

OFFERING MEMORANDUM

Date: May 27, 2016

The Issuer

Name: SIF #2 Solar Income & Growth (the “**Fund**”)
Head office: Address: 150 Bridgeland Avenue, Suite 202/206, Toronto, Ontario M6A 1Z5
Phone #: (416) 548-6449
E-mail address: info@solarincomefund.com
Fax #: (416) 900-3842

Currently listed or quoted? **These securities do not trade on any exchange or market.**

Reporting issuer? No

SEDAR filer? No

The Offering

Securities offered: Units of the Fund (the “**Units**”)

Price per security: \$80 per Unit¹

Minimum/Maximum offering: **There is no minimum. You may be the only purchaser.**
The maximum offering is \$8,000,000.
Funds available under the offering may not be sufficient to accomplish our proposed objectives.

Minimum subscription amount: \$800 (10 Units)

Payment terms: Payment by cheque or bank draft to SIF #2 Solar Income & Growth for the full subscription amount.

Proposed closing date(s): Closings of sales of Units are expected to occur in stages (each, a “**Closing**”) from time to time, at the discretion of Solar Income Fund Inc. (“**SIF**” or the “**Manager**”).

Income tax consequences: **There are important tax consequences to these securities. You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you. See Item 6 – Income Tax Consequences and RRSP Eligibility.**

Selling agent: Yes. See *Item 7 – Compensation Paid to Sellers and Finders.*

Resale restrictions

You will be restricted from selling your securities for an indefinite period. See *Item 10 – Resale Restrictions.*

Purchaser’s rights

You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See *Item 11 – Purchasers’ Rights.*

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 8 – Risk Factors.

¹ The price per Unit is higher than the net asset value (“**NAV**”) used to set the redemption price for unitholders should they wish to exit the Fund. The NAV changes regularly and its value is determined based on a variety of factors, including the initial capital issuance costs, distribution costs and any operating losses, among other factors. The Manager determines the NAV at least every year. The current NAV on a per Unit basis determined as at December 31, 2015 is \$59.83.

GLOSSARY	1
FORWARD LOOKING STATEMENTS	6
DOCUMENTS INCORPORATED BY REFERENCE	6
ITEM 1: USE OF AVAILABLE FUNDS.....	7
1.1 Funds.....	7
1.2 Use of Available Funds	8
1.3 <i>Reallocation</i>	9
ITEM 2: BUSINESS OF THE FUND	9
2.1 Structure.....	9
2.2 Our Business.....	11
2.3 Development of Business	21
2.4 Long-Term Objectives.....	25
2.5 Short Term Objectives and How We Intend to Achieve Them.....	25
2.6 Insufficient Funds	25
2.7 Material Agreements	25
ITEM 3: INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS	37
3.1 Compensation and Securities Held.....	37
3.2 Management Experience	39
3.3 Penalties, Sanctions and Bankruptcy	40
3.4 Loans	41
ITEM 4: CAPITAL STRUCTURE.....	41
4.1 Equity Securities	41
4.2 Long-Term Debt Securities	41
4.3 Prior Sales.....	42
4.4 Redemption History	43
ITEM 5: SECURITIES OFFERED	43
5.1 Terms of Securities	43
5.2 Subscription Procedure	46
ITEM 6: INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY.....	47
ITEM 7: COMPENSATION PAID TO SELLERS AND FINDERS.....	47
ITEM 8: RISK FACTORS	47
ITEM 9: REPORTING OBLIGATIONS.....	52
ITEM 10: RESALE RESTRICTIONS	52
10.1 General Statement	52
10.2 Restricted Period.....	53
10.3 Manitoba Resale Restrictions	53
ITEM 11: PURCHASERS' RIGHTS	53

ITEM 12: FINANCIAL STATEMENTS	57
ITEM 13: DATE AND CERTIFICATE.....	79
FIGURE 1: SIF#2 SOLAR INCOME & GROWTH	80
FIGURE 2: EXISTING FUNDS AND AFFILIATES.....	81

GLOSSARY

In this Offering Memorandum, unless the context otherwise requires, the following words and terms shall have the indicated meanings and grammatical variations of such words and terms shall have corresponding meanings:

“**Administrative Fee**” means the fee paid to the Manager for providing support services to the Fund and its Subsidiaries in accordance with the Management Agreement as it may be amended from time to time.

“**BCSC**” means the British Columbia Securities Commission.

“**Bridge Borrower**” means Solar Income Fund LP (#5), an Existing Fund managed by SIF.

“**Business**” means the investment by the Fund in Subsidiaries which will in turn invest in the acquisition, development financing, and operation of Installations and other ancillary or incidental business activities.

“**Cash Distributions**” means the amount of cash distributed in respect of the Units to the extent that such distributions do not represent a return of capital to Unitholders for accounting or tax purposes.

“**CIA**” means a Connection Impact Assessment.

“**CLA**” means the *Construction Lien Act* (Ontario).

“**Declaration of Trust**” means the declaration of trust dated October 9, 2014 and amended and restated on February 3, 2016, governed by the laws of the Province of Alberta, pursuant to which the Fund was created, as the same may be amended, supplemented or varied from time to time.

“**Development Fee**” means the fee payable to SIF pursuant to the Management Agreement.

“**Distribution Reinvestment Plan**” means the distribution reinvestment plan established by the Fund.

“**Domestic Content**” refers to requirements related to certain activities that must be met by a supplier in order to qualify for a FIT contract.

“**EHT**” means Enerdynamic Hybrid Technologies Corp.

“**Electricity Grid Connection Fee**” means a fee equal to \$40,000 per Megawatt of electricity in respect of each Installation that is currently operating and generating electricity that is acquired in the month and each Installation in development that is connected to the electricity grid in the month.

“**EPC Agreement**” means the engineering, procurement and construction agreement entered into between Frankensolar Americas and Essex LP on November 11, 2015, as more particularly described in *Item 2.7 – Material Agreements – EPC Agreement*.

“**EPC Services**” means engineering, procurement and construction services.

“**EPC Work**” has the meaning ascribed to it in *Item 2.7 – Material Agreements – EPC Agreement*.

“**Essex GP**” means SIF #2 Reliant Essex GP Inc.

“**Essex LP**” means SIF #2 Reliant Essex LP.

“**Essex LP Agreement**” means the limited partnership agreement of Essex LP dated November 21, 2014, which was amended and restated on October 14, 2015.

“**Essex Project Lender**” means CIT Financial Ltd.

“**Essex Projects**” means the solar projects to be developed by the Fund in Essex County, Ontario.

“**Existing Funds**” means entities that SIF provides development and management services to and that carry on business activities similar to the Business. See *Figure 1 – Fund Organizational Chart* and *Figure 2 – Existing Funds and Affiliates Chart*, attached hereto.

“**Extraordinary Resolution**” means a resolution passed by at least 66 2/3% of the votes cast at a meeting of Unitholders.

“**FIT 1**” means existing and issued FIT contracts under the original FIT Program.

“**FIT 2 Changes**” means certain changes to the FIT Program from previous directives.

“**FIT 3 Changes**” means changes to the FIT Program introduced by the Ministry of Energy when it directed the OPA by a directive dated August 16, 2013.

“**FIT 3 Contracts**” means the the feed-in-tariff contracts and rooftop license agreements related to the Essex Projects, subject to the occurrence of certain events and the settlement of definitive agreements to be entered into with the vendor of the Essex Projects.

“**FIT Program**” means the Ontario Feed-In Tariff rate program.

“**FIT Rate**” means the price the Province of Ontario will pay for each kW hour of electricity pursuant to long-term power purchase agreements under the FIT Program.

“**Frankensolar Americas**” means Frankensolar Americas Inc.

“**Fund**” means SIF #2 Solar Income & Growth, and if applicable, includes any Subsidiaries of the Fund.

“**GECD SB**” means the Greater Essex County District School Board.

“**Green Energy Act**” means the *Green Energy Act, 2009* (Ontario).

“**HONI**” means Hydro One Networks Inc.

“**IESO**” means the Independent Electricity System Operator.

“**IFRS**” means accounting principles so described and promulgated by the Canadian Institute of Chartered Accountants which are applicable as at the date on which any calculation hereunder is to be effective.

“**Installations**” or “**Installation**” as applicable, means solar energy power installations or non-solar renewable energy project installations that the Fund intends to acquire, develop or operate, or has acquired, developed and is operating.

“**Kingfisher FN**” means Kingfisher Lake First Nation.

“**kW**” means kilowatt.

“**LDC**” means the local distribution company which is the owner or operator of a system connected to the IESO-controlled grid for distributing electricity at voltages of 50 kilovolts or less who is licensed by the Ontario Energy Board (OEB) or its successor as an “electricity distributor”.

“**Letter Agreement**” has the meaning ascribed to it in *Item 2.3 – Development of Business – the Essex Projects*.

“**LRP I RFQ**” means a request for proposals that is anticipated to result from the LRP I RFQ.

“**LRP I RFQ**” means the first request for qualifications phase of the Large Renewable Procurement process of the IESO.

“**Management Agreement**” means the management agreement entered into between SIF, Computershare Trust Company of Canada and the Fund on October 9, 2014, as amended and restated on February 3, 2016, as the same may be amended, supplemented or varied from time to time, as more particularly described in *Item 2.7 – Material Agreements*.

“**Manager**” means a Person engaged by the Trustee on behalf of the Fund to administer the ongoing operations of the Fund and who shall initially be SIF.

“**Market Value Per Unit**” means on any date, the most recent fair market value of the Units determined by the Manager prior to such date (in accordance with the Declaration of Trust) divided by the number of Units then outstanding.

“**Marketing Materials**” means a written communication, other than an “OM standard term sheet” (as defined in NI 45-106), intended for prospective purchasers regarding a distribution of securities under an offering memorandum delivered under section 2.9 [*Offering memorandum*] of NI 45-106 that contains material facts relating to an issuer, securities or an offering, related to each distribution under the offering memorandum and delivered or made reasonably available to a prospective purchaser before the termination of the distribution.

“**Maximum Offering**” means a total of 100,000 Units for aggregate gross proceeds of \$8,000,000.

“**MetaSolar**” means MetaSolar Consultants Inc.

“**MoE**” means the Ontario Minister of Energy.

“**Monthly Limit**” means \$100,000.

“**NI 45-106**” means National Instrument 45-106 *Prospectus Exemptions*.

“**Non-Resident Beneficiaries**” means persons who are not resident in Canada for the purposes of the Tax Act.

“**Notes**” means promissory notes, bonds, debentures, debt securities or similar evidence of indebtedness issued by a Subsidiary of the Fund.

“**NTP**” means a Notice to Proceed, which is issued by the OPA/IESO when it has confirmed that a project can begin being built.

“**O&M Services**” means operations and maintenance services.

“**Offering**” means the offering of up to 100,000 Units of the Fund pursuant to this Offering Memorandum.

“**Offering Memorandum**” means this offering memorandum dated May 27, 2016 as may be amended and or supplemented from time to time.

“**OPA**” means the Ontario Power Authority (now part of the IESO).

“**Partnership Business**” has the meaning ascribed to it in *Item 2.1 – Structure – SIF #2 Reliant Essex LP*.

“**Performance Fee**” means a fee equal to 2/3 of all Cash Distributions paid or payable to Unitholders representing in excess of 8% per annum of the outstanding Units’ capital.

“**Person**” includes any individual, corporation, limited partnership, general partnership, joint stock company, joint venture, association, company, trust, bank, trust company, government, government department or agency, or other entity or organization whether incorporated or not.

“**Plan Participant**” means any Unitholder that has elected to participate in the Distribution Reinvestment Plan.

“**Redemption Date**” means, in respect of Units properly surrendered for redemption by a Unitholder on any business day prior to the first day of a month, the last business day of that month.

“**Redemption Notice**” means a written notice delivered to the Trustee (at its office in the City of Calgary) from a Unitholder who desires to exercise redemption privileges in accordance with the Deed of Trust.

“**Redemption Price**” means a price per Unit, equal to the Applicable Percentage of the most recent net asset value of the Units determined by the Manager prior to the Redemption Date, divided by the number of Units then outstanding, less any costs and expenses incurred by the Fund in connection with funding the redemption.

“**RFNLP**” means Reliant First Nation Limited Partnership.

“**RFNLP Essex Assets**” means the key assets of the Essex Projects, including the FIT 3 Contracts, the rooftop license agreements with the GECDSB, and certain ancillary assets, as described in *Item 2.3 – Development of Business – the Essex Projects*.

“**ROR**” means run-of-river hydroelectricity.

“**RRSP**” means a registered retirement saving plan.

“**SCADA**” means Supervisory Control and Data Acquisition, a computer system for gathering and analyzing real-time data used for monitoring and control of equipment.

“**SIF**” means Solar Income Fund Inc., a private Ontario corporation.

“**SIF EI&G**” means the SIF Solar Energy Income & Growth Fund.

“**SIFCCI**” means SIF Capital Canada Inc.

“**Small FIT**” means a project that is to be connected to a distribution system and has a proposed capacity of 250 kW or less (if connected to a less than 15 kV line) or 500 kW or less (if connected to a 15 kV or greater line), and that is not a microFIT project.

“**solar PV**” means solar photovoltaic.

“**Subscriber**” means a Person who subscribes for Units pursuant to this Offering.

“**Subscription Agreement**” means the subscription agreement entered into between a Subscriber and the Fund with respect to the purchase of Units by a Subscriber under this Offering.

“**Subsidiary**” means any Person (other than an individual) the financial results of which would be required to be consolidated with those of the Fund’s in the preparation of the Fund’s consolidated financial statements if prepared in accordance with IFRS.

“**Tax Act**” means the *Income Tax Act* (Canada), as amended.

“**Term Loan Term Sheet**” means the term sheet that was finalized on January 18, 2016 with the Essex Project Lender regarding a potential 18 year term loan to Essex LP of up to \$15 million made by way of up to four advances, with repayment to be by way of quarterly installments, the first of which would be made the earlier of the first full calendar quarter following the last advance or December 31, 2016.

“**Termination Date**” means the date on which the Fund is terminated.

“**Total Assets**” in respect of any date means the total assets of the Fund as shown on the audited annual balance sheet or the unaudited interim balance sheet of the Fund in respect of the most recently completed financial quarter or year-end, as the case may be, prior to such date.

“**Trustee**” means the trustee of the Fund from time to time, which is currently Computershare Trust Company of Canada.

“**Unitholder**” means a holder of a Unit.

“**Units**” means units in a single class of units of the Fund and includes a fraction of a unit of the Fund.

“**wDC**” means watts Direct Current.

FORWARD LOOKING STATEMENTS

Certain information included in this Offering Memorandum contains forward looking statements within the meaning of applicable securities laws, including, among other things, statements concerning the Fund's objectives and strategies to achieve those objectives, statements with respect to management of the Fund's beliefs, plans, estimates and intentions and statements concerning anticipated future events, circumstances, expectations, results, operations or performance that are not historical facts. Forward looking statements can be identified generally by the use of forward looking terminology, such as "indicators", "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", "continue" or similar expressions suggesting future outcomes or events. Such forward looking statements reflect management of the Fund's current beliefs and are based on information currently available to management.

The forward looking statements in this Offering Memorandum are not guarantees of future results, operations or performance and are based on estimates and assumptions that are subject to risks and uncertainties, including those described below, which could cause actual results, operations or performance to differ materially from the forward looking statements in this Offering Memorandum. Those risks and uncertainties include risks associated with the energy power generation (solar, waterpower and bioenergy/biogas/biomass) business and financing, and environmental and tax-related risks. Material assumptions that were made in formulating the forward looking statements in this Offering Memorandum include the following: that the Fund will be able to raise capital through this Offering, that the Fund will be able to complete term loan financing at a reasonable cost, that full utilization of the Fund's available funds will be possible due to an available volume of suitable renewable energy projects; and that all governmental approvals for such projects will be obtained and that such projects will generate expected income. Although the forward looking statements contained in this Offering Memorandum are based on what management of the Fund believes are reasonable assumptions, there can be no assurance that actual results, operations or performance will be consistent with these statements.

All forward looking statements in this Offering Memorandum are qualified by this forward looking disclaimer. These statements are made as of the date of this Offering Memorandum, and, except as required by applicable law, the Fund assumes no obligation to update publicly or revise any such statements to reflect new information or the occurrence of future events or circumstances.

DOCUMENTS INCORPORATED BY REFERENCE

In Alberta, New Brunswick, Nova Scotia, Ontario and Saskatchewan, any Marketing Materials related to a distribution of Units under this Offering Memorandum and section 2.9 [*Offering memorandum*] of NI 45-106 delivered or made reasonable available to a prospective purchaser before the termination of the distribution are specifically incorporated by reference into this Offering Memorandum.

The following section of this Offering Memorandum contains forward-looking information, particularly statements related to amounts to be raised by this Offering and the intended uses of available funds, but not limited to those statements. The discussion in this section is qualified in its entirety by the cautionary language under the heading “Forward Looking Statements” in this Offering Memorandum.

ITEM 1: USE OF AVAILABLE FUNDS

1.1 Funds

The following table sets forth the funds available as a result of the Offering.

		Assuming min. offering ⁽¹⁾ (\$)	Assuming max. offering (\$)
A	Amount to be raised by this Offering	0	8,000,000
B	Selling commissions and fees ⁽²⁾	0	800,000
C	Estimated Offering costs (e.g., legal, external accounting, audit.)	0	300,000
D	Marketing costs	0	50,000
E	Available funds: $E = A - (B+C+D)$	0	6,850,000
F	Additional sources of funding required ⁽³⁾	0	13,000,000
G	Working capital deficiency ⁽⁴⁾	0	(8,168,534)
H	Total: $H = (E+F) - G$	0	11,681,466

Notes:

- (1) There is no minimum amount of funds to be raised pursuant to this Offering. Units were sold in the initial offering memorandum.
- (2) Assumes 10% of the gross proceeds of the Offering may be paid by the Fund to parties who effect the sale of Units under this Offering. See *Item 7 – Compensation Paid to Sellers and Finders*.
- (3) The Term Loan Term Sheet has been finalized with CIT Financial Ltd. regarding a potential 18 year term loan to Essex LP of up to \$15,000,000 made by way of up to four advances. \$13,000,000 represents that portion of the loan that the Fund estimates may be drawn down in connection with the development of the Essex Projects. In order to achieve all of its objectives, the Fund may seek to obtain up to \$9,000,000 in debt financing as an additional source of funding. See *Item 2.6 – Insufficient Funds*.
- (4) As at December 31, 2015, the working capital deficiency was \$4,352,620, as reflected on the audited December 31, 2015 financial statements attached hereto. Working capital deficiency is determined by subtracting current liabilities from current assets. The Fund has borrowed funds from related parties to purchase solar panels and for development of the Essex Projects as well as to pay distributions to Unitholders. Of this amount, \$368,000 owing to SIF as at December 31, 2015 has been repaid. As at May 18, 2016, the working capital deficiency was \$8,168,534 with current assets in the amount of \$587,671 and current liabilities in the amount of \$8,756,205, including an amount due to related parties in the amount of \$8,319,442; (\$8,263,942 payable to SIF Solar Energy Operating Trust, an Existing Fund managed by SIF; and \$55,500, which includes \$4,000 of interest, payable to CPE Inc., a wholly-owned subsidiary of SIF). Of the borrowed funds, approximately \$4,028,832 was used to acquire solar panels for the Essex Projects, the timing of which was designed to (i) take advantage of the Canadian dollar’s value against the American dollar at the time, to minimize currency fluctuation risks, and (ii) make the purchase prior to the coming into force of expected anti-dumping tariffs. The loans are evidenced by one or more promissory notes due on demand, bearing interest at the rate of 15% per annum. Assuming the maximum offering is completed, the working capital deficiency of \$8,168,534 will be eliminated by the use of available funds from this Offering.

1.2 Use of Available Funds

The following table sets forth a breakdown of how the Fund will use the available funds of the Offering for the Essex Projects and other future projects:

Description of intended use of available funds listed in order of priority	Assuming min. offering (\$)	Assuming max. offering (\$)
Balance of Essex Projects: hard costs, solar panels, engineering and other costs ⁽¹⁾	0	7,650,000
Development Fee ⁽²⁾	0	290,000
Electricity Grid Connection Fee ⁽³⁾	0	320,000
Administrative Fee ⁽⁴⁾	0	105,000
Legal and professional fees for acquisition of Installations	0	150,000
Investor distribution reserve ⁽⁵⁾	0	320,000
Funds available for additional projects	0	2,846,466
Total:	0	11,681,466

Notes:

- (1) As of December 31, 2015 and May 18, 2016, the Fund has spent \$7,605,885 and \$9,567,934, respectively, in connection with the Essex Projects. See *Item 2.3 – Development of the Business - The Essex Projects*.
- (2) Represents the Development Fee payable to SIF. The Manager is entitled to a Development Fee equal to \$1,620,000 payable in twelve equal monthly installments (i.e., \$135,000 per month), however the Manager has agreed to limit the Development Fee to \$70,000 per month. See *Item 2.7 – Material Agreements – Management Agreement – Manager’s Fees*. As of December 31, 2015, the Fund has paid \$1,050,000 to the Manager in respect of the Development Fee. The Development Fee set out in the table above has been calculated based on the aggregate Development Fee of \$1,620,000 less \$1,330,000 paid to the Manager as at May 18, 2016.
- (3) Represents the Electricity Grid Connection Fee payable to SIF, assuming the acquisition or connection of 8 Megawatts of solar energy projects. No Electricity Grid Connection Fee will be payable to the Manager in respect of Installations that are operating and generating electricity that are acquired from Existing Funds. See *Item 2.7 – Material Agreements – Management Agreement – Manager’s Fees*.
- (4) Represents an estimate of the Administrative Fee payable to SIF up to the end of August 2016, the point at which the Essex Projects are expected to be in operation. The Management Agreement was amended on February 3, 2016 to incorporate a new method of calculating the Administrative Fee. The Administrative Fee is now payable monthly and calculated as at the last day of the month, in an amount equal to 2% of the Total Assets of the Fund per annum, in the event that an Installation is in development as at such date; or 1% of the Total Assets of the Fund per annum, in the event that no Installations are in development as at such date. See *Item 2.7 – Material Agreements – Management Agreement – Manager’s Fees*. As of December 31, 2015, the Fund has paid the Manager a total of \$247,867 in respect of the Administrative Fee.
- (5) Represents 4% of the Maximum Offering of \$8,000,000. The Fund will reserve 4% of the proceeds of the Offering to fund monthly cash distributions to Unitholders until such time as income is available for distribution. See *Item 5.1 – Terms of Securities – Distribution Policy*. As at the date of this Offering Memorandum, the Fund does not have any funds reserved for distributions to Unitholders.

1.3 Reallocation

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

The following section of this Offering Memorandum contains forward-looking information, particularly statements related to the management and investment strategy of the Fund, the objectives of the Fund, the achievement of those objectives, but not limited to those statements. The discussion in this section is qualified in its entirety by the cautionary language under the heading “Forward Looking Statements” in this Offering Memorandum.

ITEM 2: BUSINESS OF THE FUND

2.1 Structure

The Fund is an unincorporated open-end investment trust created by the Declaration of Trust governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein. The Fund intends to qualify as a “mutual fund trust” as defined by the Tax Act at all times.

Promoter and Manager

SIF, or the Manager, is a privately held Canadian-based company focused on the acquisition, development, management and operation of solar PV and, more recently, non-solar renewable energy power generation installations backed by long-term power purchase agreements. SIF provides consulting, development and administrative services to the Fund and its Subsidiaries pursuant to the Management Agreement. SIF provides development and management services to Existing Funds similar to those it provides to the Fund under the Management Agreement. The principal office of the Manager is located at 150 Bridgeland Avenue, Suite 202/206, Toronto, Ontario, M6A 1Z5.

SIF will be entitled to receive fees as compensation for services rendered to the Fund. See *Item 2.7 – Material Agreements – Management Agreement – Duties and Services to be Provided by the Manager and Manager’s Fees*.

SIF may be considered a promoter of the Fund within the meaning of the securities legislation of certain provinces or territories of Canada by reason of its initiative in organizing the Fund. The key personnel of the Fund are the same as those of the Manager. See *Item 8 – Risk Factors – Reliance on Key Personnel*.

SIF #2 Operating Trust

SIF #2 Operating Trust was created by the Fund on October 21, 2014 to be the sole limited partner of one or more limited partnerships that will invest in the acquisition, development, financing and operation of Installations and other ancillary or incidental business activities consistent with the Fund’s principal strategic objective. As of the date hereof, the only operations of those limited partnerships are those described herein. See *Figure 1 - Fund Organizational Chart*, attached hereto.

The declaration of trust of SIF #2 Operating Trust provides that it is intended that the Fund will be the sole Unitholder of SIF #2 Operating Trust at all times. In accordance with the declaration of trust of SIF #2 Operating Trust, the legal ownership of the assets of SIF #2 Operating Trust and the right to conduct its affairs are vested exclusively in its trustees, and the Fund shall have no interest therein other than the beneficial interest in SIF #2 Operating Trust conferred by the units issued under the declaration of trust of SIF #2 Operating Trust as described therein. Charles Mazzacato is the sole trustee of SIF #2 Operating Trust.

