

August 8, 2013

## Offering Memorandum

# Solar Mosaic, Inc.

## \$294,790 Solar Power Notes

This Offering Memorandum relates to the offer and sale of up to \$294,790 in principal amount of Solar Power Notes (“Notes”) of Solar Mosaic, Inc., a Delaware corporation (“Mosaic” or the “Company”). Our principal offices are located at 55 Harrison Street, Suite 300, Oakland, CA 94607, and our telephone number is (888) 305-3929.

These Notes are being offered in connection with Mosaic’s financing of a 322 kW solar project located on a rural site in Gerber, California (the “Project”) that is generating power for sale to Pacific Gas and Electric. Payment of principal and interest on the Notes will be dependent on Mosaic’s receipt of payments on a corresponding loan (the “Loan”) made to refinance the Project. The developer of the Project will retain ownership of the solar installation and will repay the Loan out of revenues generated by the sale of electricity generated by the Project.

The Loan has a term of 144 months, and the Notes will mature 144 months from the date when this offering commences. The Loan is repayable in monthly installments, the amounts of which are based on a fixed percentage of projected net revenues generated by the Project. The Loan is repayable on a 180-month amortization schedule, subject to a balloon payment due on the maturity date. Each holder of a Note will be entitled to a pro rata portion of each payment Mosaic receives on the Loan. The Loan and the Notes will bear interest at 6.50% per annum, provided that your actual rate of return will be lower as a result of platform fees charged by Mosaic. The Notes will be issued in the minimum amount of twenty-five dollars (\$25).

Important terms of the Notes include the following, each of which is described in greater detail below:

- Our obligation to make payments on a Note will be limited to an amount equal to the investor’s pro rata share of amounts we receive in repayment of the Loan.
- The Notes are special, limited obligations of Mosaic only, and, although repayment of those obligations is based solely upon repayment of the Loan, you will not have any recourse to the borrower under the Loan.
- The Notes will be unsecured obligations of Mosaic, and you will not have any security interest in any of Mosaic’s assets, including the Loan, nor will the Notes be secured by any assets of the Project or its owner.

The Notes are being offered and sold pursuant to the exemption from registration provided by Rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933, as amended (the “Securities Act”). The Notes may only be purchased by accredited investors (as that term is defined in Regulation D). In addition, the Notes are only being offered to residents of Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New York, New Jersey, New Mexico, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, Vermont, Washington, Washington, D.C. and Wisconsin. The Notes will be “restricted securities” that may not be resold unless such sale is registered under the Securities Act or is subject to an applicable exemption from registration.

We will amend this Offering Memorandum whenever the information it contains has become false or misleading in light of existing circumstances and for other purposes, such as to disclose material developments

related to the Notes, to update required financial statements or if there has been a fundamental change in the information initially presented. Our amended Offering Memorandum will be posted on our website.

THESE ARE SPECULATIVE SECURITIES. INVESTMENT IN THE NOTES INVOLVES SIGNIFICANT RISK. YOU SHOULD PURCHASE THESE SECURITIES ONLY IF YOU CAN AFFORD A COMPLETE LOSS OF YOUR INVESTMENT. SEE THE "RISK FACTORS" SECTION ON PAGE 5 OF THIS OFFERING MEMORANDUM FOR A DISCUSSION OF THE FOLLOWING AND OTHER RISKS:

- To the extent we are unable to collect payments under the Loan, we will not be obligated to make the corresponding payment under the Notes.
- When you commit to purchase a Note, the Note may not be issued until the end of the offering period, which may be as long as 120 days, during which time the funds you have committed toward the purchase of your Notes will not be available for investment in other Notes or for withdrawal from your account. Because your funds do not earn interest while held in your funding account, the delay in issuance of your Note will have the effect of reducing the effective rate of return on your investment.
- We have a limited operating history, and, as an online company in the early stages of development, we face increased risks, uncertainties, expenses and difficulties.
- We will need to raise substantial additional capital to fund our operations, and if we fail to obtain additional funding, we may be unable to continue operations.
- If we were to become subject to a bankruptcy or similar proceeding, your rights could be uncertain, your recovery of any funds due on the Note may be substantially delayed, and any funds you do recover may be substantially less than the amounts due or to become due on the Note.

***The proposed sale of Notes will commence on August 8, 2013 or as soon as practicable thereafter.***

## TABLE OF CONTENTS

Summary .....	1
Our Platform .....	1
The Offering .....	1
Investor Qualifications .....	1
The Notes .....	2
Risk Factors.....	5
Risks Related to the Borrower and the Project .....	5
Risks Related to Mosaic and the Mosaic Platform .....	8
Risks Related to Compliance and Regulation.....	15
Special Note Regarding Forward-Looking Statements.....	16
About Mosaic’s Business .....	16
Overview.....	16
Background.....	17
Our Financing Model.....	19
How Our Platform Operates .....	21
Material U.S. Federal Income Tax Considerations .....	29
Late Payments.....	32
About Mosaic .....	33
Overview.....	33
Plan of Operation .....	34
Marketing.....	34
Data Integrity and Scalability .....	35
Competition .....	35
Government Regulation .....	36
Employees.....	36
Properties .....	36
Directors, Executive Officers and Key Employees.....	37
Appendix A .....	A-1
The Project.....	A-3
Projected Power Generation and Net Revenue.....	A-4
The Loan and the Notes .....	A-8
Note Payment Schedule .....	A-9
About the Borrower .....	A-13
About the Solar Customer.....	A-14
Material Agreements Relating to the Project.....	A-14
Additional Risk Factor Relating to the Project.....	A-15

## SUMMARY

### Our Platform

Mosaic operates an online platform that enables investors to invest in solar projects by purchasing notes whose returns are tied to the returns Mosaic obtains through its financing of such project. The solar projects we fund typically consist of rooftop or ground-mounted installations that either (a) generate on-site electric power for small businesses or nonprofit or civic organizations or (b) generate power for sale to an electric utility or other “off-taker.” Payment on each series of notes is dependent on satisfaction of the corresponding payment obligations on Mosaic’s loan to a special purpose entity (“SPE”) controlled by the developer of the solar project. The SPE typically repays the loan primarily out of cash flow generated by the sale of electricity to the solar customer or off-taker and, in many cases, the sale of solar renewable energy credits (“SRECs”) to local utilities or other purchasers. Our loans are secured by the assets of the project owned by the developer as well its contractual rights with respect to the sale of electricity or SRECs.

Investors have the opportunity to review solar projects listed on our website and invest in specific projects through the purchase of notes having payment terms (such as interest rate and maturity) that mirror the terms of the corresponding project loan. We charge investors a monthly platform fee that is based on the total value of the unpaid principal of all securities held by the investor and any cash in the account (subject to certain exceptions). Our platform fee is currently set at a rate equal to 1.0% per year.

### The Offering

We are offering up to \$294,790 in Solar Power Notes (“Notes”) in connection with our financing of a solar project located on a rural site in Gerber, California consisting of a 322 kW ground-mount photovoltaic system (the “Project”). Repayment of the Notes will be dependent on our receipt of payments on our loan (the “Loan”) to an entity controlled by the project developer (the “Borrower”), which, in turn, will be repaid out of revenues generated by the Project. The electricity generated by the Project is purchased by Pacific Gas and Electric (the “Solar Customer”) pursuant to a power purchase agreement (the “PPA”). The full amount of the Loan is \$435,523. This offering and the Project are described in greater detail in Appendix A.

***This offering involves a significant degree of risk. Investors are strongly advised to carefully review the Risk Factors section starting on page 5 of this Offering Memorandum before investing in the Notes.***

## INVESTOR QUALIFICATIONS

This offering is limited to accredited investors. Under Regulation D, an “accredited investor” is defined as:

- any individual (i) whose net worth, or joint net worth with his or her spouse, exceeds \$1,000,000, not including the investor’s equity in his or her primary residence, or (ii) whose individual income exceeded \$200,000 in each of the two most recent years or whose joint income with his or her spouse in exceeded of \$300,000 in each of those years, and who has a reasonable expectation of reaching the same income level in the current year; and
- any of the following institutional investors: a bank; a federally registered broker or dealer; an insurance company as defined in Section 2(13) of the Securities Act; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; a Small Business Investment Company licensed under Section 301(c) or (d) of the Small Business Investment Act of 1958; certain employee benefit plans; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940; and a corporation, partnership or similar entity with total assets in excess of \$5,000,000.

In addition, this offering is limited to residents of Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New York, New Jersey, New Mexico, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, Vermont, Washington, Washington, D.C. and Wisconsin.

## THE NOTES

The Notes have a term of 144 months. They are subject to repayment in variable monthly installments based on a 180-month amortization schedule, with a balloon payment occurring at the end of the term. We have no obligation to make any payments on the Notes unless, and only to the extent that, we have received payments on the Loan, which, in turn, will be funded primarily by payments received by the Borrower under the PPA.

### **Maturity**

The Notes will mature on the date that is 144 months after the date when this offering commences (the “Initial Maturity Date”). If there are amounts owing to Mosaic in respect of the Loan at the Initial Maturity Date, the term of the Notes will be automatically extended by three years, to a date we refer to as the “Final Maturity Date,” to allow Note holders to receive any payments that we receive on the Loan after the Initial Maturity Date. Any such payments will continue to bear interest at the rate of 6.50% per annum. However, because the Loan may be prepaid without penalty, and because we may, in our sole discretion and subject to our servicing standards, amend, modify or assign our rights under the Loan to a third party or charge off the Loan at any time after the 91st day of its delinquency, and because we generally charge off the Loan after it becomes more than one year past due, the Loan may never reach the Final Maturity Date. Following the Final Maturity Date, the holder of a Note will have no right to receive any further payments from Mosaic even if the Borrower or a bankruptcy trustee subsequently remits payments to Mosaic or the servicer of the Loan.

### **Ranking**

The Notes will be unsecured special, limited obligations of Mosaic. Mosaic will be obligated to make payments on the Notes only if and to the extent Mosaic receives principal and interest payments from the Borrower on the Loan. Such payments, in turn, will be funded primarily by payments received by the Borrower under the PPA. Payments on the Loan will be shared ratably among all owners of the Notes based on the proportion that the original principal amount of each Note bears to the outstanding principal and accrued interest of the Loan at the time the Note was issued. In the event of a bankruptcy or similar proceeding of Mosaic, the relative rights of Note holders and other unsecured creditors of Mosaic with respect to Loan payments and other amounts recovered in respect of the Loan is uncertain. See “Risk Factors—If we were to become subject to a bankruptcy or similar proceeding, the rights of the holders of the Notes could be uncertain, and the recovery, if any, of a holder on a Note may be substantially delayed and substantially less than the amounts due and to become due on the Note.”

### **Payments**

Subject to the limitations described below under “Limitations on Payments,” we will make installment payments on the Notes upon receiving payments in respect of the corresponding Loan, in accordance with the payment schedule for the Notes. The Notes will have a payment schedule providing for periodic payments over a term equal to the corresponding Loan, with the payment dates falling on the 10th business day after the due date for each installment of a payment on the corresponding Loan. “*Business Day*” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which (1) the Automated Clearing House (“ACH”) system is closed or (2) banking institutions in San Francisco, California or New York, New York are authorized or obligated to close.

We will request an ACH payment from the Borrower on the business day prior to the payment due date, and normally receive payment the following business day. Payments by the Borrower will initially be deposited in our clearing account upon receipt and may not be distributed to the Note holder’s funding account until as late as the 10th business day after the ACH payment was requested and the short return window for ACH funds has expired.

Investors can review their account statements online and see that they have received payment on the Notes beginning on the 10th business day after the ACH payment was requested. The same process occurs upon maturity of the Note. Although payment under the Notes is made up to 10 business days after the applicable payment and maturity date, Mosaic treats the payment date and maturity date of the Note to be the same as the dates applicable to payments or other amounts received in connection with the Loan.

### **Limitations on Payments**

Any payments or other amounts received in connection with the Loan will be forwarded by Mosaic to the holders of the Notes, in amounts that will be limited each holder's pro rata portion of the amounts received by Mosaic in connection with the corresponding Loan, including, without limitation, all principal and interest payments, prepayments, partial payments, late payments or settlements, the proceeds from any foreclosure on collateral, or the proceeds from an assignment to a collections agent. A holder's pro rata portion is based on (1) the original principal amount of the Note divided by (2) the outstanding principal and accrued interest of the Loan at the time the Note was issued. To the extent we do not receive the full amount of a required payment on a Loan, we will not make any payment on the Notes related to that payment (beyond any partial payment we receive), and a holder of a Note will not have any rights against Mosaic with respect to such Note payment (beyond such holder's pro rata portion of any partial payment we receive), or against the Borrower with respect to the Loan.

In the event the Loan is serviced by a backup servicer, that servicer may charge a servicing fee on amounts collected. In addition, in the event we are required to pursue collection actions on the Loan, we may withhold a collection fee of up to 35% of amounts collected (or such greater amount of as we incur in legal fees and costs in the event of litigation). We will not pay you any unsuccessful payment fees or collection fees we or a third-party charge, and such fees will be retained by the party receiving the fee as additional servicing compensation. We will pay you any late fees we receive with respect to Loan payments. Any prepayments received on the Loan will be paid ratably to the Note holders.

The "*unsuccessful payment fee*" is a fee charged by Mosaic or a third-party servicer or collection agency when a payment request is denied or a check is returned unpaid for any reason, including but not limited to, insufficient funds in the Borrower's bank account or the closing of that bank account. The unsuccessful payment fee currently charged by Mosaic is \$35 or such lesser amount permitted by law.

### **Prepayments**

To the extent that the Borrower prepays the Loan, holders of the Notes will be entitled to receive their pro rata shares of the prepayment, not including any prepayment penalty.

### **Notification and Charge-Off Requirements**

Under the Investor Agreement (described below), if we have breached our representations and warranties, we agree to notify investors within 90 days after we become aware of such breach, and we also agree to notify them whether we have elected either to cure the breach or to repurchase the applicable note. We keep investors apprised of the payment status of project loans by identifying project loans on our website as "Current," "Late (15-30 days)," "Late (31-60 days)," "Late (61-90 days)," "Late (91-120 days)" or "Defaulted." Investors are able to monitor the loan corresponding to their notes, but may not participate in or otherwise intervene in the collection process.

A project loan is considered "Defaulted" if (i) at least one payment is at least 120 days past due, (ii) the borrower is subject to bankruptcy or similar insolvency proceedings or has made an assignment for the benefit of creditors or (iii) the party servicing the loan has initiated foreclosure proceedings with respect to collateral securing the loan. Although we may continue to charge the borrower interest and late fees on the loan, for accounting purposes we stop accruing interest on the loan and reverse all accrued, unpaid interest and fees. No later than 30 days after a loan has defaulted, the outstanding balance is written down to the estimated recoverable balance. Any payment received on a defaulted loan is first applied to collection expenses, then to the unpaid principal, and then to fees, interest and other income items.

If the terms of the Loan are modified, we will notify the holders of the Notes via email of the material terms of the modifications of the Loan and the effect such changes will have on their Notes, including changes to payments they will receive under the Notes.

### **Denominations, Form and Registration**

We will issue the Notes only in registered form and only in electronic form. This means that each Note will be stored on our website. You can view a record of the Notes you own and the form of your Notes online and print copies for your records by visiting your secure, password-protected webpage in the “My Account” section of our website. We will not issue certificates for the Notes. Investors will be required to hold their Notes through our electronic Note register.

The laws of some states in the U.S. may require that certain persons take physical delivery in definitive, certificated form, of securities that they own. This may limit or curtail the ability of persons residing in such states to purchase Notes.

We will treat the investors in whose names the Notes are registered as the owners thereof for the purpose of receiving payments and for all other purposes whatsoever with respect to the Notes.

### **Restrictions on Resale**

The Notes are “restricted securities” that may not be resold unless such sale is registered under the Securities Act or is subject to an applicable exemption from registration.

### **No Sinking Fund**

The Notes are fully amortizing and will not have the benefit of a sinking fund.

### **Events of Default**

The Notes provide that each of the following constitutes an “Event of Default” with respect to the Notes:

- Mosaic’s failure to make a payment under the Notes within sixty (60) days after such payment is due;
- entry by a court of competent jurisdiction of (i) a decree or order in respect of Mosaic in an involuntary case or proceeding under any applicable federal or state bankruptcy law (“Bankruptcy Law”) or (ii) a decree or order for relief adjudging Mosaic bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of or in respect of Mosaic under any applicable federal or state law, or appointing a custodian, receiver, liquidator, trustee or similar official for Mosaic or any substantial part of its property, or ordering the winding up or liquidation of its affairs, and any such decree or order for relief remains in effect or is unstayed and in effect for a period of 60 consecutive days; or
- (i) Mosaic’s commencement of a voluntary case or proceeding under any applicable Bankruptcy Law or any other case or proceeding to be adjudicated bankrupt or insolvent, (ii) Mosaic’s consent to the entry of a decree or order for relief in respect of Mosaic in an involuntary case or proceeding under any applicable Bankruptcy Law or to the commencement of any bankruptcy or insolvency case or proceeding against it, (iii) Mosaic’s filing of a petition, answer or consent seeking reorganization or substantially comparable relief under any applicable federal state law, or (iv) Mosaic’s (1) consent to the filing of such petition by, the appointment of, or taking possession by, a custodian, receiver, liquidator, trustee or similar official of Mosaic or of any substantial part of its property, or (2) making of an assignment for the benefit of creditors.

It is not a default or event of default under the terms of the Notes if Mosaic does not make payments when a Borrower does not make payments on the corresponding Loan. See “Risk Factors—Risks Related to

the Borrower and the Project,” for more information. An event of default with respect to one series of Notes is not deemed to be an event of default for any other series.

If any Event of Default relating to Mosaic’s bankruptcy or insolvency occurs and is continuing, at the option of the holders, the entire outstanding principal balance due under the Notes and all accrued and unpaid interest on the Notes will become immediately due and payable without further action or notice at the option of the holders.

### **Governing Law**

The Notes will be governed by the laws of the State of California without regard to any principle of conflict of laws that would require or permit the application of the laws of any other jurisdiction.

### **RISK FACTORS**

*Investing in the Notes involve a high degree of risk. In deciding whether to purchase Notes, you should carefully consider the following risk factors. Any of the following risks could have a material adverse effect on the value of the Notes you purchase and could cause you to lose all or part of your initial purchase price or could adversely affect future payments you expect to receive on the Notes. Only investors who can bear the loss of their entire purchase price should purchase Notes.*

#### **Risks Related to the Borrower and the Project**

***Payments on the Notes depend entirely on the payments received from the Borrower. If we do not receive such payments from the Borrower, you will not receive any payments on your Note.***

We will pay principal and interest on the Notes only to the extent we receive payments on the Loan. The Loan will be repaid primarily out of monthly payments received by the Borrower under the PPA. If the Solar Customer defaults on its payment obligations under the PPA, it is likely that the Borrower will be unable to fully repay the Loan, and you will not be entitled to the corresponding payments under the terms of the Notes.

***The Notes are special, limited obligations of Mosaic only and are not secured by any collateral or guaranteed or insured by any third party.***

The Notes are special, limited obligations of Mosaic and will not represent an obligation of the Borrower, the Solar Customer or any other party except Mosaic. The Notes are not secured by any collateral and are not guaranteed or insured by any governmental agency or instrumentality or any third party.

***Repayment of the Loan is dependent upon the ability of the Solar Customer to satisfy its payment obligations under the PPA.***

The Loan will be repaid primarily out of revenues generated by the PPA. If the Solar Customer does not make payments under the PPA in the full amounts projected, whether due to the Solar Customer’s insolvency or reduced power generation on the part of the Project, the Borrower may be unable to repay the Loan in full.

***You will not receive any payments we may receive after the final maturity date of your Note.***

The Notes will mature on the Initial Maturity Date, unless any installment payments in respect of the Loan remain due and payable upon the Initial Maturity Date, in which case the maturity of the Notes will be automatically extended to the Final Maturity Date. After the Final Maturity Date, our payment obligations under the Notes end, and any further payments we receive with respect to the Loan will not result in any further payments under the Notes.



***The Borrower is permitted to prepay the Loan without penalty at any time after three years. Borrower prepayments will extinguish or limit your ability to earn additional returns on a Note.***

The Borrower may prepay the Loan without penalty at any time after the third anniversary of the date when the Loan is made; prior to that date, any such prepayments are subject to a premium payment equal to 1.0% of the amount of principal prepaid. Upon a prepayment of the entire remaining unpaid principal amount of the Loan, you will receive your share of such prepayment, but further interest will not accrue after the date on which the payment is made. If prevailing commercial loan rates decline in relation to the Loan's effective interest rate, the Borrower may choose to prepay the Loan with lower-cost funds. If the Borrower prepays a portion of the remaining unpaid principal balance on the Loan, the term for repayment of the Loan will not change, but you will not earn a return on the prepaid portion. In addition, you may not be able to find a similar rate of return on another investment at the time at which the Loan is prepaid.

