

## Mosaic Solar Loan Trust 2019-2

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

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### 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, MSAIC 2017-2, MSAIC 2018-1, MSAIC 2018-2-GS, and MSAIC 2019-1) 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 October 2019, Mosaic engaged Sustainalytics to review the issuance by Mosaic Solar Loan Trust 2019-2, in connection with Mosaic’s sixth securitization under Mosaic’s Solar Loan Program. The “Notes” reviewed were 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 sixth 2019-2 issuance meet the criteria and reporting commitments outlined in the Solar Mosaic Green Use of Proceeds Securitized Bond Framework Overview (the “Framework”) and Second-Party Opinion provided by Sustainalytics.<sup>1</sup> 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 2019-2 issuance in November 2019 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 2019-2 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 2019-2 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 a 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 2019-2 issuance remain aligned with the commitments described in the Framework. Mosaic has confirmed that approximately 65% of the proceeds of the Notes (Originated Assets) will be immediately directed to an underlying trust that will be used to acquire and hold the initial pool of Solar Loans on behalf of the Issuer and the holders of its Notes and Residual Interests. The remaining proceeds 35% (Pre-Funded Assets) will be deposited into a Pre-Funded Account to be used during the first three months following closing by the Issuer to purchase additional Solar Loans originated by Mosaic (and owned by itself or its financing subsidiaries) that will be pledged to

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<sup>1</sup> This document is available at: [https://www.sustainalytics.com/wp-content/uploads/2017/10/Mosaic-Solar\\_Framework\\_Second-Opinion\\_Loans\\_10052017.pdf](https://www.sustainalytics.com/wp-content/uploads/2017/10/Mosaic-Solar_Framework_Second-Opinion_Loans_10052017.pdf)

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secure the Notes. Please see Appendix 2 for impact estimates on a) Originated Assets and b) Pre-Funded Assets.

### **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 2019-2 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 alignment with the Framework. Sustainalytics made all efforts to ensure the highest quality and rigor during the assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

### **Conclusion**

Based on the limited assurance procedures conducted<sup>2</sup>, nothing has come to Sustainalytics' attention that causes us to believe that the reviewed projects, funded through proceeds of Mosaic's Solar Loan Trust 2019-2, 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.

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<sup>2</sup> 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.

## 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, Distribution Account, Pre-Funded Account and Capitalized Interest 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 a 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 by Installers in accordance with Mosaic's "Installer Management Policy" and use equipment as permitted by Mosaic's "Equipment Management Policy."

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### Appendix 2: Impact Reporting by Eligibility Criteria

Based on the sizes reported and usage assumed by the Approved Installers, the following environmental impacts are anticipated 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, and as such they should be considered approximate.

<b>Environmental Impact</b>	<b>Originated Assets</b>	<b>Prefunded Assets</b>	<b>Total</b>
<b>Total capacity of solar energy systems financed by solar loans backing the Notes</b>	34 MW	24 MW	58 MW
<b>Total estimated renewable energy produced by solar energy systems (during estimated 30 years of useful life)</b>	1,410,000 MWh	988,120 MWh	2,398,120 MWh

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### Sustainalytics

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