Subject to and in accordance with the terms, conditions and limitations in the declaration of trust of SIF #2 Operating Trust, the trustee has delegated to SIF the management and general administration of the affairs of SIF #2 Operating Trust during the term of the Management Agreement. SIF provides consulting, development and administrative services to the Fund and its subsidiaries, including SIF #2 Operating Trust, in accordance with the terms of the Management Agreement.

SIF #2 Reliant Essex LP

SIF #2 Operating Trust has subscribed for limited partnership units of Essex LP, an Ontario limited partnership formed on November 21, 2014. SIF #2 Operating Trust holds an 85% interest in Essex LP, with the remaining 15% held by Kingfisher FN. The participation of Kingfisher FN in the Essex Projects was an important factor in the awarding of the FIT Contracts and, as a condition of the FIT Contracts, is required to be maintained for at least five (5) years following the date on which the last of the Essex Projects achieves commercial operation. Essex GP, an Ontario corporation, is the general partner of Essex LP. Essex GP is wholly owned by SIF #2 Operating Trust. Essex LP's head office is located at 150 Bridgeland Avenue, Suite 202/206, Toronto, Ontario, M6A 1Z5.

Essex LP was formed to carry on the Partnership Business, in accordance with the terms of the Essex LP Agreement. The **"Partnership Business"** means, principally, the business of acquiring, owning, developing and operating installations, which business shall include entering into leases, licenses, offers to lease, offers to purchase, operating contracts, owning shares of other companies (including nominee or trustee companies holding title to Essex LP's revenue-producing installations), all improvements located thereon and equipment related thereto and employing any personnel necessary to run the business, and any other business that the general partner of Essex LP determines shall be part of the Partnership Business, all in a manner consistent with the Declaration of Trust of the Fund.

Under the terms of the Essex LP Agreement, Essex LP shall not undertake any activity, take any action, or make any investment which would result in the Fund breaching or being in default of the investment restrictions or operating policies of the Fund as set out in the Fund's Declaration of Trust.

Subject to any limitation set out in the Essex LP Agreement and to the limitations provided for in the *Limited Partnerships Act* (Ontario), Essex GP has full power and exclusive authority for and on behalf of Essex LP to manage, conduct, control, administer and operate the business and affairs of Essex LP and shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business of Essex LP described in the Essex LP Agreement and for the protection and benefit of Essex LP. In addition, Essex GP has the power to authorize SIF to exercise all or any of the powers conferred upon Essex GP by the Essex LP Agreement (including for greater certainty, the powers set out above).

In accordance with the Essex LP Agreement, Essex GP has delegated the day-to-day management and the operation of the affairs of Essex LP to SIF in accordance with the limited partnership agreement, the terms and conditions of the Management Agreement and applicable law. SIF provides consulting, development and administrative services to the Fund and its Subsidiaries, including Essex LP, in accordance with the terms of the Management Agreement. See *Item 2.7 – Material Agreements – Management Agreement*.

Additional Subsidiaries

In addition to SIF #2 Reliant Essex LP, SIF #2 Operating Trust has formed four subsidiary limited partnerships for the purpose of future acquisition, development, financing and operation of solar and non-solar power installations. As at the date hereof, these four limited partnerships are not conducting any business and no specific projects have been identified for their investment. See *Figure 1 - Fund Organizational Chart*, attached hereto.

SIF Solar Energy Income & Growth Fund

SIF manages SIF EI&G and other Existing Funds in addition to managing the Fund. Periodically, as described herein, certain subsidiaries of SIF EI&G have played roles in the Essex Projects initiative, as part of the initial negotiations for terms of acquisition, or, arranging a portion of development funding. See *Figure 2 – Existing Funds and Affiliates*, attached hereto.

CPE Inc.

CPE Inc. (“**CPE**”), a wholly-owned subsidiary of SIF, provides professional and technical services (O&M Services, EPC Services, project management) in the solar PV industry as well as Power Quality and Energy Efficiency services. CPE is an authorized service company which provides warranty service for several inverter manufacturers. CPE currently has approximately 18 MW of existing commercial rooftop and utility scale solar farms under contract (which includes 13 MW under contract with the Existing Funds), and another 6 MW under development and construction. CPE provides O&M Services to the Existing Funds and to unrelated third parties and has the expertise to operate and maintain “non-bankable” solar energy projects.

The Fund entered into a competitively priced arrangement with CPE on May 26, 2015, pursuant to which CPE will render services to, and receive fees from, the Fund with fees to be the lowest amounts which CPE earns on similar projects with unrelated third parties. See *Item 2.2 – Our Business – Operation, Maintenance and Project Management of Solar Energy Projects* and *Item 2.3 – Development of Business – The Essex Projects*.

The Trustee

Computershare Trust Company of Canada (the “**Trustee**”), located in Calgary, Alberta, is the trustee of the Fund. The address of the Trustee is 600, 530 - 8th Avenue S.W., Calgary, Alberta, T2P 3S8.

The Trustee is entitled to receive fees from the Fund and to be reimbursed by the Fund for all expenses which are reasonably incurred by the Trustee in connection with the activities of the Fund.

The Auditors

The auditors of the Fund are MNP LLP, Chartered Professional Accountants, Licensed Public Accountants, Toronto, Ontario.

Organizational Chart

See *Figure 1 – Fund Organization Chart*, attached hereto.

2.2 Our Business

The Fund, through its Subsidiaries, intends to acquire, develop and operate Installations, backed by long-term power purchase agreements. Through its Subsidiaries, the Fund intends to sell the energy produced from the Installations it acquires or develops into the electricity grid pursuant to such long-term power purchase agreements. In addition to operating in Ontario under the FIT Program described below, the Fund may in the future also develop or acquire Installations in other provinces and outside of Canada.

SIF currently manages and provides services to the Existing Funds. Each of the Existing Funds carry on business activities similar to the Business. As of the date hereof, SIF manages 50 solar energy Installations (this does not include the 35 solar projects which were sold in 2015), producing approximately 11.2 Megawatt hours of electricity annually. The electricity produced is being sold into the Ontario electricity grid. Third party engineering, procurement and construction firms have been retained to build and connect Installations into the Ontario electricity grid on behalf of the Existing Funds. In addition, solar energy Installations have been purchased from developers by the Existing Funds upon connection to the electricity grid or thereafter. The Existing Funds’ projects currently in operation are as follows:

Project	# of Projects	Size (kW DC)	FIT Rate	Category
East Wilmot	1	101.70	\$0.713	Industrial/Commercial Rooftop
MicroFITs	25	300.00	\$0.802	Groundmount Tracker Arrays (25)
Port Authority	1	680.00	\$0.635	Industrial/Commercial Rooftop
Dalt's Honda	1	191.75	\$0.713	Industrial/Commercial Rooftop
Deziel, Bldg 100 - 500	4	302.60	\$0.635	Industrial/Commercial Rooftop (4)
Deziel, Bldg 600	1	131.63	\$0.635	Industrial/Commercial Rooftop
Devon Drive	1	153.40	\$0.713	Industrial/Commercial Rooftop
Twin Oaks	1	36.00	\$0.713	Industrial/Commercial Rooftop
Taunton Road	1	263.25	\$0.713	Industrial/Commercial Rooftop
Whitewater	1	4,231.00	\$0.420	Groundmount Solar Farm
D'Arcy Street	1	599.00	\$0.635	Industrial/Commercial Rooftop
Division Street	1	618.24	\$0.635	Industrial/Commercial Rooftop
Supertest Road	1	383.50	\$0.635	Industrial/Commercial Rooftop
Peter Street	1	408.32	\$0.443	Groundmount Array
Sismet Road	1	399.75	\$0.713	Industrial/Commercial Rooftop
Westburne	1	297.00	\$0.539	Industrial/Commercial Rooftop
Riverside Drive	1	319.90	\$0.713	Industrial/Commercial Rooftop
SWM Firehall	1	60.00	\$0.802	Industrial/Commercial Rooftop
CCS Stan Adams Ashland	1	240.00	\$0.802	Industrial/Commercial Rooftop
SWM Arena	1	180.00	\$0.802	Industrial/Commercial Rooftop
CCS Stan Adams Fanshawe	1	96.00	\$0.802	Industrial/Commercial Rooftop
SWM Ground WPCP	1	600.00	\$0.802	Groundmount Solar Garden
Strathroy-Caradoc Grount WPCP	1	600.00	\$0.802	Groundmount Solar Garden
Totals	50	11,193.04		

As a preliminary step to developing Installations, the Fund expects to enter into letter agreements with a vendor and a developer pursuant to which the vendor and developer will agree to develop the Installation at their cost and the Fund will agree to purchase the Installation upon completion. Such letter agreements are typically highly conditional and there is no assurance that any one of them will result in the Fund acquiring an Installation. In some cases, deposits are given to developers at an early stage, with the risk that the deposited funds could be forfeited if the project does not proceed for a variety of reasons.

Through its Subsidiaries, the Fund may acquire existing Installations, in whole or in part, from related or unrelated parties, including from the Existing Funds. The Fund may develop and operate Installations on its own behalf or in conjunction with related or unrelated parties, including with one or more of the Existing Funds. The Fund may acquire “non-bankable” Installations, provided that, in the Manager’s view, such Installations can be operated and maintained in a cost-effective way and that financing for such Installations can be arranged on acceptable terms. CPE will provide O&M Services to the Fund in respect of any “non-bankable” Installations it acquires. See *Item 2.2 – Our Business – Operation, Maintenance and Project Management of Solar Energy Projects*.

Acquisition of Installations from Third Parties

SIF will manage the acquisition of third party Installations by the Fund. When considering such acquisitions, SIF will review, without limitation, the following matters:

- all required permits and applicable approvals issued and in good standing;
- long-term power purchase agreements;
- electricity connection agreement with the local electricity distribution company in good standing;

- third party structural engineering approval of the Installation;
- world class equipment backed by industry leading service and support;
- third party validation of annual energy production of the existing Installation;
- third party validation of annual expenses to operate and maintain the Installation;
- Installation includes real-time energy production software and performance monitoring software;
- anticipated returns from the Installation relative to the target return of the Fund;
- acceptance of the Installation by the Fund's lenders for long-term debt financing; and
- acceptance of the Installation by the Fund's commercial insurance suppliers.

Selection of Solar Energy Projects by the Manager

The Manager employs a careful selection process for new projects. Each potential project is screened using a specified set of criteria. The criteria that the Manager will consider for the addition of a new solar energy project Installation to be developed and owned by the Fund will include, without limitation:

- sufficient annual solar radiation to justify the construction of a commercial facility;
- access to electrical grid transmission;
- access to long-term power purchase agreements;
- suitable environmental conditions and requirements;
- proper geographic terrain for the development and long-term sustainability of solar energy projects;
- regional and local political support of renewable energy development;
- world class solar energy panels and inverters backed by industry leading service and support;
- established installation partners to build each solar energy Installation; and
- permitting and zoning policies that allow for solar energy Installations.

Costs Associated with Solar Energy Installations

The cost of a solar energy Installation will vary according to a number of factors but the most important factor is size. It is typical that small Installations of 10 kW or less (the equivalent of 50 solar panels) will cost the most on a per kW basis, and large solar energy Installations of up to 10,000 kW (the equivalent of 40,000 solar panels) will benefit from economies of scale and can be purchased at a lower relative cost on a per kW basis.

Operation, Maintenance and Project Management of Solar Energy Projects

CPE is available to provide technical professional services and project management services to the Fund to ensure the comprehensiveness, accuracy and quality of the project construction and management. The focus of CPE's engagement is to minimize any risks associated with construction, reduce project timelines, minimize costs and optimize resource effectiveness. The scope of work offered by CPE includes design and engineering verification, the management of engineering and component procurement for the Project, project management of the actual construction to ensure quality and cost control, and concise performance verification, testing and delivery of completed assets. Management estimates that the benefit of CPE providing such services to the Fund could result in considerable cost savings over the course of the Essex Projects. In addition, given CPE's role in providing ongoing O&M Services to the projects owned by the Fund, its interests are aligned with the Fund in ensuring the quality of construction and system performance by the third parties contracted to construct the projects.

Solar Energy Technology

Solar photovoltaic systems use cells consisting of one or two layers of semi-conducting material (most often silicon) to convert solar radiation into electricity. When sunlight strikes a solar cell, its semiconductor materials absorb a portion of that light. If the energy from the absorbed light strikes electrons in the outer shell of an atom, these electrons are freed from their parent atoms. Free electrons can then travel into a circuit in the form of electricity. The greater the intensity of the light, the greater the flow of electricity.

Photovoltaic technology operates in a relatively environmentally-friendly manner. Solar photovoltaic systems in operation produce no air pollution or hazardous waste, and do not require liquid or gaseous fuels to be transported or combusted. And because its energy source, sunlight, is free and abundant, solar photovoltaic systems can provide more accessibility to electric power. That said, there have been some environmental concerns linked to the manufacture and transportation of solar panels and the carbon footprint associated with the production of panels varies substantially by technology and geography.² Additionally, issues have been identified such as noise pollution, visual pollution, and the intensive usage of water for panel cleaning that may cause social or political pressures to be exerted on the industry.

The most common solar photovoltaic systems available today are made from rigid, crystalline silicon solar cells (although other materials can also be used). Silicon is an element most commonly found in sand. A solar photovoltaic system does not require bright sunlight in order to operate and it can generate electricity on both sunny and cloudy days. However, solar energy Installations can only generate about 19% of their potential capacity during cloudy periods. See *Item 8 – Risk Factors – Seasonality of Kilowatt Hour Energy Production for Investors*. Also, the build-up of snow and ice in winter may prevent such Installations from working at all. See *Item 8 – Risk Factors – Excessive Snowfall*.

Measuring Sufficient Solar Radiation for a Solar Energy Installation

In preparing its internal budgets and models, the Manager evaluates each solar energy Installation using solar radiation and components data provided by PVsyst, one of the oldest and most widely accepted systems in the industry. This sophisticated photovoltaic software was developed by the University of Geneva, Switzerland, to be used by architects, engineers and researchers and is commonly used for the study, sizing and data analysis of complete PV systems. Irradiation data is imported from PVGIS and NASA databases and customized for economic evaluations.

PVsyst allows the Manager to create full-featured studies and analyses of grid-connected installations with accurate system yields computed using detailed hourly simulation data. These analyses include different simulation variants, horizon shadings, detailed losses, and add real components to make economic evaluations. The economic evaluations are utilized by the Manager to evaluate any potential project for the Fund.

Acquisition of Land versus Leasing

It is the preference of the Manager to lease land or rooftop space for the solar energy Installations under leases with terms of 20 years or longer. Such leases will be reviewed or negotiated by the Manager to ensure commercial reasonableness in cost and risk allocation. The Fund is not in the business of developing real estate or holding real estate assets for long-term development. There may be circumstances that require the Fund to purchase land for the construction of a solar energy Installation if the existing owner of such land does not want to enter into a long-term lease.

Ontario's FIT Program

Ontario's "Feed-in Tariff" or FIT Program, was enabled under the Green Energy Act, and was intended to be North America's first comprehensive fixed pricing structure for renewable electricity delivered to the electricity grid. It offers stable prices under long-term contracts for energy generated from renewable sources, including biomass, biogas, landfill gas, on-shore and off-shore wind, solar power and waterpower.

A feed-in tariff or FIT is a straightforward way to contract for renewable energy generation. It provides program rules, prices and contracts. The program is divided into two streams - FIT and microFIT. The FIT Program is for renewable

² Dustin Mulvaney, "Solar Energy Isn't Always as Green as You Think" (26 August 2014), *IEEE Spectrum*, online: <www.spectrum.ieee.org/green-tech/solar/solar-energy-isnt-always-as-green-as-you-think>.

energy projects that can generate more than 10 kW of electricity. Very small projects, at a home or small business, that can generate 10 kW or less come under the microFIT Program. The original administrator of the FIT Program, the OPA, created a program to encourage the development of renewable energy projects across Ontario but some geographic areas were made subject to connection constraints. The program provides incentives to project developers to include communities and Aboriginal groups. The prices are designed to cover project costs and provide a reasonable rate of return on the investment over the term of the contract. The prices are subject to periodic review and revision by the OPA (now IESO), however, once a FIT power purchase agreement is issued, the price will not change.

The IESO³ is responsible for implementing the FIT Program in accordance with directives from the Ontario Minister of Energy that may be issued from time to time. The IESO receives periodic directives from the MoE regarding the conduct of the FIT Program. According to the Government of Ontario, the FIT program was implemented with the hopes of helping Ontario phase out coal-fired electricity generation by 2014, boost economic activity and the development of renewable energy technologies and create new green industries and jobs. However, future MoE directives may affect the price schedules of the FIT Program, as well as the allocation of procurement targets.⁴ Recently implemented changes to the FIT Program provide that, among other things, applications at a lower FIT rate than in the applicable price schedule will be given priority in being issued FIT power purchase agreements.

Many of the Fund's projects, including the Essex Projects, and potential projects in the future, are dependent upon compliance with complex FIT Program requirements. Future project acquisitions are particularly susceptible to the impact of MoE directives and/or IESO initiatives.

Political pressure may be exerted upon the government of the Province of Ontario to reduce the scope of or cancel the FIT Program in the future. The Manager believes that it is unlikely that changes to the FIT Program would impact existing FIT contracts. Since SIF is a purchaser of issued and identified contracts, the Manager believes that the risk of changes to future FIT contracts is manageable. Ultimately, the Manager anticipates that the cost of energy and the cost of solar energy will find a natural inflection point whereby a FIT Program is not required to support solar as a source of electricity, and the industry in Ontario will evolve from FIT reliance to net metering distributed power generation.

Official Two-Year Review of the Feed-In Tariff Program by the Ontario Government

In March 2012, Ontario's Feed-in Tariff Program Two-Year Review Report recognized that the FIT Program has attracted significant renewable energy development, leveraging more than \$27 billion in new investment and economic opportunities.

Changes announced in March 2012 did not impact existing contracts which were already issued by the government or existing solar Installations which had already been built. However, the FIT Program is subject to periodic review and its pricing provisions are subject to annual review, which may impact the rate paid by the OPA (now IESO) for electricity generated by solar energy projects where a power purchase agreement has not yet been entered. The OPA, in its First Quarter 2012 Progress Report, stated it had 2,018 Megawatts under contract of combined capacity from solar PV projects (FIT, MicroFIT and predecessor Renewable Energy Standard Offer Program), of which 482 Megawatts were in commercial operation and 1,536 Megawatts were to be in-service before the end of 2014. According to the IESO's Fourth Quarter 2014 Progress Report on Contracted Electricity Supply, 1,549 Megawatts of solar projects were in commercial operation as at December 31, 2014.

The FIT Program power purchase agreement:

- provided a fixed price for electricity actually delivered to the grid for the 20 year duration of the power purchase agreement;
- may have, depending on the FIT power purchase agreement version, required the Supplier to meet specific requirements regarding domestically sourced labour and materials and performance milestones; and

³ On January 1, 2015, the OPA merged with the Independent Electricity System Operator or IESO, and continues under the IESO organization.

⁴ For example, on August 29, 2014, the MoE directed the OPA to, among other things, update its price schedules and allocate up to 100MW of 2014's 150MW procurement target to certain eligible applicants and apply the remaining 50MW to the 2015 procurement target.

- included, prior to receiving permission to commence construction, a right of termination in favour of the OPA subject to certain payment obligations in respect of incurred development costs.

The ability to secure a new FIT power purchase agreement for a proposed Installation was dependent upon making a successful application to the OPA which, among other requirements, gave priority to specific types of projects, such as those relating to the municipal, education and/or health sectors, community or First Nation participation, the ability to connect to the electricity grid and offers to accept a lower price for power.

November 23, 2012 Ministry of Energy Directive

Under a Ministry of Energy Directive dated November 23, 2012, the small FIT program continued with new opportunities for project applications totalling 200 Megawatts (approximately \$800 Million in aggregate). The key changes from previous directives (the “**FIT 2 Changes**”) included:

- Strengthening Community and Aboriginal Participation – Set-asides allowing Aboriginal and Community participation in solar projects through a priority ranking system.
- Re-launching the Community Energy Partnerships Program (CEPP) and Aboriginal Renewable Energy Fund (AREF).
- Re-starting the Small FIT Application Window – The OPA opened the window for making applications for small FIT projects, greater than 10 kW and less than 500 kW, until January 18, 2014 with the intent of awarding 200 Megawatts of projects.
- Pilot Program for Rooftop Solar Projects on Un-constructed Buildings – The OPA indicated that it would prioritize launching of the Small FIT application window, and that it would continue to work diligently on developing the program rules and contract as soon as possible in 2014 for the pilot stream for applicants with un-constructed buildings wishing to apply for small FIT rooftop solar contracts.

The November 23, 2012 directive supplemented previous directives related to the FIT Program, the microFIT Program and FIT Support Programs and replaced provisions of previous directives to the extent inconsistent.

There was no impact from the FIT 2 Changes on existing and issued FIT power purchase agreements under the original FIT Program (“**FIT 1**”).

August 16, 2013 MoE Directive

The MoE directed the OPA by a directive dated August 16, 2013, to introduce changes to the FIT program (the “**FIT 3 Changes**”) including the reduction of the domestic content requirements for new FIT power purchase agreements to levels ranging from 19% - 28%. The new domestic content levels applied to the Fall 2013 procurement window for Small FIT, microFIT, pilot solar projects on unconstructed buildings and unused capacity carried over from the Small FIT that closed on January 18, 2013.

The OPA also announced FIT 3 Changes to the FIT and microFIT price schedule on August 16, 2013, reducing the prices for solar contracts by 25.8% - 39% from previous levels, effective August 26, 2013. This price schedule applies to any new contracts that were issued while the price schedule was in effect. No further changes were made to the most recent price schedule issued by the OPA for new contracts issued on or after January 1, 2014.

Due to the FIT 3 Changes to the domestic content rules (i.e. reducing and ultimately eliminating local sourcing rules, as described below), Ontario-made solar panels will no longer be required for rooftop solar installations, which is anticipated will reduce the up-front costs of solar energy power installations in Ontario. The FIT 3 Changes do not apply retroactively to existing FIT power purchase agreements.

July 14, 2014 OPA Request for Qualifications for Large Renewable Projects

The OPA posted final materials for the first Request for Qualifications phase of the Large Renewable Procurement (the “**LRP I RFQ**”), which related to the OPA’s procurement of up to 565MW of renewable generation (including up to 140MW of solar) of projects with a minimum capacity of 250kW. The Qualification Submission Deadline was September 4, 2014. Qualified parties were eligible to participate in the subsequent Request for Proposals phase (the “**LRP I RFP**”). The Fund did not participate in the development of any Large Renewable Projects under this program.

July 25, 2014 MoE Directive

The MoE directed the OPA by a directive dated July 25, 2014 to eliminate domestic content requirements from future FIT power purchase agreements. The OPA issued a new version of the FIT power purchase agreement on August 14, 2014 to reflect this directive.

August 29, 2014 MoE Directive

The MoE directed the OPA by a directive dated August 29, 2014 to extend the FIT 3 procurement with an updated price schedule. The OPA issued a new price schedule on September 30, 2014, reducing the prices for solar contracts by 0.5% - 4.5% from previous levels.

FIT 4 Applications

The IESO issued a new price schedule applicable to the FIT 4 application window on September 17, 2015, further reducing the prices for solar contracts by 24% - 29.5% from previous levels. During the application window in October, 2015, the IESO announced that (i) it had received 1,968 applications representing a total aggregate capacity of 582MW, and (ii) it would award FIT power purchase agreements representing an aggregate capacity of at least 241.438MW. The Fund did not apply for any FIT 4 power purchase agreements under this program.

LRP I RFP Results

On March 10, 2016, the IESO made contract offers to the 16 successful proponents whose proposals were selected as part of the LRP I RFP. On April 12, 2016, the IESO announced that it had signed LRP power purchase agreements with all 16 proponents, representing an aggregate capacity of 454.885MW.

April 5, 2016 MoE Directive

The MoE directed the IESO by a directive dated April 5, 2016 to, following a stakeholder consultation process, draft a request for proposals (the “**LRP II RFP**”) to procure up to 930MW of renewable generation, consisting of up to 600MW of wind, up to 250MW of solar, up to 50MW of hydroelectricity and up to 30MW of bioenergy, and to complete the evaluation and selection of LRP II RFP proposals in order to issue contracts under LRP II RFP no later than May 1, 2018.

Solar and Non-Solar Renewable Power

Solar power system demand is driven in part by government incentives that make the economic cost of solar power competitive with traditional methods of generating electricity. The unsubsidized cost of using solar energy is currently more expensive, on a per watt basis, than the retail cost of conventional waterpower, nuclear or fossil fuel generated energy in most industrialized regions of the world. As a result, federal, state, provincial and local governmental bodies in many countries, including Germany, France, Spain, Italy, the United States, China and Canada, have provided subsidies in the form of cost reductions, tax write-offs and other incentives to end users, distributors, systems integrators and manufacturers of solar cells and solar modules.