***Solar projects involve considerable risk, which may affect the Borrower's ability to make payments on the Loan.***

Solar projects are inherently risky, and the risks they involve may affect the Borrower's ability to make payments on the Loan. The risks involved in solar projects include the following:

- The project may produce less energy than expected due to inaccurate climate forecasts, changes in local weather patterns, inexperience on the part of the project operator or defective or unreliable solar power equipment. Under a power purchase agreement, the project's revenue is directly attributable to the amount of energy produced by the solar installation.
- The power generating equipment used by the project could be defective, resulting in the project generating significantly less power than expected.
- Warranties on solar power equipment may become worthless if the equipment supplier has ceased operations or entered bankruptcy proceedings.
- The solar customer may experience difficulties in making required payments under the power purchase agreement due to a decline in its revenue, an increase in costs, or bankruptcy.
- Incentive payments may be at risk if the related incentive program becomes depleted or is discontinued.

Any of these risks could affect the success of the Project and the Borrower's ability to make payments on the Loan, which would, in turn, reduce or eliminate payments on the Notes.

There is growing concern about overcapacity among solar equipment manufacturers, which could jeopardize the financial condition of such manufacturers. In May 2013, a story appearing in The New York Times reported significant increases in the failure rates of PV panels as a result of cost-cutting in the industry, particularly among Chinese manufacturers.

***The success of the Project is dependent on the performance of third parties over which we have no control.***

The entity that controls the Borrower (the "Owner") will be responsible for various management functions that are essential to the success of the Project, including filings with government agencies, payment of bills and maintenance of insurance. Poor management on the part of the Owner could adversely affect the financial performance of the Project or expose the Project to unanticipated operating risks, which could reduce the Project's cash flow and adversely affect the Borrower's ability to repay the Loan. Our Loan and Security Agreement with the Borrower prohibits the Borrower from effecting a change in control without our consent (provided that such consent may not be unreasonably withheld). Notwithstanding that provision, we may not have the opportunity to fully evaluate a party to which the Owner wishes to sell the Project, and, following such sale, that party may not manage the Project as effectively as the original Owner.

***Revenues from the Project could fall short of the amounts projected.***

The schedule of payments on the Loan is based on projected revenues generated by the Project over the term of the Loan. These projections are based on factors such as the amount of sunlight that normally occurs during different months and the expected performance of the power generating equipment. The actual revenues generated by the Project could fall short of projections due to factors such as unexpected amounts of cloud cover or greater-than-expected degradation in performance of power generating equipment. In such event, the Borrower's cash flow could be inadequate to repay the Loan in full.

***The Borrower's assets provide little protection against an unexpected drop in revenues from the Project or an increase in expenses.***

Most of the Borrower's capital consists of power generating equipment rather than cash or other liquid assets. As such, the Borrower's capital resources may provide an inadequate protection against circumstances such as a default on the PPA by the Solar Customer, other circumstances that cause Project revenues to fall short of projections, or unexpected increases in Project expenses. Accordingly, any such shortfall in revenues or increase in expenses could result in the Borrower defaulting on the Loan.

***Insurance against risks faced by the Project could become more costly or could become unavailable altogether.***

The Project is insured against risks such as damage to the equipment caused by severe weather or accident. Changes in the conditions affecting the equipment or the economic environment in which insurance companies do business could affect the Borrower's ability to continue insuring the Project at a reasonable cost or could result in insurance being unavailable altogether. For example, many climate models indicate that global climate change will cause an increase in the frequency and severity of extreme weather events such as hurricanes and tornadoes that pose a significant risk of damage to solar panels and other equipment. Such increased risk could result in higher insurance premiums or could cause some insurance companies to stop offering insurance in certain geographic regions.

***The information relating to the Project may be inaccurate or may not accurately reflect the Solar Customer's creditworthiness.***

The information in this Offering Memorandum regarding the Project may not reflect the Solar Customer's actual creditworthiness because the information may be incomplete or based on outdated or inaccurate data. We do not verify the information obtained from the Solar Customer. Investors are given no ability to verify the information provided with respect to the Solar Customer, nor will we verify that information at the request of an investor. Additionally, there is a risk that, after we have completed our credit review, the Solar Customer may have:

- become delinquent in the payment of or defaulted under an outstanding obligation;
- taken on additional debt; or
- sustained other adverse financial events.

Inaccuracies in the information we obtain from the Solar Customer or subsequent events that reduce the Solar Customer's creditworthiness may increase the risk that the Solar Customer will default on its PPA, which will increase the risk that the Notes will not be repaid in full.

***Default rates by solar customers may increase as a result of economic conditions beyond our control.***

Default rates by solar customers may be significantly affected by economic downturns or general economic conditions beyond our control. In particular, default rates on power purchase agreements or leases on which developers are substantially dependent for repayment of their loan obligations may increase due to factors such as declining revenues or increased operating expenses of the solar customer, the ability of the solar customer to collect on accounts receivable or other amounts owed, lawsuits brought or legal judgments against the solar customer,

changes in commercial lending terms including the calling of letters of credit or other debt obligations, unexpected changes in management of the solar customer, or other impacts on the operations and finances of the solar customer that result in a shortage of cash available to satisfy its obligations under its power purchase agreement or lease.

***We do not take any specific actions to monitor how funds are spent after they have been disbursed to the borrower.***

When we finance a solar project, our primary assurance that the financing proceeds will be properly spent by the borrower is the contractual covenants agreed to by the borrower and the business history and reputation of the developer. Should the proceeds of a financing be diverted improperly, the project could become insolvent, which could cause the holders of the corresponding notes to lose their entire investment.

### **Risks Related to Mosaic and the Mosaic Platform**

***We have a limited operating history. As a company in the early stages of development, we face increased risks, uncertainties, expenses and difficulties.***

For our business to be successful, the number of solar projects and investors that use our platform and the volume of financings originated through our platform will need to increase, which will require us to increase our facilities, personnel and infrastructure to accommodate the greater servicing obligations and demands on our platform. Our platform is dependent upon our website to maintain current listings and transactional functionality. We must constantly update our software and website, expand our customer support services and retain an appropriate number of employees to maintain the operations of our platform, as well as to satisfy our servicing obligations on project loans and make payments on the notes we issue. If we are unable to increase the capacity of our platform and maintain the necessary infrastructure, you may experience delays in receipt of payments on the Notes and periodic downtime of our systems.

***We will need to raise substantial additional capital to fund our operations, and if we fail to obtain additional funding, we may be unable to continue operations.***

At this early stage in our development, we have funded substantially all of our operations with proceeds from private financings from individual investors and venture capital firms. To continue the development of our platform, we will require substantial additional funds. To meet our financing requirements in the future, we may raise funds through equity offerings, debt financings or strategic alliances. Raising additional funds may involve agreements or covenants that restrict our business activities and options. Additional funding may not be available to us on favorable terms, or at all. If we are unable to obtain additional funds, we may be forced to reduce or terminate our operations.

***We have incurred net losses in the past and expect to incur net losses in the future. If we become insolvent or bankrupt, you may lose your investment.***

We have incurred net losses in the past and we expect to incur net losses in the future. As of June 30, 2013, our accumulated deficit was approximately \$3.6 million. Our net loss for the year ended December 31, 2012 was approximately \$2.1 million, and our net loss for the six months ended June 30, 2013 was approximately \$1.2 million. We have not been profitable since our inception, and we may not become profitable. In addition, we expect our operating expenses to increase in the future as we expand our operations. If our operating expenses exceed our expectations, our financial performance could be adversely affected. If our revenue does not grow to offset these increased expenses, we may never become profitable. In future periods, we may not have any revenue growth, or our revenue could decline. Our failure to become profitable could impair the operations of our platform by limiting our access to working capital to operate the platform. If we were to become insolvent or bankrupt, it is likely that we would default on our payment obligations under the Notes, and you may lose your investment.

***If we were to become subject to a bankruptcy or similar proceeding, the rights of the holders of the Notes could be uncertain, and the recovery, if any, of a holder on a Note may be substantially delayed and substantially less than the amounts due and to become due on the Note.***

In the event of Mosaic's bankruptcy or a similar proceeding, the rights of investors to continue receiving payments on the Notes could be subject to the following risks and uncertainties:

- Interest on the Notes may not accrue during a bankruptcy proceeding. Accordingly, if investors received any recovery on their Notes, any such recovery might be based on the investors' claims for principal and interest accrued only up to the date the proceeding commenced.
- Our obligation to continue making payments on the Notes would likely be suspended even if the funds to make such payments were available. Because a bankruptcy or similar proceeding may take months or years to complete, even if the suspended payments were resumed, the suspension might effectively reduce the value of any recovery that a holder of a Note might receive by the time such recovery occurs.
- The Notes are unsecured, and investors do not have a security interest in the Loan. Accordingly, the holders of Notes may be treated as general creditors and thus be required to share any payments on the Loan with other general creditors of Mosaic.
- Because the terms of the Notes provide that they will be repaid only out of payments on the Loan, investors might not be entitled to share in the other assets of Mosaic available for distribution to general creditors, even though other general creditors might be entitled to a share of such payments on the Loan.
- If Mosaic has received payments on the Loan before the bankruptcy proceedings are commenced and those funds are held in the clearing account and have not been applied toward payments on the Notes, the funds may not be available as a source of payments on the Notes.
- Our ability to transfer servicing obligations to a backup servicer may be limited and subject to the approval of the bankruptcy court or other presiding authority. The bankruptcy process may delay or prevent the implementation of backup servicing, which may impair the collection of Loan Obligations to the detriment of the Notes.

***In a bankruptcy or similar proceeding of Mosaic, there may be uncertainty regarding the rights of a holder of a Note, if any, to access funds in the funding account.***

We currently maintain the funding account at Wells Fargo Bank "for the benefit of" our investors. This so-called "FBO account" is a pooled account titled in our name "for the benefit of" our investors. We believe that amounts funded by our investors into the FBO account are unlikely to be subject to claims of creditors of Mosaic other than the investors for whose benefit the funds are held, since beneficial ownership of those funds rests with the investors. However, Mosaic has legal title to the FBO account and the attendant right to administer the FBO account, each of which would be the property of Mosaic's bankruptcy estate. As a result, if Mosaic became a debtor in a bankruptcy proceeding, the legal right to administer the funds in the FBO account would vest with the bankruptcy trustee or debtor in possession. In that case, investors may have to seek a bankruptcy court order lifting the automatic stay and permitting them to withdraw their funds. Investors may suffer delays in accessing their funds in the FBO account as a result. Moreover, U.S. bankruptcy courts have broad powers, and if Mosaic has failed to properly segregate or handle investors' funds, a bankruptcy court could determine that some or all of such funds were beneficially owned by Mosaic and therefore that they became available to the creditors of Mosaic generally. See "About Mosaic's Business—Servicing and Collection of Loans" for more information.

***When you commit to purchase a Note, you must commit funds toward your purchase up to 120 days prior to the time when your Note is issued.***

Each offering of a series of Notes remains open for such period of time as we may determine at the time the offering is posted on the Mosaic's investment platform, up to a maximum of 120 days, unless the offering is fully subscribed before the end of such period. Investors' commitments to purchase Notes are irrevocable. During the period between the time of your purchase commitment and the time when your Note is issued, you will not have access to the funds in your funding account. Because your funds do not earn interest while held in your funding account, the delay in issuance of your Note will have the effect of reducing the effective rate of return on your investment.

***Our platform fee is assessed on the overall value of each investor's account, including cash.***

Our platform fee is assessed on the overall value of each investor's account. Cash held in the investor's account, whether resulting from a payment on a Note or transferred into the account by the investor in anticipation of making new investments, will be subject to our fee to the same extent as outstanding balances on Notes, except for:

- cash deposited in the account during the past month;
- payments on Notes received during the past month;
- cash in the account totaling less than \$25.00;
- cash committed toward the purchase of any Note that has not yet been issued;
- cash committed toward investment in a solar project financing that has been cancelled during the past month; and
- cash held in the account during any month in which there were no Notes offered on our platform that were available for purchase by the investor, based on the investor's state of residence, income, net assets and other applicable qualifications.

A new investor is not charged a platform fee until the first investment is made from that investor's account.

***We reserve the right to increase our platform fee.***

We may increase our platform fee rate from time to time in response to increased costs or investor demand. Our policy is to apply such increases only to new investors. However, we reserve the right to apply rate increases to existing investors as well. Should we increase the platform fee rate that is applicable to existing investors, such rate increase may apply to any notes you have previously purchased on the Mosaic platform. Unlike cash held in your account, notes may be difficult or impossible to liquidate, so you may have limited options for avoiding an increased platform fee rate should you consider that rate to be unduly burdensome.

***Purchasers of Notes will not have the protection of a trustee, an indenture or the provisions of the Trust Indenture Act of 1939.***

Because this offering is being made in reliance on an exemption from registration under Regulation D promulgated under the Securities Act, it is not subject to the Trust Indenture Act of 1939. Consequently, purchasers of Notes will not have the protection of an indenture setting forth obligations of the Company for the protection of Note holders or a trustee appointed to represent their interests.

***We rely on third-party banks and on third-party computer hardware and software. If we are unable to continue utilizing these services, our business and ability to service the Loan may be adversely affected.***

Because we are not a bank, we cannot belong to and directly access the ACH payment network, and we must rely on an FDIC-insured depository institution to process our transactions, including payments on project loans and remittances to holders of notes. We currently use Wells Fargo Bank and Bridge Bank for these purposes, but may change banks at any time. Under the ACH rules, if we experience a high rate of reversed transactions (known as “chargebacks”), we may be subject to sanctions and potentially disqualified from using the system to process payments. We also rely on computer hardware purchased and software licensed from third parties to operate our platform. This purchased or licensed hardware and software may be physically located off-site, as is often the case with “cloud services.” This purchased or licensed hardware and software may not continue to be available on commercially reasonable terms, or at all. If we cannot continue to obtain such services elsewhere, or if we cannot transition to another processor quickly, our ability to process payments will suffer and your ability to receive payments on the Notes will be delayed or impaired.

***If we fail to maintain operations, servicing of the Loan and the Notes will be taken over by our backup servicer, and you may experience a delay in expected payments on the Notes, and we may be unable to collect and process payments on project loans.***

We have made arrangements for backup servicing through Portfolio Financial Servicing Company (“PFSC”). If our platform was to fail or we became insolvent, we would attempt to transfer our loan servicing obligations to PFSC. Transferring these servicing obligations to PFSC may result in delays in the processing and recovery of information with respect to amounts owed on project loans or, if our platform becomes inoperable, may prevent us from servicing the project loans and making payments on the corresponding notes. Additionally, if PFSC assumes the servicing of project loans, it will charge us significant servicing fees, reducing the amounts available for payments on the corresponding notes in the event we are insolvent or in bankruptcy proceedings.

***The Notes are not freely transferrable and will not be listed on any securities exchange, and no liquid market for the Notes is expected to develop.***

The Notes are restricted securities and may not be resold unless such resale is registered under the Securities Act or an exemption from registration is available. Moreover, the Notes will not be listed on any securities exchange or interdealer quotation system. There is no trading market for the Notes, and we do not expect that such a trading market will develop in the foreseeable future, nor do we intend to offer any features on our platform to facilitate or accommodate such trading. Although the Notes by their terms are prepayable at any time without penalty, there is no obligation on our part to repurchase or otherwise prepay any Notes at the election of an investor. Therefore, any investment in the Notes will be highly illiquid, and investors in the Notes may not be able to sell or otherwise dispose of their Notes in the open market. Accordingly, you should be prepared to hold the Notes you purchase until they mature.

***The U.S. federal income tax consequences of an investment in the Notes are uncertain.***

There are no statutory provisions, regulations, published rulings, or judicial decisions that directly address the characterization of the Notes or instruments similar to the Notes for U.S. federal income tax purposes. However, although the matter is not free from doubt, we intend to treat the Notes as our indebtedness for U.S. federal income tax purposes. As a result of such treatment, the Notes will have original issue discount, or OID, for U.S. federal income tax purposes because payments on the Notes are dependent on payments on the corresponding Loan Obligations. Further, a holder of a Note will be required to include the OID in income as ordinary interest income for U.S. federal income tax purposes as it accrues (which may be in advance of corresponding installment payments on the Note), regardless of such holder’s regular method of accounting. This characterization is not binding on the IRS, and the IRS may take contrary positions. Any differing treatment of the Notes could significantly affect the amount, timing and character of income, gain or loss in respect of an investment in the Notes. Accordingly, all prospective purchasers of the Notes are advised to consult their own tax advisors regarding the U.S. federal, state, local and non-U.S. tax consequences of the purchase and ownership of the Notes (including any possible differing treatments of the Notes).

***The Notes could be treated as contingent payment debt instruments for U.S. federal income tax purposes.***

The Notes could be subject to Treasury regulations under which they will be treated as contingent payment debt instruments for U.S. federal income tax purposes. Should this occur, you may recognize interest income on the Notes significantly in excess of the effective interest payments received thereon. Also, under these Treasury regulations, a U.S. holder generally will recognize ordinary income, rather than capital gain, upon a sale, exchange, conversion, repurchase or redemption of a Note.

***If the security of our investors' confidential information stored in our systems were breached or otherwise subjected to unauthorized access, your secure information could be stolen.***

Our platform stores investors' Social Security Numbers, bank information and other personally-identifiable sensitive data. Any accidental or willful security breach or other unauthorized access could cause your secure information to be stolen and used for criminal purposes. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, we and our third-party hosting facilities may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, many states have enacted laws requiring companies to notify individuals of data security breaches involving their personal data. These mandatory disclosures regarding a security breach are costly to implement and often lead to widespread negative publicity, which may cause our investors and solar developers to lose confidence in the effectiveness of our data security measures. Any security breach, whether actual or perceived, would harm our reputation, and we could lose investors.

***Any significant disruption in service on our website or in our computer systems could reduce the attractiveness of our platform and result in a loss of users.***

If a catastrophic event resulted in a platform outage and physical data loss, our ability to perform our servicing obligations would be materially and adversely affected. The satisfactory performance, reliability, and availability of our technology and our underlying hosting services infrastructure are critical to our operations, level of customer service, reputation and ability to attract new users and retain existing users. Our hosting services infrastructure is provided, owned, and operated by a third party hosting provider. We also maintain a backup system at a separate location that is owned and operated by a third party. Our hosting provider does not guarantee that our users' access to our website will be uninterrupted, error-free or secure. Our operations depend on our hosting provider's ability to protect its and our systems in its facilities against damage or interruption from natural disasters, power or telecommunications failures, air quality, temperature, humidity and other environmental concerns, computer viruses or other attempts to harm our systems, criminal acts and similar events. If our arrangement with our hosting provider is terminated, or there is a lapse of service or damage to its facilities, we could experience interruptions in our service as well as delays and additional expense in arranging new facilities. Any interruptions or delays in our service, whether as a result of our hosting provider or other third-party error, our own error, natural disasters or security breaches, whether accidental or willful, could harm our ability to service the Loan or maintain accurate accounts, and could harm our relationships with our users and our reputation. Additionally, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. Our disaster recovery plan has not been tested under actual disaster conditions, and we may not have sufficient capacity to recover all data and services in the event of an outage at a hosting provider facility.

***Events beyond our control could damage our ability to maintain adequate records, maintain our platform or perform our servicing obligations.***

If a catastrophic event, such as a natural disaster, computer virus or terrorist attack, resulted in a platform outage or physical data loss, our ability to perform our servicing obligations would be materially and adversely affected. We store backup records in offsite facilities located in third-party, off-site locations. If our electronic data storage and backup storage system were affected by such events, we could not guarantee that you would be able to recoup your investment in the Notes.

***The Notes will not restrict our ability to incur additional indebtedness.***

If we incur additional debt after the Notes are issued, it may adversely affect our creditworthiness generally, and could result in the our financial distress, insolvency or bankruptcy, which, ss discussed above could impair your ability to receive the full amount of payments you expect to receive on your Notes.

***Our Investor Agreement limits your rights in some important respects.***

When you sign up as an investor on the Mosaic platform, you are required to enter into our standard Investor Agreement, which sets forth your principal rights and obligations as an investor. To protect Mosaic from having to respond to multiple claims by investors in the event of an alleged breach or default with respect to a series of Notes, the Investor Agreement restricts investors' rights to pursue remedies individually in connection with such breach or default, other than claims alleging violations of federal securities laws by Mosaic or any of its officers or directors. Except in limited circumstances, such remedies may only be pursued by a representative designated by the holders of a majority-in-interest of such Notes.

In addition, under the Investor Agreement, Mosaic may require that any claims against it, other than claims alleging violations of federal securities laws by Mosaic or any of its officers or directors, be resolved through binding arbitration rather than in the courts. The arbitration process may be less favorable to investors than court proceedings and may limit your right to engage in discovery proceedings or to appeal an adverse decision.

