

Mosaic Solar Loan Trust 2018-1

Type of engagement: Green Use of Proceeds Securitized Bonds Pre-Issuance Review

Date: March 29, 2018

Engagement Leader: Ankita Shukla, ankita.shukla@sustainalytics.com, +1 (617) 603-3329

Introduction

In 2017, Solar Mosaic, Inc. (“Mosaic”) developed the Solar Mosaic Green Use of Proceeds Securitized Bond Framework (the “Framework”) under which affiliates of Mosaic issued notes (i.e., MSAIC 2017-1 and MSAIC 2017-2) under Mosaic’s Solar Loan Program. The multiple issuances consisted of Solar Loan backed notes and Residual Interests which were issued through one or more wholly owned subsidiaries.

In March 2018, Mosaic engaged Sustainalytics to review the issuance by Mosaic Solar Loan Trust 2018-1, in connection with Mosaic’s third securitization under Mosaic’s Solar Loan Program, of notes (the “Notes”) primarily secured by a pool of loans made to consumers to finance the purchase and installation of residential solar power generation systems and related items or services. Sustainalytics provided an assessment as to whether the projects and transparency requirements of the third 2018-1 issuance meet the criteria and the reporting commitments outlined in the [Solar Mosaic Green Use of Proceeds Securitized Bond Framework Overview and Second-Party Opinion](#) provided by Sustainalytics. This document should be read in conjunction with the Framework.

Evaluation Criteria

Sustainalytics evaluated the underlying projects that will be funded through the Mosaic Solar Loan Trust 2018-1 issuance in April 2018 for compliance based on whether:

1. The projects are aligned with the Use of Proceeds Eligibility Criteria outlined in the Framework Overview;
2. The estimated environmental impact of the Mosaic Solar Loan Trust 2018-1 issuance is reported based on the two Key Performance Indicators (KPIs) outlined in the Framework Overview; and
3. The commitments to select projects and manage proceeds from the Mosaic Solar Loan Trust 2018-1 issuance are aligned with the commitments described in the Framework Overview.

Appendix 1 lists the Use of Proceeds and Eligibility Criteria, while Appendix 2 lists the associated KPIs.

Issuing Entity’s Responsibility

Mosaic is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of eligible solar loans, and project impact. This information was provided to Sustainalytics to support its review. Mosaic is also responsible for confirming to Sustainalytics that processes for project selection and management of proceeds for the 2018-1 issuance will remain aligned with the commitments described in the Framework Overview.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Mosaic’s Solar Loan Trust 2018-1 issuance and provided an independent opinion. The work undertaken as part of this engagement included documentation from Mosaic employees and review of documentation to confirm the alignment with the Framework. Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Mosaic Solar Loan Trust 2018-1

Conclusion

Based on the limited assurance procedures conducted¹, nothing has come to Sustainalytics' attention that causes us to believe that the reviewed bond projects, funded through proceeds of Mosaic's Solar Loan Trust 2018-1, are not in conformance in all material respects with the Use of Proceeds and Reporting Criteria outlined in the Solar Mosaic Green Use of Proceeds Securitized Bond Framework. Mosaic has also confirmed to Sustainalytics that the proceeds of the Notes will be managed in alignment with the commitments described in the Framework.

¹ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including descriptions of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Mosaic Solar Loan Trust 2018-1

Appendix 1: Use of Proceeds Eligibility Criteria

The proceeds from the sale of the Notes are expected to be used to make initial deposits into the Reserve Account and the Distribution Account to pay the transaction costs in connection with the issuance of the Notes and to pay the purchase price of the Solar Loans. A portion of the proceeds from the sale of the Notes will be used to repay the lenders under warehouse financings of Mosaic's special purpose subsidiaries.

To be eligible to be funded by the proceeds, the projects funded must meet the following criteria:

- a. Fall within selected renewable and alternative energy product categories, including, but not limited to:
 - i. Solar Panel Modules
 - ii. Solar inverters
 - iii. Services related to the installation of products under i. and ii.
- b. Installed by Mosaic approved installer
- c. Use Mosaic approved equipment.

Mosaic determines the eligibility of the projects financed based on "Installer Approval policies" and "Equipment qualification criteria". Eligible projects must be undertaken with Mosaic's "Approved Installers" and use equipment from the "Approved Vendor List" in Appendix 1 and 2 of the Framework Overview and Second-Party Opinion document.

Appendix 2: Impact Reporting by Eligibility Criteria

Based on the sizes reported and usage assumed by the Approved Installers, the following environmental impacts are assumed from the Solar Energy Systems funded by the Solar Loans that collateralize the Notes. These are good faith estimates provided by the Approved Installers, but Mosaic cannot and does not guaranty the accuracy of these estimates.

Environmental Impact	Impact Metrics	Impact Figures
Total capacity of solar energy systems financed by solar loans backing the Notes	Megawatts (DC)	approximately 65 MW
Total estimated renewable energy produced by solar energy systems (during estimated 30 years of useful life)	Megawatt hours	approximately 2,760,000 MWh

Mosaic Solar Loan Trust 2018-1

Disclaimer

© Sustainalytics 2018. All rights reserved. No part of this second party opinion (the “Opinion”) may be reproduced, transmitted or published in any form or by any means without the prior written permission of Sustainalytics.

The Opinion was drawn up with the aim to explain why the analyzed bond is considered sustainable and responsible. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, this Opinion shall in no event be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds' use of proceeds.

The client is fully responsible for certifying and ensuring its commitments' compliance, implementation and monitoring.

Sustainalytics

Sustainalytics is an independent ESG and corporate governance research, ratings and analysis firm supporting investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, Sustainalytics partners with institutional investors who integrate environmental, social and governance information and assessments into their investment processes. Today, the firm has more than 300 staff members, including 170 analysts with varied multidisciplinary expertise of more than 40 sectors. Through the IRRI survey, investors selected Sustainalytics as the best independent responsible investment research firm for three consecutive years, 2012 through 2014 and in 2015, Sustainalytics was named among the top three firms for both ESG and Corporate Governance research. The firm was also named the Best SRI or Green Bond Research Firm by Global Capital in 2015.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