In Ontario, concerns have been raised about the sustainability of the subsidies currently supporting the development of solar power generation. There have been some indications that the province will support fewer projects in the future and pay less for solar power than current levels. Because the Fund is participating in the more conservative segment of the

solar power value chain – the purchase of already issued and identified contracts with twenty year terms – the Manager believes that the Fund is well equipped to manage these concerns. *See Item 8 - Risk Factors.*

It is the Fund's long-term objective to build and own Installations with a capacity range of approximately 20 Megawatts which are expected to generate approximately 23,000,000⁵ kW hours of electricity annually and receive an average long-term FIT rate for Ontario projects of between 20.9 to 54.9 cents per kW hour produced and power purchase agreement rates in excess of 18 cents per kW hour produced for projects outside of Ontario. The Fund may acquire existing Installations, in whole or in part, from related or unrelated parties, including from one or more of the Existing Funds, or may acquire one or more of the Existing Funds.

Related Party Projects

Certain principals of the Manager are currently invested in early stage solar energy development sites in Costa Rica and Ontario and an early stage biomass development site in North Carolina, some or all of which the Fund may in the future invest in. Should the Fund acquire all or a portion of the Costa Rica, Ontario or North Carolina projects, this may result in such principals of the Manager being indirectly compensated for their early stage development role by the Fund. Any potential acquisition of all or a portion of such projects would only be considered by the Fund if the project is under a long-term power purchase agreement, as well as a number of other conditions described below.

Any potential acquisition of an Existing Fund or acquisition of Installations from any related party (including the Costa Rica, Ontario or North Carolina projects) would be subject to a number of conditions including the availability of adequate funds available as a result of the Offering and/or the availability of alternative financing, the receipt of an acceptable valuation from an independent accounting firm, the approval of SIF (or the general partner of the Existing Fund of the proposed acquisition, as applicable) and, if required, the approval of the Existing Fund's investors. As a result, there can be no assurance that any such potential acquisition will be completed.

Main Competitors

With respect to investment in solar energy assets, the Fund's main competitors are Solar FlowThrough Funds, and Potentia Solar Inc. (both solar energy investment and development companies that develop and operate solar power generation projects under the FIT Program), Sculler Energy (an investment firm that finances, develops and manages solar assets in Ontario and elsewhere), Carbon Free Technology (a solar energy development company that has developed solar projects in Ontario and the United States) and PowerStream Inc. (an electrical utility that builds and acquires solar generation projects). With respect to the acquisition of small waterpower assets, the main competitor is Algonquin Power & Utilities Corp, a renewable energy company with clean energy assets in waterpower, wind, thermal and solar power. Lastly, with respect to biogas, the main competitor is Anaergia Inc., a company offering a wide range of anaerobic digestion technologies for municipal, industrial, commercial and agricultural markets.

Potential Non-Solar Renewable Energy Project Acquisitions

Since its formation, the Fund's focus has been on solar projects exclusively, whereas the scope of the FIT Program's intent and design for renewable electricity generating projects in Ontario is broad. The FIT Program was designed to encourage and promote greater use of various other renewable energy sources in addition to solar, including on-shore wind, waterpower, renewable biomass, biogas, and landfill gas. The stated fundamental objective of the FIT Program, in conjunction with the Green Energy Act and Ontario's Long-term Energy Plan 2010, is to facilitate the increased development of renewable generating facilities of varying sizes, technologies and configurations via a standardized, open and fair process.

Having obtained Unitholder approval on January 20, 2016, the Fund's investment focus has been broadened to include other forms of renewable energy, provided they are supported by government-backed power purchase agreements, like the FIT Program. The Fund's initial consideration of other renewable energy technologies is expected to include ROR plants and bioenergy (biogas and biomass) power generation systems which use organic and waste products from farming to make heat and create electrical energy.

⁵ Based on Canadian average solar PV resource of 1150 kWh/kW peak (Source: The Potential for Solar PV Power in Canada, presentation made at the CanSIA/NRCAN PV Forum 2008 as cited in Solar Ready Guidelines; CanmetENERGY/Housing, Buildings and Communities, Version 1.1, Natural Resources Canada, 2013.)

Run-of-River (“ROR”)

ROR waterpower projects use natural water flows and gravity to generate electricity. A portion of a river’s flow is diverted downward through a “penstock” (pipeline or tunnel) to power turbines and generate electricity. These projects produce reliable and sustainable energy and undergo significant environmental study prior to approval. These systems use little or no water storage. A plant without pondage has no water storage and is, therefore, subject to seasonal river flows. As a result, such a plant operates as an intermittent energy source while a plant with pondage can regulate the water flow at all times and can serve as a peaking power plant or base load power plant. All waterpower projects are subject to fluctuations in available water from year to year.

A typical ROR project consists of the following components:

- an intake and weir structure used to divert water into the penstock;
- a penstock through which water travels downhill to the powerhouse;
- a powerhouse that houses the turbines to create electricity;
- a tailrace where the water is returned to its natural watercourse;
- a substation that contains the transformer to connect to the transmission line; and
- a transmission line which carries the electricity to the grid.

A major advantage of a ROR project is that it has a relatively lower environmental impact. They are considered “green energy” because they do not require damming like larger waterpower projects, there are no greenhouse gases, and they run from renewable, non-depleting resources. These projects typically have a contract life of 20 to 40 years, and the equipment has a typical operating life in excess of 50 years. However, there can be negative environmental impacts of ROR projects, which include intensive land use (depending on the size of the generators and the topography of the land), adverse impact on wildlife (including negative impact on fish populations), and emissions (produced during the installation and dismantling of the generation facility and also during operation). Waterpower projects can also be subject to changes in applicable environmental laws (such as regulations regarding species-at-risk aquatic organisms) and local water management policies and regulation. Because obtaining necessary approvals for ROR projects is a complicated and protracted process involving review by many government agencies, and often requires First Nations input, it is SIF’s intent to acquire projects that have progressed beyond the permitting stage to where they are either operating or are constructed and ready for connection. The Manager has engaged a consultant to assist in the search for suitable ROR projects and a number of potential projects have been identified as promising.

Bioenergy – Biomass

Biomass uses organic materials derived from living or recently living organisms, including trees, plants and waste materials from the forest; crops and waste from agriculture; and waste from cities and towns. These products can be burned in their original forms or in pellets or converted to gas to be utilized in a Combined Heat and Power system (CHP) for electricity generation and heating purposes. Fermenting organic materials such as manure and other agricultural and organic wastes makes biogas. The biogas can be used in a CHP for electricity generation and for heating purposes with natural gas, to fire these plants. Natural gas produces about half the greenhouse gas emissions of coal, and biomass can further reduce emissions if it is sustainably managed as a renewable resource. This has created an opportunity for wood pellet production from biomass to be used as fuel for the Ontario Power Generation (OPG) converted facility, for example. Ontario has many potential sources of biomass for energy. The most promising of these are residues from forest logging operations, waste from sawmills, low-grade biomass and non-merchantable forest biomass. In certain areas in Ontario, a portion of the residue from logging operations is currently piled at roadside and burned, which releases stored carbon directly into the atmosphere.

Two million tonnes of wood pellets could produce 3.4 billion kW hours of electricity per year, sufficient to power approximately 285,000 homes in Ontario. Such production would reduce greenhouse gas emissions by 80%, on average, compared to electricity produced by burning natural gas. Harvesting of low-grade and residual biomass for electricity

production can be done in a way that forest carbon stocks do not systematically decline over a 100-year planning horizon.⁶

Certain principals of the Manager are currently invested in a biomass development site in North Carolina, some or all of which the Fund may in the future invest in. At present, the project is at the early stage of obtaining all the required permits. The prime revenue motivator of this project is a 15-year contract for Renewable Energy Certificates, executed with public utility companies led by Duke Energy (the largest privately owned utility in the U.S.). The project intends to use turkey manure as feedstock to generate steam and hot water. The steam will be fed to a steam turbine to generate electricity and the hot water is used in various production processes by agricultural plants in the immediate vicinity. The disposal of poultry litter has been identified as a significant environmental problem. Typically, the litter has been disposed of by applying it to farmland as fertilizer, however this creates a number of issues, most critically an overload of phosphorus in run-off, which causes a host of problems in larger bodies of water⁷. In North Carolina, this led to the inclusion of poultry litter as fuel under the Renewable Portfolio Standard, a law that requires utility companies to purchase minimum amounts of renewable energy.⁸ The Manager is currently in negotiations with the developer to acquire the project, however there can be no assurance that the negotiations will conclude favourably or that any such potential acquisition will be completed. See *Related Party Projects* above.

Bioenergy – Biogas

Biogas is a renewable source of methane, the main ingredient in natural gas. It can be used for heating and cooling, or to generate electricity that can be used on-site or fed into the distribution grid. It can be refined into renewable natural gas that can be injected into gas pipelines, or compressed and used as a vehicle fuel. The entire system, including the energy generating components, is typically referred to as a biogas facility or a biogas plant. Biogas is produced when organic materials – anything from crop residues and animal manures to municipal organic wastes and food processing by-products – break down in an oxygen-free environment. The process is called anaerobic digestion (AD) and usually occurs in a specialized tank or vessel – the anaerobic digester. AD is also the process that generates biogas or landfill gas (LFG) within landfills. Anaerobic digesters produce not only biogas, but also digestate, a nutrient-rich slurry that can be applied directly on agricultural land, dried to make animal bedding or processed and marketed as a commercial fertilizer and soil amendment.

The capturing and utilization of biogas is a powerful tool for reducing greenhouse gases (GHGs) that are the principle cause of human-induced climate change. GHGs are reduced in two ways: first, the biogas produced is a source of renewable energy that can replace fossil fuels and, second, the capturing of biogas reduces methane, a very potent greenhouse gas that would otherwise be free to escape into the atmosphere. The negatives associated with biogas include: risk of explosion (biogas can be explosive when mixed with air in certain proportions), health hazards (for example, those resulting from the handling of night soil and use of sludge from untreated excrete as fertilizer), and odor (due to a leak in the system).

Biogas is a flexible energy source with multiple applications depending on energy requirements and market opportunities. It can be burned as a fuel for heating or cooling, or used to run a co-generation unit to produce both heat and electricity. The electricity from biogas can be fed into the electricity distribution grid, taking advantage of feed-in tariff (FIT) rates where available. Biogas also has an undeniably significant advantage over solar and wind: biogas can be produced 24 hours a day, 365 days a year to provide base load power and compensate for the volatility of other renewable energies. However, biogas systems are not easily scalable. The utilization of land can be considerable and the overall process can be expensive.

⁶ Factsheet developed by the Pembina Institute on behalf of Ontario Power Generation, “Biomass Sustainability Analysis Summary Report, April 2011”.

⁷ Ritz, Casey W., Dan L. Cunningham and William C. Merka, Extension Poultry Scientists, “Best Management Practices for Storing and Applying Poultry Litter”, Nov 2015

⁸ “Renewable Portfolio Standards: North Carolina Final Report”, Feb. 2015, Strata Policy, Institute of Political Economy Utah State University.

The biogas industry is very well established in Europe and continues to gain ground. By the end of 2010, around 6,000 biogas facilities were in operation in Germany, producing a total of 14,800 gigawatt hours of electricity. Germany's solar power industry, by contrast, produced 12,000 gigawatt hours in the same period.⁹

Subscribers should note there are many risks inherent in the renewable energy power generation business. See Item 8 – Risk Factors.

2.3 Development of Business

The Essex Projects

The Fund is a relatively new investment trust with a limited operating history. To date, the major project underway is the Essex Projects currently being undertaken by Essex LP. Essex LP was formed with the intention that it would acquire the Essex Projects. Initial arrangements for the purchase of the Essex Projects were made pursuant to a letter agreement, executed on October 31, 2014 (the “**Letter Agreement**”) is currently in place between Solar Income Fund LP #6, which is an Existing Fund managed by SIF, and Reliant First Nation Limited Partnership (“**RFNLP**”), a limited partnership that currently owns certain key assets of the Essex Projects, including FIT 3 Contracts, rooftop license agreements with the GECDSEB, and certain ancillary assets (the “**RFNLP Essex Assets**”). Pursuant to the Letter Agreement, Essex LP was responsible for purchasing certain assets (such as solar panels) to be utilized in the Essex Projects and paying for certain development expenses (such as engineering, consulting and IESO fees). In exchange, RFNLP agreed to sell the RFNLP Essex Assets to Essex LP.¹⁰ Having obtained a comfort letter from the IESO in regard to the transfer of the RFNLP Essex Assets, RFNLP and Essex LP must strictly execute the purchase transaction in accordance with the IESO terms and conditions approved in its comfort letter.

Pursuant to the Letter Agreement, as amended by subsequent purchase and sale agreements, EHT was to acquire an initial 59% controlling interest in RFNLP along with a 59% interest in one of RFNLP's largest unitholders, Metasolar Consulting Inc. (“**Metasolar**”). Metasolar currently has a 36.5% economic interest in RFNLP. Metasolar is owned by certain principals of SIF; accordingly, if the proposed transactions are completed as contemplated, Metasolar and certain current and former principals of SIF will indirectly receive a portion of the purchase price paid by the Fund for the Essex Projects and other solar projects. Additionally, in the same transaction, EHT was to acquire from SIFCCI, an Existing Fund managed by SIF, the 1% interest in RFNLP currently held by SIFCCI. The purchase price for the Essex Projects is \$3,006,160¹¹. SIFCCI and Metasolar will receive 1% and 48.5% of the sale proceeds, respectively. Subsequently, EHT assigned some or all of its interest in the foregoing transactions to Potentia Solar Inc.

As a result of previous dealings between SIF and RFNLP, with respect to a previous version of the FIT Program, SIF charged RFNLP a fee of \$500,000 for the security deposits related to the FIT2 applications with the IESO. RFNLP is currently indebted to SIFCCI in the amount of \$300,000 plus accrued interest (at an interest rate of 11%) as a result of a loan extended by SIFCCI to RFNLP on January 17, 2014. The entirety of the outstanding amount owing is being repaid in connection with the purchase of the Essex Projects.

On behalf of the Fund and its Subsidiaries, SIF engaged an independent accounting firm to provide a formal valuation and fairness opinion in connection with the purchase of the Essex Projects. In consideration for its services, including the provision of the valuation and fairness opinion, the accounting firm received fees based on professional time expended that was not contingent on the outcome of its conclusion. The valuation, which is dated October 29, 2015 (and addressed to Essex LP) indicated that, based upon and subject to the full text of the valuation and such other matters as

⁹ Kost, Christoph et al., “Levelized Cost of Electricity, Renewable Energy Technologies, Study, November 2013”; Fraunhofer Institute of Solar Energy Systems ISE.

¹⁰ The actual transfer of the RFNLP Essex Assets to Essex LP will be effectuated via the transfer of the RFNLP Essex Assets to a wholly-owned subsidiary of RFNLP, Essex Projects LP, from whom Essex LP will purchase the RFNLP Essex Assets. The substantive terms of the agreement are governed by the Letter Agreement; however, the Letter Agreement was originally entered into by Solar Income Fund LP #6, an Existing Fund managed by SIF. The Letter Agreement was amended by an amending letter dated December 19, 2014 whereby EHT and RFNLP agreed to the assumption by Essex LP of the original party's obligations under the Letter Agreement. On the day of the closing, the Forward Purchase Agreement will become the operative agreement governing the transaction. See Item 2.7 – Forward Purchase Agreement.

¹¹ The purchase price of \$3,006,160, based upon 5,672 DC kW, will be adjusted based upon the actual DC kW installed once all of the Essex Projects are in operation. Our estimate of the actual installed output is 5,596 DC kW as shown on the following table. Based on 5,596 DC kW, the price will be adjusted to \$2,965,827.

the independent accounting firm considered relevant, as at October 31, 2014, being the date of the agreement to acquire the Essex Projects, the fair market value of the Essex Projects was in the range of approximately \$15.0 million to \$15.5 million (rounded). The fairness opinion, which is dated October 29, 2015 (and addressed to Essex LP), concluded that, based upon and subject to the full text of the valuation and such other matters as the independent accounting firm considered relevant, as of the date of the fairness opinion, the consideration of \$3,495,215 to be paid by Essex LP to acquire the Essex Projects (which was subsequently reduced to \$3,006,160) is fair, from a financial point of view.

SIF estimates that the total cost to acquire and develop the Essex Projects will be approximately \$17,200,000, which includes (i) the cost of purchasing the FIT contracts and other ancillary rights with respect to rooftop license agreements - \$3,006,160, and (ii) the development cost of approximately \$14,200,000 including financing fees and interest during the development period estimated in the amount of \$1,300,000. As of May 18, 2016, Essex LP has paid \$1,182,834 in addition to a non-refundable deposit of \$200,000 (the “**Initial Deposit**”) in connection with the purchase of the Essex Projects and approximately \$8,200,000 in development costs in respect of the Essex Projects. In the event that the Essex Projects do not proceed, costs expended for the purchase of equipment (invertors, panel, racking) are expected to be recoverable, as there is currently a demand for such assets. Costs expended for labour and services would not be recoverable. Equipment purchases represent the largest portion of the costs expended on the Essex Projects to date. SIF expects that the remainder of the funds to be advanced to the vendor of the Essex Projects for the development costs and the purchase price of the Essex Projects will be paid with additional funds raised under this Offering, the placement of short term bridge financing (if required), long-term financing and construction financing provided by Frankensolar Americas. See *Item 1 – Use of Available Funds*.

Essex LP has entered into a forward purchase agreement with Essex Projects LP (the wholly owned subsidiary of RFNLP) under which Essex LP has agreed to fund the development of the Essex Projects and purchase the Essex Projects upon completion. Under the forward purchase agreement, the amount to be funded to permit Essex LP, the purchaser of the Essex Projects, to develop and construct each rooftop solar Installation will be payable by Essex LP in installments based on the achievement of certain project milestones. At execution of the forward purchase agreement, the Initial Deposit, which was held in escrow, became non-refundable and was released to RFNLP. See *Item 2.7 – Material Agreements – Forward Purchase Agreement*.

Since the execution of the Letter Agreement, the anticipated number of rooftop solar projects constituting the Essex Projects has been reduced. The GECDsb has indicated that eight schools which would have been the sites of certain of the Essex Projects are among those scheduled for future accommodation reviews under the March 2015 Province of Ontario Pupil Accommodation Review Guideline, which could ultimately result in the closure of those schools. The IESO rejected a request from Essex LP, with the support of GECDsb, to move the eight FIT Contracts from the schools under review to other suitable GECDsb sites. In addition, a ninth project has become unviable due to a connection point determination by HONI that precludes connection of that project.

The remaining Essex Projects consist of the following 25 rooftop solar projects with a planned output of 5.6MW¹²:

RELIANT - ESSEX PROJECT				
Site	Size		FIT Version	FIT Rate (cents/kWh)
	DC kW	AC kW		
GE004- Belle River District High School	444	370	3.0.1	32.9
GE005- Belle River Public School	179	150	3.0.1	32.9
GE006- Bellewood Public School	161	134	3.0.1	32.9
GE009- Eastwood Public School	203	170	3.0.1	32.9
GE011- Forest Glade PS Primary	144	120	3.0.1	32.9
GE012- Forest Glade Public School	230	192	3.0.1	32.9

¹² The IESO has stated that it will award a minimum of 241.438 MW of FIT Projects for 2015. See: Independent Electricity System Operator (IESO), “FIT Program now accepting Applications” (5 October, 2015), *FIT Program*, online: <http://fit.powerauthority.on.ca/what-feed-tariff-program>.

GE014- Glenwood Public School	171	144	3.0.1	32.9
GE016- J.A McWilliam Public School	120	100	3.0.1	34.5
GE018- Lakeshore Discovery	231	193	3.0.1	32.9
GE021- Northwood Public School	181	174	3.0.1	32.9
GE023- Riverside Secondary School	568	480	3.0.1	32.9
GE024- Roseland Public School	180	150	3.0.1	32.9
GE025- Roseville Public School	182	156	3.0.1	32.9
GE029- Vincent Massey Secondary School	252	211	3.0.1	32.9
GE036- Mason PASS	90	76	3.0.1	34.5
GE037- Century Secondary School	330	274	3.0.1	32.9
GE040- General Brock Public School	140	120	3.0.1	32.9
GE042- Coronation Public School	99	96	3.0.1	32.9
GE044- East Mersea PS (Wheatley)	81	68	3.0.1	34.5
GE047- Harrow Senior Public School	228	190	3.0.1	32.9
GE050- Margaret D. Bennie	171	146	3.0.1	32.9
GE056- Prince Andrew Public School	134	112	3.0.1	32.9
GE060- Queen Elizabeth Public School	269	226	3.0.1	32.9
GE062- Talbot Trail Public School	210	175	3.0.1	32.9
GE065- 1930 Rossini Blvd	600	500	3.1	31.6
TOTAL	5,596	4,727		

The Term Loan Term Sheet has been finalized with CIT Financial Ltd. regarding a potential 18 year term loan to Essex LP of up to \$15 million made by way of up to four advances, with repayment to be by way of quarterly installments, the first of which would be made the earlier of the first full calendar quarter following the last advance or December 31, 2016. The Term Loan Term Sheet also contemplates, among other things: an interest rate, to be reset quarterly, equal to interest margin of 2.5%, plus the greater of the 90 day Canadian Dealer Offered Rate or 1% (the interest rate will be subject to a SWAP agreement to convert it into a fixed rate loan); an underwriting fee equal to the greater of 1.65% of the total amount of advances made or \$247,500; an annual \$25,000 agency fee; and a 1% commitment fee, applied to the undrawn portion of the facility. The loan would be secured by the equipment, contracts, warranties and the leasehold interest and a first priority security interest in all of the assets of Essex LP, as borrower. In addition, a control account would be implemented to ensure maintenance of specified reserve amounts. Customary debt service coverage ratio covenants would also be required. Although the Lender has commenced due diligence on the borrower and the Essex Projects, and negotiation of the final form of loan agreement is ongoing, there is no assurance that the Term Loan Term Sheet will result in a finalized loan agreement, or if so, whether it would be on the terms of the Term Loan Term Sheet. Further, the execution of a loan agreement does not mean there is certainty that all advances will be made under such a loan, as advances will be conditional upon the ongoing and continued satisfaction of certain loan covenants.

Construction financing for the Essex Projects up to approximately \$5 million will be available from Frankensolar Americas, which is the provider of engineering, procurement and construction services to the Essex Projects. An EPC Agreement, dated November 11, 2015, has been executed between Essex LP and Frankensolar Americas. See *Item 2.7 – Material Agreements – EPC Agreement*. As at December 31, 2015 and May 18, 2016, Essex LP has paid an aggregate of \$321,980 and \$832,200, respectively, to Frankensolar Americas in connection with its services under the EPC Agreement.

The Fund entered into a competitively priced project management arrangement with CPE, a wholly-owned subsidiary of SIF, on May 26, 2015, pursuant to which CPE provides management of the EPC services for the development of the Essex Projects. See *Item 2.2 – Our Business – Operation, Maintenance and Project Management of Solar Energy Projects*. CPE will render services to, and receive fees from, the Fund with fees to be the lowest amounts which CPE earns on similar projects with unrelated third parties, not to exceed an amount equal to \$0.11154/wDC on the aggregate generation capacity of the Essex Projects. Based on the estimated generation capacity of the Essex Projects, the

aggregate fee under this arrangement is estimated to be \$624,167. As at December 31, 2015 and May 18, 2016, Essex LP has paid an aggregate of \$418,449 and \$538,300, respectively, to CPE in connection with its services under this arrangement.

Given that there is a degree of uncertainty as to whether any of the above funding sources will be finalized, and the short-term need for funds to address, among other things, development costs and the purchase price of the Essex Projects, SIF has determined that it is prudent to raise funds under this Offering.

SIF expects that the portfolio of Essex Projects will generate approximately 5,595,900 kW hours of electricity annually, once operational, for which it shall receive a FIT Rate of approximately \$0.33 on average, for each kW hour generated, for an approximately 20-year term.¹³ Each Installation within the Essex Projects is treated as a separate project within the FIT Program. Each project has been assigned a FIT 3.0 Contract with an allocated FIT Rate. The approximate figure of kW hours of electricity generated annually from these installations was calculated by multiplying the total portfolio direct current size (5,600 kW) by the average total annual irradiance hours in the area of the development of these projects. The annual irradiance was calculated with standard industry supported software called PVsyst (Photovoltaic Software), used to verify the yield simulation with annual yield measurements of the multi crystalline reference module.

The development phase of the Essex Projects and procurement of major components such as solar panels, solar inverters and racking are nearly completed. The forward purchase agreement was executed January 21, 2016. Construction commenced in December 2015 and will continue until completion in 2016 (anticipated to be complete in August 2016).

Construction of the Essex Projects has been planned as a staggered process in three to four tranches. As of January 20, 2016, 24 of the 25 projects comprising the Essex Projects have obtained a CIA, which is a prerequisite to applying for a NTP. Those 24 projects have an aggregate nameplate capacity of 5,000 kW.

The purchase of the Essex Projects remains subject to a number of as-of-yet unsatisfied conditions, including the receipt of certain other third-party consents and approvals, construction financing and the availability of suitable bridge and long-term financing. Given the need to construct as soon as possible, construction commenced prior to the finalization with the IESO of the formal transfer of the projects to Essex LP.