***"Events of Default" under the Note are limited to narrow circumstances.***

Under the Notes, Mosaic's bankruptcy or a similar event related to Mosaic's insolvency is deemed to be an Event of Default, upon which the entire outstanding principal balance of the Notes and all accrued and unpaid interest thereon will become immediately due and payable. In addition, Mosaic's failure to make a payment under the Notes within 60 days after such payment is due is also treated as an Event of Default, but such occurrence does not result in the entire principal balance of the Notes becoming due and payable. Other acts or omissions by Mosaic that may represent breaches of contract, including Mosaic's failure to act in good faith in collecting on loan obligations as required by the Investor Agreement, do not represent Events of Default under the Notes and do not result in the entire principal balance becoming due and payable.

***We are not subject to the banking regulations of any state or federal regulatory agency.***

Mosaic is not subject to the periodic examinations to which commercial banks, savings banks and other thrift institutions are subject. Consequently, our financing decisions and our decisions regarding establishing loan loss reserves are not subject to period review by any governmental agency. Moreover, we are not subject to regulatory oversight relating to our capital, asset quality, management or compliance with laws.

***Volatility in the business environment for providers of products and services related to solar power could adversely affect our ability to make payments on our notes.***

Our business is dependent on products and services provided by wide array of third party developers, equipment suppliers, installers and service providers. In recent years, the business environment relating to solar power generation has been highly volatile and has been adversely affected by changes in government funding, tax incentives and foreign competition. Moreover, falling prices for natural gas, which is perceived as a "clean" alternative to other fossil fuels, may reduce demand for sources of renewable energy such as solar power. As a result, many companies doing business in the solar power industry have encountered significant financial difficulties or been forced to discontinue operations altogether. In the event such difficulties affect a company that is delivering important products or services to a solar project we have financed, the completion of the project or its ongoing operations could be jeopardized, which could result in a default in payments on the series of Notes related to that project.



***Risks to our business could have an adverse impact on our ability to service the Loan or cause our business to fail altogether.***

We face risks and uncertainties that affect our overall business operations. Any curtailment of our activities or failure of our business would result in a disruption in our ability to service the Loan, which could cause interruptions in the repayment of the Notes or, in the event we enter into bankruptcy proceedings, could result in uncertainties regarding your rights to repayment under the Notes. Risks and uncertainties that may affect our financial condition and results of operations include the following:

- We have incurred net losses in the past and we expect to incur net losses in the future. If we fail to become profitable in the future, that could impair the operations of our platform by limiting our access to working capital to operate the platform, and could ultimately result in our insolvency or bankruptcy.
- At this early stage in our development, we have funded substantially all of our operations with proceeds from private financings from individual investors and venture capital firms. To continue the development of our platform, we will require substantial additional funds. Additional funding may not be available to us on favorable terms, or at all. If we are unable to obtain additional funds, we may be forced to reduce or terminate our operations.
- The commercial lending market for asset-backed lending in general and lending to solar projects in particular is competitive and rapidly changing. Our principal competitors include major banking institutions and other energy finance companies. If our platform is successful, competitors with significantly greater resources, greater brand recognition, more extensive business relationships and longer operating histories than Mosaic could enter the market and begin competing with us. Competition could result in reduced volumes, reduced fees or the failure of our lending platform to achieve or maintain more widespread market acceptance.
- To succeed, we must increase transaction volumes on our platform by financing a large number of solar projects and attracting increasing numbers of investors to a novel and unfamiliar online investment platform. If we are not able to attract qualified solar projects and sufficient investor purchase commitments, we will not be able to increase our transaction volumes.
- Our future depends, in part, on our ability to attract and retain key personnel. Competition for highly skilled technical and financial personnel is extremely intense. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. The loss of key personnel and the process to replace any of our key personnel would involve significant time and expense, may significantly harm the quality of our service and may significantly delay or prevent the achievement of our business objectives.

***At present, the Mosaic platform offers investors limited ability to diversify their investments in the solar projects we finance, which increases the risk that an investor may lose his or her entire investment.***

To date, our business has not expanded to the point where we can regularly offer the opportunity to select from a variety of projects on our platform. Until such time as we are able to offer notes in multiple series corresponding to different solar projects, investors will not have the opportunity to invest in a diversified portfolio. If you invest all of your funds in a single solar project, your investment will involve greater risk than if you spread your investment among several projects. Comparing a \$500 investment in a single note with an investment of \$100 in each of five different notes corresponding to different projects, other things being equal, the probability of a default on the \$500 note is far greater than the probability that all five of the \$100 notes will go into default. Thus, if you concentrate your investment in a single notes, you significantly increase the risk that you will lose your entire investment.

## **Risks Related to Compliance and Regulation**

### ***Increased regulatory focus could result in additional burdens on our business.***

The financial industry is becoming more highly regulated. There has been, and may continue to be, a related increase in regulatory investigations of the trading and other investment activities of alternative investment funds. Such investigations may impose additional expenses on us, may require the attention of senior management and may result in fines if we are deemed to have violated any regulations.

### ***As Internet commerce develops, federal and state governments may adopt new laws to regulate Internet commerce, which may negatively affect our business.***

As Internet commerce continues to evolve, increasing regulation by federal and state governments becomes more likely. Our business could be negatively affected by the application of existing laws and regulations or the enactment of new laws applicable to lending. The cost to comply with such laws or regulations could be significant and would increase our operating expenses, and we may be required to pass along those costs to our investors in the form of increased fees. In addition, federal and state governmental or regulatory agencies may decide to impose taxes on services provided over the Internet. These taxes could discourage the use of the Internet as a means of commercial financing, which would adversely affect the viability of our platform.

### ***Our business depends on a regulatory environment with favorable incentives for solar. Any policy changes that reduce available incentives for solar projects may affect our ability to finance such projects.***

The economic viability of the solar projects we are financing is dependent upon federal, state, local and utility-based incentive programs. Federal programs include the investment tax credit (“ITC”), which functions as a 30 percent uncapped tax credit for residential solar systems under Section 25D of the Internal Revenue Code of 1986 (the “Internal Revenue Code”) and commercial solar systems under Section 48 of the Internal Revenue Code. The ITC is in effect through December 31, 2016.

The Section 1603 program, created in 2009, allowed solar and other renewable energy developers to receive a direct federal grant in lieu of the ITC. The program, originally approved through the end of 2010, was extended for an additional year, and expired on December 31, 2011. A solar project may still be eligible for a Section 1603 grant if the developer has commenced construction by December 31, 2011, or if the developer has satisfied a “safe harbor” requirement by incurring 5% of the total project costs by the December 31, 2011 deadline. After the grant has been issued, it may be recaptured by the government if, within five years of the date the solar project is placed in service, any interest in the solar project or company is transferred to certain prohibited persons, the equipment ceases to be specified energy property (consisting of tangible property for which depreciation or amortization is allowable or the equipment is taken out of service (other than due to an “act of God”). Specified energy property includes only tangible property (not including a building or its structural components) for which depreciation, or amortization in lieu of depreciation, is allowable. If there are any changes in the Project such that it is no longer defined as specified energy property, or ownership is transferred to another entity other than the Borrower, the government may seek to recapture the value of the Section 1603 grant and potentially affect the Borrower’s ability to repay the Loan.

Solar power projects also qualify for various depreciation provisions under the Internal Revenue Code. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 included provisions that allowed companies to elect a 100 percent depreciation of eligible property through 2011 and a 50 percent bonus depreciation through 2012. With 100 percent depreciation, companies owning new qualified solar projects could depreciate 100 percent of the equipment placed in service from September 8, 2010 through December 31, 2011. For companies that placed equipment in service after 2011, the law contained a 50 percent bonus depreciation provision that companies could elect for qualifying property through December 31, 2012. This provision was extended to December 31, 2013. If the federal government fails to extend these policies beyond their current expiration dates, it could affect the economic viability of solar projects, reducing the pool of potential developers financing solar projects through our platform.

*The price of solar equipment is determined in part by global supply and demand. Any shifts in national trade policy that increase component pricing may affect our ability to finance solar projects.*

The U.S. Department of Commerce has imposed import tariffs on solar panels made in China. Although these tariffs have not had a significant effect on the solar equipment market to date, such tariffs could increase equipment prices, which would reduce the returns associated with owning solar installations and therefore weaken demand for solar power and for the financing of solar projects, which would likely have a material adverse effect on our business. Moreover, tariffs could be imposed retroactively, which would increase costs unexpectedly for projects that are underway or have already been built with equipment covered by the tariff.

## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Offering Memorandum contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this Offering Memorandum regarding the Project, the Borrower, the Solar Customer, and our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “will,” “would” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements include, among other things, statements about:

- expected rates of return and interest rates;
- the attractiveness of our platform;
- our financial performance;
- regulatory developments; and
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing.

We may not actually achieve the plans, intentions or expectations disclosed in forward-looking statements, and you should not place undue reliance on forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in forward-looking statements. We have included important factors in the cautionary statements included in this Offering Memorandum, particularly in the “Risk Factors” section, that could cause actual results or events to differ materially from forward-looking statements contained in this prospectus. Forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

You should read this Offering Memorandum completely and with the understanding that actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

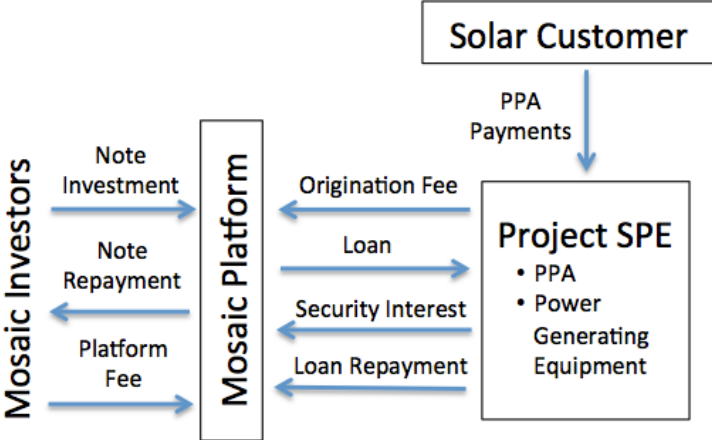
## **ABOUT MOSAIC’S BUSINESS**

### **Overview**

Mosaic operates an online platform that enables investors to invest in solar projects by purchasing notes whose returns are tied to the returns Mosaic obtains through its financing of such project. The solar projects we fund typically consist of rooftop or ground-mounted installations that either (a) generate on-site electric power for small businesses or nonprofit or civic organizations or (b) generate power for sale to an electric utility or other “off-taker.” Payment on each series of notes is dependent on satisfaction of the corresponding payment obligations on Mosaic’s

loan to a special purpose entity (“SPE”) controlled by the developer of the solar project. The SPE typically repays the loan primarily out of cash flow generated by the sale of electricity to the solar customer or off-taker and, in many cases, the sale of SRECs to local utilities or other purchasers. Our loans are secured by the assets of the project owned by the SPE as well its contractual rights with respect to the sale of electricity or SRECs.

The following diagram shows the structure of a typical solar finance arrangement:



At present, our platform operates primarily online. Our registration, processing and payment systems are automated and electronic. We encourage the use of electronic payments as the preferred means to disburse funds to an SPE and to remit cash payments on outstanding loan obligations. We are not a bank and have no physical branches, and we do not take deposits or pay interest on investors’ funds other than in connection with the Notes we issue. Our website provides detailed information about our platform, including our fees, the full text of our agreements with investors, and help pages. In addition to the customer support materials available on our website, we make additional customer support available to members by email and phone through our customer support team in Oakland, California.

We currently expect to earn revenue from two principal sources:

- a one-time origination fee charged to the developer of the solar project in connection with our loan financing the project; and
- a monthly platform fee charged to investors based on the total value of unpaid principal of notes in each investor’s account and any cash in the account (subject to certain exceptions).

In addition to the fees listed above, in some circumstances we may charge fees to the SPE for (i) late payment, (ii) unsuccessful payment due to factors such as insufficient funds or (iii) processing of payments made by check. In addition, in the event we are required to take collection action with respect to unpaid loan obligations, we may deduct a collection fee from any amounts that are successfully collected before those proceeds are distributed to note holders. See “How Our Platform Operates—Servicing and Collection of Loans.”

**Background**

***U.S. Photovoltaic Industry***

Demand for photovoltaic (PV) power in the U.S. has grown significantly over the last few years, and is projected by the Solar Energy Industries Association (SEIA) to continue growing rapidly. According to SEIA, from 2005 to 2012, the U.S. PV market grew at an average annual rate of 68% and SEIA has projected a compound annual growth rate of 28% between 2012 and 2016. According to market segment data from SEIA, installed capacity of utility-scale PV projects grew from 58 MW in 2009 to 1,781 MW at the end of 2012. As of the end of 2012, utility-scale projects, which are projects of generally greater than 3 MW in size with an electric utility energy purchaser,

represented about half of installed PV in the U.S. Net-metered non-residential and residential projects have also grown significantly over the past two years, growing at an average annual rate of 77% and 45%, respectively, from 2010 to 2012. Net-metered non-residential projects include those located at customer facilities, such as municipal buildings, schools, hospitals and commercial enterprises. Net-metering laws encourage the adoption of solar power by compensating solar customers for excess power that is transmitted into the grid, in the form of a credit on future electricity bills.

For most solar projects, government subsidies are a critical component of both initial financing and investor returns. In the U.S., the most important government subsidy has been the investment tax credit, which entitles a solar equipment owner to a tax credit equal to 30% of qualified solar installation costs. There are some restrictions as to how the tax credit can be applied—for instance, for individuals, tax credits may only be used to offset passive income (consisting of income from rental activity or a business in which the taxpayer does not materially participate)—whereas entities are permitted to offset all taxable income. To take full advantage of the tax credit, a solar investor must have tax liability that is at least equal to the credit amount, which makes solar projects only attractive to investors that are generating the right type of taxable income. Solar investors can capture the tax credit by acquiring direct ownership interests in solar projects or by investing in a fund that owns solar projects, referred to as a “tax equity fund.”

In 2009, through the adoption of Section 1603 of the American Reinvestment and Recovery Act, Congress created a program under which the owner of a solar installation could receive a 30% cash grant in lieu of an investment tax credit. The Section 1603 incentive provided a much-needed stimulus to the solar industry, reducing the market’s dependence on investors with tax liabilities that could be offset by the investment tax credit. Although the Section 1603 program expired on December 31, 2011, a project may still be eligible for a Section 1603 grant if the developer either commenced construction by December 31, 2011 or took advantage of a “safe harbor” under the program by incurring 5% of the total eligible project costs by the December 31, 2011 deadline. Many developers have safe-harbored significant amounts of project assets to preserve the incentives associated with the Section 1603 program well into 2013.

The economics of solar projects are also affected by the prices of PV panels and related electrical components, which have fallen dramatically over the last few years. According to industry research firm Clean Edge, the global average price of installed solar PV systems has dropped from \$7.20 per watt in 2007 to \$3.47 per watt in 2011. Prices continue to fall, though this may change due to changes in U.S. trade policy towards panels imported from China. On March 20, 2012, the U.S. Department of Commerce imposed import tariffs on solar panels made in China, ranging from 2.9% to 4.74%. In November 2012, additional tariffs were imposed by the Commerce Department of between 24% and 36% on most solar panels imported from China.

### ***Solar Power Finance***

The solar finance industry is in the early stages of development. The combination of falling component prices and favorable incentive programs has stimulated growth of solar power in the U.S., but the supply of debt and equity financing for project development has been slow to catch up. GTM Research has estimated that, due to expected U.S. solar industry growth, there will be over \$50 billion of financing needed for PV projects over the next five years.

Solar projects at residential locations or small or medium-size businesses are generally owned by an SPE (typically a limited liability company), which holds title to all of a project’s assets (such as solar panels, inverters and racking systems), is entitled to a project’s available federal and state incentives, and is party to the contractual rights and obligations arising out of project activities including the lease or power purchase agreement with the solar customer.

Solar projects, like other energy generating assets, are capital-intensive and require up-front financing to pay for construction and long-term ownership. Solar installations are considered long-term assets and are usually financed with a combination of government incentives and debt and equity capital. A few of the most common forms of debt financing for solar projects include:

- construction finance, used to make payments to an engineering, procurement and construction builder of a solar power system;
- term debt, which is provided to the SPE to finance the long term ownership of the solar power system, and is paid to the SPE upon interconnection of the project; and
- bridge loans, which are typically used to “bridge” the financing of a project until an SPE receives an incentive payment.

Because the up-front costs of solar power systems are high, instead of purchasing a system, many solar power customers prefer to lease their systems or enter into a power purchase agreement under which they purchase the system’s electricity output from the SPE. Such arrangements generate an ongoing payment stream from which lenders or investors who have financed the initial installation can obtain a return on their investment.

Some state and local governments and many foreign governments promote solar power generation through feed-in tariff programs. A feed-in tariff permits a private party to generate solar power (or other forms of renewable energy) for sale directly to the local electric utility at a predetermined price. This price is typically set at a level that ensures that the seller can earn a profit from the generation of power. The solar developer might install a rooftop PV system in the same fashion as it would under a more traditional lease or power purchase arrangement, but enters into a power purchase agreement directly with the utility, while paying rent to the building owner for the right to maintain a the system on the building’s roof.

Sources of debt and equity for solar project finance have historically been volatile, influenced by changes in the economy, capital markets and government incentives for renewable energy. Between 2008 and 2010, solar finance was considerably constrained by the global economic recession, when sources of financing tied to investment tax credits were severely constrained and bank lending decreased dramatically. However, conditions have become more favorable for solar finance as the global economy has improved, with banks, private equity and other investors increasing their investments in the sector.

Debt financing for solar projects is provided by a limited number of commercial banks and specialty lenders. Because of relatively high transaction costs, banks generally focus on lending to large projects or portfolios of projects, where the total loan amount is over \$10 million. Although certain banks and specialty lenders will lend to projects or portfolios in smaller amounts, demand for such financing is significantly greater than supply, and the resulting lending rates are often too high for most projects to utilize. Additionally, because the solar industry is relatively new in the U.S., few financial institutions have invested the resources to build a solar financing practice. Much of the financing in the market comes from so-called “specialty lenders”—typically small funds or high net worth individuals who specialize in solar investment. Tax equity financing has served an important role in solar project finance, providing up to 55% of project financing when coupled with other tax benefits such as accelerated depreciation. However, tax equity financing is directly dependent upon profitability and institutions that choose to use it to manage their tax liability, hence making it a less stable source of financing. According to GTM Research, prior to the recent global economic recession, approximately \$6.1 billion of tax equity was available for investments in renewable energy. This fell to \$1.2 billion in 2009, but rose again to \$3.7 billion in 2010 as institutions improved their profitability.

## **Our Financing Model**

Our financing model replaces traditional sources of financing for solar projects with the aggregation of capital from small investors using the Internet. We believe that the advantages of this method of financing solar energy include:

- reduced project origination and financing request costs;
- lower interest rates for financing of solar projects;
- attractive returns for investors;

- the opportunity to promote renewable energy by investing in solar projects; and
- growing acceptance of the Internet as an efficient and convenient forum for investment transactions.

### ***The Solar Project Development Process***

A solar project's timeline can be divided into the following stages: Pre-Construction, Construction and Post-Interconnection.

#### ***Pre-Construction***

During the Pre-Construction phase, the developer must commit working capital to sales and design costs. Additionally, the developer funds the process of:

- identifying a proper building site with a creditworthy solar customer;
- researching applicable state and federal incentive programs and understanding which incentives the project is qualified for;
- designing a system that generates enough energy (and therefore, revenue) to produce a return on investment;
- setting up the SPE; and
- securing vendor financing for the installation's components, such as PV panels, inverters and racking hardware.

#### ***Construction***

Typically, the solar project developer will utilize a third-party engineering, procurement and construction service ("EPC") to install the system. During the Construction phase, the developer needs capital to pay the EPC, which typically comes from a construction loan or equity investments. Although the construction timeline may vary depending upon the system size and weather conditions, construction of a 200kW system typically takes one to two months.

#### ***Post-Interconnection***

Following completion of construction, a utility company inspection will generally occur within one month, after which, provided the system passes inspection and the application documentation is approved, the solar project receives permission to operate and connect to the power grid. This step is typically referred to as "interconnection." At this point the solar power system begins commercial operation and the solar customer begins making payments to the SPE under the lease or power purchase agreement. Alternatively, under a feed-in tariff program offered by the local electric utility, the SPE will lease the rooftop space from the building owner and enter into a power purchase agreement directly with the utility.

### ***Financing of Solar Projects***

Initially, we intend to offer term financing, in which we make a loan to an SPE having a repayment term of three to 12 years, usually at a fixed interest rate. The proceeds of this loan may be applied toward the repayment of the project's construction loan or toward the refinancing of other term debt. The resulting loan obligations are secured by the assets owned by the SPE in connection with the solar project. Cash generated from the project's revenues are used to pay off the loan obligations, which are typically senior to the SPE's other financing obligations.

## **How Our Platform Operates**

### ***Mosaic Investor Account***

To begin investing on the Mosaic platform, an investor must first register on our website and then create an investor account. Individual investors must be at least 18 years of age and a U.S. resident. When registering, the investor must agree to our platform rules and terms of use, including consent to receipt of disclosures electronically, and must agree to a tax withholding statement. The investor must also agree to our investor agreement, which governs all sales of our Notes to investors.

