



Key Events for Q4 2021

Commercial Operation of All Solar Projects

Solar Flow-Through Funds (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. As at December 31, 2021, the Fund had 71 projects totaling 29 MW DC as outlined in Table 2 below. The projects operate under the FIT program for a remaining contract period between 14 and 19 years depending on when each project became operational. After the FIT contracts expire, a project may continue generating revenue at the merchant electricity rate. Presently, the projects are expected to generate \$10 million in annual revenue and adjusted EBITDA of about \$5 million. The Fund is focused on improving its financial performance by increasing production reliability rates and reducing operating expenses and any downtimes through operational performance improvements of the sites.

Portfolio Summary: Energy Generation Performance

Portfolio	Actual Versus Expected Generation					
	Q4			YTD		
	kWh Actual	kWh Expected	Performance %	kWh Actual	kWh Expected	Performance %
Rooftop	1,695,217.66	1,811,792	94%	15,914,076	15,650,978	102%
Ground Mount	2,252,550.87	2,144,640	105%	15,727,048	15,263,479	103%
Total	3,947,769	3,956,432	100%	31,641,124	30,914,457	102%

Note: Expected generation takes into account the actual weather condition that the solar project is operating under. The portfolio of rooftop solar projects performed under expectation, as two projects were out of service since late October due to switching equipment and transformer repair issues. An additional project is partially out of service pending landlord roof repair/construction issues.

	Rooftop			Ground Mount			Total	
	Number	\$/kWh	kW DC	Number	\$/kWh	kW DC	Number	kW DC
FIT 2	21	\$0.54	6,106	0	-	0	21	6,106
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	47		15,428	24		13,500	71	29,028

In Q4, the Fund sold two rooftop solar projects to the respective landlord of the property where the solar project is located under an option agreement entered into concurrently with the original lease for the solar project.

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 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 by the Fund for PCDC reimbursement have been under review by the IESO. The total value of PCDC claims submitted by the Fund 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

In November 2021, we received offers of reimbursement for 14 of the terminated FIT Contracts that confirm over \$2.5 million in refunds that the IESO has agreed to pay. This confirmed amount reflects a recovery rate of over 95% of the original PCDC claims for the fourteen FIT Contracts. These offers of reimbursements are currently under review by both management and the IESO for finalization. To date, we have received payment for one PCDC submission and continue to receive inquiries from the IESO on the remaining submissions. 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.

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 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 3, 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 are currently being prepared. At this time, the Fund’s counsel’s best guidance for a court date is early 2023.

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 improper exercise of the Minister’s authority to direct the

cancellation of the FIT Contracts resulting in 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 the Limited Partnerships

Management plans to pursue a public listing of the Fund, as it is expected to maximise value and provide ongoing liquidity to the investors in a tax-efficient manner. We are currently exploring options to combine the nine limited partnerships into a consolidated entity (“Newco”) in preparation for a public listing on a North American stock exchange.

The plan to reorganise and combine the Fund’s nine Limited Partnerships into a single 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. Prior to all solar projects becoming operational, the Fund was not able to conduct the Reorganisation.

The Reorganisation will result in the limited partners receiving common shares in 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 in Newco 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 common shares of Newco at a rate to be determined and based on the final value received for each of the legal claims. Additionally, Management has agreed to receive ownership in Newco in lieu of the management fees owing to Management. 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 was completed in Q4 2021.

Management is now preparing for a Special Meeting of the Limited Partners for all nine Limited Partnerships with the intent to have the Special Meeting in Q1 2022. The purpose of the Special Meeting is to obtain approval for the Reorganisation and public listing from the Limited Partners. Management is working to finalize the Information Circular for the Special Meeting which details the steps involved in the Reorganisation and public listing. At this time, the public listing is expected to occur in Q2 2022.



88 Todd, a 600kW DC Rooftop Solar Project.

Net Asset Value

Management is 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 and any final amounts received for the PCDC and the legal claims. Management is cautioning unitholders to not rely on the NAV at this time.

Investor Update Call

Management held its third investor update call on December 8, 2021. Investors are welcome to view a recording of the webcast [here](#). We anticipate hosting our next investor update call after providing the Limited Partners with the Information Circular for the Special Meeting and prior to holding the Special Meeting. The investor update call information will be provided by email. If you would like to be added to the mailing list, please contact us or sign up at www.solarflowthrough.com/contact.

COVID-19 Update

In response to the COVID-19 pandemic, 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.

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 December 31, 2021. 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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