Twenty-four of the Essex Projects FIT Contracts stipulate milestone dates for commercial operation in March 2016; one project is currently scheduled for September 2016. The Milestone Date for Commercial Operation is the date by which the project must be completed and in-service in order to benefit from the full 20-year FIT Contract term. Three months prior to such date, a NTP must be requested – December 31, 2015. All 25 NTP's have currently been applied for. The "longstop date" (i.e., the date by which the project must be completed and in-service in order to avoid a Supplier Event of Default) is 6 months following the Milestone Date for Commercial Operation – September 2016.

See *Item 8 – Risk Factors – Risks with respect to the Essex Projects*, for a description of the risks related specifically to the Essex Projects.

Amendment to Declaration of Trust – Broadening of Investment Scope

The Declaration of Trust initially provided that the Fund was established, and shall be operated and maintained, for the purpose of making investments in solar power installations and such other business activities as are in any way ancillary or incidental thereto. At a special meeting of Unitholders held on January 20, 2016, Unitholders approved an amendment to the Declaration of Trust to amend the purpose of the Fund in order to broaden the investment focus to include investments in non-solar renewable energy projects. Having obtained Unitholder approval, the Declaration of Trust was amended and restated on February 3, 2016 to broaden the Fund's investment scope to include solar and non-solar renewable energy project installations. See *Item 2.2 Our Business – Potential Non-Solar Renewable Energy Project Acquisitions*.

¹³ Not all FIT Rates are the same. In the Essex Projects, three FIT Rates are \$0.345, one is \$0.316 and the rest are \$0.329. The average FIT Rate is approximately \$0.33. The FIT contract term for most of the Essex Projects will be just under 20 years. If a project does not achieve commercial operation within 6 months of the Milestone Date for Commercial Operation, the IESO has the option of terminating the FIT contract.

2.4 Long-Term Objectives

The Fund's long-term objective is to invest in Subsidiaries which will in turn invest in the acquisition, development, financing and operation of Installations (solar, waterpower (ROR), biogas, biomass), all as more particularly described under *Item 2.2 – Our Business*. In order to achieve the Fund's long-term objective, the Fund must raise capital under the Offering and obtain long-term debt financing under term loans. These steps, the expected time period in which each step is expected to occur and the associated costs to complete each step are set out below in *Item 2.5 – Short Term Objectives and How We Intend to Achieve Them*.

The Fund cannot guarantee that its long-term objectives will be met. Results will vary and are subject to numerous risks. A Unitholder may experience a complete loss of its investment. See *Item 8 – Risk Factors*.

2.5 Short Term Objectives and How We Intend to Achieve Them

The following outlines the Fund's short-term objectives for the next 12 months and the methods and costs associated with the achievement of those objectives.

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our cost to complete (\$) ⁽¹⁾
Raise capital through the Offering	3-6 months	1,150,000
Acquisition and/or development and operation of approximately 7-8 Megawatts ⁽²⁾ The equivalent of approximately 8,050,000 – 9,200,000 kW hours of solar energy production hours to be generated annually and sold under long-term power purchase agreements	3-12 months	28,850,000

Note:

- (1) Assumes \$8,000,000 raised through the Offering and long-term debt financing under term loans of approximately \$22,000,000 in the aggregate. For a breakdown of the costs to acquire and/or develop and operate the Installations, see *Item 1.2 – Use of Available Funds*. For a breakdown of the costs of the Offering, see *Item 1.1 – Funds*.
- (2) Amount of \$9,567,934 has already been spent on the Essex Projects as explained in *Item 1.2 – Use of Available Funds (Note 1)*.

2.6 Insufficient Funds

The funds available as a result of the Offering may not be sufficient to accomplish all of the Fund's proposed objectives and there is no assurance that alternative financing will be available. Taking into account the funds needed to eliminate the working capital deficiency of \$8,168,534, the Fund will require an additional \$20,681,466 to develop the balance of its portfolio. The Manager expects to arrange for financial institution(s) to provide long-term financing by way of a series of term loans to the Fund for the Installations to replace the construction financing once the Installations have been connected into the Ontario electricity grid. The term loans are expected to be secured by the equipment, contracts, warranties, leasehold interests and a first priority security interest in the assets of the Fund. There is no assurance that the term loan financing will be completed or, if completed, on terms acceptable to the Fund and the Manager.

2.7 Material Agreements

The following are the key terms of all material contracts to which the Fund is currently a party, or with a related party, which have been entered into by the Fund.

Declaration of Trust

Purpose

The Fund is established, and shall be operated and maintained by the Trustee, for the purpose of investing in subsidiaries which will in turn invest in the Business. Initially, the Business included the acquisition, development financing and operation of solar energy power installations. Having obtained Unitholder approval to an amendment to the Declaration of Trust on January 20, 2016, the Fund's investment focus has been broadened to include other forms of renewable energy, provided they are supported by government-backed power purchase agreements, like the FIT Program. See *Item 2.2 - Our Business – Potential Non-Solar Renewable Energy Project Acquisitions*.

Trustee

The Trustee, located in Calgary, Alberta, is the trustee of the Fund. The Trustee or any successor trustee may resign upon 90 days' written notice to the Manager or may be removed by an Extraordinary Resolution (defined below under "Matters Requiring Unitholder Approval") at a meeting of Unitholders called for such purpose or by the Manager. If the Trustee has resigned or has been removed, the Manager may appoint a replacement to act as trustee. Any such resignation or removal shall become effective only on the appointment of, and acceptance of such appointment by, a successor trustee. If, after a notice of resignation has been received from the Trustee, no successor has been appointed within 90 days of such notice, the Trustee, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee. The appointment of such successor by such court shall not require the approval of Unitholders.

The Trustee is entitled to receive fees from the Fund which are agreed to by the Manager from time to time, and to be reimbursed by the Fund for all expenses which are reasonably incurred by the Trustee in connection with the activities of the Fund.

Investment Restrictions

The Declaration of Trust provides for certain restrictions on investments which may be made by the Fund. The Fund is required to at all times in respect of the investment of the property and assets of the Fund comply with the investment restrictions set forth in the Declaration of Trust and imposed by applicable legislative requirements. The Fund's investment restrictions provide that the Fund shall not:

- (a) purchase securities of an issuer for the purposes of exercising control over management of the issuer or if, as a result of such purchase, the Fund would be required to file a tender offer statement with the U.S. Securities and Exchange Commission pursuant to section 14(d) of the *United States Securities Exchange Act of 1934*, as amended, or take any steps pursuant to applicable securities laws in any other jurisdiction which would have the same result for the Fund;
- (b) undertake any activity, take any action, omit to take any action or make or hold any investment that would result in the Fund failing to qualify as a "mutual fund trust" within the meaning of the Tax Act; or
- (c) make or hold any investment that would result in the Fund becoming a "SIFT trust" within the meaning of subsection 122.1(1) of the Tax Act.

Operating Policies

The operations and affairs of the Fund shall be conducted in accordance with the following operating policies:

- (a) no indebtedness shall be incurred or assumed if, after giving effect to the incurrence or assumption thereof of the indebtedness, the total indebtedness incurred in connection with the incurrence or assumption of such indebtedness as a percentage of the value of its assets, would be more than 85%;

- (b) the Fund will not directly or indirectly guarantee any indebtedness or liabilities of any Person unless such guarantee is given in connection with or incidental to an investment that is otherwise permitted under the investment restrictions or operating policies of the Fund set forth in the Declaration of Trust; and
- (c) at all times insurance coverage will be obtained and maintained in respect of potential liabilities of the Fund and the accidental loss of value of the assets of the Fund from risks, in amounts and with such insurers, in each case as the Trustee considers appropriate, taking into account all relevant factors including the practices of owners of comparable property and, for clarity, the Fund is not required to title insure.

For the purpose of the foregoing operating policies, the assets, indebtedness, liabilities and transactions of a corporation, trust, partnership or other entity in which the Fund has an interest, directly or indirectly, will be deemed to be those of the Fund on a proportionate consolidated basis. In addition, any references in the foregoing to investment will be deemed to include an investment in a joint venture arrangement.

Amendments to Declaration of Trust

The Declaration of Trust may be amended, expanded or varied by the Trustee or the Manager without the approval of or notice to Unitholders for the following purposes:

- (a) for the purpose of ensuring continuing compliance with applicable laws (including the Tax Act), regulations, requirements or policies of any governmental authority having jurisdiction over the Trustee or the Fund, its status as a “mutual fund trust” and a “registered investment” under the Tax Act or the distribution of Units;
- (b) which, in the opinion of the Trustee or the Manager, provide added protection or benefit to Unitholders;
- (c) to make any change or correction to the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity, conflict or defective or inconsistent provision, clerical omission, mistake or manifest error contained in the Declaration of Trust which are, in the opinion of the Trustee or the Manager, necessary or desirable and not prejudicial to Unitholders;
- (d) which, in the opinion of the Trustee or the Manager, is necessary or desirable as a result of changes in taxation laws or accounting standards, or the interpretation thereof from time to time, including, without limiting the generality of the foregoing, amendments which may permit the Fund to qualify for any status under the Tax Act which would benefit the Fund and its Unitholders;
- (e) as may be required by any lender providing financing in connection with the Business, provided the amendments do not change the proportionate interest of any Unitholder in the Fund; and
- (f) for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) which is, in the opinion of the Trustee or the Manager, necessary or desirable and not prejudicial to Unitholders.

Except for changes to the Declaration of Trust which require the approval of Unitholders or changes described above which do not require approval of or prior notice to Unitholders, the Declaration of Trust may be amended, expanded or varied from time to time by the Manager upon not less than 30 days’ prior written notice to Unitholders.

Meetings of Unitholders

A meeting of Unitholders may be convened by the Trustee or the Manager by a written requisition specifying the purpose of the meeting and must be convened if requisitioned by Unitholders holding not less than 30% of the Units of the Fund then outstanding by a written requisition specifying the purpose of the meeting.

Not less than 21 days’ and not more than 50 days’ notice will be given of any meeting of Unitholders. The quorum at any such meeting is two Unitholders present in person or by proxy holding not less than 10% of the outstanding Units. If no quorum is present at such meeting, the meeting will be adjourned for not less than 10 days or more than 21 days and at any adjourned meeting the Unitholders then present in person or represented by proxy will constitute the necessary quorum except if the meeting was called for the purpose of considering items (iv), (v) or (ix) below (under “Matters Requiring Unitholder Approval”) in which case the quorum for such adjourned meeting shall be two Unitholders present in person or by proxy holding not less than 10% of the outstanding Units. At any meeting of Unitholders, each Unitholder will be entitled to one vote for each whole Unit registered in the Unitholder’s name.

The Fund does not intend to hold annual meetings of Unitholders.

Matters Requiring Unitholder Approval

Pursuant to the Declaration of Trust, the matters set forth below require the approval of Unitholders by Extraordinary Resolution, other than item (v), which requires approval of Unitholders voting together by a simple majority vote at a meeting called and held for such purpose:

- (i) a change in the purpose of the Fund as described above under *Item 2.7 – Material Agreements – Declaration of Trust – Purpose*;
- (ii) a change in the investment restrictions of the Fund as described above under *Item 2.7 – Material Agreements – Declaration of Trust – Investment Restrictions*;
- (iii) a change in the operating policies of the Fund as described above under *Item 2.7 – Material Agreements – Declaration of Trust – Operating Policies*;
- (iv) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund, other than a fee or expense charged by a person or company that is at arm's length to the Fund;
- (v) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course of business;
- (vi) the termination of the Fund, other than as described below under *Item 2.7 – Material Agreements – Declaration of Trust – Termination of the Fund*;
- (vii) an amendment, modification or variation in any Special Resolution previously passed by the Unitholders;
- (viii) the removal of the Trustee and/or the appointment of a successor Trustee; and
- (ix) any amendment to the above provisions except as permitted in the Declaration of Trust.

In addition, items (iv), (v) and (ix) above also require the approval of the majority of the votes cast by Unitholders voting together at the meeting excluding any Unitholder who is an insider of the Fund for the purposes of section 1(1) of the *Securities Act* (Alberta).

Limitation on Non-Resident Ownership

Notwithstanding any provision of this Offering Memorandum or the Declaration of Trust to the contrary, at no time may more than 49% of the Units then outstanding be held by or for the benefit of Non-Resident Beneficiaries. The Trustee or the Manager may require declarations as to the jurisdictions in which beneficial owners of Units are resident or declarations from holders of Units as to whether such Units are held for the benefit of Non-Resident Beneficiaries. If the Trustee becomes aware that more than 49% of the Units then outstanding are, or may be, held by or for the benefit of Non-Resident Beneficiaries or that such a situation is imminent, the Trustee or the Manager shall not accept a subscription for such Units from or issue or register a transfer of such Units to a Person unless the Person provides a declaration that the Person is not a non-resident for the purposes of the Tax Act and does not hold his for a Non-Resident Beneficiary. If, notwithstanding the foregoing, the Trustee determines that more than 49% of the Units then outstanding are held by or for the benefit of Non-Resident Beneficiaries, the Trustee or the Manager may send a notice to non-resident holders of Units and holders of Units for Non-Resident Beneficiaries, chosen in inverse order to the order of acquisition or registration or in such other manner as the Manager may consider equitable and practicable, requiring them to sell or redeem their Units or a portion thereof within a specified period of not less than 60 days.

Termination of the Fund

The Fund will continue in full force and effect until the earlier of such time as it is terminated in accordance with the Declaration of Trust. The Fund may be terminated with the approval of Unitholders by an Extraordinary Resolution passed at a duly convened meeting of Unitholders called for the purpose of considering such Extraordinary Resolution. Prior to the date set for termination of the Fund at such meeting, the Manager will, to the extent possible, convert or arrange for the conversion of, the assets of the Fund to cash to the extent practicable and will satisfy or make appropriate provision for all liabilities and obligations of the Fund. The Trustee or the Manager may, in its discretion

and upon not less than 30 days' notice to the Unitholders, extend the Termination Date by a period of up to 180 days if the Trustee or the Manager will be unable to convert all of the assets of the Fund to cash prior to the original Termination Date and the Trustee or the Manager determines that it would be in the best interests of the Unitholders to do so. Upon the termination of the Fund, the Fund will distribute the remaining assets of the Fund rateably among the Unitholders based on the number of Units held by the Unitholders as soon as practicable after the Termination Date, as set out in the Declaration of Trust. In the event that the liquidation of certain assets of the Trust is not possible, or in the opinion of the Trustee or the Manager is not advisable, such assets will be distributed rateably among the Unitholders based on the number of Units held by Unitholders in specie, subject to compliance with any securities or other laws applicable to such distributions.

The Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion (i) it is no longer economically feasible to continue the Fund and/or (ii) it would be in the best interests of Unitholders to terminate the Fund. The Fund will also be terminated in the event of the resignation of the Manager if a replacement Manager has not been appointed within 60 days of the date upon which such Manager gives notice to the Trustee of its resignation. Such termination shall occur on the date that is 60 days following the last day of the aforementioned 60-day period.

Unless terminated earlier, the Fund will terminate and the property and assets of the Fund will be distributed to the Unitholders on the date which is 21 years after the date of death of the last survivor of the issue of his Majesty King George V alive at the date of the Declaration of Trust.

Management Agreement

Subject to and in accordance with the terms, conditions and limitations of the Declaration of Trust, the Trustee has delegated to the Manager the responsibility for the management and general administration of the affairs of the Fund pursuant to the Management Agreement dated as of October 9, 2014, as amended and restated on February 3, 2016. At a special meeting of Unitholders held on January 20, 2016, Unitholders approved an amendment to the original Management Agreement to incorporate a new method of calculating the Administrative Fee payable to SIF by the Fund and its Subsidiaries. The Management Agreement was amended and restated on February 3, 2016 to amend the Administrative Fee, and to include the duties and services associated with the development and acquisition of non-solar renewable energy project Installations, including waterpower and bioenergy/biogas/biomass Installations, to be provided by the Manager. See *Item 2.7 – Material Agreements – Management Agreement – Manager's Fees*.

The Management Agreement will continue in full force and effect unless terminated by the Fund or the Manager. The Management Agreement may be terminated at any time by the Fund by notice to the Manager in the event of a material breach by the Manager of its obligations under the Management Agreement, the commission by the Manager or any of its agents or employees of any act constituting gross negligence, fraud or wilful misconduct, or an event of insolvency occurring with respect to the Manager. The Management Agreement may be terminated by the Manager on 60 days' notice to the Fund as a result of a material breach by the Fund of its obligations under the Management Agreement that is not cured within 45 days (or such longer period as is reasonably required) of receipt of notice thereof or an event of insolvency with respect to the Fund. The Management Agreement may, at any time, be assigned by SIF in its discretion to any Person, firm or corporation, which assignee will assume the obligations of SIF under the Management Agreement.

The Manager will be entitled to receive fees as compensation for services rendered to the Fund and its Subsidiaries. See *Item 2.7 – Material Agreements – Management Agreement – Duties and Services to be Provided by the Manager* and *Item 2.7 – Material Agreements – Management Agreement – Manager's Fees*, below.

Duties and Services to be Provided by the Manager

Under the Management Agreement, SIF has been retained to provide consulting, development and administrative services to the Fund and its Subsidiaries, including without limitation:

- consulting and development services for Installations that are currently not operating:
 - managing the application and approval process with all regulatory bodies including government and local hydro utilities

- detailed review and due diligence on all energy projects including structural engineering work, electrical engineering and electrical grid capacity for each Installation
- arranging and managing independent performance and technical analysis of each Installation
- preparing and analyzing solar energy radiation reports for each solar energy Installation to validate solar energy production
- preparing the appropriate environmental applications as may be required for each Installation
- negotiating and managing long-term debt financing
- preparing all technical and legal requirements required to receive approvals for long-term debt financing
- arranging for a fixed price construction contract to build each Installation
- negotiating improvements to fixed price procurement contracts if there is a material decline in the cost of solar panels
- arranging for construction financing to build each Installation
- managing all the necessary approvals and legal requirements to ensure each Installation is successfully connected into the electricity grid
- arranging and managing the operation and maintenance contracts for all Installations
- arranging and managing the lease negotiations for all Installations with various landlords
- arranging and managing all the applicable legal agreements associated with a long-term lease including non-disturbance agreements and applicable registrations
- consulting and development services for Installations that will be acquired and are currently operating:
 - due diligence including operational, legal and financial analysis for each Installation
 - negotiating the purchase agreement
 - continuing the existence and good standing of FIT contracts and all warranties
 - technical inspection of the Installation by qualified technicians
 - confirming all leases are in good standing or, if acquiring the land, ensuring good and marketable title is obtained
 - ensuring compliance with all municipal by-laws and there are no work orders outstanding
 - acquiring clear title to all of the assets
 - monitoring the performance of all Installations on a real-time basis to ensure maximum electricity production
- consulting in connection with any investor relations initiatives proposed by the Fund
- liaising between the Fund and the Unitholders as from time to time required
- overseeing the books and financial records of the Fund and its Subsidiaries, the preparation of financial and operational reporting and disclosure documents by the Fund to Unitholders and any other communications by the Fund to its Unitholders as from time to time required
- providing office space, equipment, support services and administrative and secretarial personnel to the Fund
- overseeing the preparation of reports and other documents for the Trustee from time to time required
- providing advice and assistance in connection with the Fund's borrowings, raising of capital and issuance of securities, including representing the Fund in its dealings with banks and other lenders, dealers, institutions and investors

- conducting day-to-day relations on behalf of the Fund with third parties, including suppliers, joint venturers, lenders, brokers, consultants, advisors, accountants, lawyers, insurers and appraisers
- reviewing designations, allocations, elections and determinations to be made in connection with the income and capital gains of the Fund for tax and accounting purposes
- managing the Fund's regulatory compliance, including making all required filings
- monitoring compliance with the non-resident ownership constraints contained in the Declaration of Trust
- undertaking any matters required by the terms of the Declaration of Trust to be performed by the Trustee, which are not otherwise delegated therein or herein and generally providing all other services as may be necessary or as requested by the Trustee for the administration of the Fund
- preparing or causing to be prepared all returns, filings and documents and make all determinations necessary for the discharge of the Trustee's obligations under the Declaration of Trust
- the authorization and payment on behalf of the Fund of operation expenses incurred on behalf of the Fund
- overseeing the preparation and submitting all income tax returns and filings to the Trustee in sufficient time prior to the dates upon which they must be filed so that the Trustee has a reasonable opportunity to review them, execute them and return them to the Manager, and arranging for their filing within the time required by applicable tax law
- computing, determining and making or causing to be made on the Fund's behalf distributions to Unitholders of distributions properly payable by the Fund
- preparing on behalf of the Fund any circular or other disclosure document required under applicable securities legislation with respect to an offer to acquire securities of another person or in response to an offer to purchase Units
- preparing and arranging for the distribution of all materials (including notices of meetings and information circulars) in respect of all general and/or special meetings of Unitholders pursuant to the Declaration of Trust
- preparing or causing to be prepared and providing or causing to be provided to Unitholders on a timely basis all information to which Unitholders are entitled under the Declaration of Trust and under applicable laws, including information or proxy circulars, notices, financial reports and tax information relating to the Fund
- taking all steps necessary to complete the issuance of securities of the Fund, including the preparation of any prospectus or comparable document
- attending to all administrative and other matters (including making determinations) arising in connection with any redemptions of Units
- ensuring that the Fund elects in the prescribed manner and within the prescribed time under subsection 132(6.1) of the Tax Act to be a "mutual fund trust" within the meaning of that act since inception, and assuming the requirements for such election are met, monitoring the Fund's status as such a mutual fund trust and providing the Trustee with written notice when the Fund ceases or is at risk of ceasing to be such a mutual fund trust
- undertaking, managing and prosecuting any and all proceedings from time to time before or in respect of governmental authorities on behalf of the Fund
- promptly notifying the Trustee of any event that might reasonably be expected to have a material adverse effect on the affairs of the Fund.

The Management Agreement provides that the Manager shall have sufficient and appropriate skilled and experienced executives and other personnel as are reasonably necessary to carry out the responsibilities of the Manager under the Management Agreement and will ensure that the executives and staff made available to the Fund and its Subsidiaries devote sufficient time, attention and resources as may be reasonably be necessary to provide the services set out in the Management Agreement. For information about SIF's executives, see *Item 3.2 – Management Experience*.

Standard of Care and Limitation of Liability

The Management Agreement provides that the Manager is required to act honestly and in good faith with a view to the best interests of the Fund and the Unitholders and, in connection therewith, exercise the degree of care, diligence and skill that a reasonably prudent Manager would exercise in comparable circumstances. The Management Agreement provides that the Manager, its directors, officers, employees or agents shall be indemnified by the Fund if the Manager has satisfied its duties and the standard of care, diligence and skill set forth above, except as described below. The Manager will, however, incur liability in cases of the Manager's wilful misconduct, fraud, gross negligence or breach of its standard of care or obligations under the Management Agreement.

Non-Exclusive Services

The Management Agreement provides that the Manager and Trustee, as well as their directors, officers and employees, may engage, simultaneously with their provision of services to the Fund pursuant to the Management Agreement, in other businesses similar to the business of the Fund, and may render services similar to those described in the Management Agreement to other individuals, companies, trusts, pooled funds or persons, and shall not by reason of such engaging in other businesses or rendering of services for others be deemed to be acting in conflict with the interests of the Fund.

Manager's Fees

In consideration for the services to be provided by SIF pursuant to the Management Agreement, subject to any restrictions or limitations in the Declaration of Trust, SIF is entitled to receive:

- (i) the Development Fee equal to \$1,620,000 payable in 12 equal monthly instalments on the first day of each calendar month at the rate of \$135,000 per month, plus applicable tax. The period of 12 months is selected as this period represents the appropriate time delay for substantial completion of SIF's services to the Fund for Installations not currently operating. Should SIF not draw its portion of the Development Fee for any given month, it will be entitled to collect the outstanding portion of the Development Fee in any subsequent month, in addition to any billable portion of the Development Fee for such subsequent month (if any);
- (ii) the Electricity Grid Connection Fee, equal to \$40,000 per Megawatt of electricity in respect of each Installation that is currently operating and generating electricity that is acquired in the month and each Installation in development that is connected to the electricity grid in the month, payable on the last day of that month, plus applicable tax, provided that no Electricity Grid Connection Fee will be payable to the Manager in respect of Installations that are operating and generating electricity that are acquired from Existing Funds;
- (iii) the Administrative Fee, payable monthly, calculated as at the last day of the month, in an amount equal to:
 - (1) 2% of the Total Assets of the Fund per annum, in the event that an Installation is in development as at such date (i.e., the Installation has not achieved Commercial Operation within the meaning of the applicable power purchase agreement); or
 - (2) 1% of the Total Assets of the Fund per annum, in the event that no Installations are in development as at such date (i.e., all Installations have achieved Commercial Operation within the meaning of the applicable power purchase agreement);
- (iv) the Performance Fee, equal to 2/3 of all Cash Distributions paid or payable to Unitholders representing in excess of 8% per annum of the outstanding Units' capital, calculated on a cumulative basis in respect of each such Unit from the date that is the later of:
 - (1) the first day of the month on which such Unit was issued; and
 - (2) the first day of the month following the date on which a Performance Fee previously became paid or payable, if any,

until the date of such calculation. See *Item 5.1 – Terms of Securities - Distribution Policy*, for more details. For the purpose of the foregoing calculation, "Cash Distributions" means the amount of cash distributed in

respect of the Units to the extent that such distributions do not represent a return of capital to Unitholders for accounting or tax purposes. The Performance Fee shall be calculated as at the last day of the year, prior to the redemption and the repurchase of any Units for cancellation on such date, if any, and shall be payable on the last day of the year. For illustrative purposes, for every \$60.00 of Cash Distributions paid or payable to Unitholders in excess of the 8% threshold calculated as described above, the Manager shall be entitled to a Performance Fee of \$40.00.