To create an account, an investor who is an individual must provide his or her name, address, email address and social security number, and either a state driver's license or state identification card number. An entity investor must provide the name of the entity, its address, the name and email address of a contact person, and the entity's taxpayer identification number. Before an investor may begin investing on our platform, the investor must agree to our rules, limitations, processes and procedures for originating, servicing and collecting loans and for purchasing notes through the Mosaic platform.

### ***Investor Qualifications***

Our offerings of notes may be restricted to investors who meet certain financial qualifications or who reside in certain states. See "Investor Qualifications."

### ***Project Funding and Treatment of Investor Balances***

Prior to purchasing notes, investors must transfer funds to an account maintained on our platform, which we refer to as a "funding account." Investors place funds in their funding account by authorizing an electronic transfer using the ACH network from the investor's designated and verified bank account to the account we currently maintain at Wells Fargo Bank. This account is a pooled account titled in our name "for the benefit of" Mosaic investors, known as the "FBO account," and is a non-interest bearing demand deposit account. All funds to be applied to an investor's Note purchases are held in this FBO account, and all note payments payable to the investor are deposited in the FBO account.

Investors have no direct relationship with Wells Fargo in connection with the FBO account. Mosaic is the custodian for the FBO account. Cash in the FBO account is owned by Mosaic investors and eligible for FDIC insurance, as applicable. No Mosaic funds are ever commingled with the assets of investors in the FBO account.

Under the FBO account, we maintain sub-accounts for each of the investors on our platform to track and report funds committed by investors to purchase notes, as well as payments received from SPEs. These record-keeping sub-accounts are purely administrative and reflect balances and transactions concerning the funds in the FBO account.

Heavy transaction volume into and out of the FBO account could increase the risk of bookkeeping and recordkeeping errors. Because our ACH payments flow through a large financial institution, there is an auditable trail of money movement, and in the case of a bookkeeping error, we believe we will be able to recreate transaction histories in order to correct the error. We maintain a sub-ledger with respect to the FBO account that records all movements of funds into and out of that account, which we periodically reconcile with our bank transaction history; initially, we will perform reconciliation daily by comparing the aggregate debits and credits in the FBO account with the aggregate debits and credits on our sub-ledger. We perform nightly backups of our entire system, including the sub-ledger.

The FBO account is FDIC-insured on a "pass through" basis to the individual investors, subject to applicable limits. This means that each investor's balance is protected by FDIC insurance up to the limits established by the FDIC. Other funds the investor has on deposit with Wells Fargo, for example, may count against any applicable FDIC insurance limits.



Funds of an investor may stay in the FBO account indefinitely. Such funds may include:

- funds in the investor's sub-account never committed to purchase Notes;
- funds committed to the purchase of notes for which the underlying financing has not closed; or
- payments received from us related to notes previously purchased.

Upon request, we will transfer investor funds in the FBO account to an investor's verified bank account by ACH transfer, provided such funds are not already committed to the future purchase of notes.

### ***Evaluation and Pricing of Financing Opportunities***

The financing of each solar project on the Mosaic platform generally commences with a project developer or owner requesting financing from Mosaic. The amount financed generally ranges from \$50,000 to \$1,000,000, and the term of the indebtedness generally ranges from three to 12 years. Each solar project is financed through an SPE that is created for that project only and is not generally permitted to incur other indebtedness or obligations for any other purpose.

The interest rate we charge is based on negotiations with the Borrower, but the minimum interest rate we will agree to is based on our assessment of the risk in light of a specific set of underwriting criteria. Our underwriting criteria are divided into categories relating to repayment risk associated with the borrower, technical risk associated with the project equipment, value of the project's assets as collateral, and regulatory and environmental risks, each of which is assigned a weighted score. If the overall score exceeds a certain level, we will decline to finance the project.

Our underwriting criteria are divided into two major categories, primary criteria and secondary criteria. These categories, in turn, are divided into subcategories based on the type of risk involved. Each subcategory is assigned a given number of points based on the risk associated with the project. Subcategories of primary criteria are given twice the weight of subcategories of secondary criteria.

***Primary Criteria: lower risk = 2 points; medium risk = 4 points; higher risk = 6 points;***

#### **Repayment Risk (2-6 points):**

1. Solar customer credit quality – Lower-risk solar customers have top credit ratings from established credit rating agencies.
2. Power purchase agreement quality – A lower-risk agreement has the following elements:
  - no ability by solar customer to terminate the agreement unless the Borrower is negligent
  - no ability for solar customer to curtail power purchases for more than a few days without reimbursing Borrower
  - a fixed rate electricity price with a fixed escalator – no floating rates
3. Incentive payment risk – Lower-risk projects have incentive payments with well-defined contracts between the borrower and the incentive provider that are fully executed and require the incentive provider to pay the incentive.
4. Covenants – Lower-risk projects do not allow the project to be sold by the borrower without Mosaic's consent.

5. Developer Risk – Lower-risk developers have the following characteristics: experienced and reputable managers who have formerly managed projects according to standard industry practices, no inappropriate liens or contingent liabilities; properly motivated developers (generally based on having made substantial cash investments in the SPE); entity structure that permits Mosaic to take over its assets and corresponding contracts and assume management of the project in the event of foreclosure.
6. Building vacancy risk (if rooftop) – Lower-risk projects have a solar customer using on-site solar power whose remaining real estate lease tenor is longer than the term of the power purchase agreement or solar lease.

**Technical Risk (2-6 points):**

1. Panel quality and efficiency – Lower-risk panels have peer-reviewed third-party technical verification and all major certifications from a third-party assessment organization such as Underwriter Laboratories.
2. Operation and maintenance – Lower risk projects have a top-tier maintenance company whose management team has a solid reputation within the solar industry as well as significant experience in solar maintenance. Lower-risk projects have an experienced developer with a successful track record.
3. Strength and term of manufacturer and construction company warranties and guarantees – Lower risk for this category has unambiguous wording as to when warranties are applicable, a low-cost and well-understood way to test for deficiencies, and coverage of incidental labor and transportation costs associated with any repair or replacement of project equipment.
4. Credit quality of manufacturer and construction companies – Lower risk for this category involves companies that are investment-grade and have a strong balance sheet, positive earnings and cash flow, no material lawsuits pending, and a veteran management team.

**Secondary Criteria: lower risk = 1 point; medium risk = 2 points; higher risk = 3 points.**

**Collateral Value (1-3 points):** Lower-risk projects have the following characteristics:

1. Ease of system removal and reinstallation
2. Higher system resale values
3. Higher resale market strength

**Regulatory/Environmental Risk (1-3 points):** Lower-risk projects have the following characteristics:

1. Strong and enforceable local and state regulatory frameworks
2. Lower weather variability, force majeure risk, and insurance cost/availability risk

**Total Scores and Pricing Outcomes:**

Score of 6 to 9 = lower risk  
 Interest rate: prime + 0-3%  
 Tenor: up to 15 years  
 Debt service coverage ratio: 1.15x – 1.35x

Score of 10 to 13 = medium risk  
Interest rate: prime + 3-6%  
Tenor: up to 10 years  
Debt service coverage ratio: 1.25x – 1.45x

Score of 14 to 15 = higher risk  
Interest rate: prime + 6-9%  
Tenor: up to 5 years  
Debt service coverage ratio: 1.35x – 2.00x

Score of 16+: decline to finance.

### ***Risk Scoring for the Loan***

Our evaluation of the Loan in light of the foregoing factors is described in Appendix A under “The Loan and the Notes.”

### ***Financing Terms***

Project loans are generally secured by a first priority security interest in the assets of the borrower related to the solar project, including the borrower’s rights to receive payments under the power purchase agreement and any agreement for the sale of SRECs. If the borrower defaults on the loan before the maturity date, Mosaic will, in its sole discretion, seek to assume operation of the project, sell the assets related to the project or take other actions to recover payment on the loan obligations. Any funds we recover as a result of such actions prior to the Final Maturity Date with respect to the corresponding series of notes will be paid to the holders of the notes pro rata, net of any applicable collection fees.

Our payment obligations under the notes we issue to investors are unsecured, and investors do not have a security interest in the corresponding project loan obligations.

Loans may generally be prepaid in whole or in part at any time without prepayment penalty. In the case of a partial prepayment, we automatically reduce the outstanding principal, but the payment schedule is otherwise left unchanged, effectively reducing the term over which the loan is repaid.

### ***Purchase of Notes***

Notes will be available for sale to investors who (1) meet the qualifications described above under “Investor Qualifications” and (2) have funded their funding accounts with sufficient funds to make the desired investment. Once the offering of the notes commences, the offering will remain open for up to 120 days, during which time information relating to the offering and instructions for purchasing notes will be available on our website. The notes will be issued at the end of the listing period or on such earlier date as the offering is fully subscribed.

An investor may purchase a note by opening the listing for the corresponding project on our website and indicating the amount he or she wishes to invest. The investor will then be prompted to confirm his or her “order.” After such confirmation, the order will represent the investor’s binding commitment to purchase the note, provided the available funds in his or her funding account are sufficient to complete the purchase. From that point on, through the remainder of the listing period, the committed funds may no longer be withdrawn from the funding account or committed to other projects. Alternatively, the investor may indicate his or her intent to purchase a note without having sufficient funds in his or her funding account, provided that (i) the commitment will become binding only at such time as the account has sufficient funds, and (ii) before that time, Mosaic may reduce the principal that is allocated to the investor in order to meet demand from other investors.

Upon issuance of a note, the principal amount is transferred from the investor’s funding account. Notes are issued electronically, in “book entry” form, by means of registration of each investor’s ownership in our records.

## ***Servicing and Collection of Loans***

Following the purchase of notes and the funding of the corresponding loan, we will begin servicing the loan. We will set up an automated accounting system to track payments received from the borrower. We are responsible for billing, payment collection, debt status tracking, and all other tasks required to efficiently service the loan. Payments by the borrower are handled by automatic debiting of its bank account by ACH transfer. If the borrower chooses to pay by check, we impose a \$15.00 check processing fee per payment, subject to applicable law. We provide reports and other investor communications via electronic communication. We retain 100% of any check processing and other processing fees we receive to cover our costs.

When we receive a payment on the loan, we will make an equivalent payment on the corresponding notes. Loan payments by the borrower are transferred to a clearing account in our name where they remain for up to 10 business days. Thereafter, we make payments on the notes by transferring the appropriate funds to the FBO account and allocating amounts received in payment of the loan to the appropriate investor's sub-account. An investor may transfer uncommitted funds out of the investor's sub-account by ACH transfer to the investor's designated bank account at any time, subject to normal execution times for such transfers (generally two to three business days).

If a payment on a loan becomes past due, we will contact the borrower to request payment. After a 15-day grace period, we may, in our discretion, assess a late payment fee. The amount of the late payment fee is the greater of 3.00% of the unpaid payment amount or \$150, or such lesser amount as may be provided by applicable law. This fee may be charged only once per late payment. Amounts equal to any late payment fees we receive are paid to holders of the notes corresponding to the relevant loan. We may choose not to assess a late payment fee if the borrower promises to return the loan to current status and fulfills that promise. We may also work with the borrower to structure a new payment plan without the consent of any holder of the corresponding notes. Under the terms of our investor agreement, we are required to service and collect loan obligations in good faith, consistent with reasonable commercial standards of fair dealing.

Each time a payment request is denied due to insufficient funds in a borrower's account or for any other reason, we may assess an unsuccessful payment fee to the borrower in an amount of \$35.00 per unsuccessful payment, or such lesser amount as may be provided by applicable law. We retain 100% of this unsuccessful payment fee to cover our costs incurred because of the denial of the payment.

If a project loan becomes more than 30 days overdue, we identify the loan on our website as "Late (31-60 days)," and we refer the loan to our in-house collections department, which will attempt to bring the borrower current on its loan obligations. If the overdue loan cannot be resolved in this fashion, then we will exercise our security interest and take possession of the assets of the project. In order to recover amounts due under the loan, we will either take over the operation of the project and repay the notes out of the revenues generated by the project or sell the project assets and repay the notes out of the proceeds of the sale.

Amounts equal to any recoveries we receive from the collection process are payable to investors on a pro rata basis, subject to our deduction of any applicable fees as described in the table below. Each investor's right to receive principal and interest payments and other amounts in respect of that series of notes is limited in all cases to the holder's pro rata portion of the amounts received by Mosaic in connection with the corresponding project loan, including, without limitation, all payments or prepayments of principal and interest, subject to fees and charges retained by Mosaic or a third party, as set forth in the table below.

Investors are able to monitor the payment status of a loan as "Current," "Late (15-30 days)," "Late (31-60 days)," "Late (61-90 days)," "Late (91-120 days)" or "Defaulted," but cannot participate in or otherwise intervene in the collection process.

Our normal collection process changes in the event of a borrower's bankruptcy. When we receive notice of the bankruptcy, as required by law, we cease all automatic payments on the loan and defer any other collection activity. The status of the loan, which the relevant investors may view, switches to "bankruptcy." We next determine what we believe to be an appropriate approach to the borrower's bankruptcy, including the filing of a proof of claim and attempts to obtain relief from stay to foreclose on the assets that secure the loan. We may pursue additional relief beyond the proof of claim, depending upon certain factors including our view of the costs and benefits to

Mosaic of any proposed action. Notwithstanding our security interest, in the event of the borrower's bankruptcy, if the borrower has other creditors, the bankruptcy court may refuse to grant relief from stay to enable us to foreclose on the borrower's assets. Moreover, if a mortgage lender to the solar customer has foreclosed on the solar customer's property, we may be unable to gain access to the premises to take possession of the equipment.

We have executed a backup and successor servicing agreement with Portfolio Financial Servicing Company ("PFSC"). Pursuant to this agreement, PFSC will stand ready to service our project loans and the corresponding notes in the event our platform fails or we become insolvent. Pursuant to our agreement with PFSC, we have agreed to pay PFSC monthly start-up preparation fees and a one-time preparation fee, and then to pay PFSC a monthly standby fee. Upon PFSC becoming the servicer of our project loans and corresponding notes, we will pay PFSC a one-time setup and conversion fee as well as a monthly fee for each loan serviced by PFSC.

### ***Mosaic Fees***

We charge investors a monthly platform fee that is based on a percentage of the total value of the unpaid principal of all notes held by the investor and any cash in the investor's account, other than:

- cash deposited in the account during the past month;
- payments on Notes received during the past month;
- cash in the account totaling less than \$25.00;
- cash committed toward the purchase of any Note that has not yet been issued;
- cash committed toward investment in a solar project financing that has been cancelled during the past month; and
- cash held in the account during any month in which there were no Notes offered on our platform that were available for purchase by the investor, based on the investor's state of residence, income, net assets and other applicable qualifications.

A new investor is not charged a platform fee until the first investment is made from that investor's account. Our platform fee is currently set at a rate equal to 1.0% per year, or approximately 0.0833% per month. We reserve the right to change our platform fee rate at any time, provided that, under our current policy, any new fee rate will apply only to new investors, not existing investors. See "Risk Factors—We reserve the right to increase our platform fee."

The following table summarizes the fees that we charge and how these fees affect investors:

<b>Description of Fee</b>	<b>Fee Amount</b>	<b>When Fee Is Charged</b>	<b>Effect on Investors</b>
Origination Fee	See Appendix A	Withheld from payment of loan proceeds to the Borrower	The origination fee is charged to the Borrower and will not affect the yield on the Notes
Platform Fee	0.0833% of the total value of the unpaid principal of all notes held by the investor and any cash in the investor's account other than cash held in the account prior to the investor's first investment, cash deposited in the account during the past month, payments on notes received during the past month, cash in the account totaling less than \$25.00, cash committed toward the purchase of any note that has not yet been issued, and cash committed toward investment in a solar project financing that has been cancelled during the past month.	Monthly	The fee will reduce the rate of return on each investor's account
Late Payment Fee	Assessed at our discretion; if assessed, the late fee is the greater of 3.00% of the unpaid installment amount, or \$150.00, or such lesser amount as may be permitted by applicable law, and may be charged only once per late payment	At our discretion, when a loan payment obligation is past due and payment has not been received after a 15-day grace period	Amounts equal to any late payment fees we receive are paid to holders of the notes corresponding to the loan
Unsuccessful Payment Fee	\$35.00 per unsuccessful payment, or such lesser amount as may be provided by applicable law	May be assessed each time a payment request is denied, due to insufficient funds in the borrower's account or for any other reason	We retain 100% of this unsuccessful payment fee to cover our costs incurred because of the denial of the payment
Collection Fee	Only charged after a loan payment obligation becomes 31 days overdue if the collection agency or Mosaic is able to collect an overdue payment; collection fee is up to 35% or, in the event of litigation, the amount of our legal fees and costs, if greater	At the time of successful collection after a loan payment obligation becomes 31 days overdue	Collection fees charged by Mosaic or a third-party collection agency will reduce payments and the effective yield on the related notes; collection fees will be retained by us or the third-party collection agency as additional servicing compensation

Description of Fee	Fee Amount	When Fee Is Charged	Effect on Investors
Check Processing Fee	\$15.00 per check processed for any payments made by check	At the time a payment by check is processed	We retain 100% of this check processing fee to cover our costs

### ***Investor Agreement***

When an investor registers on the Mosaic platform, the investor enters into an Investor Agreement with us that governs the investor’s rights and obligations in connection with his or her note purchases. Under the agreement, we provide the investor the opportunity through the platform to review solar projects and participate in the financing of such projects through the purchase of notes. Once the investor makes a purchase commitment, that commitment is irrevocable except in limited circumstances, as described above under “Purchase of Notes.”

The agreement limits the investor’s right to collect or attempt to collect from any borrower or solar customer, directly or through any third party, any amount owing under any of the investor’s notes or on any of the corresponding loan obligations or payment obligations under the power purchase agreement or agreement for purchase of SRECs.

In the agreement, the investor acknowledges that the notes are intended to be debt instruments issued by Mosaic that have original issue discount (“OID”) for U.S. federal income tax purposes and agrees not to take any position inconsistent with that treatment of the notes for tax, accounting, or other purposes, unless required by law. The investor also acknowledges that the notes will be subject to the OID rules of the Internal Revenue Code, as described below under “Material U.S. Federal Income Tax Considerations—Taxation of the Notes—Taxation of Payments on the Notes.”

To protect Mosaic from having to respond to multiple claims by investors in the event of an alleged breach or default with respect to a series of notes, the Investor Agreement restricts investors’ rights to pursue remedies individually in connection with such breach or default, other than claims alleging violations of federal securities laws by Mosaic or any of its officers or directors (“Securities Claims”). Except in limited circumstances, such remedies may only be pursued by a representative designated by the holders of a majority-in-interest of such Notes. In addition, under the Investor Agreement, Mosaic may require that any claims against it, other than Securities Claims, be resolved through binding arbitration rather than in the courts. The arbitration process may be less favorable to investors than court proceedings and may limit your right to engage in discovery proceedings or to appeal an adverse decision.

The agreement provides that we will use good faith efforts to service and collect on any project loans corresponding to an investor’s notes. The agreement provides that we will service all notes and all project loans both before and after default. In servicing such loans, we may, in our discretion, utilize affiliated or unaffiliated third party loan servicers, repossessioners, collection agencies or other agents or contractors. Mosaic and any third-party servicer servicing any such loan shall have the right, without the investors’ consent, subject to the foregoing servicing standard, to change the payment date or reduce the principal amount or the rate of interest or the place and manner of making payments on such obligations, or amend or waive any other term of such obligations, or charge off any obligations that Mosaic or a third-party servicer servicing the obligations deems uncollectible.

Investors will not receive unsuccessful payment fees or collection fees we or a third-party servicer or collection agency charge, and such fees will be retained by the party receiving the fee as additional servicing compensation. We will pay investors any late fees we receive on loan payment obligations.

The Investor Agreement authorizes us to deduct our platform fee from each investor’s account each month. The fee is deducted from the cash balance in the investor account. If the investor has an insufficient cash balance to cover the platform fee for any month, the unpaid portion of that fee will be deducted from future payments on notes held by the investor. See “Mosaic Fees.”

## MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion sets forth the material U.S. federal income tax considerations generally applicable to purchasers of the Notes. This discussion is based on the Internal Revenue Code, Treasury regulations promulgated thereunder (“Treasury Regulations”), administrative pronouncements of the U.S. Internal Revenue Service (“IRS”) and judicial decisions, all as currently in effect and all of which are subject to change and to different interpretations. Changes to any of the foregoing authorities could apply on a retroactive basis, and could affect the U.S. federal income tax consequences described below.

