the Fund received notices from the IESO that three of the projects, totaling 15 MW and 60 MWh, had been selected to move forward to contract execution. The BESS projects are expected to be operational by Q2 2025 and will have a contract term of twenty-two years.

IESO Long-Term Request for Proposal (“LTI”)

In addition to the above E-LTI, the IESO has a second program for acquiring resources, [LTI](#), which currently expects to see successful projects reach COD in 2028. We plan to apply for up to twelve BESS projects under this program, and recently submitted the project information to the IESO for its assessment of deliverability, i.e., how the projects’ size and location may or may not correspond with the IESO’s needs and requirements.

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 across the province.

Management continues to focus on the cost recovery of PCDCs, as provided for pursuant to the terms under the cancelled FIT Contracts. PCDCs are calculated based on the 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, the Fund’s submission for the payment of PCDC reimbursement has been under review by the IESO. The total value of PCDC claims

submitted by the Fund is about \$29 million. The ultimate amount to be received and available to the Fund is subject to the IESO’s approval, taxes payable and certain amounts payable to vendors. There is no certainty as to the actual amount to be recovered from the IESO. Management in consultation with their tax advisors are reviewing different options for the optimal use of funds or tax efficient distribution methods.

Over the past five months, several PCDC submissions have been finalized with executed mutual release agreements, and as of June 30, 2023, we have received approximately \$16.8 million from the IESO.

Legal Claims for Improper Termination of FIT Contracts

Lawsuit #1: Termination of FIT Contracts I

On December 2, 2020, a Statement of Claim was filed by the Limited Partnerships and an independent solar project developer against Ontario (Ministry of Energy, Northern Development and Mines) (“MOE”), the IESO and John or Jane Doe (“FIT Claim 1”). The 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.

Lawsuit #2: Termination of FIT Contracts II

On January 29, 2021, a second Statement of Claim was filed by the Limited Partnerships and an independent solar project developer against the IESO, and on March 5, 2021 a third Statement of Claim was filed by the Limited Partnerships and an independent project developer against Ontario (MOE) and Gregg Rickford, as Minister of Energy, Northern Development and Mines; a motion will be brought to consolidate these claims into a single action (“FIT Claim 2” and collectively with FIT Claim 1 and the Force Majeure Claim described

below, the “**Legal Claims**”). The 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. The January 29, 2021 and March 5, 2021 Statements of Claim are separate and in addition to the December 2, 2020 Statement of Claim filed and outlined above under FIT Claim 1.

Lawsuit #3: Force Majeure

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 an ineffectual dispute resolution process and the IESO terminating the six Contracts, the Fund filed a legal claim to seek damages in the amount of \$15 million for breach of contract against the IESO on December 2, 2020. Discovery and examinations for the legal claim occurred in November 2021. There were a number of undertakings to be provided by both parties from the discovery and these have been prepared and provided to opposing counsel. The trial dates for this claim have now been scheduled for March 2024.

Lawsuit #4: Breach of Contract by Landlord

On September 3, 2020, a fire occurred in a commercial building on which one of the Fund’s FIT 2 rooftop projects is located. The fire caused extensive damage to the roof, and equipment was dismantled for storage. On October 1, 2020, the Electrical Safety Authority gave us its approval to reconnect the project. We reconnected 54% of equipment, which was located on undamaged sections of the roof. After numerous attempts to communicate with the landlord (the “Defendant”) at this site, we have not yet been able to rebuild our project on the section of the roof that was damaged. An insurance claim has been completed, and a legal claim has been filed to seek damages in the amount of \$2.5 million for breach of contract by the Defendant.

Liquidity Event and Public Listing of the Fund

Management is pursuing options for a public listing of the Fund in order to maximise stakeholder value and provide ongoing liquidity to the investors in a tax-efficient manner. We are currently planning to combine the nine limited partnerships into a consolidated entity (“Newco”) in preparation for a listing on a Canadian stock exchange in 2023.

The plan to reorganise and combine the Fund’s nine Limited Partnerships into a single corporate

entity (the “Reorganisation”) will provide significant operational and cost efficiencies in areas including, but not limited to, general and administrative costs, tax planning and compliance, and audit and financial reporting requirements.

The Reorganisation will result in the limited partners receiving common shares in the new corporate entity (“Newco”) in exchange for units held in the nine Limited Partnerships. In addition to receiving common shares in Newco, the Fund expects to issue Tracking Shares to stakeholders based on each stakeholder’s respective interest in the legal claims. A Tracking Share is a security that entitles the holder to convert their Tracking Shares into cash or common shares of Newco at a rate to be determined and based on the net proceeds received by Newco for each of the legal claims. Additionally, the Management Companies of the Fund have agreed to receive ownership in Newco in lieu of the management fees owing to the Management Companies. A new fee will be introduced to compensate certain members of the executive teams, boards of directors, employees and shareholders of the Management Companies (collectively, the “Claim Administrators”), for the economic loss suffered as a result of the various breaches of the certain FIT contracts by IESO (the “Management Legal Claim Entitlement” or “MLCE”). The MLCE is entirely contingent upon a successful outcome of the legal claims and will be paid by the issuance of Tracking Shares to the Claim Administrators.

The Fund engaged a Chartered Business Valuator for the purpose of valuing the Fund’s business and determining each stakeholder’s respective economic interest in the business. The Valuation Report prepared by the Chartered Business Valuator has been updated with a valuation date of December 31, 2022.



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

Following the vote to take place at the Special Meeting described below, Management will be working toward a public listing before the end of 2023. Management is considering options for a public listing which include an initial public offering, a direct listing, a reverse takeover or merging with a listed company.

Results of Special Meetings

Special Meetings for the Limited Partners took place on May 4, 2023. The purpose of the meetings was to obtain approval for the Reorganisation and public listing from the Limited Partners. Approval for the Reorganisation must be obtained from nine of the Fund's limited partnerships to proceed. Approval for the Reorganisation was obtained at the Special Meetings for all limited partnerships except the 2013 LP and 2016 LP. The meetings for the 2013 LP and 2016 LP were adjourned to a later date. The approval for 2013 LP has now been obtained, and the 2016 LP's adjourned meeting is scheduled for July 10, 2023.

Subsequent event note: On July 10, 2023, the vote for 2016 LP passed. Over the next several weeks, Management will be proceeding with the steps to amalgamate the Limited Partnerships into Newco.

Net Asset Value

Following the completion of the valuation report, the fair market values of the limited partnerships were updated as of Q4 2022. Investors can find the up-to-date unit pricing at <https://solarflowthrough.com/limited-partnerships/net-asset-value>.

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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