Prior to the amendment to the Management Agreement, the Administrative Fee was equal to the employment costs of the Manager's personnel providing support services and administrative, accounting and secretarial services to the Fund and its Subsidiaries plus 50% of such employment costs. The Administrative Fee did not include employment costs of the Manager's executives. The new method of calculating the Administrative Fee payable to SIF by the Fund and its Subsidiaries as a percentage of the Total Assets of the Fund has been designed to provide strong incentives to SIF to enhance Unitholder value and returns to Unitholders. The rationale behind the distinction between the 2% and 1% rates is that during the development period, the Manager relies more heavily on services provided by its internal legal counsel and senior accounting professionals.

Under the Management Agreement, the Manager is responsible for employment expenses of its executives and staff, rent, utilities, and other office expenses and miscellaneous administrative expenses related to the performance by the Manager of its functions under the Management Agreement.

In the event that the Manager is to provide any services to the Fund or its Subsidiaries in addition to those referred to in the Management Agreement, then before the provision of any such services the Fund and the Manager shall agree upon the scope of any such services and the fees for any such services. For greater certainty, in the event the Fund determines to raise additional capital to develop and/or acquire additional solar or non-solar renewable energy Installations through the issuance of Units in excess of \$30,000,000, the Fund and the Manager shall agree on a subsequent development fee, administrative fee and electricity grid connection fee for its services in respect of such additional activities.

Forward Purchase Agreement

On January 21, 2016, Essex LP entered into a forward purchase agreement with Essex Projects LP (the wholly owned subsidiary of RFNLP) under which Essex LP agreed to fund the development of the Essex Projects (25 rooftop solar installations in Essex County on schools owned by the GECDSB) and purchase the Essex Projects after each project achieves commercial operation. The purchase price for the Essex Projects is \$3,006,160¹⁴ which represents the cost of purchasing the FIT contracts and other ancillary rights with respect to the Essex Projects rooftop licence agreements. Under the forward purchase agreement, the amount to be funded to permit Essex LP to develop and construct each rooftop solar Installation consists of Essex LP procuring certain materials, equipment and services and paying certain funds to Essex Projects LP in installments based on the achievement of certain project milestones.

On behalf of the Fund and its Subsidiaries, SIF engaged an independent accounting firm to provide a formal valuation and fairness opinion in connection with the purchase of the Essex Projects. In consideration for its services, including the provision of the valuation and fairness opinion, the accounting firm received fees based on professional time expended that was not contingent on the outcome of its conclusion. The valuation, which is dated October 29, 2015 (and addressed to Essex LP) indicated that, based upon and subject to the full text of the valuation and such other matters as the independent accounting firm considered relevant, as at October 31, 2014, being the date of the agreement to acquire the Essex Projects, the fair market value of the Essex Projects was in the range of approximately \$15.0 million to \$15.5 million (rounded). The fairness opinion, which is dated October 29, 2015 (and addressed to Essex LP), concluded that, based upon and subject to the full text of the valuation and such other matters as the independent accounting firm considered relevant, as of the date of the fairness opinion, the consideration of \$3,495,215 to be paid by Essex LP to acquire the Essex Projects (which was subsequently reduced to \$3,006,160) is fair, from a financial point of view.

SIF estimates that the total cost to acquire and develop the Essex Projects will be approximately \$17,200,000, which includes (i) the cost of purchasing the FIT contracts and other ancillary rights with respect to rooftop license agreements

¹⁴ The purchase price of \$3,006,160, based upon 5,672 DC kW, will be adjusted based upon the actual DC kW installed once all of the Essex Projects are in operation. Our estimate of the actual installed output is 5,596 DC kW. Based on 5,596 DC kW, the price would be adjusted to \$2,965,827.

- \$3,006,160 (under the forward purchase agreement), and (ii) the development cost of approximately \$14,200,000 including financing fees and interest during the development period estimated in the amount of \$1,300,000. As of May 18, 2016, Essex LP has paid \$1,182,834 in respect of the purchase price in addition to a non-refundable deposit of \$200,000 (the “**Initial Deposit**”) in connection with the purchase of the Essex Projects and approximately \$8,200,000 in development costs in respect of the Essex Projects. Upon the execution of the forward purchase agreement, the Initial Deposit of \$200,000, which was held in escrow, became non-refundable and was released to RFNLP.

In the event that the Essex Projects do not proceed, costs expended for the purchase of equipment (invertors, panel, racking) are expected to be recoverable, as there is currently a demand for such assets. Costs expended for labour and services would not be recoverable. Equipment purchases represent the largest portion of the costs expended on the Essex Projects to date. With respect to each project, if the purchase and assignment of any of the Essex Projects is not completed within 180 days after the project’s respective commercial operation date, then Essex LP has the option of selling the project back to Essex Projects LP for the development costs.

Under the forward purchase agreement, Essex LP has been granted a number of security interests: general security over the assets and undertakings of Essex LP and its general partner, specific assignment of the FIT contracts, real property agreements, project permits, regulatory approvals, CIAs and connection cost agreements, and a limited recourse guarantee and pledge by RFNLP of its interest in favour of Essex Projects LP and its general partner.

SIF expects that the remainder of the funds to be advanced for the development costs and the purchase price of the Essex Projects will be paid with additional funds raised under this Offering, the placement of short term bridge financing (if required), long-term financing and construction financing provided by Frankensolar Americas. See *Item 1 – Use of Available Funds*.

With respect to long-term financing, the Term Loan Term Sheet has been finalized with CIT Financial Ltd. regarding a potential 18 year term loan to Essex LP of up to \$15 million made by way of up to four advances, with repayment to be by way of quarterly installments, the first of which would be made the earlier of the first full calendar quarter following the last advance or December 31, 2016. The Term Loan Term Sheet also contemplates, among other things: an interest rate, to be reset quarterly, equal to interest margin of 2.5%, plus the greater of the 90 day Canadian Dealer Offered Rate or 1% (the interest rate will be subject to a SWAP agreement to convert it into a fixed rate loan); an underwriting fee equal to the greater of 1.65% of the total amount of advances made or \$247,500; an annual \$25,000 agency fee; and a 1% commitment fee, applied to the undrawn portion of the facility. The loan would be secured by the equipment, contracts, warranties and the leasehold interest and a first priority security interest in all of the assets of Essex LP, as borrower. In addition, a control account would be implemented to ensure maintenance of specified reserve amounts. Customary debt service coverage ratio covenants would also be required. Although the Lender has commenced due diligence on the borrower and the Essex Projects, and negotiation of the final form of loan agreement is ongoing, there is no assurance that the Term Loan Term Sheet will result in a finalized loan agreement, or if so, whether it would be on the terms of the Term Loan Term Sheet. Further, the execution of a loan agreement does not mean there is certainty that all advances will be made under such a loan, as advances will be conditional upon the ongoing and continued satisfaction of certain loan covenants.

Construction financing for the Essex Projects up to approximately \$5 million will be available from Frankensolar Americas, which is the provider of engineering, procurement and construction services to the Essex Projects. An EPC Agreement, dated November 11, 2015, has been executed between Essex LP and Frankensolar Americas, and construction of the first tranche of Essex Projects is near completion. See *Item 2.7 Material Agreements – EPC Agreement*.

Given that there is a degree of uncertainty as to whether any of the above funding sources will be finalized, and the short-term need for funds to address, among other things, development costs and the purchase price of the Essex Projects, SIF has determined that it is prudent to raise funds under this Offering.

EPC Agreement

Pursuant to the EPC Agreement dated November 11, 2015, Essex LP engaged Frankensolar Americas to provide design, construction and installation services in respect of the Essex Projects (the “**EPC Work**”).

The EPC Agreement will continue in full force and effect unless terminated by Essex LP. The EPC Agreement may be terminated at any time by Essex LP by notice to Frankensolar Americas if there is:

- an event of insolvency in respect of Frankensolar Americas;
- a material breach by Frankensolar Americas of its obligations under the EPC Agreement and Frankensolar Americas' failure to take action to cure such breach within 15 business days (or such longer period as is reasonably required) after notice thereof; or
- a material representation made by Frankensolar Americas in or pursuant to the EPC Agreement which is proven to have been false in any material respect as of the date on which it was made and, if such misrepresentation is of a nature that Frankensolar Americas can mitigate, in all material respects, any adverse consequences of such misrepresentation to Essex LP or the Essex Projects, such misrepresentation has not been mitigated within 60 days after written notice from Essex LP.

Frankensolar Americas will be entitled to receive fees as compensation for services rendered in respect of the Essex Projects. See *Item 2.7 – Material Agreements – EPC Agreement – Contract Price* below.

Duties and Services to be Provided by Frankensolar Americas

Under the EPC Agreement, Frankensolar Americas has been retained to complete the EPC Work in respect of each photovoltaic facility relating to the Essex Projects, including:

- designing, procuring, constructing, installing, commissioning and testing complete and operational photovoltaic power plants relating to the Essex Projects on a turnkey basis, in accordance with good engineering and operating practices and the EPC Agreement (including the specifications and scope of work set forth in the EPC Agreement and the requirements of the applicable FIT contracts and FIT rules);
- supplying the supervision, testing, labour, personnel, government authorizations and permits (other than building permits, which will be supplied by Essex LP), materials, supplies, apparatus, machinery, parts, tools, instruments and other equipment (except any materials and equipment to be supplied by Essex LP) necessary to satisfy the foregoing work and services described directly above, including, for greater certainty, any materials and equipment required by, reasonably inferable from or incidental to the performance of the duties and responsibilities assigned to or undertaken by Frankensolar Americas, or any contractors or subcontractors thereof, in respect of the Essex Projects pursuant to the EPC Agreement;
- other than as previously stated above, performing or where applicable, providing, all necessary and required labour and materials to reach the commercial operation date for each applicable FIT contract in compliance with all required by-laws, governmental rules and regulations, as well as IESO and other related requirements, including without limitation:
 - supplying and installing ballasted flat roof racking and/or flush mounted racking equipment, including ballast pavers,
 - installing, connecting and commissioning Essex LP-supplied solar photovoltaic modules and inverters,
 - supplying and installing step-up transformers, monitoring data loggers, SCADA equipment as required by LDCs, certain conductors and disconnects, meter base and conduits, and
 - full commissioning, as specified in the EPC Agreement.

Contract Price

In consideration for the services (labour, racking and construction financing) to be provided by it pursuant to the EPC Agreement, Frankensolar Americas shall be entitled to receive \$0.84 per wDC plus applicable taxes and the cost of ballast blocks for the construction of the photovoltaic facilities relating to the Essex Projects, in accordance with the applicable terms and conditions set forth in the EPC Agreement, which includes without limitation the following:

- Essex LP shall pay Frankensolar Americas the above-referenced contract price less applicable holdbacks (10%) under the CLA, which for clarity, shall be held back from each milestone payment outlined in the EPC

Agreement and released to Frankensolar Americas in accordance with the terms of the EPC Agreement and the CLA, as applicable;

- construction and subsequent payment for contracted work must take place in no more than four tranches; and
- Frankensolar Americas shall be paid the contract price upon successful completion of post-commercial operation date assignment of the IESO FIT contract and the LDC connection agreement to Essex LP, plus five business days of all projects in each tranche. Notwithstanding the foregoing, Essex LP shall make payment no later than 20 business days after the commercial operation date of the last project per tranche and failing this, Essex LP shall pay 12% annual interest accrued daily on any overdue amounts.

Government Authorizations and Permits

The EPC Agreement provides that all fees, expenses and costs incurred to obtain, supply, comply with and maintain all applicable government authorizations and permits, shall be for the account of Frankensolar Americas, with the exception of LDC connection fees, Electrical Safety Authority (ESA) plan review fees and building permit fees which shall be for the account of Essex LP.

Construction Managers

Pursuant to the EPC Agreement, Frankensolar Americas shall appoint, and have the ability to change at any time (with notification to Essex LP), a construction manager to supervise the completion of EPC Work for each applicable photovoltaic facility and to act as the primary point of contact for Essex LP regarding all matters relating to the EPC Work for the applicable photovoltaic facility.

Subcontractors

Under the EPC Agreement, it is acknowledged and agreed that Frankensolar Americas intends to have portions of the EPC Work carried out by subcontractors pursuant to written subcontracts between Frankensolar Americas and such subcontractors. Frankensolar Americas shall cause all subcontractors to perform their work in conformity with the EPC Agreement and in compliance with applicable laws. No subcontractor is intended to be, or shall be deemed to be, a third party beneficiary of the EPC Agreement.

Occupational Health and Safety

The EPC Agreement provides that Frankensolar Americas shall be the “constructor” within the meaning of the *Occupational Health and Safety Act* (Ontario), as amended, and shall be solely responsible for the duties, liabilities and responsibilities of the “constructor” thereunder on each site where the EPC Work is performed. Frankensolar Americas shall ensure, or cause the subcontractor(s) to ensure, where applicable, that appropriate health and safety instructions and training have been provided, and will be provided to Frankensolar Americas’ or any applicable subcontractor’s employees, and anyone for whom Frankensolar Americas or a subcontractor (if applicable) is responsible, before any of the EPC Work is commenced.

Frankensolar Americas shall defend, indemnify and save harmless Essex LP, together with any of its affiliates, successors, assigns, shareholders, officers, directors, employees, consultants and agents, from and against any and all liability, costs, expenses, fines and damages arising from any safety infractions, including the payment of any related legal fees and expenses.

Changes in Scope

With respect to any photovoltaic facility relating to the Essex Projects, at any time prior to the date of final completion, either Frankensolar Americas or Essex LP may suggest a change in the approved scope of work or specifications for the facility. In either case, Frankensolar Americas shall submit to Essex LP a proposal to implement the change.

Title

With respect to all EPC Work for which Essex LP has paid to Frankensolar Americas, Frankensolar Americas warrants, pursuant to the EPC Agreement, that the EPC Work and the materials, supplies, equipment, etc. shall be free and clear

of any right of retention, claim, lien, charge or encumbrance and any claims, charges, encumbrances or rights of other Persons arising as a result of any actions or failures to act (or alleged actions or failure to act) of Frankensolar Americas or any subcontractor, or their employees, representatives, labourers, or supplier of goods and services.

Risk of Loss

Under the EPC Agreement, Frankensolar Americas shall bear the risk of loss and damage, and shall be obligated to repair, replace or reconstruct any portion of the EPC Work and/or any materials and equipment supplied by Essex LP comprising any photovoltaic facility that is lost, stolen, damaged or destroyed.

Warranties

Under the EPC Agreement, the warranty period for each site and photovoltaic facility is two years from the date of final completion thereof.

Frankensolar Americas also makes certain warranties as set forth in the EPC Agreement with respect to the photovoltaic facilities relating to the Essex Projects and the EPC Work. Frankensolar Americas shall obtain from any subcontractor warranties no less favourable than those set out in the EPC Agreement, unless otherwise approved by Essex LP in writing. Upon the transfer of title of such facilities to Essex LP, such subcontractor warranties shall be assigned to Essex LP.

Insurance

The EPC Agreement also provides that, prior to the commencement of construction with respect to each project and until transfer of title thereof to Essex LP or final completion thereof, Frankensolar Americas shall take out, carry and maintain, among other things, the following insurance coverages:

- project owner insurance:
 - builders “all-risk”,
 - wrap up liability,
 - non-owned automobile liability and
 - excess liability,with inclusion of all applicable contractors, subcontractors, engineers, consultants and beneficial owners; and
- EPC insurance:
 - workers compensation,
 - contractor’s pollution liability,
 - commercial automobile liability and
 - professional liability.

Indemnification

The EPC Agreement provides that Essex LP shall be indemnified by Frankensolar Americas from all losses, liabilities, damages, claims, demands and actions of any kind or nature which Essex LP may become liable for or suffer by reason of any acts or omissions of Frankensolar Americas or for whom it is in law responsible in connection with the EPC Work and Frankensolar Americas’ obligations outlined in the EPC Agreement.

ITEM 3: INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

The following table sets out specified information about each trustee and each promoter of the Fund, each director and each officer of the Manager, and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Fund.

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by the Fund or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Fund held after completion of max. offering
Computershare Trust Company of Canada Calgary, Alberta	Trustee of the Fund commencing October 9, 2014	\$32,000	Nil
Solar Income Fund Inc. ⁽¹⁾ Toronto, Ontario	Manager and promoter of the Fund commencing October 9, 2014	\$1,122,867 ⁽²⁾ / \$970,000 ⁽³⁾	Nil
Charles David Mazzacato Toronto, Ontario	President of the Manager, commencing August 4, 2015 Director of the Manager commencing June 10, 2014	See note 4 / \$215,000 ⁽⁴⁾	Nil
Allan Saul Grossman Toronto, Ontario	Executive Vice President, of the Manager commencing August 31, 2015 Director of the Manager commencing November 25, 2013	See note 5	Nil
Anil Grover Markham, Ontario	Chief Financial Officer of the Manager, commencing October 13, 2015	See note 5	Nil
Jean Fawzi Sawaya Toronto, Ontario	Vice President, Operations, of the Manager, commencing November 1, 2015	See note 5	Nil
Lauren Chiyoko Sasaki Toronto, Ontario	VP, General Counsel of the Manager, commencing November 2, 2015	See note 5	Nil
Helen Lorraine Fisch	Director of the Manager commencing April 13, 2016	See note 5	Nil

Notes:

- (1) Mr. Mazzacato is an indirect shareholder of SIF through a holding company held by a family trust. Mr. Grossman is an indirect shareholder of SIF through a family trust.
- (2) In 2015, the Fund paid SIF a Development Fee of \$875,000 and an Administrative Fee of \$247,867. On February 3, 2016, the Management Agreement was amended to incorporate a new method of calculating the Administrative Fee.
- (3) The estimated Development Fee and Administrative Fee for 2016 is \$570,000 and \$400,000, respectively (based on an average estimated total asset size of \$20,000,000). See *Item 2.7 – Material Agreements – Management Agreement – Manager’s Fees*.
- (4) The services of Mr. Mazzacato will be provided through a wholly owned company, 2474152 Ontario Inc., pursuant to a service agreement with SIF. Under the service agreement, the wholly owned company (and, indirectly, Mr. Mazzacato) will be entitled to be paid a commission on closing of the acquisition of new solar projects originated through its business development activities equal to 1.25% of the total capital costs for such new projects (excluding taxes), which are payable by the entity acquiring the project. Any commissions paid by the Fund or its Subsidiaries to the wholly owned company in respect of such activities will be in accordance with industry standards and on the same basis as commissions are paid to third parties, and will not duplicate any commissions paid to third parties. \$215,000 is the estimated commission with respect to the Essex Projects only.

- (5) Compensation paid to the officers of the Manager is not paid directly by the Fund or its Subsidiaries, but is paid by the Manager from the fees it earns for providing services to the Fund and its Subsidiaries pursuant to the Management Agreement. See *Item 2.7 – Material Agreements – Management Agreement – Manager’s Fees*.

3.2 Management Experience

The following table sets forth the names and principal occupations of each director and executive officer of SIF during the past five years and the nature and extent of their related experience. In August 2015, Charles Mazzacato assumed the role of President of the Manager. His predecessor, Jennifer Jackson, resigned in June 2015. Other key personnel changes occurred in 2015, as described below. The following table sets forth the names and principal occupations of the current directors and executive officers of SIF and the nature and extent of their related experience.

Name	Principal occupation and related experience
Charles David Mazzacato	President. Mr. Mazzacato joined SIF in June 2014 as Chief Technology Officer and VP Project Development. He was also appointed Director of SIF at that time and remains an indirect shareholder of SIF. Mr. Mazzacato is an experienced executive with a strong background in mission critical and renewable energy power systems. He has worked in the electrical power industry for four decades and has a proven track record in senior executive management roles having worked with some of the largest electrical equipment manufacturers in the world, including Emerson Electric, Merlin Gerin, Group Schneider, Eaton Corp and Invensys. Mr. Mazzacato was also President of Axion Power, an R&D company dedicated to revolutionizing the energy storage industry and most recently spent 3 years with PowerStream, one of Ontario’s largest Local Distribution Companies, where he originated acquisitions of \$150M of solar projects. With the approval of SIF on behalf of the Fund, Mr. Mazzacato was appointed to replace Ms. Jackson as trustee of SIF #2 Operating Trust, in connection with Ms. Jackson’s cessation of service.
Allan Saul Grossman	Executive Vice President. Mr. Grossman has been an indirect shareholder and Director of SIF since its formation, and was also previously the VP Finance of SIF since its formation up until his most recent appointment. Mr. Grossman has been actively involved in the solar energy power generation sector since 2008. Mr. Grossman, founded a boutique private equity firm in 1988. Until June 30, 2005, Mr. Grossman was also a partner of Horwath Orenstein LLP. His education includes a Bachelor of Commerce from the University of Toronto and a Chartered Professional Accountant Designation from the Institute of Chartered Professional Accountants of Ontario. Mr. Grossman continues to serve on the Board of the Manager.
Anil Grover	Chief Financial Officer. In October 2015, Mr. Anil Grover, assumed the role of CFO. Mr. Grover worked with the consulting and financial firm Deloitte & Touche for many years and, more recently, for five years with Xeneca, a clean energy development company focused on small hydroelectric power assets. Mr. Grover holds a Chartered Professional Accountant designation from the Institute of Chartered Professional Accountants of Ontario. The Manager had operated since inception with a part-time CFO, Mr. Dan Kowalchuk, who reported to the VP Finance. Mr. Kowalchuk also maintained an independent accounting practice. An interim CFO was in place for a period of four months before Mr. Grover’s appointment. As the Manager now has a full-time CFO in place, the VP Finance role has been eliminated. Mr. Allan Grossman, who had served in that capacity, has taken a new role as Executive Vice President, in which he will assist the Manager on special projects while transitioning into retirement over the next few years.

Jean Fawzi Sawaya	Vice President, Operations. In November 2015, Mr. Jean Sawaya accepted the new role of Vice President, Operations, for SIF and CPE Inc., the wholly owned Operation and Maintenance (O&M) subsidiary of the Manager. In this role, he has largely taken over the responsibilities Mr. Mazzacato previously met as SIF's Chief Technical Officer. Mr. Sawaya had previously provided consulting services to the Manager and to entities that sold projects to the Fund. He has more than 25 years of experience in North American and international project management involving projects in infrastructure, renewable energy, thermal power, nuclear power, offshore oil and gas, and waste and water treatment. Mr. Sawaya is an engineer. and graduated from the University of Southern California.
Lauren Chiyoko Sasaki	VP, General Counsel. In November 2015, Ms. Lauren Sasaki assumed the role of VP, General Counsel, for SIF. Before Ms. Sasaki's appointment, Mr. Ken Kadonoff, an indirect shareholder of SIF, was VP General Counsel and subsequently Special Advisor on the Essex Projects. Ms. Sasaki has been involved in renewable energy sectors since 2000, with a career that has spanned 20 years and various industries. Before joining the Manager, Lauren was part of the senior management team with Xeneca, a clean energy development company, where she was responsible for Corporate and Aboriginal Affairs and the role of General Counsel. Prior to joining Xeneca, her extensive counsel and regulatory experience included tenures at the OPA, Ontario Power Generation Inc., and the Ontario Clean Water Agency. She holds a Bachelor of Laws degree from Queen's University and a Bachelor of Science (Engineering) degree from the University of Guelph. Ms. Sasaki is also a P.Eng.
Helen Lorraine Fisch	Ms. Helen Fisch became a director of SIF in April 2016. After 22 years in senior management positions with Ontario Hydro and its successor companies, in the areas of finance, international business development and customer service, Ms. Fisch launched her own consulting business in 2000. Ms. Fisch was Vice Chair and director of Barrie Hydro Distribution, Inc. from 2001 to 2008. Ms. Fisch has extensive Board experience, having served on the Board of Directors of IRIS Power Engineering, Ontario-Quinta, and the REENA Foundation. Ms. Fisch holds a Masters in Business Administration.

3.3 Penalties, Sanctions and Bankruptcy

Allan Grossman, the Executive Vice President and a director of SIF, has been subject to bankruptcy proceedings. In 2007, Mr. Grossman was a participant in several real estate development projects. Mr. Grossman was required to personally guarantee the debts of one of those projects, where in the past he never had. Due to the global economic deterioration in the debt and equity markets in 2007 and 2008, a number of such projects suffered severe financial problems resulting from the downturn in the real estate market and the lenders called upon Mr. Grossman's guarantee. Mr. Grossman was unable to make payments on the personal guarantee. At the same time, Mr. Grossman was reassessed for prior years' income taxes. As a result, on May 26, 2010, Mr. Grossman made a proposal to his creditors under the *Bankruptcy and Insolvency Act* (Canada) to settle all debts. However, the proposal was rejected by Mr. Grossman's creditors and therefore under the bankruptcy laws of Canada he became a bankrupt. On October 28, 2013, Mr. Grossman was granted a full discharge in the matter of his bankruptcy by an order of the Ontario Superior Court of Justice. Notwithstanding his bankruptcy, Mr. Grossman remains in good standing with the Institute of Chartered Professional Accountants of Ontario.