This discussion does not address all of the U.S. federal income tax considerations that may be relevant to a particular Note holder’s circumstances, and does not discuss any aspect of U.S. federal tax law other than income taxation or any state, local or non-U.S. tax consequences of the purchase, ownership and disposition of the Notes. This discussion applies only to investors who hold the Notes as capital assets within the meaning of the Internal Revenue Code (generally, property held for investment). This discussion does not address U.S. federal income tax considerations applicable to Note holders that may be subject to special tax rules, such as:

- securities dealers or brokers, or traders in securities electing mark-to-market treatment;
- banks, thrifts or other financial institutions;
- insurance companies;
- regulated investment companies or real estate investment trusts;
- tax-exempt organizations;
- persons holding Notes as part of a “straddle,” “hedge,” “synthetic security” or “conversion transaction” for U.S. federal income tax purposes, or as part of some other integrated investment;
- partnerships or other pass-through entities;
- persons subject to the alternative minimum tax;
- certain former citizens or residents of the United States;
- non-U.S. Holders (as defined below); and
- “U.S. Holders” (as defined below) whose functional currency is not the U.S. dollar.

As used herein, a “U.S. Holder” is a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income tax regardless of its source, or (iv) a trust if (A) a United States court has the authority to exercise primary supervision over the administration of the trust and one or more U.S. persons (as defined under the Internal Revenue Code) are authorized to control all substantial decisions of the trust or (B) it has a valid election in place to be treated as a U.S. person. A “Non-U.S. Holder” is any beneficial owner of a Note that, for U.S. federal income tax purposes, is not a U.S. Holder and that is not a partnership (or other entity treated as a partnership for U.S. federal income tax purposes).

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. A partnership holding Notes, and partners in such a partnership, should consult their own tax



advisors with regard to the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by the partnership.

THIS DISCUSSION OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR PERSON. ACCORDINGLY, ALL PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES BASED ON THEIR PARTICULAR CIRCUMSTANCES.

## **Taxation of the Notes**

### ***In General***

There are no statutory provisions, regulations, published rulings, or judicial decisions that directly address the characterization of the Notes or instruments similar to the Notes for U.S. federal income tax purposes. However, although the matter is not free from doubt, we intend to treat the Notes as our debt instruments that have original issue discount (“OID”) for U.S. federal income tax purposes. Where required, we intend to file information returns with the U.S. Internal Revenue Service (“IRS”) in accordance with such treatment unless there is a change or clarification in the law, by regulation or otherwise, that would require a different characterization of the Notes.

You should be aware, however, that the IRS is not bound by our characterization of the Notes and the IRS or a court may take a different position with respect to the Notes’ proper characterization. For example, the IRS could determine that, in substance, each Note holder owns a proportionate interest in the corresponding Loan for U.S. federal income tax purposes or, for example, the IRS could instead treat the Notes as a different financial instrument (including an equity interest or a derivative financial instrument). Any different characterization could significantly affect the amount, timing, and character of income, gain or loss recognized in respect of a Note. For example, if the Notes are treated as our equity, (i) we would be subject to U.S. federal income tax on income, including interest, accrued on the corresponding Loan but would not be entitled to deduct interest or OID on the Notes, and (ii) payments on the Notes would be treated by the holder for U.S. federal income tax purposes as dividends (that may be ineligible for reduced rates of U.S. federal income taxation or the dividends-received deduction) to the extent of our earnings and profits as computed for U.S. federal income tax purposes.

***A different characterization may significantly reduce the amount available to pay interest on the Notes. You are strongly advised to consult your own tax advisor regarding the U.S. federal, state, local and non-U.S. tax consequences of the purchase, ownership, and disposition of the Notes (including any possible differing treatments of the Notes).***

The following discussion assumes that the Notes will be treated as our debt instruments that have OID for U.S. federal income tax purposes. Unless otherwise specified, the following discussion assumes that the Notes will not be subject to the rules governing contingent payment debt instruments.

### ***Taxation of Payments on the Notes***

You will generally be required to accrue OID income as ordinary interest income for U.S. federal income tax purposes, regardless of your regular method of tax accounting. If you hold a Note that has a maturity date of more than one year, you will be required to accrue OID income as ordinary interest income under a “constant yield method.” Under this treatment, if a payment on a Note is not made in accordance with the payment schedule in respect of the corresponding Loan (for example, because of a late payment on the corresponding Loan), you will be required to include an amount of OID in taxable income as interest even if you have not received the actual payment from the corresponding Loan.

The Treasury Regulations governing OID provide special rules for determining the amount and accrual of OID for debt instruments that provide for one or more alternative payment schedules applicable upon the occurrence

of contingencies. If the timing and amounts of the payments that comprise each payment schedule are known as of the issue date, and based on all the facts and circumstances as of the issue date, a single payment schedule for a debt instrument, including the stated payment schedule, is significantly more likely than not to occur, the amount and accrual of OID is determined based on that payment schedule. In addition, under the applicable Treasury Regulations, remote and/or incidental contingencies may generally be ignored. A contingency relating to the amount of a payment is incidental if, under all reasonably expected market conditions, the potential amount of the payment is insignificant relative to the total expected amount of the remaining payments on the debt instrument. A contingency relating to the timing of a payment is incidental if, under all reasonably expected market conditions, the potential difference in the timing of the payment is insignificant.

We believe that the platform fee payable by a Note holder should be treated for U.S. federal income tax purposes as an offset against interest payable under the Notes, as a reduction in the yield on the Notes, with the Notes representing our indebtedness. If the IRS were to determine that, in substance, each Note holder owns a proportionate interest in the corresponding Loan for U.S. federal income tax purposes, and if the IRS were to determine that the Note holder paid us the platform fee for investment related services, then the IRS might also determine that the platform fee is an investment expense of the Note holder. If the platform fee were to be characterized by the IRS as an investment expense of a Note holder rather than being characterized as an adjustment to the yield on the Notes, then purchasers of Notes who are individuals would be able to deduct such platform fees only as a miscellaneous itemized deduction, deductible only to the extent in excess of two percent of adjusted gross income for a particular year.

The payment schedule for each Note provides for payments of principal and interest on the Note in accordance with the payment schedule for the corresponding Loan. In addition to scheduled payments, we will prepay a Note to the extent that a Borrower prepays the Loan corresponding to the Note, and we will pay late fees collected on a corresponding Loan to the holders of the corresponding Note. Notwithstanding such contingencies, we intend to use the payment schedule of a Note to determine the amount and accrual of OID on the Note because we believe that a Note is significantly more likely than not to be paid in accordance with such payment schedule and/or the likelihood of nonpayment, prepayment or late payment on the Loan corresponding to such Note will be remote or incidental. If in the future we determine that the previous sentence does not apply to a Note, we anticipate that we will be required to determine the amount and accrual of OID for such Note pursuant to the rules applicable to contingent payment debt instruments, which are described below, and we shall so notify you.

OID on a Note will equal the excess of the Note's "stated redemption price at maturity" over its "issue price." The stated redemption price at maturity of a Note includes all payments of principal and stated interest on the Note under the payment schedule of the Note (net of the platform fee). The issue price of a Note will generally equal the principal amount of a Note.

The amount of OID includible in income for a taxable year is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year in which the holder held the Note. The daily portion of OID is determined by allocating to each day of any accrual period within a taxable year a pro rata portion of an amount equal to the product of such Note's adjusted issue price at the beginning of the accrual period and its yield to maturity (properly adjusted for the length of the period). We intend to use 30-day accrual periods. The adjusted issue price of a Note at the beginning of any accrual period should be its issue price, increased by the aggregate amount of OID previously accrued with respect to the Note, and decreased by any payments of principal and interest previously made on the Note (net of the platform fee). A Note's yield to maturity should be the discount rate that, when used to compute the present value of all payments of principal and interest to be made on the Note under the payment schedule of the Note (net of the platform fee), produces an amount equal to the issue price of such Note.

If a Note is paid in accordance with its payment schedule, the amount of OID includible in income is anticipated to be based on the yield of the Note determined net of the platform fee, which yield will be lower than the stated interest rate on the Note. As a result, you will generally be required to include an amount of OID in income that is less than the amount of stated interest paid on the Note.

Cash payments of interest and principal under the payment schedule on the Notes (net of the platform fee) will not be separately included in income, but rather will be treated first as payments of previously accrued but unpaid OID and then as payments of principal.

## **Sale, Retirement or Other Taxable Disposition of Notes**

Upon the sale, retirement or other taxable disposition of a Note, you generally will recognize gain or loss equal to the difference, if any, between the amount realized upon the sale, retirement or other taxable disposition and your adjusted tax basis in the Note. In general, your adjusted tax basis in the Note will equal your cost for the Note, increased by any OID and market discount previously included in gross income by you, as discussed below, and reduced by any payments previously received by you in respect of the Note.

Except as discussed below with respect to a Note subject to rules governing market discount or contingent payment debt instruments, your gain or loss on the taxable disposition of the Note generally will be long-term capital gain or loss if the Note has been held for more than one year and short-term otherwise. The deductibility of capital losses is subject to limitations.

### **Prepayments**

If we prepay a Note in full, the Note will be treated as retired and, as described above, you will generally have gain or loss equal to the difference, if any, between the amount realized upon the retirement and your adjusted tax basis in the Note. If we prepay a Note in part, a portion of the Note will be treated as retired. Generally, for purposes of determining (i) your gain or loss attributable to the portion of the Note retired and (ii) your OID accruals on the portion of the Note remaining outstanding, the adjusted issue price, your adjusted tax basis, and the accrued but unpaid OID of the Note, determined immediately before the prepayment, will be allocated between the two portions of the Note based on the portion of the Note that is treated as retired. The yield to maturity of a Note is not affected by a partial prepayment.

### **Late Payments**

As discussed above, late fees collected on Loan will generally be paid to you. We anticipate that any late fees paid will be insignificant relative to the total expected amount of the remaining payments on the Note. In such case, any late fees paid to you should be taxable as ordinary income at the time such fees are paid or accrued in accordance with your regular method of accounting for U.S. federal income tax purposes.

### **Nonpayment of Loan Corresponding to Note – Automatic Extension**

In the event that we do not make scheduled payments on a Note as a result of nonpayment by the Borrower on the corresponding Loan, you must continue to accrue and include OID on a Note in taxable income until the maturity date. Solely for purposes of the OID rules, the Note may be treated as retired and reissued on the scheduled payment date for an amount equal to the Note's adjusted issue price on that date. As a result of such reissuance, the amount and accrual of OID on the Note may change. At the time of the deemed reissuance, due to nonpayment by the Borrower, we may not be able to conclude that it is significantly more likely than not that the Note will be paid in accordance with one payment schedule and/or that the likelihood of future nonpayment, prepayment, or late payment by the Borrower on the Loan corresponding to such Note will be remote or incidental. Accordingly, the Note may become subject to the contingent payment debt instrument rules (which are discussed in more detail below). In addition, in the event that a Note's maturity date is extended because amounts remain due and payable on the initial maturity date by the Borrower on the Loan corresponding to the Note, the Note likely will be treated as reissued and become subject to the contingent payment debt instrument rules. If we determine that a Note is subject to the contingent payment debt instrument rules as a result of such a reissuance, we will notify you and provide the projected payment schedule and comparable yield.

If collection on a Note becomes doubtful, you may be able to stop accruing OID on the Note. Under current IRS guidance, it is not clear whether you may stop accruing OID if scheduled payments on a Note are not made. You should consult your own tax advisor regarding the accrual and inclusion of OID in income when collection on a Note becomes doubtful.

## **Losses as a Result of Worthlessness**

In the event that a Note becomes wholly worthless, you should generally be entitled to deduct your loss on the Note as a capital loss in the taxable year the Note becomes wholly worthless.

## **Potential Characterization as Contingent Payment Debt Instruments**

Although we believe our intended treatment of a Note as our debt instrument that is not subject to the contingent payment debt instrument rules is reasonable, our position is not binding on the IRS or the courts and we cannot predict what the IRS or a court would ultimately decide with respect to the proper U.S. federal income tax treatment of the Notes. Accordingly, there exists a risk that the IRS or a court could determine that the Notes are “contingent payment debt instruments” because payments on the Notes are linked to performance on the corresponding Loan. If the Notes are characterized as contingent payment debt instruments, or in the future, if we conclude that a Note is subject to the contingent payment debt instrument rules, the Notes would be subject to special rules applicable to contingent payment debt instruments. If these rules were to apply, you would generally be required to accrue interest income under the noncontingent bond method. Under this method, interest would be taken into account whether or not the amount of any payment was fixed or determinable in the taxable year. The amount of interest that would be taken into account would generally be determined based on a hypothetical noncontingent bond, which is based on a “comparable yield” (generally, a hypothetical yield to be applied to determine interest accruals with respect to the Note, and which can be no less than the applicable federal rate) and a “projected payment schedule” (generally, a series of projected payments, the amount and timing of which would produce a yield to maturity on that Note equal to the comparable yield). Based on the comparable yield and the projected payment schedule, you will generally be required to accrue as OID the sum of the daily portions of interest for each day in the taxable year that you held the Note, adjusted to reflect the difference, if any, between the actual and projected amount of any contingent payments on the Note. The daily portions of interest are determined by allocating to each day in an accrual period the ratable portion of interest that accrues in such accrual period. The amount of interest you may accrue under this method could be higher or lower than the stated interest rate on the Notes. In addition, any gain recognized on the sale, exchange or retirement of your Note will generally be treated as ordinary interest income, and any loss will be treated as ordinary loss to the extent of prior OID inclusions, and then as capital loss thereafter.

## **Backup Withholding and Reporting**

We will be required to report information to the IRS on certain payments on a Note (including interest and discount) and on proceeds of the sale of a Note if you are not an exempt recipient (such as a corporation). In addition, backup withholding (currently at a 28% rate) may apply to payments made to you if (a) you do not furnish or you have failed to provide your correct taxpayer identification number, (b) we have been instructed by the IRS to backup withhold because of underreporting (generally meaning that the IRS has determined and notified you that you have failed to report any reportable dividend and interest payments required to be shown on a tax return for a taxable year), or (c) in certain circumstances, you have failed to comply with applicable certification requirements or otherwise establish an exemption from backup withholding.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is furnished to the IRS on a timely basis. You should consult your tax advisor regarding the application of information reporting and backup withholding rules in your particular situation, the availability of an exemption, and the procedure for obtaining such an exemption, if applicable.

## **ABOUT MOSAIC**

### **Overview**

Mosaic operates an online platform for financing solar projects. Through our platform, investors can support the growth of solar power generation while making investments with projected annual rates of return of

between 5% and 10%, and developers of solar projects can obtain financing on more attractive terms than are available through traditional bank loans. These projected rates of return do not take into account risks that could affect the amount or timing of payments on Loans, such as risks relating to default by the SPE or solar customer, the failure of an SPE to receive an expected Incentive Payment, low power output on the part of a solar installation, or underperformance of solar equipment. See “Risk Factors.” Our platform is described in greater detail under “About Mosaic’s Business.”

## **Plan of Operation**

We expect to spend more than \$3.5 million during the 12 months following the date of this Offering Memorandum. To date, we have funded our operations primarily through private financing transactions. In May, August and September 2012, we raised approximately \$3.5 million through the sale of Series A Preferred Stock, of which approximately \$2.7 million consisted of cash proceeds and the remainder consisted of cancellation of outstanding indebtedness. In February and March 2013, we raised an additional \$2.5 million through the sale of convertible promissory notes. As we expand our platform through this offering, we expect to fund a growing proportion of our operating expenses through the generation of revenues through platform fees and origination fees. However, the revenues we expect to generate as a result of our pending offerings will not be sufficient to cover all or most of our operating expenses during the foreseeable future. To remain in operation, we will be required to raise substantial amounts of additional funds, which we plan to do through additional sales of preferred stock. Additional funding may not be available to us on favorable terms, or at all. If we are unable to obtain additional funds, we may be forced to reduce or terminate our operations.

We currently have 18 full-time employees and are building technology infrastructure to allow us to sell notes, provide customer service to investors, and originate, underwrite and service Loans efficiently and in compliance with applicable laws and regulations. We currently have three full-time employees responsible for the origination, underwriting and servicing of project loans, and seven employees responsible for building our technology platform.

In order to undertake the activities described in this Offering Memorandum, including development and maintenance of our platform, the servicing of loans and notes, and the maintenance of customer service functions, will require us to develop significantly greater staffing and other resources than we have at present. See “Risk Factors—Risks Related to Mosaic and the Mosaic Platform—We have a limited operating history. As an online company in the early stages of development, we face increased risks, uncertainties, expenses and difficulties” and “—Risks to our business could have an adverse impact on our ability to service the Loan or cause our business to fail altogether.”

## **Marketing**

We attract investors to our website, [www.joinmosaic.com](http://www.joinmosaic.com), through a variety of sources. We drive traffic through referrals from other parties (including online communities, social networks and marketers), and through search engine results. We are not dependent on any one source of traffic to our website. Mosaic has also developed strategic partnerships with several organizations with similar interests in promoting solar energy. These organizations, along with Mosaic, are working to build the global community solar movement in the name of fighting climate change and creating green jobs and cleaner sources of energy. We have relied on these partnerships’ expertise in shaping our business plan and worked to leverage our relationships to market our online platform cost-effectively. We plan to look to the global community solar movement as a source of investors on Mosaic’s online platform, as well as source of project leads for solar developers.

## **Technology**

Our website and supporting services run on a cloud-based platform. We own, operate, and maintain elements of this system, but significant elements of this system are operated by third parties that we do not control. In particular, a significant portion of the system is hosted by Amazon Web Services, or AWS, which uses multiple locations. AWS provides us with computing, storage capacity, and other services pursuant to an agreement that continues until terminated by either party. AWS may terminate the agreement without cause by providing 30 days written notice, and may terminate the agreement immediately upon notice to us for cause, including any material

default or breach of the agreement by us. The agreement requires AWS to provide us their standard computing and storage capacity and related support in exchange for timely payment by us. We also maintain backups at a separate region within our cloud infrastructure. We back up all customer data daily and replicate this data to a separate region within our cloud infrastructure via an encrypted connection.

We continuously monitor the performance and availability of our platform. We have a scalable infrastructure that utilizes standard techniques such as load-balancing and redundancies. We have developed our architecture to work effectively in a flexible cloud environment that has a high degree of elasticity to enable us to quickly respond to significant changes in demand.

We have written our own accounting software to process electronic cash movements, record book entries and calculate cash balances in our members' funding accounts. We process electronic deposits and payments by originating ACH transactions.

Our platform is designed and built as a highly scalable, multi-tier, redundant system. Our platform incorporates technologies designed to prevent any single point of failure within the infrastructure from taking the entire system offline. This is achieved by utilizing load-balancing technologies at the front-end and business layer tiers and clustering technologies in the backend tiers to allow us to scale both horizontally and vertically depending on platform utilization. We maintain a complete backup of our website and supporting services within a separate region of our cloud infrastructure in order to minimize service disruptions in the event of significant regional outages.

### **Data Integrity and Scalability**

All sensitive data that is transmitted to and from our customers and service providers is transacted using a secure transport protocol. Communication of sensitive data via the web site to our customers is secured utilizing SSL 128-bit enabled encryption certificates provided by VeriSign and Thawte, Inc. Communication of sensitive data with our service providers is secured utilizing authenticated VPN, SSL 128-bit encryption and SSH protocols depending on the service providers' requirements. In the event of disaster, data is repeatedly stored securely within a separate region of our cloud infrastructure.

Access to the data and services by our employees is restricted based upon a least-privilege principle such that employees have access only to the information and systems needed to perform their function. Logging and monitoring of host systems is done in real-time to a centralized database with web based reporting and additional notification to the appropriate staff for any remediation.

### **Competition**

There are a number of existing crowdfunding or peer-to-peer lending platforms, of which the leading platforms are offered by LendingClub and Prosper Marketplace. In the solar space itself, investment groups such as Adam Capital provide financing.

In general, Mosaic faces competition from existing financial institutions that lend to solar developers, such as banks and specialty lenders. The commercial lending market for asset-backed lending in general and lending to solar projects in particular is competitive and rapidly changing. We expect competition to persist and intensify in the future, which could harm our ability to increase volume on our platform. If the crowdfunding model achieves broad success, additional competitors are likely to enter the market. The crowdfunding provisions enacted under Title III of the JOBS Act, when fully implemented by the SEC, are likely to lower the barriers to entry and may draw a significant number of competitors into the marketplace.

Our principal competitors include major banking institutions and other energy finance companies. Competition could result in reduced volumes, reduced fees or the failure of our lending platform to achieve or maintain more widespread market acceptance, any of which could harm our business. If any of our principal competitors or any major financial institution decided to compete vigorously for our customers, our ability to compete effectively could be significantly compromised and our operating results could be harmed. Most of our

current or potential competitors have significantly more financial, technical, marketing and other resources than we do and may be able to devote greater resources to the development, promotion, sale and support of their platforms and distribution channels. Our potential competitors may also have longer operating histories, more extensive customer bases, greater brand recognition and broader customer relationships than we have. These competitors may be better able to develop new products, to respond quickly to new technologies and to undertake more extensive marketing campaigns. Our industry is driven by constant innovation. If we are unable to compete with such companies and meet the need for innovation, the demand for our platform could stagnate or substantially decline.

