



## Key Events for Q3 2022

### Commercial Operation of Our Solar Projects

As of September 30, 2022, 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 13 and 18 years based 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 generate annual revenue and adjusted EBITDA of about \$10 million and \$5 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
<b>FIT 2</b>	20	\$0.54	5,926	0	-	0	20	5,926
<b>FIT 3.1</b>	26	\$0.33	9,422	10	\$0.29	5,700	36	15,122
<b>FIT 4</b>	0	-	0	4	\$0.22	2,400	4	2,400
<b>FIT 5</b>	0	-	0	10	\$0.19	5,400	10	5,400
<b>Totals</b>	<b>46</b>		<b>15,348</b>	<b>24</b>		<b>13,500</b>	<b>70</b>	<b>28,848</b>

**Table 2. Portfolio Summary: Energy Generation Performance**

Portfolio	Actual Versus Expected Generation					
	Q2 2022			Last 12 Months (Q4 2021 – Q3 2022)		
	kWh Actual	kWh Expected	Performance %	kWh Actual	kWh Expected	Performance %
Rooftop	5,121,515	5,266,192	97%	14,607,456	14,992,276	97%
Ground Mount	5,382,306	4,983,286	108%	15,504,403	14,650,221	106%
Total	10,503,820	10,249,478	102%	30,111,859	29,642,498	102%

Note: Expected generation accounts for the actual weather condition that the solar project is operating under. In Q3 2022, performance at our rooftop projects was affected by impairment of two projects. A 200 kW AC rooftop solar project was severely damaged by a windstorm. It is operating at 50% of its generating capacity, and we are working with engineers on remediating the damaged portion of the solar project. Another project was reduced to 55% generating capacity for the quarter due to landlord roof repair issues. Performance at our ground mount sites exceeded expectations due to little downtime and no major outages. The performance over the past 12 months remains positive at 102% of the expected generation.

### IESO Request for Qualifications (“LTI RFP”)

On June 30, 2022, the Fund submitted applications to qualify for Ontario’s IESO (Independent Electricity System Operator) new [IESO RFP](#), a program the IESO established to acquire resources to meet Ontario’s growing electricity needs. Under the IESO RFP, preliminary applications were completed for 20 projects totalling 100 MW and 400 MWh. If successful, this would result in the installation of battery energy storage systems (BESS) at a number of our existing ground mount solar projects. Each proposed utility grid-connected BESS will be a 5 MW/20 MWh system, charged by the local grid

overnight when there is low electricity demand and supplying power to the grid at times of high demand, providing significant grid reliability. BESS components include containerized units housing all necessary batteries, inverters, fire suppression and extinguishment, and HVAC systems. While the IESO reviews the viability of our projects connecting to the electricity grid, our team is working on the next steps of our proposal submission, which is due to the IESO on December 20, 2022. These steps include but are not limited to developing site plans, determining the technological equipment and EPC provider, community engagement and obtaining approval from the various local municipalities.

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



### **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 received and available for us is subject to the IESO’s approval and certain amounts payable to unpaid vendors, and there is no certainty as to the actual amount to be recovered from the IESO. Management in consultation with their advisors are reviewing different options for the optimal use of funds or distribution methods in the most tax efficient manner.

As of September 30, 2022, we have nineteen offers of reimbursement that confirm over \$3 million in refunds that the IESO has agreed to pay. This confirmed amount reflects a recovery rate of 100% of the original PCDC claims. These offers of reimbursements are currently under review by both management and the IESO for finalization of their respective mutual release agreements.

### **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 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. We expect statements of defence to be served following the resolution of the mutual release agreement for the PCDCs and the determination of some preliminary motions.

#### **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 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 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 have been prepared and provided to opposing counsel. At this time, a court date is expected mid 2023.

### **Lawsuits #3 Issued January 29 and March 5, 2021**

A second set of actions has been 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. We expect statements of defence to be served following the resolution of the mutual release agreement for the PCDCs and the determination of some preliminary motions, including a motion to consolidate the two actions (i.e. Lawsuit #1 and Lawsuit #3) into a single action.

### **Liquidity Event and Public Listing of the Fund**

Management is pursuing 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 public listing on a Canadian stock exchange next year.

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.

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 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 a portion 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 was initially completed in 2021 using a valuation date of December 31, 2020. It has been updated with a valuation date of December 31, 2021.

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 Q4 2022 and the Special Meeting is expected to occur one month afterward, which will be followed by the public listing. The public listing is expected to take place in Q2 2023.



*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 an investor update call on April 27, 2022. Investors are welcome to view a recording of the webcast [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](http://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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