In an offering memorandum for an Existing Fund dated November 1, 2011, the Existing Fund failed to disclose Mr. Grossman's bankruptcy proceedings and the BCSC issued a deficiency letter with respect to the offering memorandum. The Existing Fund settled the matter with the BCSC by rectifying the deficiency in the offering memorandum and offering rights of rescission to unitholders of the fund.

3.4 Loans

As of the date of this Offering Memorandum, the Fund does not have any debentures or loans due to or from the trustee, management, promoters and principal holders of the Fund.

The Fund has borrowed funds from certain related parties to purchase solar panels and for development of the Essex Projects as well as to pay distributions to Unitholders. Amounts owing by the Fund to related parties as at May 18, 2016 are set forth in the table below.

Description of Loan (including whether secured)	Interest Rate	Repayment Terms	Name of Related Party	Amount due at May 18, 2016
Promissory Notes (unsecured)	15% per annum	On demand	SIF Solar Energy Operating Trust	\$8,263,942 ⁽¹⁾
Promissory Notes (unsecured)	15% per annum	On demand	CPE Inc.	\$55,500 ⁽¹⁾

Note:

- (1) The Fund intends to repay the amounts owing to SIF Solar Energy Operating Trust (“OT#1”), an Existing Fund managed by SIF, and CPE Inc. (“CPE”), a wholly owned subsidiary of SIF through debt financing and/or the issuance of Units under this Offering. OT#1 and CPE have agreed not to demand repayment of these amounts until the Fund obtains such capital.

ITEM 4: CAPITAL STRUCTURE

4.1 Equity Securities

The beneficial interests in the Fund are divided into Units, a description of which is set forth in the table below.

Description of security	Number authorized to be issued	Price per security	Number outstanding as at May 18, 2016	Number outstanding after max. offering
Units ⁽¹⁾	Unlimited	\$80	56,190 ⁽²⁾	156,190

Notes:

- (1) Units shall be issued only as fully paid and non-assessable. Each whole Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund in respect of the Units. See *Item 5.1 – Terms of Securities*.
- (2) Includes 1,359 Units issued pursuant to the DRIP and 54,831 Units issued pursuant to a prior offering..

4.2 Long-Term Debt Securities

As at the date of this Offering Memorandum, the Fund has no long-term debt outstanding.

4.3 Prior Sales

As of the date hereof, the Fund has raised a total of \$5,483,100 through a previous offering, and has sold an additional 1,359 Units in connection with the Fund's DRIP (for proceeds of \$135,900). A total of \$5,619,000 was raised and there are currently 56,190 Units issued and outstanding. Details of the prior sales of Units since inception of the Fund are set forth in the table below:

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total Funds Received
October 9, 2014 ⁽¹⁾	Unit	1	\$10.00	\$10.00
October 31, 2014	Unit	100	\$100.00	\$10,000.00
November 13, 2014	Unit	900	\$100.00	\$90,000.00
November 18, 2014	Unit	804	\$100.00	\$80,400.00
November 26, 2014	Unit	3,200	\$100.00	\$320,000.00
November 28, 2014	Unit	2,086	\$100.00	\$208,600.00
December 10, 2014	Unit	800	\$100.00	\$80,000.00
December 11, 2014	Unit	230	\$100.00	\$23,000.00
December 15, 2014	Unit	1	\$100.00	\$100.00
December 16, 2014	Unit	2,098	\$100.00	\$209,800.00
December 19, 2014	Unit	3,000	\$100.00	\$300,000.00
December 30, 2014	Unit	2,073	\$100.00	\$207,300.00
December 31, 2014	Unit	2,941	\$100.00	\$294,100.00
January 16, 2015	Unit	1,034	\$100.00	\$103,400.00
January 22, 2015	Unit	2,639	\$100.00	\$263,900.00
January 30, 2015	Unit	4,279	\$100.00	\$427,900.00
February 13, 2015	Unit	2,176	\$100.00	\$217,600.00
February 20, 2015	Unit	1,950	\$100.00	\$195,000.00
February 24, 2015	Unit	3,779	\$100.00	\$377,900.00
February 27, 2015	Unit	1,060	\$100.00	\$106,000.00
March 6, 2015	Unit	2,138	\$100.00	\$213,800.00
March 16, 2015	Unit	1,922	\$100.00	\$192,200.00
March 24, 2015	Unit	5,329	\$100.00	\$532,900.00
April 10, 2015	Unit	3,700	\$100.00	\$370,000.00
April 17, 2015	Unit	1,369	\$100.00	\$136,900.00

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total Funds Received
April 24, 2015	Unit	450	\$100.00	\$45,000.00
April 28, 2015	Unit	2,634	\$100.00	\$263,400.00
April 30, 2015	Unit	2,275	\$100.00	\$227,500.00
June 15, 2015	Unit	257	\$100.00	\$25,700.00
September 15, 2015	Unit	321	\$100.00	\$32,100.00
December 15, 2015	Unit	316	\$100.00	\$31,600.00
March 15, 2016	Unit	329	\$100.00	\$ 32,900.00
Total		56,190		\$5,619,000.00

Note:

- (1) On October 9, 2014, the Fund issued one Unit to Jennifer Jackson for \$10.00 cash. Following the issuance of additional Units on October 31, 2014, the initial Unit was purchased for cancellation by the Fund for \$10.00 cash and is no longer issued and outstanding.

4.4 Redemption History

To date, the Fund has not received any requests for redemption.

ITEM 5: SECURITIES OFFERED

5.1 Terms of Securities

The following are the material terms of the Units offered pursuant to this Offering.

The beneficial interest in the net assets and net income of the Fund is divided into an unlimited number of Units. The Fund is currently authorized to issue an unlimited number of Units. The Fund proposes to offer Units at a price of \$80 per Unit under this Offering. Subject to the Declaration of Trust, the Fund may allot and issue Units at such time or times, and in such manner, as the Trustee or the Manager, in its discretion, shall determine.

Each whole Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund in respect of the Units, including distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable.

Subject to applicable law, the Fund shall be entitled at any time and from time to time to purchase for cancellation outstanding Units at a price per Unit and on a basis determined by the Trustee or the Manager.

The Trustee or the Manager may require a Unitholder to redeem all or part of its holding of Units if the Trustee or Manager determines that the size of the Unitholder's holding may result in the Fund imminently becoming subject to a "loss restriction event" as defined in the Tax Act.

Redemption of Units

Units may be surrendered for redemption in any month. Units properly surrendered for redemption by a Unitholder on any business day prior to the first day of a month will be redeemed on the Redemption Date and the Unitholder will receive payment on or before the 15th business day following such Redemption Date.

A holder of Units who properly surrenders such a Unit for redemption on a Redemption Date will receive the Redemption Price. The “Redemption Price” means a price per Unit, equal to the Applicable Percentage of the most recent net asset value of the Units determined by the Manager prior to the Redemption Date divided by the number of Units then outstanding, less any costs and expenses incurred by the Fund in connection with funding the redemption. The net asset value shall be determined by the Manager at least annually, or more frequently as the Manager may determine. The “Applicable Percentage” means for each period set out below:

July 1, 2015 to June 30, 2016	92%
July 1, 2016 to June 30, 2017	94%
July 1, 2017 to June 30, 2018	96%
July 1, 2018 to June 30, 2019	98%
July 1, 2019 and thereafter	100%.

The net asset value of the Fund is currently determined to be less than the market price of the Units. The current net asset value of the Fund on a per Unit basis, determined as at December 31, 2015 is \$59.83.

Any unpaid distribution payable to Unitholders of record on or before the Redemption Date in respect of Units tendered for redemption on such Redemption Date will also be paid on the same day as the redemption proceeds are paid.

Exercise of Redemption Right

A Unitholder who desires to exercise redemption privileges must deliver to the Trustee (at its office in the City of Calgary) a Redemption Notice of the Unitholder’s intention to redeem Units. The form of Redemption Notice is printed on the reverse side of the form of Unit certificate. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the Unitholder exercising the redemption privilege. Except as provided below, by delivering to the Trustee a notice of the Unitholder’s intention to redeem Units, a Unitholder shall be deemed to have irrevocably surrendered its Units for redemption. Any Redemption Notice which the Trustee determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. All Units which are redeemed pursuant to the Declaration of Trust shall be cancelled and such Units shall no longer be outstanding and shall not be reissued.

The “Redemption Amount” payable in respect of the Units tendered for redemption during any month shall be paid by cheque payable to or to the order of the Unitholder or by such other manner of payment approved by the Trustee or the Manager from time to time.

The foregoing payment terms shall not be applicable to Units tendered for redemption by a Unitholder, if the total amount payable by the Fund in respect of such Units and all other Units tendered for redemption prior thereto in the same calendar month exceeds the Monthly Limit; provided that the Manager may, in its sole discretion, increase such Monthly Limit in respect of all Units tendered for redemption in any calendar month. In such case, the Redemption Amount to which the Unitholder would otherwise be entitled shall be paid and satisfied as follows:

- (i) a portion of the Redemption Amount equal to the Monthly Limit divided by the number of Units tendered by all Unitholders for redemption in the month times the number of Units tendered for redemption by a Unitholder shall be paid and satisfied in cash; and
- (ii) subject to applicable law, the remainder of the Redemption Amount shall be paid and satisfied by way of a distribution *in specie* to the Unitholder of Notes in accordance with the Declaration of Trust.

Upon such payment, the Fund shall be discharged from all liability to the Unitholder or former Unitholder in respect of the Units so redeemed.

In the event that any portion of the Redemption Amount shall be paid and satisfied by way of a distribution to the Unitholder of a Note, the Note shall mature and be payable not later than 10 years following the date of issue, shall be repayable at any time at the option of the Fund and shall bear interest at prime plus 2%.

The Declaration of Trust provides that, at least annually, or more often as the Manager (i.e., SIF) may determine, the Manager must determine the aggregate fair market value of the Units. After consideration of the Fund's financial situation, SIF has set an aggregate fair market value of the Units which equates, for purposes of redemptions, to a per Unit redemption price of \$59.83. The Unit redemption price takes into account the distribution made up to December 31, 2015. The funds used to make these distributions were borrowed by the Fund from CPE Inc. (a wholly owned subsidiary of the Manager). To date, the Fund has borrowed approximately \$51,500 from CPE at 15% interest rate pursuant to an unsecured, demand promissory note dated June 25, 2015. In the event further distributions are made, and operating losses continue to be incurred, or operating income is exceeded by the amount of distributions, the per Unit redemption price will continue to decline. SIF intends to review the redemption price again in the coming months, to take into account any changes that may occur which could impact the value of the Fund's portfolio.

Take-Over Bids

If there is a take-over bid for all of the outstanding Units and, within the time limit in a take-over bid for its acceptance, or 120 days after the date of such take-over bid, whichever period is the shorter, the take-over bid is accepted by the holders of not less than 90% of the Units (including Units issuable upon the surrender or exchange of any securities for Units but not including any such securities held at the date of the take-over bid by or on behalf of the offeror or an affiliate or associate of the offeror), other than Units held at the date of the take-over bid by or on behalf of the offeror or an affiliate or associate of the offeror, the offeror is entitled, on complying with the Declaration of Trust, to acquire the Units held by the dissenting offerees.

Distribution Policy

Distributions are determined by the Manager in its discretion. Distributions shall be made in cash or Units pursuant to any distribution reinvestment plan adopted by the Fund pursuant to the Declaration of Trust, including the Distribution Reinvestment Plan. Any distribution shall be payable proportionately to persons who are Unitholders as at the close of business on the record date for such distribution, which shall be the last business day of the calendar month preceding the month in which the Distribution Date falls or such other date, if any, as is otherwise selected by the Manager in accordance with the Declaration of Trust.

If the Fund's return is less than the amount necessary to fund any cash distribution to Unitholders, a portion of the cash distribution will be paid as a return of capital of the Fund to Unitholders. The Fund will reserve 4% of the proceeds of the Offering to fund such cash distributions to Unitholders until such time as income is available for distribution. As at the date of this Offering Memorandum, the Fund does not have any funds reserved for distributions to Unitholders.

Under the Management Agreement, the Manager is entitled to a Performance Fee equal to 2/3 of all Cash Distributions paid or payable to Unitholders representing in excess of the 8% per annum of the outstanding Units' capital, calculated on a cumulative basis in respect of each such Unit from the date that is the later of:

- (i) the first day of the month on which such Unit was issued; and
- (ii) the first day of the month following the date on which a Performance Fee previously became paid or payable, if any,

until the date of such calculation. For the purpose of the foregoing calculation, "Cash Distributions" means the amount of cash distributed in respect of the Units to the extent that such distributions do not represent a return of capital to Unitholders for accounting or tax purposes. The Performance Fee shall be calculated as at the last day of the year, prior to the redemption and the repurchase of any Units for cancellation on such date, if any, and shall be payable on the last day of the year. See *Item 2.7 – Material Agreements – Management Agreement – Manager's Fees*.

For illustrative purposes, for every \$60.00 of Cash Distributions paid or payable to Unitholders in excess of the 8% threshold calculated as described above, the Manager shall be entitled to a Performance Fee of \$40.00. The Fund does not expect that Cash Distributions in excess of this threshold will be paid to Unitholders (nor a Performance Fee paid to the Manager) until such time as the capital of the Fund has been fully invested in mature Installations that are generating electricity and/or on the occurrence of a liquidity event.

As at May 18, 2016, \$569,000 has been distributed to Unitholders, representing a return of capital to Unitholders. The decision to make distributions at the annualized rate of 8%, which is consistent with previous distributions, was made upon SIF's consideration of recent efforts to secure additional short-term and long-term financing, the availability of which has not yet been confirmed or formally memorialized, and the construction financing by Frankensolar Americas.

It is the current intention of the Fund to make cash distributions to Unitholders of \$8.00/Unit annually, distributed on a monthly basis. Going forward, the Manager will continue to monitor the Fund's cash position and whether distributions should be made, and if so, whether they should be made at a rate consistent with historic distributions. **Accordingly, there is no assurance that the Fund will continue to make monthly cash distributions in the future or at a rate consistent with historic distributions.**

Distribution Reinvestment Plan ("DRIP")

The Fund has implemented a DRIP pursuant to which Unitholders may elect to convert cash distributions payable on Units owned by the Unitholders into additional Units in accordance with the DRIP. The Fund will hold the amount of any cash distributions payable to a Plan Participant for reinvestment in additional whole Units on the next Reinvestment Date (currently March 15, June 15, September 15 and December 15 each year). On each Reinvestment Date, each Plan Participant will be issued such number of whole Units as may be purchased with the Plan Participant's accumulated cash distributions on such date at the Market Value Per Unit on such date. Any remainder that cannot be invested in a whole Unit will be held for the Plan Participant's account by the Fund for reinvestment on the next Reinvestment Date.

No interest will be paid to Plan Participants on any funds held under the DRIP. There are no commissions, service charges or brokerage fees payable by a Unitholder in connection with the issuance of Units under the DRIP and all administrative costs are borne by the Fund. However, Plan Participants who enroll in the DRIP through a registered dealer or trust company may nevertheless be subject to the fees imposed under the terms governing their relationship with that dealer or trust company, as the case may be. Unitholders resident outside of Canada are not entitled to participate in the DRIP. Upon ceasing to be a resident of Canada, a Unitholder must terminate the Unitholder's participation in the DRIP.

Unit Certificates and Fractional Units

Certificates for Units shall be in such form and have such content as are from time to time authorized by the Trustee. The Trustee shall provide to any Unitholder or its nominee, on request, a certificate evidencing the Units registered in favour of such Unitholder.

If as a result of a consolidation of the Units or any act of the Trustee or the Manager under the Declaration of Trust, any Person becomes entitled to a fraction of a Unit, such Person shall not be entitled to receive a certificate therefor. Fractional Units shall not, except to the extent that they may represent in the aggregate one or more whole Units, entitle the holder thereof to notice of or to attend or to vote at meetings of the Unitholders. Subject to the foregoing, such fractional Units shall have attached thereto the rights, restrictions, conditions and limitations attaching to whole Units in the proportion that they bear to a whole Unit.

5.2 Subscription Procedure

Subscribers will be required to enter into a Subscription Agreement with the Fund which will contain, among other things, representations, warranties and covenants by the Subscriber that (a) it is duly authorized to purchase the Units, (b) it is purchasing the Units as principal and for investment and not with a view to resale, (c) as to its corporate or other status to purchase the Units and that the Fund is relying on an exemption from the requirements to provide the Subscriber with a prospectus and, (d) acknowledgment in certain circumstances, through a person or company registered to sell securities under applicable securities law, and as a consequence of acquiring the securities pursuant to this exemption, certain protections, rights and remedies, provided by applicable securities laws, including statutory rights of rescission or damages, will not be available to the Subscriber.

In order to subscribe for Units, Subscribers must complete, execute and deliver the following to the Fund at 150 Bridgeland Avenue, Suite 202/206, Toronto, Ontario, M6A 1Z5:

1. one fully completed and signed copy of the Subscription Agreement, including any investor qualification and risk acknowledgement forms that are applicable to you. The appropriate form(s) to be completed depend on your place of residence, the amount of your investment and the exemption(s) from the registration and/or prospectus requirements in applicable securities legislation relied on to issue the Units to you; and
2. a cheque or bank draft in an amount equal to the Subscription Amount (as set forth in the Subscription Agreement), payable to SIF #2 Solar Income & Growth.

Subject to applicable securities laws, and the purchaser's two-day cancellation right, a subscription for Units, evidenced by a duly completed Subscription Agreement delivered to the Fund shall be irrevocable by the Subscriber. See *Item 11 – Purchasers' Rights*.

Subscriptions for Units will be received, subject to rejection and allotment, in whole or in part, and subject to the right of the Fund to close the subscription books at any time, without notice. If a subscription for Units is not accepted, all subscription proceeds will be promptly returned to the Subscriber without interest.

The subscription funds will be held in trust until midnight of the second business day subsequent to the date that each Subscription Agreement is signed by a Subscriber.

ITEM 6: INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you.

Not all securities are eligible for investment in a registered retirement savings plan ("RRSP"). You should consult your own professional advisors to obtain advice on the RRSP eligibility of these securities.

ITEM 7: COMPENSATION PAID TO SELLERS AND FINDERS

Where permitted by applicable securities legislation, the Fund intends to pay compensation of up to 10% of the gross proceeds realized on the sale of Units under this Offering (i.e. \$800,000, assuming the Maximum Offering) to registered dealers. The compensation will be paid in cash.

ITEM 8: RISK FACTORS

There are certain risk factors inherent in an investment in the Units and in the activities of the Fund which investors should carefully consider before investing in the Units.

Industry Risk:

1. Risks of Investment (solar, waterpower, bioenergy/biogas/biomass). The acquisition, ownership and operation of such Installations are subject to numerous risks, including changes in general or local economic or other conditions, interest rates, availability of financing, increases in tax rates, increases in municipal levies and other operating and servicing expenses, assumptions based upon the timing of the requirement to pay certain expenses and the timing of revenue, construction risks, illiquidity of Installations, possible adverse changes or interpretations to applicable tax legislation and events and factors which are beyond the control of the Fund. A change in Ontario's provincial government could result in a change to the FIT Program adverse to the Fund. Future FIT contracts could contain FIT rates that are lower than current FIT contracts. Political pressure may be exerted upon the government of the Province of Ontario to reduce the scope of or cancel the FIT Program.

2. Regulatory and Political Risks. The development of the Fund's projects and their future operation are subject to extensive regulation by various federal, provincial, state and municipal governments, and changes in the policies and laws of any of these governments could have a significant impact on the Fund and its projects, including regulations relating to environmental policies and conflicts of interest with other parties and other related matters beyond the direct control of the Fund. Specific risks include, without limitation, increases in property and other taxes, and changes in regulations which could make it more difficult to obtain necessary permits.
3. Reliance on Manufacturer and Installer. The Fund intends to purchase the equipment for the Installations from manufacturers on an installment basis. The Fund will be relying on the manufacturer to make prompt delivery and to warrant the merchantability and fitness of the equipment. There can be no assurance that the manufacturer will be able to honour its warranties in the future or if the manufacturer will remain in business throughout the period of the Fund's business plan. A number of solar manufacturers have become bankrupt or insolvent. In order to manage this risk, the Fund has purchased the majority of its solar panels from Canadian Solar Inc., a large and reputable solar company that provides a warranty on the modules it manufactures. In addition, the Fund intends to retain independent third party contractors to complete the Installations. The Fund will be relying on such contractors to complete the Installations on time and on budget and to warrant the quality of its work. There can be no assurance that any contractor will be able to honour its warranties or if such contractors will remain in business throughout the period of the Fund's business plan.
4. Seasonality of Kilowatt Hour Energy Production for Investors. During the spring and summer months, a solar energy Installation in Ontario will produce up to 65% of its entire kW hours of energy for the year. The winter months will account for approximately 16% of the total annual kW hours and the fall months approximately 19%. The seasonality of solar energy power generation could impact the ability of the Fund to make distributions to investors as solar energy power generation revenue in the winter and fall seasons would be insufficient to make respective payments.
5. Solar Panel Degradation. Information on module degradation has been collected since the early 1970s. A recent study at the National Renewable Energy Laboratory suggests that performance of both single and multi-crystalline solar panel modules degrades about 0.5% - 0.7% per annum. This degradation is due primarily to losses caused by UV absorption at or near the top of the silicon surface. Solar panel degradation could in some cases be higher than the average assumption of 0.5% - 0.7% per annum thereby having a significant impact on the assumed number of kW hours a solar energy Installation will produce and accordingly a significant impact on the amount of revenue that will be generated from each specific Installation. Certain manufacturers provide a warranty on their solar panels that the module will maintain a certain performance level over 25 years.
6. Excessive Snowfall. Solar energy Installations in Ontario are expected to receive a certain amount of snowfall each year depending on their location in the province. Above average snowfall could lead to lower performance in kW hours and revenue during the winter months. Excessive ice accumulation could also cause lower performance and panel damage. This risk is somewhat mitigated by the fact that the winter season accounts for approximately 16% of total kW hour production for a solar energy Installation. In addition the solar panels are typically shipped with a warranty from the solar panel manufacturer that provides a 90% power output assurance for the first 10 years and 85% for the next 15 years.
7. Risks with ROR Systems. Revenues from run-of-river waterpower systems are dependent upon available water flow (little or no water storage) which in turn is dependent upon precipitation and snowfall, which can vary significantly from season to season and year to year. These plants operate as intermittent energy sources. There can be no assurance that historical water levels or flows will continue or that a hydrologic event will not occur that could have a negative impact on water flows. Waterpower projects can also be subject to changes in applicable environmental laws (such as regulations regarding species-at-risk aquatic organisms) and local water management policies and regulation. Because obtaining necessary approvals for ROR projects is a complicated and protracted process involving review by many government agencies, and often First Nations input, it is SIF's intent to acquire projects that have progressed beyond the permitting stage to where they are either operating or are constructed and ready for connection. Further, depending upon the power purchase agreement, uptake of the power even when water flows are available is not guaranteed.

8. Risks with Bioenergy/Biogas/Biomass. There is a risk of explosion at a biogas facility; biogas can be explosive when mixed with air in certain proportions. Health hazards have been associated with the handling of night soil and with the use of sludge from untreated excrete as fertilizer. A biogas leak can be smelled if the hydrogen sulfide has not been removed from the biogas and as a result, produces an odor comparable to decomposing eggs, which can result in odor complaints. Development of biogas and biomass projects will be dependent upon successful award of a FIT contract. Continued production would rely on the long-term availability of manure being produced in the geographic location. Such availability could be affected by loss of agricultural lands due to development pressures.
9. Potential Liability Under Environmental Protection Legislation. Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, and future amendments thereto, the Fund could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in any of the properties leased. The failure to remove or remediate such substances, if any, may adversely affect the Fund's ability to sell the Installations acquired, and could potentially also result in claims against the Fund by private parties. While the Fund does maintain pollution liability insurance as recommended by the Fund's insurance broker+, the policy limit or exceptions may not be sufficient to cover the liability.
10. Industry Competition. Significant competition exists for the limited number of renewable energy power opportunities available. As a result of this competition, some of which is with large established companies with substantial capabilities and greater financial resources than the Fund, the Fund may be unable to acquire additional renewable energy power operations or properties on terms it and/or the Manager considers acceptable. There can be no assurance that the Fund's project development and acquisition efforts will yield new renewable energy power operations or properties.
11. Personnel and Materials. Every industry has from time to time experienced difficulties in the supply of material and services including, shortages of qualified trades people, labour disputes, shortages of building materials, unforeseen environmental and engineering problems and increases in the cost of certain materials. Any of these difficulties could cause delays and increase the cost of Installations which will adversely affect the Fund's business operations.
12. Global Financial Markets. The recent unprecedented events in the global financial markets have had a profound impact on the global economy. Virtually all economic sectors are impacted by these market conditions. Some of the key impacts of the current market turmoil include: sharp contractions in the credit markets resulting in a widening of credit risk spreads and higher costs of funding; a deterioration in the credit ratings of a number of large financial institutions; devaluations and high volatility in global equity, commodity, foreign exchange and precious metals markets and a corresponding lack of market liquidity; and a slowdown in economic activity that is affecting major global economies. These events could have a significant impact on the Fund's business and its assets.
13. Currency Exchange Rate/Hedging Risks. A portion of the Fund's investments may be made outside of Canada denominated in currencies other than the Canadian dollar, including investments in the United States denominated in United States dollars. Also, the Fund may import equipment from overseas. In such instances, the Fund would be subject to exchange rate risks relating to fluctuations of the value of the Canadian dollar as compared to other currencies in which the Fund's investments may be denominated. Adverse changes in exchange rates would harm the Fund's performance. Although the Fund does not expect to hedge its foreign currency risk, the Fund reserves the right to enter into such foreign currency exchange hedging as may be prudent. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while the Fund may benefit from the use of these hedging mechanisms, unanticipated changes in currency exchange rates may result in a poorer overall performance for the Fund than if it had not entered into such hedging transactions.