## **Government Regulation**

There are many levels of government regulations affecting our business. At the federal level, incentive programs such as the 1603 cash grant and the Investment Tax Credit both heavily influence project economics for solar developers. If these programs were eliminated, solar developers may not be able to finance their projects and Mosaic may have a diminished pool of developers seeking to finance solar projects on the Mosaic platform. See “About Mosaic’s Business—Background—The U.S. Photovoltaic Industry.”

Some states, including California, require nonfinancial companies such as Mosaic to obtain a finance lender’s license as a condition to making commercial loans on a regular basis. We have obtained such a license in California. We will not finance projects in states where such licenses are required until we obtain the required license.

Net-metering laws require utilities to give owners of grid-connected solar installations retail credit for any excess energy not used by the owner. These laws are important for facilitating the growth of photovoltaic installations because they allow system owners to monetize their savings immediately when a project goes live. Currently, the states of Alabama, Idaho, Mississippi, South Carolina, South Dakota, Tennessee and Texas do not require utilities to net-meter with renewable energy systems.

Local jurisdictions have diverse criteria for approving permits to install solar, and the process can be time-consuming and costly for developers. For example, a report in January 2011 by SunRun, a residential solar developer, stated that local permitting, inspection and utility interconnection processes can add more than \$0.50/watt or \$2,500 to the cost of a 5 kW installation, the equivalent of \$1.0 billion in “hidden costs” of solar over the next five years. The U.S. Department of Energy is currently working with the Solar America Board for Codes and Standards to create guidance on how to streamline and expedite the permitting process for solar installations. If municipalities are successful in streamlining or even eliminating permitting for small-scale solar installations, installed costs could drop significantly to support better project economics for developers.

## **Employees**

We currently have 18 full-time employees and 5 part-time employees.

## **Properties**

Our headquarters are located in Oakland, California, where we currently lease 2,000 square feet of office space under a lease expiring in March 2014.

## DIRECTORS, EXECUTIVE OFFICERS AND KEY EMPLOYEES

The following table sets forth information regarding our directors, executive officers and key employees:

<i>Name</i>	<i>Age</i>	<i>Position(s)</i>
Daniel Rosen	26	Chief Executive Officer, Secretary and Director
William Parish	30	President, Treasurer and Director
Walter Steven Richmond	40	Chief Financial Officer
Gregory Rosen	41	Chief Investment Officer
Anthony Bako	34	Chief Technology Officer
Arthur Coulston	30	Vice President of Product
Nicholas Allen	34	Director
Danny Kennedy	42	Director
Marco Krapels	42	Director

*Daniel Rosen* co-founded Solar Mosaic, LLC in December 2009 and has served as CEO and a member of the Board of Directors of Solar Mosaic, Inc. since May 2011. In the summer of 2010, Mr. Rosen was a Fellow at the Unreasonable Institute, which helped develop the idea for Solar Mosaic. From 2008 to 2009, Mr. Rosen led business development for Element Cleantech, an Israeli algae bio-diesel company. During this time he also studied at Pardes Institute, Hebrew University in Jerusalem and was a fellow at the Presentense Institute. In 2007, Mr. Rosen was the Cleantech Coordinator for the Northern Arizona Center for Emerging Technologies, which incubated technology companies based in Northern Arizona. From 2003 through 2006, Mr. Rosen helped form and grow the Native Movement organization, which supported sustainable development and youth empowerment in Indigenous communities in the Southwest. Mr. Rosen was named to Forbes magazine's 30 under 30 list in the field of Energy.

*William Parish* co-founded Solar Mosaic, LLC in December 2009 and has served as President, Secretary and a member of the Board of Directors of Solar Mosaic, Inc. since May 2011. From 2007 to 2010, Mr. Parish developed a proposal to create a Clean Energy Corps to create 5 million green jobs, which influenced the American Recovery and Reinvestment Act; was a senior advisor to Earth Aid, a software company; co-founded Green Owl Records, a music label; consulted for Green For All and 1Sky, two climate change advocacy organizations; and co-authored *Making Good: Finding Meaning, Money & Community in a Changing World* (Rodale/Penguin). From 2003 to 2007, Mr. Parish was the co-founder and Coordinator of the Energy Action Coalition, a youth clean energy advocacy organization. Mr. Parish is an Ashoka Fellow

*Walter Steven Richmond* has served as our Chief Financial Officer since July 2011. Between January 2010 and July 2011, Mr. Richmond worked as a strategy consultant in the financial services industry. In January 2008, Steve co-founded DebtGoal.com, now called SavvyMoney.com, a consumer Internet service that helps its clients pay down debt. Mr. Richmond was the Chief Operating Officer at SavvyMoney until June 2009. Between September 2006 and January 2008, Mr. Richmond worked as a strategy consultant in the financial services industry. In 1999 Mr. Richmond co-founded SelectMinds, a provider of talent acquisition and social recruiting software, where he was Vice President of Sales and Marketing until April 2006. Mr. Richmond is a graduate of Princeton University.

*Gregory Rosen* has served as our Chief Investment Officer since June 2012. From June 2010 to June 2012, he was Vice President, Solar Finance, with Union Bank. From November 2007 to January 2010, he was Vice President, Project Finance, with Helio Micro Utility, Inc., a solar finance company. From April 2000 to November 2007, he served in various management roles with PowerLight Corporation a solar power company, and SunPower Corporation, a solar power company that acquired PowerLight in January 2007.

*Anthony Bako* has served as our Chief Technology Officer since February 2012. From November 2008 to December 2011, he was Vice President, Engineering, with the online educational services companies Cramster.com and Chegg Inc., which acquired Cramster.com in December 2010. From 1997 to 2008, he was Chief Technology Officer with GeniusLabs, Inc.



*Arthur Coulston* co-founded Solar Mosaic, LLC in December 2009 and has served as Vice President of Product since October 2011 and as Product Manager, Project Finance, from January 2010 to October 2011. From January 2008 to December 2009, Mr. Coulston was self-employed as a graphic designer and website developer. From January 2005 to January 2008, he was Internet Director with the Energy Action Coalition, a youth clean energy advocacy organization.

*Nicholas Allen* has served on our Board since May 2012. Mr. Allen is a founder and CFO of SideCar Technologies, Inc., a provider of online ride sharing technology, and a partner with Spring Ventures, a venture capital investment firm. From June 2005 to December 2009 he served as an equity research analyst, first with Think Equity until June 2007 and then with Morgan Stanley until December 2009.

*Danny Kennedy* has served on our Board since April 2011. Mr. Kennedy founded Sungevity, a provider of residential solar power systems, in 2007 and has served on its management team since that time. Previously, Mr. Kennedy was the Campaigns Manager for Greenpeace Australia Pacific. While with Greenpeace, he ran that organization's California Clean Energy Campaign, the success of which helped lead to the current California Solar Initiative.

*Marco Krapels* has served on our Board since December 2012. Mr. Krapels has worked for Rabobank N.A. and affiliated companies since 1995, including the bank's credit, structured finance, commercial banking and capital markets divisions. Since July 2007 he has served as an Executive Vice President with Rabobank N.A., where he manages the bank's renewable energy finance, public finance, capital markets, leasing, SBA lending and cash management divisions. Mr. Krapels co-chairs the bank's CSR committee and is a voting member of its ALCO and credit committees. Mr. Krapels is also a co-founder of Empowered by Light, a nonprofit company that installs off-grid solar installations in Zambia.

Mosaic's Amended and Restated Certificate of Incorporation provides that the holders of Series A Preferred Stock are entitled to elect one director and the holders of Common Stock and Series FF Preferred Stock are entitled to elect two directors. Mosaic, the principal holders of its Common Stock and Series FF Preferred Stock and the holders of its Series A Preferred Stock have entered into a Voting Agreement dated May 14, 2012, as amended December 17, 2012, pursuant to which the parties have agreed that Mr. Allen would serve as the representative of the Series A Preferred Stock, Messrs. Rosen and Parish would serve as the representatives of the Common Stock and Series FF Preferred Stock, and Messrs. Kennedy and Krapels would serve as the representatives of the Series A Preferred Stock, Common Stock and Series FF Preferred Stock voting together.

## APPENDIX A

### Rogers Solar Project – Gerber, California

These Notes are being offered in connection with Mosaic’s financing of a 322 kW solar project located on a rural site in Gerber, California (the “Project”) that is generating power for sale to Pacific Gas and Electric. Payment of principal and interest on the Notes will be dependent on Mosaic’s receipt of payments on a corresponding loan (the “Loan”) made to refinance the Project. The developer of the Project will retain ownership of the solar installation and will repay the Loan out of revenues generated by the sale of electricity generated by the Project.

The Loan has a term of 144 months, and the Notes will mature 144 months from the date when this offering commences. The Loan is repayable in monthly installments, the amounts of which are based on a fixed percentage of projected net revenues generated by the Project. The Loan is repayable on a 180-month amortization schedule, subject to a balloon payment due on the maturity date. Each holder of a Note will be entitled to a pro rata portion of each payment Mosaic receives on the Loan. The Loan and the Notes will bear interest at 6.50% per annum, provided that your actual rate of return will be lower as a result of platform fees charged by Mosaic. The Notes will be issued in the minimum amount of twenty-five dollars (\$25).

Set forth below is a description of the Project, the Loan and the Notes. Unless otherwise defined below, capitalized terms used in this Appendix shall have the meanings given to them in the Offering Memorandum.

<b>The Loan and the Notes</b>	
<i>Principal Amount</i>	\$435,523
<i>Amount of Notes Offered</i>	\$294,790
<i>Interest Rate</i>	6.50%
<i>Origination Fee Paid to Mosaic</i>	\$13,067
<i>Term of Amortization</i>	180 months
<i>Term of Loan</i>	144 months
<i>Repayment Schedule</i>	Monthly
<i>Monthly Payment</i>	Variable – see payment schedule below
<i>Balloon Payment at End of Loan Term</i>	\$123,785
<i>Minimum Debt Service Coverage Ratio*</i>	1.225x
<i>Debt Service Reserve Fund</i>	\$22,763

\* Borrower’s estimated net revenue after operating costs over a given period, divided by the estimated payments due under its Loan Obligations over the same period.

<b>The Project</b>	
<b><i>Size of Project</i></b>	322 kW
<b><i>Location</i></b>	Gerber, CA
<b><i>Solar Customer</i></b>	Pacific Gas and Electric Company
<b><i>Type of Contract</i></b>	Power Purchase Agreement
<b><i>Interconnection Date</i></b>	July 2013
<b><i>Modules</i></b>	872 modules manufactured by UpSolar, covered by a 25-year warranty against decline in efficiency and a 10-year warranty against defects; 276 modules manufactured by LDK, covered by a 25-year warranty against decline in efficiency and a 10-year warranty against defects.
<b><i>Inverters</i></b>	One 500 kW Solaron inverter manufactured by Advanced Energy, covered by a 10-year warranty against defects.
<b><i>Installer</i></b>	Panasonic Corporation of North America/Arraycon
<b><i>Incentive Payments</i></b>	None
<b><i>Solar Customer's Assets as of 12/31/2012*</i></b>	\$52.4 billion
<b><i>Solar Customer's Liabilities as of 12/31/2012*</i></b>	\$39.1 billion
<b><i>Solar Customer's Debt Rating*</i></b>	Moody's (A3, Stable), Standard and Poor's (BBB+, Stable), and Fitch (BBB+, Stable).
<b><i>Borrower's Assets as of 3/31/2013**</i></b>	\$19.7 million
<b><i>Borrower's Liabilities as of 3/31/2013**</i></b>	\$19.9 million

\* Financial information regarding the Solar Customer is available at [http://www.pgecorp.com/investors/financial\\_reports/](http://www.pgecorp.com/investors/financial_reports/). Mosaic played no role in the preparation of this information, has not verified the information and neither approves nor adopts the information.

\*\* Information provided by Borrower. Mosaic played no role in the preparation of this information, has not verified the information and neither approves nor adopts the information.

<b>Power Purchase Agreement</b>	
<b><i>PPA Start Date</i></b>	July 2013
<b><i>Term (from Date of Interconnection)</i></b>	20 years
<b><i>Price per kWh</i></b>	Base Rate: \$0.10898, subject to adjustment for time of delivery, as described below under "Power Purchase Agreement."
<b><i>Annual Escalator</i></b>	None

## **The Project**

The Project consists of a 322 kW ground-mount photovoltaic system that has been generating power since July 2013 on rural property owned by a private individual (the "Site") in Gerber, California. The power generated by the Project is purchased by Pacific Gas and Electric pursuant to a PPA with the Borrower. The Borrower is an SPE formed by the owner of the project for the purpose of holding ownership of the power generating equipment and other assets and liabilities relating to the Project.

The Project's equipment consists of 872 modules manufactured by UpSolar and 276 modules manufactured by LDK, and a 500 kW inverter manufactured by Advanced Energy. The UpSolar modules are covered by a 25-year warranty that guarantees that the modules' power output will be (i) not less than 93.5% of peak power rating during the first seven years of operation and (ii) not less than 80% of peak power rating during years eight through 25. The UpSolar modules are also covered by a 10-year warranty against defects in materials and workmanship. The LDK modules are covered by a 25-year warranty that guarantees that the modules' power output will be (i) not less than 94.0% of peak power rating during the first five years of operation and (ii) not less than 80% of peak power rating during years six through 25. The LDK modules are also covered by a 10-year warranty against defects in materials and workmanship. The inverter is covered by a 10-year manufacturer's warranty against defects.

The solar facility was installed by Panasonic Corporation of North America ("Panasonic"), which is the principal North American subsidiary of Panasonic Corporation. As the Engineering, Procurement and Construction Contractor and Operations and Maintenance Provider, Panasonic is providing a 10-year warranty on labor and workmanship and a 12-year minimum production guarantee pursuant to an Operations and Maintenance Agreement executed in July 2013 ("O&M Agreement"). Panasonic guarantees a minimum energy output on a three-year rolling basis, subject to exclusions. If the actual energy output for any three-year period is less than 90% of the guaranteed energy output for that period, then Panasonic will pay the Borrower the difference multiplied by the cost of energy (\$0.13849/kWh). If the actual energy output is 110% of the guaranteed energy output, then the Borrower must pay the Operator 50% of the difference, multiplied by the cost of energy.

For the actual installation, Panasonic has hired Arraycon as a subcontractor to build the Project. Arraycon is an international solar construction company that has installed over 475 MW in solar power facilities in North America and Europe. It specializes in driven-pile foundations, electrical and mechanical installations, and construction management of large-scale solar farms. Panasonic also is responsible for ongoing operations and maintenance of the solar facility pursuant to a 12-year Operations and Maintenance Agreement executed with the Borrower in June 2013.

The Borrower is financing the Project through the Loan, which will be repaid out of revenues generated under the PPA. The estimated net revenue generated by the Project during the term of the Loan, based on the projected amount of power generated and expenses incurred and expected monthly debt service obligations during that period, is represented by the table set forth below. Actual amounts of net revenue generated by the Project may differ from the amounts set forth below. Our estimates regarding electricity generated and expenses incurred during each payment period are based upon assumptions we believe to be reasonable, but which are inherently uncertain and unpredictable. Estimates regarding electricity generation are based on historical climate patterns. Climate

patterns are inherently variable and difficult to predict, and if average cloud cover during the term of the Loan is greater than the historical averages, the actual amounts of electricity generated during the term of the Loan, and resulting revenues, will fall short of the amounts set forth below. In addition, the amount of electricity generated or expenses incurred by the Project could be adversely affected by unanticipated events resulting in damage to the power generating equipment, increases in insurance rates and other factors that are unpredictable and beyond our control. See “Risk Factors—Risk Relating to the Borrower and the Project” in the accompanying Offering Memorandum.

### Projected Power Generation and Net Revenue

Monthly Pmt. Period	Payment Date	Estimated Electricity Generated (kWh) <sup>1</sup>	Price per kWh <sup>2</sup>	Est. Gross Revenue	Estimated Expenses <sup>3</sup>	Change in Working Capital Reserve <sup>4</sup>	Maintenance Reserve <sup>5</sup>	Est. Net Revenue	Monthly Pmts. on Mosaic Loan <sup>6</sup>
1	9/14/13	85,411	\$0.1435	\$12,258	\$(1,493)	\$(5,784)	\$(334)	\$4,647	\$3,794
2	10/14/13	40,970	\$0.2272	\$9,308	\$(1,896)	\$(2,431)	\$(334)	\$4,647	\$3,794
3	11/14/13	22,650	\$0.1971	\$4,465	\$(283)	\$800	\$(334)	\$4,647	\$3,794
4	12/14/13	18,286	\$0.1350	\$2,468	\$(1,493)	\$4,006	\$(334)	\$4,647	\$3,794
5	1/14/14	22,652	\$0.0880	\$1,993	\$(1,896)	\$4,885	\$(334)	\$4,647	\$3,794
6	2/14/14	26,004	\$0.0949	\$2,469	\$(283)	\$2,796	\$(334)	\$4,647	\$3,794
7	3/14/14	45,031	\$0.0629	\$2,834	\$(1,493)	\$3,640	\$(334)	\$4,647	\$3,794
8	4/14/14	59,786	\$0.0821	\$4,907	\$(1,896)	\$1,970	\$(334)	\$4,647	\$3,794
9	5/14/14	78,079	\$0.0834	\$6,515	\$(283)	\$(1,251)	\$(334)	\$4,647	\$3,794
10	6/14/14	124,773	\$0.0645	\$8,047	\$(1,493)	\$(1,573)	\$(334)	\$4,647	\$3,794
11	7/14/14	124,130	\$0.1058	\$13,138	\$(1,896)	\$(6,260)	\$(334)	\$4,647	\$3,794
12	8/14/14	111,917	\$0.1172	\$13,113	\$(3,422)	\$(4,710)	\$(334)	\$4,647	\$3,794
13	9/14/14	84,983	\$0.1435	\$12,197	\$(1,496)	\$(5,720)	\$(334)	\$4,647	\$3,794
14	10/14/14	40,765	\$0.2272	\$9,261	\$(1,947)	\$(2,333)	\$(334)	\$4,647	\$3,794
15	11/14/14	22,537	\$0.1971	\$4,443	\$(286)	\$824	\$(334)	\$4,647	\$3,794
16	12/14/14	18,194	\$0.1350	\$2,456	\$(1,496)	\$4,021	\$(334)	\$4,647	\$3,794
17	1/14/15	22,539	\$0.0880	\$1,983	\$(1,947)	\$4,945	\$(334)	\$4,647	\$3,794
18	2/14/15	25,874	\$0.0949	\$2,456	\$(286)	\$2,811	\$(334)	\$4,647	\$3,794
19	3/14/15	44,805	\$0.0629	\$2,820	\$(1,496)	\$3,657	\$(334)	\$4,647	\$3,794
20	4/14/15	59,487	\$0.0821	\$4,883	\$(1,947)	\$2,045	\$(334)	\$4,647	\$3,794

<sup>1</sup> Based on average amount of sunlight during time of year and warranted performance of solar panels over their lifetime, assuming the Notes are issued in August 2013 or shortly thereafter.

<sup>2</sup> Based on (i) the rate that is payable under the PPA during specified times of day and times of year during which electricity is delivered and (ii) the amount of electricity generation projected for the Project at different times during the period indicated.

<sup>3</sup> Expenses consist primarily of site lease payments, scheduled project maintenance, insurance, and administrative expenses such as billing, accounting and governmental filing expenses.

<sup>4</sup> An initial working capital reserve of \$11,032 has been established to cover shortfalls in PPA revenue during months of lower solar production.

<sup>5</sup> A monthly maintenance reserve is deducted from project revenues for operating contingencies.

<sup>6</sup> Represents the sum of the monthly payments on a loan originally made by Mosaic in the amount of \$435,523, of which \$158,733 has been assigned to a subsidiary of Mosaic and the remainder will be refinanced through the sale of the Notes.

