



Key Events for Q4 2022

Commercial Operation of Our Solar Projects

As at December 31, 2022, Solar Flow-Through Funds (the “Fund”) has 70 solar photovoltaic generation projects totaling 28.8 MW DC as outlined in Table I. The projects operate under the Ontario FIT program for a remaining contract period between 13 and 18 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. The projects expect to generate annual revenue and adjusted EBITA of about \$9 million and \$6 million, respectively, for fiscal year 2022. The Fund is currently focused on improving its operational performance and securing new opportunities to expand its portfolio.

Table I. 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 Generation, Adjusted Generation and Actual Generation are used to measure and monitor the operating performance of the projects. Budget Generation 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. Adjusted Generation is the Budgeted kWh adjusted for the actual irradiance weather conditions at each site within the listed period. Actual Generation is the amount of energy actually produced in kilowatt hours within the listed period.

Table 2. Portfolio Summary: Energy Generation Performance

Portfolio	Q4 2022 Generation in kWh				
	Budget	Adjusted	Actual	Actual vs. Budget	Actual vs. Adjusted
Rooftop	2,030,082	1,991,968	1,794,595	88.40%	90%
Ground Mount	2,384,551	2,236,868	2,397,266	100.53%	107%
Total	4,414,633	4,228,836	4,191,861	94.95%	99%
Last 12 Months Generation in kWh (Q1 2022 – Q4 2022)					
Portfolio	Budget	Adjusted	Actual	Actual vs. Budget	Actual vs. Adjusted
Rooftop	16,591,565	15,172,452	14,706,833	88.64%	97%
Ground Mount	17,027,046	14,742,449	15,649,118	91.91%	106%
Total	33,618,611	29,914,901	30,355,952	90.30%	101%

In Q4 2022, performance at our rooftop projects was mostly affected by the impairment of three projects. A 240kW DC rooftop solar project was severely damaged by a windstorm. It is 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 project was reduced to 0% of total capacity for the quarter due to the landlord repairing

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



the roof. Performance at our ground mount sites exceeded expectations due to little downtime and no major outages. The Adjusted Generation amount for Q4 2023 across the portfolio was 4,228,836 kWh and lower than the Budget Generation of 4,414,633 kWh (i.e., the actual amount of irradiance was less than the budget irradiance for the quarter). The Actual Generation over the last quarter across all sites was 90% of Budget Generation and 101% of Adjusted Generation.

IESO Request for Qualifications (“LT I RFQ”)

On June 30, 2022, the Fund submitted applications to qualify for Ontario’s Independent Electricity System Operator (“IESO”) new IESO RFP, a program the IESO established to acquire resources to meet Ontario’s growing electricity needs. The Fund intends to submit 8 battery energy storage (“BESS”) projects totaling 32 MW and 128 MWh under the IESO RFP on February 16, 2023. Successful submissions will be notified of receiving a contract under the IESO RFP by the end of Q2 2023. BESS projects that receive a contract under the IESO RFP are expected to be operational by Q2 2025.

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 PCDCs reimbursement has been under review by the IESO. Upon further review by the Fund, 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 for the PCDCs reimbursement, 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 distribution methods in the most tax efficient manner.

In December, several PCDC submissions have been finalized with executed mutual release agreements, and we expect that initial amounts may be first received in Q1 2023.

Legal Claims

Lawsuit #1: Termination of FIT Contracts I

On December 3, 2020, a Statement of Claim was filed by seven project companies controlled by the Fund and one independent solar project developer (collectively the “Plaintiffs”) under the instruction and oversight of the Fund, against the Ontario Ministry of Energy, Northern Development and Mines (“MOE”), the IESO and John Doe (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. With the outstanding issues with the mutual release agreement for the PCDCs being resolved in the quarter, Management expects opposing counsel to prepare statements of defence for the claim.

Lawsuit #2: Termination of FIT Contracts II

On March 5, 2021, a second set of actions was brought by fourteen project companies controlled by the Fund and one independent solar project developer (collectively the “Plaintiffs”) under the instruction and oversight of the Fund, against the Ontario Ministry of Energy, Northern Development and Mines (“MOE”), the IESO and Greg Rickford, as Minister of the MOE (collectively the “Defendants”).

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 improper exercise of the Minister's authority to direct the cancellation of the FIT Contracts resulting in the wrongful termination of 133 FIT contracts.

With the outstanding issues with the mutual release agreement for the PCDCs being resolved in the quarter, Management expects opposing counsel to prepare statements of defence for the claim.

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 court dates for this claim have now been scheduled for April 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 is ongoing, 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 has 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 is being updated with a valuation date of December 31, 2022 and is expected to be completed in Q1 2023.

Management is preparing for a Special Meeting of the Limited Partners for all nine Limited Partnerships. The purpose of the Special Meeting is to obtain approval for the Reorganisation and public listing from the Limited Partners. Management is working to finalise the Information Circular for the Special Meeting which details the steps involved in the Reorganisation and public listing. At this time, the Information Circular is scheduled to be provided to the investors in Q1 2023 for the Special Meeting, which will be followed by the public listing. Management is working towards a public listing in Q3 2023.

Management is evaluating options for a public listing including an initial public offering, a direct listing, a reverse takeover or merging with a listed company.

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 plans to hold its next investor update call on March 8, 2023. Investors are welcome to view recordings of any previous webcasts here. If you would like to be added to the mailing list for future calls, 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 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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