Risks with Respect to the Essex Projects

1. Project Completion Risk. FIT 3 Contracts contain a milestone date for commercial operation and time is of the essence to the IESO with respect to attaining commercial operation. Should a project not achieve commercial operation by the milestone date indicated on its FIT 3 Contract, the 20 year term shall nevertheless expire on the day before the twentieth anniversary of that milestone date, which could negatively impact the overall rate of return for the project. Further, if the project does not achieve commercial operation within six months of the milestone date for commercial operation, the IESO has the option of terminating the FIT contract.

2. Project Site Risk. The Province of Ontario has proposed amendments to the Pupil Accommodation Review Guideline as it relates to school closures, including streamlining the consultation process for school closures. The sites for the Essex Projects are schools under the jurisdiction of GECDSB. To date, eight (8) of the schools with FIT 3 Contracts that were originally targeted for acquisition by Essex LP have been chosen for closure by the GECDSB. Efforts to transfer the applicable FIT Contracts to alternate sites were not successful, so the number of Essex Projects Installations was reduced to 25. The purchase of the Essex Projects is subject to a number of conditions, including the approval of the IESO, the receipt of certain other third-party consents and approvals, and the availability of suitable bridge and long-term financing. There is no guarantee that they will be completed as currently contemplated or at all.
3. Potential Delays and Construction Cost Overruns in the Construction of Projects. Delays and cost overruns may occur in completing the construction of development projects, and future projects that the Fund will undertake. A number of factors which could cause such delays or cost overruns include, without limitation, permitting delays, construction pricing escalation, changing engineering and design requirements, the performance of contractors and subcontractors, labour disruptions, adverse weather conditions and the availability of financing. Even when complete, a facility may not operate as planned due to design or manufacturing flaws, which may not all be covered by warranty. Mechanical breakdown could occur in equipment after the period of warranty has expired, resulting in loss of production as well as the cost of repair. In addition, if development projects are not brought into commercial operation within the time frame stipulated in the applicable power purchase agreements, the Fund may be subject to penalty payments or the counterparty may be entitled to terminate the applicable power purchase agreements.
4. Potential Negative Operating Cash Flow. Revenues from the Fund's operating projects may not be sufficient to fund all of its anticipated expansion, development programs and general and administrative expenses. The Fund's failure to achieve or maintain profitability and positive operating cash flows could have a material adverse effect on its financial condition and results of operations.

Investment Risk

1. No Regulatory Review. Subscribers under this Offering will not have the benefit of a review of this Offering Memorandum by any regulatory authorities.
2. No Guarantee of Return. There is no assurance or guarantee that purchasers of securities pursuant to this Offering will earn a return on their investment.
3. Risks of Financing. The development of the Fund's projects often requires a substantial capital investment. The Fund's continued ability to raise capital through project financing, credit facilities or other arrangements is necessary for the success of its growth strategy. The Fund's attempts to secure the necessary capital may not be on favourable terms, or successful at all. Market conditions and other factors may not permit future financings on terms favourable to the Fund. Its ability to arrange financing on favourable terms may be dependent on numerous factors, including without limitation, general economic and capital market conditions, investor confidence, the continued success of current projects, the credit quality of the project being financed, the political situation in the jurisdiction in which the project is located and the existence of tax laws which are conducive to raising capital. If the Fund experiences delays in obtaining financing, the Fund may be required to, or deem it necessary to, spend significant funds to continue project development, including activities necessary to achieve key project milestones, without having first completed financing for the project. If the Fund is unable to secure such development capital through credit facilities or other arrangements, the Fund may have to finance its projects using equity financing which could have a dilutive effect on its securities. In addition, in the absence of favourable financing or other capital raising options, the Fund may decide not to build new facilities or acquire properties from third parties. Any of these alternatives could have a material adverse effect on the Fund's growth prospects and financial condition.

Specifically, there can be no assurance that any construction or term loan financing will be completed or, if completed, on terms acceptable to the Fund and the Manager. There can be no assurance that agreement from CIT or any other lender regarding a financing facility will be successfully achieved.

4. Tax Related Risks. The tax consequences associated with an investment in the Units may be subject to changes in federal and provincial tax laws. There can be no assurance that the tax laws and the treatment of mutual fund trusts will not be changed in a manner that will fundamentally alter the income tax consequences to investors holding or disposing of the Units.

Issuer Risk

1. No Liquidity. An investment in the Units is an illiquid investment. There is currently no market through which the Units may be sold. The Fund is not a “reporting issuer” in any jurisdiction, and a prospectus has not qualified the issuance of the Units. Accordingly, investors will be unable to sell the Units, subject to some limited exceptions. See *Item 10 – Resale Restrictions*.
2. Absence of Shareholder Rights. Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring “oppression” or “derivative” actions against the Fund. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act*, R.S.C. 1985, c. C-3, and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, it is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.
3. Absence of Voting Rights. Subject to the Declaration of Trust, holders of Units will have no right to vote on any matters affecting the Fund, other than with respect to those matters specified by the Declaration of Trust. The Trustee has appointed the Manager to conduct the ongoing affairs of the Fund. Accordingly, investors should appreciate that they will be relying on the good faith, experience, expertise and ability of the directors and officers of the Manager and other parties for the success of the business of the Fund.
4. Reliance of Key Personnel. The success of the Fund is dependent upon, among other things, the services of key personnel. The loss of any one of these parties, for any reason, could have a material adverse effect on the prospects of the Fund. Failure to retain or to attract additional key employees with necessary skills could have a material adverse impact upon the Fund’s growth and profitability. The Manager does not maintain key man insurance for its directors, officers or employees. The contributions of these individuals to the immediate future operations of the Fund is likely to be of central importance and the loss of any one of these individuals could have a material adverse effect on the business of the Fund.
5. Limited Working Capital. The Fund will have a limited amount of working capital, as the majority of the proceeds from this Offering will be used to finance, develop and operate the Installations and eliminate its existing working capital deficiency.
6. Limited Operational History. The Fund has limited operational history and no history of earnings. Accordingly, there is a limited operating history upon which to base an evaluation of the Fund and its business and prospects. The Fund is in the early stages of its business and therefore is subject to the risks associated with early stage companies, including start-up losses, uncertainty of revenues, markets and profitability, the need to raise additional funding, the evolving and unpredictable nature of the Fund’s business and the ability to identify, attract and retain qualified personnel. There can be no assurance that the Fund will be successful in doing what it is required to do to overcome these risks. No assurance can be given that the Fund’s business activities will be successful.
7. Uninsured Losses. The Fund intends to arrange for appropriate insurance coverage, of the type and in the amounts customarily obtained for businesses and properties similar to the business operated. The Fund will endeavor to obtain other coverage where warranted. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to a particular Installation, the Fund could suffer a loss of capital invested and not realize any profits which might be anticipated from the acquisition of the Installation and the operation of the business. If insurance is not available or if insurance is available only upon acceptable terms and conditions, the business of the Fund could be adversely affected.
8. Reliance on Management. The Fund will rely upon the expertise of the Manager and its related entities to manage the Installations in which the Fund has invested. The principals of the Manager will devote so much of their time to the management as in their judgment is reasonably required and may have conflicts of interest in allocating

management time, services and functions among the Installations financed by the Fund and their other activities.

9. Good Faith of the Manager. In assessing the risks and rewards of an investment in Units, potential subscribers should appreciate that they are relying on the good faith and judgment of the directors and officers of the Manager in administering and managing the business of the Fund.
10. Conflicts of Interest. The Fund is or may be subject to various conflicts of interest. The Fund does not have independent management and will be relying on the management of the Manager and the services of the Manager or its related entities for the day-to-day management and operations of the Installations in which the Fund invests. Various conflicts of interest exist or may arise between the Fund, the Manager and other partnerships or entities of which affiliates of the Manager are a general partner or act as a manager. These conflicts of interest may have a detrimental effect on the business of the Fund. The Manager and its directors and officers will engage in other business ventures (the “**Conflicting Ventures**”) including, without limitation, acting as general partner or acting as directors or officers of general partners, of limited partnerships or other entities which invest in solar or other renewable energy Installations. The Fund shall not have any right, title or interest in or to such Conflicting Ventures. The services of the directors and officers of the Manager are not exclusive to the Fund and the directors and officers of the Manager may, from time to time, engage in the promotion or management of another fund, partnership, or entity, including the Existing Funds and future partnerships and other funds, partnerships or entities which invest primarily in solar or other renewable energy Installations. The Manager may perform services for additional compensation with one or more entities in its capacity as manager of other entities. Any of the aforementioned conflicts of interest, as well as others, may be difficult, if not impossible, to resolve equitably.
11. Revenue Shortfalls. Projected revenues from the Installations may not be met and therefore may not be sufficient to meet operating expenses (anticipated and unanticipated) or debt service payments under financing.

ITEM 9: REPORTING OBLIGATIONS

The Fund will furnish to Unitholders the annual audited financial statements of the Fund within 120 days of the fiscal year end and semi-annual unaudited financial statements within 90 days of the Fund’s second quarter. The Fund’s fiscal year will be the calendar year or such other fiscal period permitted under the Tax Act as the Fund elects subject to the Fund having a “loss restriction event” as defined in the Tax Act. The annual financial statements of the Fund shall be audited by the Fund’s auditors in accordance with IFRS. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with IFRS.

Each Unitholder will be provided annually with the information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the Fund in respect of its preceding taxation year. In addition, the Trustee or the Manager shall send or arrange to have sent to each Unitholder reports containing such information and at such time as the Trustee or the Manager may reasonably determine or as may be required under applicable law or policies of applicable Canadian securities regulatory authorities. The Fund intends to send quarterly updates to Unitholders.

No Unitholder shall be entitled to any other accounting with respect to the Fund or the Unitholder’s holding of Units, except as may be required by applicable law.

ITEM 10: RESALE RESTRICTIONS

10.1 General Statement

For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec and Saskatchewan

These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

10.2 Restricted Period

For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec and Saskatchewan

Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date the Fund becomes a reporting issuer in any province or territory of Canada.

10.3 Manitoba Resale Restrictions

Unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless:

- (a) the Fund has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the securities for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

ITEM 11: PURCHASERS' RIGHTS

If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

(1) Two Day Cancellation Right

You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

(2) Statutory Rights of Action in the Event of a Misrepresentation

Securities legislation in certain of the Canadian provinces provides certain purchasers of securities pursuant to an offering memorandum with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum and any amendment thereto contains a "misrepresentation", as defined in the applicable securities legislation. A "misrepresentation" is generally defined in the applicable securities legislation to mean an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation.

The following is a summary of the rights of action for damages or rescission, or both, available to certain purchasers resident in British Columbia, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Alberta, Newfoundland and Labrador and Prince Edward Island. Each purchaser should refer to the complete text of the relevant provisions of the applicable securities legislation for the particulars of these rights or consult with a legal advisor.

British Columbia

In British Columbia, where there is reliance on the exemption from the prospectus requirements contained in section 2.9 of NI 45-106 (the "offering memorandum exemption"), if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or

- (b) for damages against the Fund, every director of SIF at the date of this Offering Memorandum; and every person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and 3 years after the date of the transaction that gave rise to the cause of action.

Saskatchewan

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or
- (b) for damages against:
 - (i) the Fund;
 - (ii) SIF and every director of SIF at the time the Offering Memorandum or an amendment to the Offering Memorandum was sent or delivered;
 - (iii) every person or company whose consent has been filed in connection with the Offering Memorandum, but only with respect to reports, opinions or statements that have been made by them;
 - (iv) every person who or company that, in addition to the persons or companies mentioned in clauses (i) to (iii), signed the Offering Memorandum or an amendment to the Offering Memorandum; and
 - (v) every person who or company that sells securities on behalf of the Fund under the Offering Memorandum or amendment to the Offering Memorandum.

Similar rights are provided in respect of advertising or sales literature and verbal statements. This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of one year after you first had knowledge of the facts giving rise to the cause of action and six years after the date of the transaction that gave rise to the cause of action.

Manitoba

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or
- (b) for damages against the Fund, every director of SIF at the date of this Offering Memorandum; and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the day of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and 2 years after the day of the transaction that gave rise to the cause of action.

Ontario

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or
- (b) for damages against the Fund.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. The Fund is not liable for a misrepresentation in forward-looking information if certain requirements are satisfied.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the day of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and 3 years after the date of the transaction that gave rise to the cause of action.

Nova Scotia

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or
- (b) for damages against the Fund, every director of SIF at the date of this Offering Memorandum; and every person who signed this Offering Memorandum.

Similar rights are provided in respect of advertising or sales literature, on which a purchaser is deemed to have relied. This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement or your action for damages within 120 days after the date on which payment was made for the securities or after the date on which the initial payment for the securities was made, where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to or concurrently with, the initial payment. of the transaction that gave rise to the cause of action.

New Brunswick

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or
- (b) for damages against the Fund.

Similar rights are provided in respect of advertising or sales literature and verbal statements. This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of one year after you first had knowledge of the facts giving rise to the cause of action and six years after the date of the transaction that gave rise to the cause of action.

Alberta, Newfoundland and Labrador and Prince Edward Island

In Alberta, where there is reliance on the exemption from the prospectus requirements contained in section 2.9 of NI 45-106 (the “offering memorandum exemption”) or section 2.10 of NI 45-106 (the “minimum amount exemption”), and in Newfoundland and Labrador and Prince Edward Island, if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or
- (b) for damages against the Fund, every director of SIF at the date of this Offering Memorandum; and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and 3 years after the date of the transaction that gave rise to the cause of action.

(3) Contractual Rights of Action in the Event of a Misrepresentation

British Columbia, Alberta and Québec

In British Columbia, Alberta and Québec, where there is reliance on the exemption from the prospectus requirements contained in section 2.3 of NI 45-106 (the “accredited investor exemption”) or, in British Columbia and Québec, in section 2.10 of NI 45-106 (the “minimum amount exemption”), securities legislation does not provide or require an issuer to provide to purchasers resident in these jurisdictions any rights of action in circumstances where an offering memorandum contains a misrepresentation. The Fund hereby grants to such purchasers in British Columbia, Alberta and Québec the following rights of action.

If there is a misrepresentation in this Offering Memorandum, you have a contractual right to sue the Fund:

- (a) to cancel your agreement to buy these securities, or
- (b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that the Fund proves does not represent the depreciation in value of the securities resulting from the misrepresentation. The Fund has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities.

ITEM 12: FINANCIAL STATEMENTS

The audited financial statements of the Fund for the year ended December 31, 2015 are included on the following pages.

SIF #2 Solar Income & Growth
Consolidated Financial Statements
December 31, 2015

Independent Auditors' Report

To the Unitholders of SIF#2 Solar Income & Growth:

We have audited the accompanying consolidated financial statements of SIF#2 Solar Income & Growth, which comprise the statement of financial position as at December 31, 2015, and the consolidated statements of loss and comprehensive loss, unitholders' capital and cash flows for the year ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SIF#2 Solar Income and Growth as at December 31, 2015, and its financial performance and its cash flows for the year ended December 31, 2015 in accordance with International Financial Reporting Standards.

Markham, Ontario
April 25, 2016

Chartered Professional Accountants
Licensed Public Accountants

SIF#2 Solar Income & Growth
Consolidated Statement of Financial Position

As at	2015 December 31,	2014 December 31,
ASSETS		
CURRENT		
Cash	\$ 38,522	\$ 1,328,493
Harmonized sales tax receivable (Note 6)	832,853	42,007
Prepaid, deposits and other receivable (Note 7)	875,639	200,000
TOTAL CURRENT ASSETS	1,747,014	1,570,500
Restricted cash (Note 8)	4,715	-
Projects under development (Note 9)	6,456,445	123,250
Solar panels held for future development (Note 10)	598,323	-
Prepaid development fee (Note 11)	635,520	175,000
TOTAL NON-CURRENT ASSETS	7,695,003	298,250
TOTAL ASSETS	\$ 9,442,017	\$ 1,868,750
LIABILITIES AND UNITHOLDERS' CAPITAL		
CURRENT		
Accounts payable and accrued liabilities	\$ 411,452	\$ 238,809
Due to related parties (Note 12)	5,688,182	200,000
TOTAL CURRENT LIABILITIES	6,099,634	438,809
Unitholders' capital (Note 13)	3,359,201	1,429,941
Non-controlling interest (Note 14)	(16,818)	-
TOTAL EQUITY	3,342,383	1,429,941
TOTAL LIABILITIES AND UNITHOLDERS' CAPITAL	\$ 9,442,017	\$ 1,868,750

Commitments (Note 15)

Related Party Transactions (Note 16)

Subsequent events (Note 17)

Approved on behalf of the Unitholders:

"Charles Mazzacato"

Director, Solar Income Fund Inc. as Manager

The accompanying notes are an integral part of these consolidated financial statements

SIF#2 Solar Income Growth
Consolidated Statement of Changes in Unitholders' Capital

For the year ended December 31, 2015	Balance As of January 1, 2015	Distributions	Contributions	Share of Comprehensive Loss	Capital Issuance Costs	Balance As of December 31, 2015
Unitholders' Capital	\$ 1,429,941	\$ (402,651)	\$ 3,762,800	\$ (618,156)	\$ (812,733)	\$ 3,359,201
Non-controlling interest	-	-	30	(16,848)	-	(16,818)
	\$ 1,429,941	\$ (402,651)	\$ 3,762,830	\$ (635,004)	\$ (812,733)	\$ 3,342,383

For the period from formation (October 9, 2014 to December 31, 2014)	Balance As of October 9, 2014	Distributions	Contribution	Share of Comprehensive Loss	Capital Issuance Costs	Balance As of December 31, 2014
Unitholders' Capital	\$ -	\$ (16,949)	\$ 1,823,300	\$ (51,749)	\$ (324,661)	\$ 1,429,941

The accompanying notes are an integral part of these consolidated financial statements

SIF#2 Solar Income Growth
Consolidated Statement of Loss and Comprehensive Loss

For the year ended	December 31, 2015	For the period from formation (October 9, 2014) to December 31, 2014
ADMINISTRATIVE EXPENSES		
Administration expense <i>(Note 16b)</i>	247,867	-
Professional fees	123,750	47,581
General expense and other	33,981	4,168
LOSS FROM OPERATIONS	\$ (405,598)	\$ (51,749)
OTHER EXPENSES		
Transaction costs <i>(Note 18)</i>	229,406	-
NET LOSS AND COMPREHENSIVE LOSS	\$ (635,004)	\$ (51,749)
LOSS ATTRIBUTABLE TO:		
Unitholders	(618,156)	(51,749)
Non-controlling interest	(16,848)	-
	(635,004)	(51,749)

The accompanying notes are an integral part of these consolidated financial statements

SIF#2 Solar Income & Growth
Consolidated Statement of Cash Flows

		For the period from the date formation (October 9, 2014) to
For the year ended	December 31, 2015	December 31, 2014
Cash provided by (used for) the following activities		
OPERATING ACTIVITIES		
Net loss	\$ (635,004)	\$ (51,749)
Changes in working capital:		
Prepaid, deposits and other receivable	(675,639)	(200,000)
Harmonized sales tax receivable	(790,846)	(42,007)
Prepaid development fee	(460,520)	(175,000)
Accounts payable and accrued liabilities	172,643	238,809
Cash flows used in operating activities	(2,389,366)	(229,947)
INVESTING ACTIVITIES		
Solar panels held for future development	(598,323)	-
Projects under development	(6,333,195)	(123,250)
Cash flows used in investing activities	(6,931,518)	(123,250)
FINANCING ACTIVITIES		
Contributions from unitholders	3,762,830	1,823,300
Capital issuance costs	(812,733)	(324,661)
Unitholders' distributions	(402,651)	(16,949)
Restricted cash	(4,715)	-
Due to related parties	5,488,182	200,000
Cash flows generated from financing activities	8,030,913	1,681,690
INCREASE (DECREASE) IN CASH	(1,289,972)	1,328,493
CASH - BEGINNING OF YEAR / PERIOD	1,328,493	-
CASH - END OF YEAR/ PERIOD	\$ 38,522	\$ 1,328,493

See the accompany notes to the consolidated financial statements

SIF#2 Solar Income & Growth
Notes to Consolidated Financial Statements

1. NATURE OF OPERATIONS

SIF #2 Solar Income & Growth Fund (the "Fund") was formed as a mutual fund trust on October 9, 2014 in Alberta for the purpose of acquiring, developing, financing and managing solar energy power generation installations. Solar Income Fund Inc. (the "Manager") is the Manager and Principal Distributor of the Funds. The Trustee of the Fund is Computershare Trust Company of Canada. The Consolidated Financial Statements of the Fund were authorized for issuance by the Trustee on April 25, 2016.

The current registered address of the Fund is 150 Bridgeland Avenue, Suite 206, Toronto, Ontario, M6A 1Z5.

2. BASIS OF PREPARATION AND CONSOLIDATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with accounting policies consistent with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of presentation

The consolidated financial statements of the Fund include the accounts of the Fund and the following entities ("subsidiaries"):

- 1) SIF #2 Solar Operating Trust (the "Trust")
- 2) SIF #2 Reliant Essex LP (the "Reliant Partnership")
- 3) SIF #2 Solar Income & Growth LP (A)
- 4) SIF #2 Solar Income & Growth LP (B)
- 5) SIF #2 Solar Income & Growth LP (C)

These consolidated financial statements reflect the assets, liabilities, revenue and expenses of the Fund and its subsidiaries and therefore do not include any other assets, liabilities, revenue or expenses of the individual partners or the liability of each partner for income taxes on the income of the Fund. The Fund owns 85% of the Reliant Partnership, the remaining 15% is owned by Kingfisher Lake First Nations ("Kingfisher") which is reflected as a non-controlling interest on the consolidated statement of financial position.

Subsidiaries are fully consolidated on the date that control is obtained and deconsolidated on the date that control ceases. The acquisition method is used to account for the acquisition of a subsidiary on the date that control is obtained. The Fund controls an entity when the Fund has power over the entity, exposure to or rights to variable returns from the involvement with that entity and the ability to affect the returns through the power over that entity.

SIF#2 Solar Income & Growth
Notes to Consolidated Financial Statements

2. BASIS OF PREPARATION AND CONSOLIDATION *(continued)*

Change in the Trust's ownership interest in a subsidiary

During the year, the Fund sold a 15% interest in the Reliant Partnership to Kingfisher for \$30, reducing its continuing interest to 85%.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Fund's and its subsidiaries' functional and presentation currency.

Basis of measurement

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention except for fair value through profit and loss financial assets and available for sale financial assets, which are measured at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis for accounting except for cash flow information.

The Fund's continuing viability is dependent upon continued support from SIF Solar Operating Trust until the Fund can obtain additional capital through debt financing and/or the issuance of additional units via an offering memorandum. The Fund is currently pursuing both of these options, please see Note 17 a) and b) for further details.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

a) Projects under development

Projects under development include pre-operational costs directly related to the development of a solar power generation facility. Interest that is attributable to the acquisition, construction, or production of assets in properties under development is included in the cost of that asset. Such interest is capitalized as part of the cost of the asset when it is probable that the interest will result in future economic benefits to the Fund. Costs are capitalized up to the date that the projects reach the commercial operation date ("COD"), at which time they are transferred to Property and Equipment. COD is the date on which the independent engineer certifies that the project's facilities have completed all required performance tests and/or is built to the specifications outlined in the engineering procurement and construction contract and the point at which the project is connected to the grid and earning revenue from electricity production. The Fund ceases capitalization of costs when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by the management (capitalization ceases on the COD date). The pre-operational costs related to the development of a solar power generation facility are expensed during the period in which management determines that further development of the project is no longer likely.

SIF#2 Solar Income & Growth
Notes to Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Financial instruments

Financial assets and liabilities are recognized when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Upon initial recognition, all financial instruments are measured at fair value. Subsequent to initial recognition, financial instruments are measured as described below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method. The effective interest method is a method of calculating amortized cost and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts or payments (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or when appropriate, a shorter period to the net carrying amount of the instrument.