Monthly Pmt. Period	Payment Date	Estimated Electricity Generated (kWh) <sup>1</sup>	Price per kWh <sup>2</sup>	Est. Gross Revenue	Estimated Expenses <sup>3</sup>	Change in Working Capital Reserve <sup>4</sup>	Mainten- ance Reserve <sup>5</sup>	Est. Net Revenue	Monthly Pmts. on Mosaic Loan <sup>6</sup>
21	5/14/15	77,689	\$0.0834	\$6,483	\$(286)	\$(1,216)	\$(334)	\$4,647	\$3,794
22	6/14/15	124,149	\$0.0645	\$8,007	\$(1,496)	\$(1,530)	\$(334)	\$4,647	\$3,794
23	7/14/15	123,510	\$0.1058	\$13,072	\$(1,947)	\$(6,144)	\$(334)	\$4,647	\$3,794
24	8/14/15	111,358	\$0.1172	\$13,047	\$(3,446)	\$(4,620)	\$(334)	\$4,647	\$3,794
25	9/14/15	84,559	\$0.1435	\$12,136	\$(1,498)	\$(5,657)	\$(334)	\$4,647	\$3,794
26	10/14/15	40,562	\$0.2272	\$9,215	\$(1,999)	\$(2,235)	\$(334)	\$4,647	\$3,794
27	11/14/15	22,424	\$0.1971	\$4,420	\$(288)	\$849	\$(334)	\$4,647	\$3,794
28	12/14/15	18,103	\$0.1350	\$2,444	\$(1,498)	\$4,035	\$(334)	\$4,647	\$3,794
29	1/14/16	22,426	\$0.0880	\$1,973	\$(1,999)	\$5,008	\$(334)	\$4,647	\$3,794
30	2/14/16	25,744	\$0.0949	\$2,444	\$(288)	\$2,826	\$(334)	\$4,647	\$3,794
31	3/14/16	44,581	\$0.0629	\$2,806	\$(1,498)	\$3,674	\$(334)	\$4,647	\$3,794
32	4/14/16	59,190	\$0.0821	\$4,858	\$(1,999)	\$2,122	\$(334)	\$4,647	\$3,794
33	5/14/16	77,301	\$0.0834	\$6,450	\$(288)	\$(1,181)	\$(334)	\$4,647	\$3,794
34	6/14/16	123,529	\$0.0645	\$7,967	\$(1,498)	\$(1,487)	\$(334)	\$4,647	\$3,794
35	7/14/16	122,892	\$0.1058	\$13,007	\$(1,999)	\$(6,026)	\$(334)	\$4,647	\$3,794
36	8/14/16	110,801	\$0.1172	\$12,982	\$(3,471)	\$(4,530)	\$(334)	\$4,647	\$3,794
37	9/14/16	84,136	\$0.1435	\$12,075	\$(1,501)	\$(5,593)	\$(334)	\$4,647	\$3,794
38	10/14/16	40,359	\$0.2272	\$9,169	\$(2,053)	\$(2,135)	\$(334)	\$4,647	\$3,794
39	11/14/16	22,312	\$0.1971	\$4,398	\$(291)	\$874	\$(334)	\$4,647	\$3,794
40	12/14/16	18,013	\$0.1350	\$2,432	\$(1,501)	\$4,050	\$(334)	\$4,647	\$3,794
41	1/14/17	22,314	\$0.0880	\$1,963	\$(2,053)	\$5,072	\$(334)	\$4,647	\$3,794
42	2/14/17	25,616	\$0.0949	\$2,432	\$(291)	\$2,840	\$(334)	\$4,647	\$3,794
43	3/14/17	44,359	\$0.0629	\$2,792	\$(1,501)	\$3,690	\$(334)	\$4,647	\$3,794
44	4/14/17	58,894	\$0.0821	\$4,834	\$(2,053)	\$2,200	\$(334)	\$4,647	\$3,794
45	5/14/17	76,914	\$0.0834	\$6,418	\$(291)	\$(1,146)	\$(334)	\$4,647	\$3,794
46	6/14/17	122,911	\$0.0645	\$7,927	\$(1,501)	\$(1,445)	\$(334)	\$4,647	\$3,794
47	7/14/17	122,278	\$0.1058	\$12,942	\$(2,053)	\$(5,907)	\$(334)	\$4,647	\$3,794
48	8/14/17	110,247	\$0.1172	\$12,917	\$(3,497)	\$(4,439)	\$(334)	\$4,647	\$3,794
49	9/14/17	83,715	\$0.1435	\$12,015	\$(1,503)	\$(5,530)	\$(334)	\$4,647	\$3,794
50	10/14/17	40,157	\$0.2272	\$9,123	\$(2,109)	\$(2,033)	\$(334)	\$4,647	\$3,794
51	11/14/17	22,200	\$0.1971	\$4,376	\$(294)	\$899	\$(334)	\$4,647	\$3,794
52	12/14/17	17,923	\$0.1350	\$2,419	\$(1,503)	\$4,065	\$(334)	\$4,647	\$3,794
53	1/14/18	22,203	\$0.0880	\$1,953	\$(2,109)	\$5,137	\$(334)	\$4,647	\$3,794
54	2/14/18	25,487	\$0.0949	\$2,420	\$(294)	\$2,855	\$(334)	\$4,647	\$3,794
55	3/14/18	44,137	\$0.0629	\$2,778	\$(1,503)	\$3,707	\$(334)	\$4,647	\$3,794
56	4/14/18	58,599	\$0.0821	\$4,810	\$(2,109)	\$2,280	\$(334)	\$4,647	\$3,794
57	5/14/18	76,530	\$0.0834	\$6,386	\$(294)	\$(1,111)	\$(334)	\$4,647	\$3,794
58	6/14/18	122,296	\$0.0645	\$7,887	\$(1,503)	\$(1,403)	\$(334)	\$4,647	\$3,794
59	7/14/18	121,666	\$0.1058	\$12,877	\$(2,109)	\$(5,787)	\$(334)	\$4,647	\$3,794

Monthly Pmt. Period	Payment Date	Estimated Electricity Generated (kWh) <sup>1</sup>	Price per kWh <sup>2</sup>	Est. Gross Revenue	Estimated Expenses <sup>3</sup>	Change in Working Capital Reserve <sup>4</sup>	Mainten- ance Reserve <sup>5</sup>	Est. Net Revenue	Monthly Pmts. on Mosaic Loan <sup>6</sup>
60	8/14/18	109,696	\$0.1172	\$12,853	\$(3,523)	\$(4,349)	\$(334)	\$4,647	\$3,794
61	9/14/18	83,297	\$0.1435	\$11,955	\$(1,506)	\$(5,467)	\$(334)	\$4,647	\$3,794
62	10/14/18	39,956	\$0.2272	\$9,078	\$(2,166)	\$(1,930)	\$(334)	\$4,647	\$3,794
63	11/14/18	22,089	\$0.1971	\$4,354	\$(296)	\$923	\$(334)	\$4,647	\$3,794
64	12/14/18	17,833	\$0.1350	\$2,407	\$(1,506)	\$4,080	\$(334)	\$4,647	\$3,794
65	1/14/19	22,092	\$0.0880	\$1,943	\$(2,166)	\$5,204	\$(334)	\$4,647	\$3,794
66	2/14/19	25,360	\$0.0949	\$2,408	\$(296)	\$2,870	\$(334)	\$4,647	\$3,794
67	3/14/19	43,916	\$0.0629	\$2,764	\$(1,506)	\$3,723	\$(334)	\$4,647	\$3,794
68	4/14/19	58,306	\$0.0821	\$4,786	\$(2,166)	\$2,361	\$(334)	\$4,647	\$3,794
69	5/14/19	76,147	\$0.0834	\$6,354	\$(296)	\$(1,077)	\$(334)	\$4,647	\$3,794
70	6/14/19	121,685	\$0.0645	\$7,848	\$(1,506)	\$(1,360)	\$(334)	\$4,647	\$3,794
71	7/14/19	121,058	\$0.1058	\$12,813	\$(2,166)	\$(5,665)	\$(334)	\$4,647	\$3,794
72	8/14/19	109,147	\$0.1172	\$12,788	\$(3,549)	\$(4,258)	\$(334)	\$4,647	\$3,794
73	9/14/19	82,880	\$0.1435	\$11,895	\$(1,509)	\$(5,405)	\$(334)	\$4,647	\$3,794
74	10/14/19	39,756	\$0.2272	\$9,032	\$(2,225)	\$(1,826)	\$(334)	\$4,647	\$3,794
75	11/14/19	21,979	\$0.1971	\$4,333	\$(299)	\$948	\$(334)	\$4,647	\$3,794
76	12/14/19	17,744	\$0.1350	\$2,395	\$(1,509)	\$4,095	\$(334)	\$4,647	\$3,794
77	1/14/20	21,981	\$0.0880	\$1,934	\$(2,225)	\$5,272	\$(334)	\$4,647	\$3,794
78	2/14/20	25,233	\$0.0949	\$2,395	\$(299)	\$2,885	\$(334)	\$4,647	\$3,794
79	3/14/20	43,696	\$0.0629	\$2,750	\$(1,509)	\$3,740	\$(334)	\$4,647	\$3,794
80	4/14/20	58,015	\$0.0821	\$4,762	\$(2,225)	\$2,444	\$(334)	\$4,647	\$3,794
81	5/14/20	75,766	\$0.0834	\$6,322	\$(299)	\$(1,042)	\$(334)	\$4,647	\$3,794
82	6/14/20	121,077	\$0.0645	\$7,808	\$(1,509)	\$(1,318)	\$(334)	\$4,647	\$3,794
83	7/14/20	120,453	\$0.1058	\$12,749	\$(2,225)	\$(5,542)	\$(334)	\$4,647	\$3,794
84	8/14/20	108,601	\$0.1172	\$12,725	\$(3,576)	\$(4,168)	\$(334)	\$4,647	\$3,794
85	9/14/20	82,466	\$0.1435	\$11,835	\$(1,512)	\$(5,343)	\$(334)	\$4,647	\$3,794
86	10/14/20	39,558	\$0.2272	\$8,987	\$(2,286)	\$(1,720)	\$(334)	\$4,647	\$3,794
87	11/14/20	21,869	\$0.1971	\$4,311	\$(302)	\$972	\$(334)	\$4,647	\$3,794
88	12/14/20	17,655	\$0.1350	\$2,383	\$(1,512)	\$4,109	\$(334)	\$4,647	\$3,794
89	1/14/21	21,871	\$0.0880	\$1,924	\$(2,286)	\$5,343	\$(334)	\$4,647	\$3,794
90	2/14/21	25,107	\$0.0949	\$2,384	\$(302)	\$2,900	\$(334)	\$4,647	\$3,794
91	3/14/21	43,478	\$0.0629	\$2,736	\$(1,512)	\$3,757	\$(334)	\$4,647	\$3,794
92	4/14/21	57,724	\$0.0821	\$4,738	\$(2,286)	\$2,528	\$(334)	\$4,647	\$3,794
93	5/14/21	75,387	\$0.0834	\$6,291	\$(302)	\$(1,008)	\$(334)	\$4,647	\$3,794
94	6/14/21	120,471	\$0.0645	\$7,769	\$(1,512)	\$(1,277)	\$(334)	\$4,647	\$3,794
95	7/14/21	119,850	\$0.1058	\$12,685	\$(2,286)	\$(5,418)	\$(334)	\$4,647	\$3,794
96	8/14/21	108,058	\$0.1172	\$12,661	\$(3,603)	\$(4,077)	\$(334)	\$4,647	\$3,794
97	9/14/21	82,053	\$0.1435	\$11,776	\$(1,514)	\$(5,281)	\$(334)	\$4,647	\$3,794
98	10/14/21	39,360	\$0.2272	\$8,942	\$(2,348)	\$(1,613)	\$(334)	\$4,647	\$3,794

Monthly Pmt. Period	Payment Date	Estimated Electricity Generated (kWh) <sup>1</sup>	Price per kWh <sup>2</sup>	Est. Gross Revenue	Estimated Expenses <sup>3</sup>	Change in Working Capital Reserve <sup>4</sup>	Mainten- ance Reserve <sup>5</sup>	Est. Net Revenue	Monthly Pmts. on Mosaic Loan <sup>6</sup>
99	11/14/21	21,760	\$0.1971	\$4,289	\$(305)	\$997	\$(334)	\$4,647	\$3,794
100	12/14/21	17,567	\$0.1350	\$2,371	\$(1,514)	\$4,124	\$(334)	\$4,647	\$3,794
101	1/14/22	21,762	\$0.0880	\$1,914	\$(2,348)	\$5,415	\$(334)	\$4,647	\$3,794
102	2/14/22	24,982	\$0.0949	\$2,372	\$(305)	\$2,914	\$(334)	\$4,647	\$3,794
103	3/14/22	43,261	\$0.0629	\$2,722	\$(1,514)	\$3,773	\$(334)	\$4,647	\$3,794
104	4/14/22	57,436	\$0.0821	\$4,715	\$(2,348)	\$2,615	\$(334)	\$4,647	\$3,794
105	5/14/22	75,010	\$0.0834	\$6,259	\$(305)	\$(973)	\$(334)	\$4,647	\$3,794
106	6/14/22	119,869	\$0.0645	\$7,730	\$(1,514)	\$(1,235)	\$(334)	\$4,647	\$3,794
107	7/14/22	119,251	\$0.1058	\$12,621	\$(2,348)	\$(5,292)	\$(334)	\$4,647	\$3,794
108	8/14/22	107,518	\$0.1172	\$12,598	\$(3,630)	\$(3,986)	\$(334)	\$4,647	\$3,794
109	9/14/22	81,643	\$0.1435	\$11,717	\$(1,517)	\$(5,219)	\$(334)	\$4,647	\$3,794
110	10/14/22	39,163	\$0.2272	\$8,897	\$(2,412)	\$(1,504)	\$(334)	\$4,647	\$3,794
111	11/14/22	21,651	\$0.1971	\$4,268	\$(308)	\$1,021	\$(334)	\$4,647	\$3,794
112	12/14/22	17,479	\$0.1350	\$2,360	\$(1,517)	\$4,139	\$(334)	\$4,647	\$3,794
113	1/14/23	21,653	\$0.0880	\$1,905	\$(2,412)	\$5,488	\$(334)	\$4,647	\$3,794
114	2/14/23	24,857	\$0.0949	\$2,360	\$(308)	\$2,929	\$(334)	\$4,647	\$3,794
115	3/14/23	43,044	\$0.0629	\$2,709	\$(1,517)	\$3,790	\$(334)	\$4,647	\$3,794
116	4/14/23	57,149	\$0.0821	\$4,691	\$(2,412)	\$2,702	\$(334)	\$4,647	\$3,794
117	5/14/23	74,635	\$0.0834	\$6,228	\$(308)	\$(939)	\$(334)	\$4,647	\$3,794
118	6/14/23	119,269	\$0.0645	\$7,692	\$(1,517)	\$(1,193)	\$(334)	\$4,647	\$3,794
119	7/14/23	118,655	\$0.1058	\$12,558	\$(2,412)	\$(5,165)	\$(334)	\$4,647	\$3,794
120	8/14/23	106,981	\$0.1172	\$12,535	\$(3,658)	\$(3,895)	\$(334)	\$4,647	\$3,794
121	9/14/23	81,235	\$0.1435	\$11,659	\$(1,520)	\$(5,157)	\$(334)	\$4,647	\$3,794
122	10/14/23	38,967	\$0.2272	\$8,853	\$(2,478)	\$(1,394)	\$(334)	\$4,647	\$3,794
123	11/14/23	21,543	\$0.1971	\$4,247	\$(311)	\$1,045	\$(334)	\$4,647	\$3,794
124	12/14/23	17,392	\$0.1350	\$2,348	\$(1,520)	\$4,154	\$(334)	\$4,647	\$3,794
125	1/14/24	21,545	\$0.0880	\$1,895	\$(2,478)	\$5,564	\$(334)	\$4,647	\$3,794
126	2/14/24	24,732	\$0.0949	\$2,348	\$(311)	\$2,944	\$(334)	\$4,647	\$3,794
127	3/14/24	42,829	\$0.0629	\$2,695	\$(1,520)	\$3,806	\$(334)	\$4,647	\$3,794
128	4/14/24	56,863	\$0.0821	\$4,668	\$(2,478)	\$2,792	\$(334)	\$4,647	\$3,794
129	5/14/24	74,262	\$0.0834	\$6,197	\$(311)	\$(905)	\$(334)	\$4,647	\$3,794
130	6/14/24	118,673	\$0.0645	\$7,653	\$(1,520)	\$(1,152)	\$(334)	\$4,647	\$3,794
131	7/14/24	118,062	\$0.1058	\$12,496	\$(2,478)	\$(5,036)	\$(334)	\$4,647	\$3,794
132	8/14/24	106,446	\$0.1172	\$12,472	\$(3,687)	\$(3,804)	\$(334)	\$4,647	\$3,794
133	9/14/24	80,829	\$0.1435	\$11,600	\$(1,523)	\$(5,096)	\$(334)	\$4,647	\$3,794
134	10/14/24	38,772	\$0.2272	\$8,809	\$(2,546)	\$(1,281)	\$(334)	\$4,647	\$3,794
135	11/14/24	21,435	\$0.1971	\$4,225	\$(314)	\$1,070	\$(334)	\$4,647	\$3,794
136	12/14/24	17,305	\$0.1350	\$2,336	\$(1,523)	\$4,169	\$(334)	\$4,647	\$3,794
137	1/14/25	21,437	\$0.0880	\$1,886	\$(2,546)	\$5,642	\$(334)	\$4,647	\$3,794



Monthly Pmt. Period	Payment Date	Estimated Electricity Generated (kWh) <sup>1</sup>	Price per kWh <sup>2</sup>	Est. Gross Revenue	Estimated Expenses <sup>3</sup>	Change in Working Capital Reserve <sup>4</sup>	Maintenance Reserve <sup>5</sup>	Est. Net Revenue	Monthly Pmts. on Mosaic Loan <sup>6</sup>
138	2/14/25	24,609	\$0.0949	\$2,336	\$(314)	\$2,959	\$(334)	\$4,647	\$3,794
139	3/14/25	42,615	\$0.0629	\$2,682	\$(1,523)	\$3,823	\$(334)	\$4,647	\$3,794
140	4/14/25	56,579	\$0.0821	\$4,644	\$(2,546)	\$2,883	\$(334)	\$4,647	\$3,794
141	5/14/25	73,891	\$0.0834	\$6,166	\$(314)	\$(871)	\$(334)	\$4,647	\$3,794
142	6/14/25	118,080	\$0.0645	\$7,615	\$(1,523)	\$(1,110)	\$(334)	\$4,647	\$3,794
143	7/14/25	117,471	\$0.1058	\$12,433	\$(2,546)	\$(4,906)	\$(334)	\$4,647	\$3,794
144	8/14/25	105,913	\$0.1172	\$12,410	\$(3,716)	\$(4,046)	—	\$4,647	\$127,579

### The Loan and the Notes

The Loan has a principal amount of \$435,523 and bears interest at 6.50% per annum. The Borrower has paid Mosaic an origination fee of \$13,066. The Loan is amortized over 180 months and has a term of 144 months, with the remaining principal of \$123,785 being payable in a balloon payment at the end of the term. The Loan is payable in monthly installments and may be prepaid without penalty after the third anniversary of the date when the Loan is made; prior to that date, any prepayments are subject to a premium payment equal to 1.0% of the amount of principal prepaid. The aggregate payments due at the end of each monthly payment period under the Loan are set such that, assuming the actual amount of power generated by the Project and the actual expenses were equal to the estimated amounts, the Borrower's Debt Service Coverage Ratio would not be less than 1.225. Debt Service Coverage Ratio is equal to the Borrower's net revenue over a given period, divided by the payments due under its Loan Obligations over the same period. Net revenue is equal to gross revenue less operating expenses, net of working capital reserve adjustments and monthly maintenance reserve allocations, as shown in the Projected Power Generation and Net Revenue table above.

In negotiating the interest rate applicable to the Loan, we evaluated the Loan as follows, in light of the underwriting criteria described under "How Our Platform Operates—Evaluation and Pricing of Financing Opportunities":

Repayment risk – 3 (lower risk): The Solar Customer has net equity of \$13.3 billion as of December 31, 2012. The Solar Customer was most recently rated by Moody's in December 2007 (A3, Stable), Standard and Poor's in December 2011 (BBB, Stable), and Fitch in December 2012 (BBB+, Stable). In June 2013, Fitch affirmed an investment-grade rating for the Solar Customer's senior unsecured notes (A-, Stable).

Technical risk – 3 (lower risk): The Project is using solar panel technology with strong warranties that extend beyond the loan tenor; LDK and Upsolar both have 25-year warranties against declines in efficiency and 10-year limited workmanship warranties. Panasonic is providing a 12-year 90% minimum production guarantee.

Collateral value – 2 (medium risk): The solar panels may be costly to remove following any potential foreclosure and they have uncertain resale value.

Regulatory/environmental risk – 2 (lower risk): The PV System is located near a potentially active earthquake fault, but is not in a high wind speed area or a flood zone.

#### Total risk score: 10 (medium risk)

As the Project is scored as medium risk, we were willing to offer an interest rate of prime + 3.25%. At the time the terms of the Loan were negotiated, the prime lending rate was 3.25%.

Mosaic has assigned to its subsidiary, Mosaic Solar Investments LLC (“MSI”), its payment rights and associated contractual rights with respect to \$158,733 of the principal amount of the Loan. In the event of a partial payment of any amount due under the Loan, such payment will be allocated between Mosaic and MSI pro rata based on the outstanding balance of each party’s portion of the Loan. In addition, Mosaic has agreed to act as MSI’s agent for the purpose of servicing the Loan and enforcing the enforcing MSI’s security interest with respect to the Loan.

Under the payment provisions applicable to the Loan, payments will not be made in the same amount each month but will fluctuate from month to month. This fluctuation is based on the projected power output of the Project—and thus, the projected revenues—from month to month. Power output is likely to be greatest during the summer months and least during the winter months. In addition, overall power output is expected to decline over the life of the Project due to the tendency of PV panels to lose efficiency over time.