The Fund has classified the following financial assets as loans and receivables:

- Harmonized sales tax receivable

Financial assets and financial liabilities at fair value through profit or loss

Financial assets or financial liabilities are classified as fair value through profit or loss ("FVTPL") when the financial asset or liability is either held for trading or it is designated as such by the Fund on initial recognition.

A financial asset or financial liability is classified as FVTPL if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

SIF#2 Solar Income & Growth
Notes to Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

A financial asset or financial liability other than a financial asset or financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset or financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives.

Financial assets or financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized immediately in profit or loss. The net gain or loss recognized in net loss incorporates any dividend or interest earned.

The Fund has classified the following financial assets as FVTPL:

- Cash and restricted cash

Other financial liabilities

Other financial liabilities include liabilities that have not been classified as FVTPL. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense, calculated using the effective interest rate method, is recognized in the consolidated statement of loss and comprehensive loss. The Fund has classified the following as other financial liabilities: accounts payable and accrued liabilities, and due to related parties.

Equity Instruments

The beneficial interest of the Fund is divided into redeemable units. The Fund classifies these units as equity in accordance with IAS 32 - Financial Instruments: Presentation.

c) Impairment of financial assets

Financial assets (other than those measured at fair value through profit and loss) are reviewed for impairment at the end of each reporting period for events or circumstances that indicate that the carrying value of an asset may not be recoverable. In such cases where an indicator of impairment exists, the recoverable amount of the asset is estimated to determine whether there is an impairment loss. The recoverable amount is the fair value less costs to sell. The best evidence of fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value is based on the best information available to reflect the amount the Fund could receive for the asset in an arm's length transaction.

SIF#2 Solar Income & Growth
Notes to Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

An impairment loss is recognized when the carrying value of an asset is estimated to exceed its recoverable amount. The excess amount is immediately recognized as an impairment loss in the consolidated statement of loss and comprehensive loss.

For financial assets carried at amortized cost and debt instruments classified as available for sale, if, in a subsequent period, an event which occurs which reduces or eliminates an impairment previously recognized, the impairment loss is reversed to the extent of the reduction. The reversal of an impairment loss is immediately recognized in the consolidated statement of loss and comprehensive loss. Impairment losses related to assets carried at cost are not reversed.

d) Cash and restricted cash

Cash and restricted cash consist of cash held at financial institutions.

e) Non-controlling interest

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Trust's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

4. MANAGEMENT ESTIMATES AND JUDGMENTS

The preparation of the Fund's consolidated financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. On an ongoing basis, management evaluates its judgments, estimates and assumptions using historical experience and various other factors it believes to be reasonable under the given circumstances. Actual outcomes may differ from these estimates under different assumptions and conditions that could require a material adjustment to the reported carrying amounts in the future.

Management Estimates

The most significant estimates made by management include the following:

a) Prepaid development fee

The allocation of development fees involves estimates of the generation capacity and purchase price of projects that may be developed or acquired by the Fund in future periods as well as the forecasted funds available for development which is based on assumptions related to the Fund's ability to raise three times the available cash in debt (i.e., a capital structure of 75:25 debt to equity), the repayment of amounts due to related parties, financing costs and administrative costs. These estimates may change as additional information is obtained, thereby impacting the value and allocation of the development fees paid.

SIF#2 Solar Income & Growth
Notes to Consolidated Financial Statements

4. MANAGEMENT ESTIMATES AND JUDGMENTS *(continued)*

b) Administrative fee

The allocation of administrative fees incurred by the Manager to be charged back to the Fund involves estimates of the proportion of total accounting, finance, legal, investor relations and clerical service costs incurred by the Manager which relate to the Fund.

Judgments

a) Recoverability of asset carrying values

The Fund assesses its project under development for indications of impairment at least annually or if there are events or changes in circumstances that indicate that carrying values may not be recoverable at the consolidated statement of financial position date. Such indicators include changes in the Fund's business plans, changes in market conditions and evidence of physical damage.

Determination as to whether and to what degree an asset is impaired, involves management's application of judgment on highly uncertain matters such as future selling and purchasing prices, the effect of inflation on operating expenses, discount rates and economics of different generating facilities.

5. RECENT ACCOUNTING PRONOUNCEMENTS

Future accounting pronouncements

IFRS 9 - Financial Instruments ("IFRS 9")

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39. The effective date is for annual periods beginning on or after January 1, 2018.

IFRS 10 - Consolidated Financial Statements ("IFRS 10") and IAS 28 - Investments in Associates and Joint Ventures ("IAS 28") The IASB issued amendments to IFRS 10 and IAS 28 in September 2014, effective for years beginning on or after January 1, 2016 to be applied prospectively. The amendments require that, upon gain or loss of control of a subsidiary during its transfer to an associate or joint venture, full gain or loss recognition on the transfer may only be recognized if the subsidiary meets the definition of a business under IFRS 3, Business Combinations. Otherwise, the gain or loss is recognized only to the extent of third party ownership of the associate or joint venture.

SIF#2 Solar Income & Growth
Notes to Consolidated Financial Statements

5. RECENT ACCOUNTING PRONOUNCEMENTS *(continued)*

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted.

The Fund is in the process of determining the impacts of adopting these standards on its consolidated financial statements.

6. HARMONIZED SALES TAX RECEIVABLE

The Fund has not collected any of its harmonized sales tax receivable due from the Canada Revenue Agency as of April 25, 2016. The Fund anticipates recovery of the entire balance in the second quarter of 2016.

7. PREPAID, DEPOSITS AND OTHER RECEIVABLE

	2015 December 31,	2014 December 31,
Deposits	\$ 873,431	\$ 200,000
Prepaid insurance	2,178	-
Due from Kingfisher	30	-
Total	\$ 875,639	\$ 200,000

Deposits include a non-refundable deposit of \$200,000 pursuant to a forward purchase agreement with Reliant First Nation Limited Partnership, a related party under common management, to acquire solar photovoltaic generation feed-in-tariff contracts to develop 25 rooftop solar projects in the Greater Essex County School Board District, as explained in Note 15 (a). The remaining deposit of \$673,431 is with Independent Electricity System Operator ("IESO") that are refundable upon the commencement of operations of the Essex projects. The Fund sold 15% of its interest in the Reliant Partnership to Kingfisher at a sales price of \$30, which the Fund did not receive as at the year end.

SIF#2 Solar Income & Growth
Notes to Consolidated Financial Statements

8. RESTRICTED CASH

The Fund has implemented a Distribution Re-investment Plan ("DRIP") pursuant to which unitholders may elect to re-invest cash distributions receivable on their units into additional units of the Fund. To the extent that the distributions or a portion thereof payable to a DRIP plan participant are not sufficient to purchase an additional unit of the Fund, the Fund retains these distributions in a separate bank account in trust until the next re-investment date (currently March 15, June 15, September 15 and December 15 each year). On each re-investment date, each DRIP plan participant will be issued such number of whole units as may be purchased with the plan participant's accumulated cash distributions on such date. The restricted cash balance represents amounts held in trust by the the Fund, on behalf of the DRIP plan participants, for re-investment on the next reinvestment date.

9. PROJECTS UNDER DEVELOPMENT

Projects under development include expenditures incurred during the development phase, prior to commercial operation of the project.

	2015	2014
	December 31,	December 31,
Reliant Essex (<i>Note 15 a), 17 c)</i>	\$ 6,456,445	\$ 123,250

10. SOLAR PANELS HELD FOR FUTURE DEVELOPMENT

The Fund, through the Reliant Partnership has entered into a Letter of Agreement with Reliant First Nation Limited Partnership, a related party under common management, to acquire rooftop solar photovoltaic generation feed-in-tariff contracts to be developed in the Greater Essex County School Board District. Initially, the agreement was to purchase 34 rooftop projects of various schools. To avoid the pending tariffs on the import of solar panels from China and to limit the Fund's exposure to fluctuations in exchange rates, the Fund purchased solar panels for all 34 projects. Subsequent to the purchase of these solar panels, 8 schools were closed and 1 project became unviable due to a connection point determination by Hydro One Network Inc. This reduced the number of projects from 34 to 25 and consequently resulted in the Fund holding surplus solar panels. The Fund will use these surplus panels for future solar projects.

11. PREPAID DEVELOPMENT FEE

Prepaid project development fee represents the portion of the development fee paid to the Manager related to future renewable energy projects. The prepaid development fee is allocated to the cost of specific projects based on their generating capacity as a proportion of the estimated total generating capacity of the fully developed portfolio, at the commencement of each project's development.

SIF#2 Solar Income & Growth
Notes to Consolidated Financial Statements

11. PREPAID DEVELOPMENT FEE *(continued)*

As at December 31, 2015, the Fund has paid an aggregate development fee of \$1,118,250 (2014 - \$175,000) to the Manager. Currently, the Fund expects to develop and own a portfolio of approximately 20 megawatts ("MW"). As of December 31, 2015, a summary of the total development fee paid and the development fee allocated to projects under development is given below:

	2015 December 31,	2014 December 31,
Total development fee paid	\$ 1,118,250	\$ 175,000
Less: Development fee allocated to Projects under development	482,730	-
Prepaid development fee	\$ 635,520	\$ 175,000

Total development fee of \$1,118,250 includes applicable taxes.

12. DUE TO RELATED PARTIES

	2015 December 31,	2014 December 31,
SIF Solar Energy Operating Trust	\$ 5,264,577	\$ 200,000
Solar Income Fund Inc.	368,105	-
CPE Inc.	55,500	-
	\$ 5,688,182	\$ 200,000

The above entities are related by virtue of common management. The amounts due to SIF Solar Energy Operating Trust ("OT#1") and CPE Inc. are unsecured, payable on demand and bear interest at 15% per annum. The amount due to Solar Income Fund Inc. is unsecured, payable on demand and bears interest at 10% per annum. OT#1 and CPE Inc. have agreed not to demand repayment until the Fund obtains additional capital through debt financing and/or the issuance of additional units via an offering memorandum.

13. UNITHOLDERS' CAPITAL

Units authorized	300,000 units (2014 - 300,000 units)	\$100 per unit
Units issued and outstanding	55,861 units (2014 - 18,233 units)	\$ 5,586,100

	2015 December 31,	2014 December 31,
Capital Raised		
Balance, beginning	\$ 1,823,300	\$ -
Unitholders' contribution	3,762,800	1,823,300
Less: Redemptions	-	-
Cumulative Unitholders' contributions	\$ 5,586,100	\$ 1,823,300

SIF#2 Solar Income & Growth
Notes to Consolidated Financial Statements

13. UNITHOLDERS' CAPITAL *(continued)*

Unitholders are entitled to participate equally in distributions based on the proportion of total units held. The decision to pay distributions is at the discretion of the Manager. The Fund remains in the development phase as it continues to acquire assets for future operations and, has incurred net losses during the fiscal periods ended December 31, 2014 and 2015. Accordingly, Unitholder distributions to date have represented a return of capital.

As outlined in the Fund's Offering Memorandum, the fund was maintaining a reserve of 4% of contributions to fund distributions until the Fund was generating sufficient income from operations to fund the distributions. As at December 31, 2015 this reserve was fully depleted.

Unitholder's have the right to demand redemption of their units at any time for a redemption price per unit which is equal to a percentage of the most recent fair market value of the units as determined by the Manager prior to the redemption date. The applicable percentages of the fair market value are based on the timing of redemption as outlined below:

July 1, 2015 - June 30, 2016	92%
July 1, 2016 - June 30, 2017	94%
July 1, 2017- June 30, 2018	96%
July 1, 2018 to June 30, 2019	98%
July 1, 2019 and thereafter	100%

As at December 31, 2015, the Manager's unaudited calculation has determined the fair market value to be \$59.83 (2014 - \$78.43) per unit.

14. NON-CONTROLLING INTEREST

	2015 December 31,	2014 December 31,
Balance, beginning of the year	\$ -	\$ -
Non-controlling interest arising on sale of interest in Reliant Partnership	30	-
Share of loss for the year	(16,848)	-
Non-controlling interest	\$ (16,818)	\$ -

SIF#2 Solar Income & Growth
Notes to Consolidated Financial Statements

15. COMMITMENTS

a) The Fund, through the Reliant Partnership, has entered into a Letter of Agreement with Reliant First Nation Limited Partnership, a related party under common management, to acquire rooftop solar photovoltaic generation feed-in-tariff contracts to be developed in the Greater Essex County School Board District. Initially, the agreement was to purchase 34 rooftop projects of various schools at a purchase price of \$4,611,000. However, since the execution of the Letter of Agreement, eight schools which were part of the initial 34 rooftop projects were closed. Additionally, one project became unviable due to a connection point determination by Hydro One Network Inc. that precludes the connection of the project to the grid. As a result, the group of Essex Projects currently consists of 25 rooftop solar projects with a planned generating capacity of 5.6MW and a revised purchase price of \$2,965,827 (Note 17c)). As of December 31, 2015, \$200,000 has been paid as a non-refundable deposit against the purchase price.

b) The Fund is committed to pay the following fees to the Manager in consideration for its services to be provided to the Fund:

(i) A development fee equal to \$1,620,000, for services provided in respects to due diligence, development and supervision activities. As of December 31, 2015, the Fund has paid development management fee in the amount of \$1,050,000 (2014 - \$175,000) to the Manager;

(ii) An electricity grid connection fee in the amount of \$40,000 per MW of electricity in respect to each installation that is currently operating and generating electricity;

(iii) An administration fee equal to the employment costs of Manager's personnel providing support services, administrative and secretarial services relating to the Fund's plus 50% of such employment costs; and

(iv) A performance fee equal to two thirds of all cash distributions paid or payable to Unitholders in excess of 8% per annum of the outstanding Unitholders' capital.

c) The Fund, through the Reliant Partnership, has entered into an engineering, procurement and construction ("EPC") agreement with Frankensolar Americas Inc. ("Frankensolar"), a third party contractor, for the purpose of constructing 25 rooftop solar projects in the Greater Essex County School Board District on a turnkey basis. Under this agreement, the contract price is \$0.84/wDC plus applicable taxes, which based on aggregate wDC for the projects translates into \$4,700,556 plus applicable taxes. As of December 31, 2015, the Fund, through Reliant Partnership, has paid a total amount of \$321,980 (plus applicable taxes) to Frankensolar.

SIF#2 Solar Income & Growth
Notes to Consolidated Financial Statements

15. COMMITMENTS *(continued)*

d) The Fund has entered into a project management agreement with CPE Inc. ("CPE"), a related party under common management, for the purpose of managing the Fund's EPC contract for the development of 25 rooftop solar projects. Under the contract, in consideration of services provided, CPE is entitled to an aggregate EPC management fee subject to total billings not to exceed an amount equal to \$0.11154/wDC on the aggregate wDC of the projects, which based on the estimated generation capacity of the projects translates into an aggregate fee of \$624,167. Apart from the fee, the Fund will reimburse direct expenses incurred by CPE in performing these services. As of December 31, 2015, the Fund has paid total fees of \$418,449 (2014 - \$8,250) plus applicable taxes to CPE.

16. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the year:

a) The Fund was charged \$943,250 (2014 - \$175,000) in fees for due diligence, development and supervision services provided by the Manager, which has been included in prepaid development fee and projects under development on the Fund's consolidated statement of financial position.

b) The Fund was charged \$247,867 (2014 - \$Nil) in fees for administrative services provided by the Manager. The administrative fees have been included in administration expense on the Fund's consolidated statement of loss and comprehensive loss.

c) During the year, CPE charged the Fund \$410,199 (2014 - \$8,250) for Project management services. These costs are included in projects under development on the Fund's consolidated statement of financial position.

d) The Fund paid interest of \$345,667 and \$4,000 to OT#1 and CPE Inc. respectively. The purpose of loan payable to OT#1 is to fund the Reliant Partnership projects under development, accordingly, the Fund has capitalized these borrowing costs relating to these loans. These costs are included in projects under development on the Fund's consolidated statement of financial position.

These transactions were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by related parties.

SIF#2 Solar Income & Growth
Notes to Consolidated Financial Statements

17. SUBSEQUENT EVENTS

- a) On January 13, 2016, a term sheet was agreed to with CIT Financial Ltd. ("CIT") regarding a potential eighteen (18) year term loan to the Reliant Partnership of up to \$15 million made by way of up to four advances, with repayment to be by way of quarterly installments, the first of which would be made the earlier of the first full calendar quarter following the last advance or December 31, 2016. The Term sheet also contemplates, among other things: an interest rate, to be reset quarterly, equal to an interest margin of 2.5%, plus the greater of the ninety (90) day Canadian Dealer Offered Rate or 1%; an underwriting fee equal to the greater of 1.65% of the total advances or \$247,500; an annual \$25,000 agency fee; and a 1% commitment fee, applied to the undrawn portion of the facility. The loan would be secured by the equipment, contracts, warranties and the leasehold interest and a first priority security interest in all of the assets of the Reliant Partnership, as borrower. In addition, a control account would be implemented to ensure maintenance of specified reserve amounts. Customary debt service coverage ratio covenants are also part of the agreement.

There is no assurance that this term sheet will result in a finalized loan agreement, or whether it would be on the terms disclosed above.

- b) In addition to the capital contribution of \$5,586,100 received as of December 31, 2015, the Fund is in the process of issuing an amended offering memorandum ("OM") with a maximum offering amount of \$24,413,900. The Fund expects to issue the OM and the amount raised by the OM would be mainly utilized for the purpose of firstly, completing the development and constructions of 25 rooftop solar projects in Essex and secondly, developing, constructing or acquiring projects that the Fund is planning to acquire in near future.
- c) On January 21, 2016 the Reliant Partnership entered into a forward purchase agreement with Essex Projects LP ("Essex LP"). Under the agreement, the Reliant Partnership agreed to buy project assets, consisting of project contracts, permits, regulatory approvals and third party consents relating to 25 schools' rooftop solar installations in Greater Essex County District School Board ("GECDSD"), from Essex LP. The purchase consideration payable for the purchase of these project assets shall be \$0.53 per Watt which based on the estimated total generating capacity of 5,595.90 kW DC translates into \$2,965,827. In addition to purchase price, the Reliant Partnership assumes any existing liabilities related to these projects and pay \$99,375 to MSW Investments Limited ('MSW') in exchange for MSW providing the release. Out of the total purchase price, Reliant Partnership paid \$1,182,834 on Jan 21, 2016, in addition to non-refundable deposit \$200,000. The Reliant Partnership expects to complete the purchase under the agreement in the second quarter of 2016.
- d) The Fund through its Amended Management Agreement dated February 03, 2016 amended its basis of calculating administrative fees due to the Manager. Under the amended agreement, the administrative fee payable monthly will be calculated as at the last day of the month in an amount equal to:

SIF#2 Solar Income & Growth
Notes to Consolidated Financial Statements

17. SUBSEQUENT EVENTS *(continued)*

- i) 2% of total assets of the Fund per annum, in the event that an installation is in development as at such date (i.e., the Installation has not achieved Commercial Operation); or
- ii) 1% of the total assets of the Fund per annum, in the event that no installations are in development as at such date (i.e., all installations have achieved Commercial Operation).

18. TRANSACTION COSTS

During the year, the Solar Income Fund LP (#5) ("LP#5") and Solar Income Fund LP (#6) ("LP # 6"), entities under common management, arranged short term funding from Sprott Bridging Income Fund LT ("Sprott"). A financing fee of \$912,964 was incurred for arranging this funding. LP # 5 and LP # 6 through OT#1, an entity under common management, loaned approximately 25% of this funding to the Reliant Partnership. The transaction costs of \$229,406 is the fee relating to funding used by the Reliant Partnership.

19. FINANCIAL INSTRUMENT RISK MANAGEMENT

The Fund is exposed to a variety of financial risks by virtue of its activities: market risk (including interest rate risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out under the policies described below. Management is charged with the responsibility of establishing controls and procedures to ensure that the financial risks are mitigated with the appropriate policies. There have been no changes in the exposure to financial risks and policies and processes for managing these risks.

Credit Risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's deposits and other receivable and harmonized sales tax receivable. The carrying amounts of the aforementioned financial assets represents maximum credit exposure. Cash is maintained with Canadian financial institutions. Deposits held with vendors are bound by legal agreements and are fully refundable, except for \$200,000, in the event a project does not close.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations as they become due. Liquidity risk is also measured by reviewing the Fund's future net cash flows for the possibility of a negative cash flow.

The Fund manages liquidity risk resulting from accounts payable and accrued liabilities and amount due to related parties by ensuring sufficient cash is on hand from cash flows from operating activities and financing from investors and lenders.

SIF#2 Solar Income & Growth
Notes to Consolidated Financial Statements

19. FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Fund is exposed to interest rate risk through the impact of changes in market interest rates on the fair value of its financial instruments. The exposure to interest rate risk relates to the Fund's fixed rate related party loans.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as the price of solar energy. However, given that the Fund has a long-term power purchase agreements in place, fluctuations are not expected to significantly affect the Fund.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

ITEM 13: DATE AND CERTIFICATE

Dated

This offering memorandum does not contain a misrepresentation.

**SOLAR INCOME FUND INC.
as Manager and on behalf of
SIF #2 SOLAR INCOME & GROWTH**

(signed) CHARLES MAZZACATO
President

(signed) ANIL GROVER
Chief Financial Officer

On behalf of the Directors

(signed) ALLAN S. GROSSMAN
Director

(signed) CHARLES MAZZACATO
Director

(signed) HELEN FISCH
Director

Figure 1

SIF #2 Solar Income & Growth (May 2016)

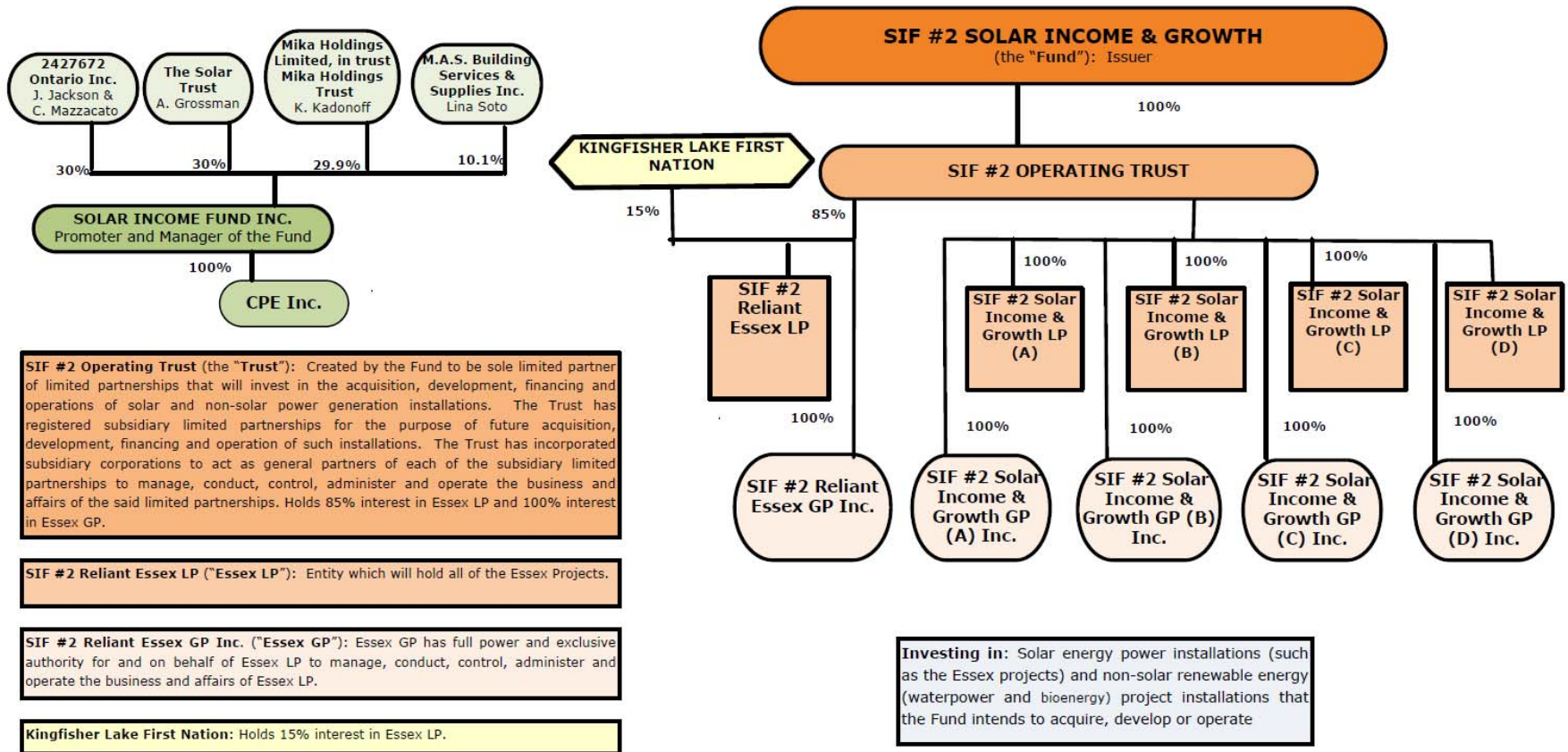


Figure 2

Existing Funds and Affiliates (May 2016)