The Notes will have a term and payment schedule that correspond to the term and payment schedule of the Loan. Payments on the Notes will be dependent on our receipt of corresponding payments on the Loan. Each payment on a Note will be equal to a pro rata portion of the corresponding payment on the Loan, based on (1) the original principal amount of the Note in proportion to (2) the outstanding principal and accrued interest of the Loan at the time the Note was issued, except that the holders of Notes will not be entitled to a share of any prepayment penalty paid by the Borrower. The Notes will bear interest at the annual rate 6.50%. Although the amount of each monthly payment will vary, if paid in full on a timely basis, the Notes will generate a rate of return equal to 6.50% over their term. When our administration fee is factored in, your actual rate of return will be 5.50%. This percentage is based on the assumption that all payments on the Notes are promptly withdrawn from your funding account or reinvested in other Notes; cash left in your funding account will result in higher administration fees and, as a result, lower rates of return. See “About Mosaic’s Business—How the Investment Platform Operates—Mosaic Fees” in the accompanying Offering Memorandum.

Payments due on the Loan and corresponding payments on the Notes following each monthly payment period are set forth on the table set forth below. Each holder of a Note will be entitled to a pro rata portion of the amount set forth under the column labeled “Note Payment.” To the extent that we receive any payments on the Loan before the Notes have been issued, the corresponding payments on the Notes will be eliminated from the payment schedule, and the maximum aggregate amount of Notes offered hereby will be reduced by an amount at least equal to the principal repaid by the Borrower.

#### Note Payment Schedule

<b>Pmt. No.</b>	<b>Payment Date</b>	<b>Est. Available Cash Flow</b>	<b>Required Loan Payment<sup>1</sup></b>	<b>Est. Loan Interest</b>	<b>Est. Loan Principal</b>	<b>Remaining Loan Principal Balance</b>	<b>Note Payment</b>	<b>Note Payment Net of Admin. Fee<sup>2</sup></b>
1	9/14/13	\$4,647	\$3,794	\$2,359	\$1,435	\$434,089	\$3,794	\$3,431
2	10/14/13	\$4,647	\$3,794	\$2,351	\$1,443	\$432,646	\$3,794	\$3,432
3	11/14/13	\$4,647	\$3,794	\$2,343	\$1,450	\$431,196	\$3,794	\$3,433
4	12/14/13	\$4,647	\$3,794	\$2,336	\$1,458	\$429,737	\$3,794	\$3,435
5	1/14/14	\$4,647	\$3,794	\$2,328	\$1,466	\$428,271	\$3,794	\$3,436
6	2/14/14	\$4,647	\$3,794	\$2,320	\$1,474	\$426,797	\$3,794	\$3,437

<sup>1</sup> Represents the aggregate required payments on the Loan, including the portion that has been assigned to MSI.

<sup>2</sup> Amounts shown are for illustrative purposes only. Administration fees are charged at the account level based on the amount of assets in the investor’s account. The figures shown assume that all payments on the Notes are withdrawn from each investor’s funding account or reinvested in other Notes. In the event such payments are kept in the funding account, they will result in higher administration fees, and the Note payments net of administration fee will be correspondingly reduced.

<b>Pmt. No.</b>	<b>Payment Date</b>	<b>Est. Available Cash Flow</b>	<b>Required Loan Payment<sup>1</sup></b>	<b>Est. Loan Interest</b>	<b>Est. Loan Principal</b>	<b>Remaining Loan Principal Balance</b>	<b>Note Payment</b>	<b>Note Payment Net of Admin. Fee<sup>2</sup></b>
7	3/14/14	\$4,647	\$3,794	\$2,312	\$1,482	\$425,315	\$3,794	\$3,438
8	4/14/14	\$4,647	\$3,794	\$2,304	\$1,490	\$423,825	\$3,794	\$3,439
9	5/14/14	\$4,647	\$3,794	\$2,296	\$1,498	\$422,327	\$3,794	\$3,441
10	6/14/14	\$4,647	\$3,794	\$2,288	\$1,506	\$420,821	\$3,794	\$3,442
11	7/14/14	\$4,647	\$3,794	\$2,279	\$1,514	\$419,306	\$3,794	\$3,443
12	8/14/14	\$4,647	\$3,794	\$2,271	\$1,523	\$417,784	\$3,794	\$3,444
13	9/14/14	\$4,647	\$3,794	\$2,263	\$1,531	\$416,253	\$3,794	\$3,446
14	10/14/14	\$4,647	\$3,794	\$2,255	\$1,539	\$414,713	\$3,794	\$3,447
15	11/14/14	\$4,647	\$3,794	\$2,246	\$1,548	\$413,166	\$3,794	\$3,448
16	12/14/14	\$4,647	\$3,794	\$2,238	\$1,556	\$411,610	\$3,794	\$3,450
17	1/14/15	\$4,647	\$3,794	\$2,230	\$1,564	\$410,046	\$3,794	\$3,451
18	2/14/15	\$4,647	\$3,794	\$2,221	\$1,573	\$408,473	\$3,794	\$3,452
19	3/14/15	\$4,647	\$3,794	\$2,213	\$1,581	\$406,892	\$3,794	\$3,453
20	4/14/15	\$4,647	\$3,794	\$2,204	\$1,590	\$405,302	\$3,794	\$3,455
21	5/14/15	\$4,647	\$3,794	\$2,195	\$1,598	\$403,703	\$3,794	\$3,456
22	6/14/15	\$4,647	\$3,794	\$2,187	\$1,607	\$402,096	\$3,794	\$3,457
23	7/14/15	\$4,647	\$3,794	\$2,178	\$1,616	\$400,480	\$3,794	\$3,459
24	8/14/15	\$4,647	\$3,794	\$2,169	\$1,625	\$398,856	\$3,794	\$3,460
25	9/14/15	\$4,647	\$3,794	\$2,160	\$1,633	\$397,222	\$3,794	\$3,461
26	10/14/15	\$4,647	\$3,794	\$2,152	\$1,642	\$395,580	\$3,794	\$3,463
27	11/14/15	\$4,647	\$3,794	\$2,143	\$1,651	\$393,929	\$3,794	\$3,464
28	12/14/15	\$4,647	\$3,794	\$2,134	\$1,660	\$392,269	\$3,794	\$3,466
29	1/14/16	\$4,647	\$3,794	\$2,125	\$1,669	\$390,600	\$3,794	\$3,467
30	2/14/16	\$4,647	\$3,794	\$2,116	\$1,678	\$388,922	\$3,794	\$3,468
31	3/14/16	\$4,647	\$3,794	\$2,107	\$1,687	\$387,234	\$3,794	\$3,470
32	4/14/16	\$4,647	\$3,794	\$2,098	\$1,696	\$385,538	\$3,794	\$3,471
33	5/14/16	\$4,647	\$3,794	\$2,088	\$1,706	\$383,832	\$3,794	\$3,473
34	6/14/16	\$4,647	\$3,794	\$2,079	\$1,715	\$382,118	\$3,794	\$3,474
35	7/14/16	\$4,647	\$3,794	\$2,070	\$1,724	\$380,394	\$3,794	\$3,475
36	8/14/16	\$4,647	\$3,794	\$2,060	\$1,733	\$378,660	\$3,794	\$3,477
37	9/14/16	\$4,647	\$3,794	\$2,051	\$1,743	\$376,917	\$3,794	\$3,478
38	10/14/16	\$4,647	\$3,794	\$2,042	\$1,752	\$375,165	\$3,794	\$3,480
39	11/14/16	\$4,647	\$3,794	\$2,032	\$1,762	\$373,403	\$3,794	\$3,481
40	12/14/16	\$4,647	\$3,794	\$2,023	\$1,771	\$371,632	\$3,794	\$3,483
41	1/14/17	\$4,647	\$3,794	\$2,013	\$1,781	\$369,851	\$3,794	\$3,484
42	2/14/17	\$4,647	\$3,794	\$2,003	\$1,791	\$368,061	\$3,794	\$3,486
43	3/14/17	\$4,647	\$3,794	\$1,994	\$1,800	\$366,260	\$3,794	\$3,487

<b>Pmt. No.</b>	<b>Payment Date</b>	<b>Est. Available Cash Flow</b>	<b>Required Loan Payment<sup>1</sup></b>	<b>Est. Loan Interest</b>	<b>Est. Loan Principal</b>	<b>Remaining Loan Principal Balance</b>	<b>Note Payment</b>	<b>Note Payment Net of Admin. Fee<sup>2</sup></b>
44	4/14/17	\$4,647	\$3,794	\$1,984	\$1,810	\$364,451	\$3,794	\$3,489
45	5/14/17	\$4,647	\$3,794	\$1,974	\$1,820	\$362,631	\$3,794	\$3,490
46	6/14/17	\$4,647	\$3,794	\$1,964	\$1,830	\$360,801	\$3,794	\$3,492
47	7/14/17	\$4,647	\$3,794	\$1,954	\$1,840	\$358,962	\$3,794	\$3,493
48	8/14/17	\$4,647	\$3,794	\$1,944	\$1,850	\$357,112	\$3,794	\$3,495
49	9/14/17	\$4,647	\$3,794	\$1,934	\$1,860	\$355,253	\$3,794	\$3,496
50	10/14/17	\$4,647	\$3,794	\$1,924	\$1,870	\$353,383	\$3,794	\$3,498
51	11/14/17	\$4,647	\$3,794	\$1,914	\$1,880	\$351,503	\$3,794	\$3,499
52	12/14/17	\$4,647	\$3,794	\$1,904	\$1,890	\$349,613	\$3,794	\$3,501
53	1/14/18	\$4,647	\$3,794	\$1,894	\$1,900	\$347,713	\$3,794	\$3,503
54	2/14/18	\$4,647	\$3,794	\$1,883	\$1,910	\$345,803	\$3,794	\$3,504
55	3/14/18	\$4,647	\$3,794	\$1,873	\$1,921	\$343,882	\$3,794	\$3,506
56	4/14/18	\$4,647	\$3,794	\$1,863	\$1,931	\$341,951	\$3,794	\$3,507
57	5/14/18	\$4,647	\$3,794	\$1,852	\$1,942	\$340,009	\$3,794	\$3,509
58	6/14/18	\$4,647	\$3,794	\$1,842	\$1,952	\$338,057	\$3,794	\$3,511
59	7/14/18	\$4,647	\$3,794	\$1,831	\$1,963	\$336,094	\$3,794	\$3,512
60	8/14/18	\$4,647	\$3,794	\$1,821	\$1,973	\$334,121	\$3,794	\$3,514
61	9/14/18	\$4,647	\$3,794	\$1,810	\$1,984	\$332,137	\$3,794	\$3,515
62	10/14/18	\$4,647	\$3,794	\$1,799	\$1,995	\$330,142	\$3,794	\$3,517
63	11/14/18	\$4,647	\$3,794	\$1,788	\$2,006	\$328,136	\$3,794	\$3,519
64	12/14/18	\$4,647	\$3,794	\$1,777	\$2,016	\$326,120	\$3,794	\$3,520
65	1/14/19	\$4,647	\$3,794	\$1,766	\$2,027	\$324,093	\$3,794	\$3,522
66	2/14/19	\$4,647	\$3,794	\$1,756	\$2,038	\$322,054	\$3,794	\$3,524
67	3/14/19	\$4,647	\$3,794	\$1,744	\$2,049	\$320,005	\$3,794	\$3,525
68	4/14/19	\$4,647	\$3,794	\$1,733	\$2,061	\$317,944	\$3,794	\$3,527
69	5/14/19	\$4,647	\$3,794	\$1,722	\$2,072	\$315,873	\$3,794	\$3,529
70	6/14/19	\$4,647	\$3,794	\$1,711	\$2,083	\$313,790	\$3,794	\$3,531
71	7/14/19	\$4,647	\$3,794	\$1,700	\$2,094	\$311,696	\$3,794	\$3,532
72	8/14/19	\$4,647	\$3,794	\$1,688	\$2,106	\$309,590	\$3,794	\$3,534
73	9/14/19	\$4,647	\$3,794	\$1,677	\$2,117	\$307,473	\$3,794	\$3,536
74	10/14/19	\$4,647	\$3,794	\$1,665	\$2,128	\$305,345	\$3,794	\$3,538
75	11/14/19	\$4,647	\$3,794	\$1,654	\$2,140	\$303,205	\$3,794	\$3,539
76	12/14/19	\$4,647	\$3,794	\$1,642	\$2,152	\$301,053	\$3,794	\$3,541
77	1/14/20	\$4,647	\$3,794	\$1,631	\$2,163	\$298,890	\$3,794	\$3,543
78	2/14/20	\$4,647	\$3,794	\$1,619	\$2,175	\$296,715	\$3,794	\$3,545
79	3/14/20	\$4,647	\$3,794	\$1,607	\$2,187	\$294,529	\$3,794	\$3,547
80	4/14/20	\$4,647	\$3,794	\$1,595	\$2,199	\$292,330	\$3,794	\$3,548
81	5/14/20	\$4,647	\$3,794	\$1,583	\$2,210	\$290,120	\$3,794	\$3,550

<b>Pmt. No.</b>	<b>Payment Date</b>	<b>Est. Available Cash Flow</b>	<b>Required Loan Payment<sup>1</sup></b>	<b>Est. Loan Interest</b>	<b>Est. Loan Principal</b>	<b>Remaining Loan Principal Balance</b>	<b>Note Payment</b>	<b>Note Payment Net of Admin. Fee<sup>2</sup></b>
82	6/14/20	\$4,647	\$3,794	\$1,571	\$2,222	\$287,897	\$3,794	\$3,552
83	7/14/20	\$4,647	\$3,794	\$1,559	\$2,234	\$285,663	\$3,794	\$3,554
84	8/14/20	\$4,647	\$3,794	\$1,547	\$2,247	\$283,416	\$3,794	\$3,556
85	9/14/20	\$4,647	\$3,794	\$1,535	\$2,259	\$281,158	\$3,794	\$3,558
86	10/14/20	\$4,647	\$3,794	\$1,523	\$2,271	\$278,887	\$3,794	\$3,560
87	11/14/20	\$4,647	\$3,794	\$1,511	\$2,283	\$276,603	\$3,794	\$3,561
88	12/14/20	\$4,647	\$3,794	\$1,498	\$2,296	\$274,308	\$3,794	\$3,563
89	1/14/21	\$4,647	\$3,794	\$1,486	\$2,308	\$272,000	\$3,794	\$3,565
90	2/14/21	\$4,647	\$3,794	\$1,473	\$2,321	\$269,679	\$3,794	\$3,567
91	3/14/21	\$4,647	\$3,794	\$1,461	\$2,333	\$267,346	\$3,794	\$3,569
92	4/14/21	\$4,647	\$3,794	\$1,448	\$2,346	\$265,000	\$3,794	\$3,571
93	5/14/21	\$4,647	\$3,794	\$1,435	\$2,358	\$262,642	\$3,794	\$3,573
94	6/14/21	\$4,647	\$3,794	\$1,423	\$2,371	\$260,271	\$3,794	\$3,575
95	7/14/21	\$4,647	\$3,794	\$1,410	\$2,384	\$257,887	\$3,794	\$3,577
96	8/14/21	\$4,647	\$3,794	\$1,397	\$2,397	\$255,490	\$3,794	\$3,579
97	9/14/21	\$4,647	\$3,794	\$1,384	\$2,410	\$253,080	\$3,794	\$3,581
98	10/14/21	\$4,647	\$3,794	\$1,371	\$2,423	\$250,657	\$3,794	\$3,583
99	11/14/21	\$4,647	\$3,794	\$1,358	\$2,436	\$248,220	\$3,794	\$3,585
100	12/14/21	\$4,647	\$3,794	\$1,345	\$2,449	\$245,771	\$3,794	\$3,587
101	1/14/22	\$4,647	\$3,794	\$1,331	\$2,463	\$243,308	\$3,794	\$3,589
102	2/14/22	\$4,647	\$3,794	\$1,318	\$2,476	\$240,832	\$3,794	\$3,591
103	3/14/22	\$4,647	\$3,794	\$1,305	\$2,489	\$238,343	\$3,794	\$3,593
104	4/14/22	\$4,647	\$3,794	\$1,291	\$2,503	\$235,840	\$3,794	\$3,595
105	5/14/22	\$4,647	\$3,794	\$1,277	\$2,516	\$233,324	\$3,794	\$3,597
106	6/14/22	\$4,647	\$3,794	\$1,264	\$2,530	\$230,794	\$3,794	\$3,599
107	7/14/22	\$4,647	\$3,794	\$1,250	\$2,544	\$228,250	\$3,794	\$3,602
108	8/14/22	\$4,647	\$3,794	\$1,236	\$2,558	\$225,693	\$3,794	\$3,604
109	9/14/22	\$4,647	\$3,794	\$1,223	\$2,571	\$223,121	\$3,794	\$3,606
110	10/14/22	\$4,647	\$3,794	\$1,209	\$2,585	\$220,536	\$3,794	\$3,608
111	11/14/22	\$4,647	\$3,794	\$1,195	\$2,599	\$217,937	\$3,794	\$3,610
112	12/14/22	\$4,647	\$3,794	\$1,180	\$2,613	\$215,323	\$3,794	\$3,612
113	1/14/23	\$4,647	\$3,794	\$1,166	\$2,628	\$212,696	\$3,794	\$3,614
114	2/14/23	\$4,647	\$3,794	\$1,152	\$2,642	\$210,054	\$3,794	\$3,617
115	3/14/23	\$4,647	\$3,794	\$1,138	\$2,656	\$207,398	\$3,794	\$3,619
116	4/14/23	\$4,647	\$3,794	\$1,123	\$2,670	\$204,727	\$3,794	\$3,621
117	5/14/23	\$4,647	\$3,794	\$1,109	\$2,685	\$202,042	\$3,794	\$3,623
118	6/14/23	\$4,647	\$3,794	\$1,094	\$2,699	\$199,343	\$3,794	\$3,626
119	7/14/23	\$4,647	\$3,794	\$1,080	\$2,714	\$196,629	\$3,794	\$3,628

<b>Pmt. No.</b>	<b>Payment Date</b>	<b>Est. Available Cash Flow</b>	<b>Required Loan Payment<sup>1</sup></b>	<b>Est. Loan Interest</b>	<b>Est. Loan Principal</b>	<b>Remaining Loan Principal Balance</b>	<b>Note Payment</b>	<b>Note Payment Net of Admin. Fee<sup>2</sup></b>
120	8/14/23	\$4,647	\$3,794	\$1,065	\$2,729	\$193,900	\$3,794	\$3,630
121	9/14/23	\$4,647	\$3,794	\$1,050	\$2,744	\$191,156	\$3,794	\$3,632
122	10/14/23	\$4,647	\$3,794	\$1,035	\$2,758	\$188,398	\$3,794	\$3,635
123	11/14/23	\$4,647	\$3,794	\$1,020	\$2,773	\$185,625	\$3,794	\$3,637
124	12/14/23	\$4,647	\$3,794	\$1,005	\$2,788	\$182,836	\$3,794	\$3,639
125	1/14/24	\$4,647	\$3,794	\$990	\$2,804	\$180,033	\$3,794	\$3,642
126	2/14/24	\$4,647	\$3,794	\$975	\$2,819	\$177,214	\$3,794	\$3,644
127	3/14/24	\$4,647	\$3,794	\$960	\$2,834	\$174,380	\$3,794	\$3,646
128	4/14/24	\$4,647	\$3,794	\$945	\$2,849	\$171,531	\$3,794	\$3,649
129	5/14/24	\$4,647	\$3,794	\$929	\$2,865	\$168,666	\$3,794	\$3,651
130	6/14/24	\$4,647	\$3,794	\$914	\$2,880	\$165,786	\$3,794	\$3,653
131	7/14/24	\$4,647	\$3,794	\$898	\$2,896	\$162,890	\$3,794	\$3,656
132	8/14/24	\$4,647	\$3,794	\$882	\$2,912	\$159,978	\$3,794	\$3,658
133	9/14/24	\$4,647	\$3,794	\$867	\$2,927	\$157,051	\$3,794	\$3,661
134	10/14/24	\$4,647	\$3,794	\$851	\$2,943	\$154,108	\$3,794	\$3,663
135	11/14/24	\$4,647	\$3,794	\$835	\$2,959	\$151,149	\$3,794	\$3,665
136	12/14/24	\$4,647	\$3,794	\$819	\$2,975	\$148,173	\$3,794	\$3,668
137	1/14/25	\$4,647	\$3,794	\$803	\$2,991	\$145,182	\$3,794	\$3,670
138	2/14/25	\$4,647	\$3,794	\$786	\$3,007	\$142,175	\$3,794	\$3,673
139	3/14/25	\$4,647	\$3,794	\$770	\$3,024	\$139,151	\$3,794	\$3,675
140	4/14/25	\$4,647	\$3,794	\$754	\$3,040	\$136,111	\$3,794	\$3,678
141	5/14/25	\$4,647	\$3,794	\$737	\$3,057	\$133,054	\$3,794	\$3,680
142	6/14/25	\$4,647	\$3,794	\$721	\$3,073	\$129,981	\$3,794	\$3,683
143	7/14/25	\$4,647	\$3,794	\$704	\$3,090	\$126,891	\$3,794	\$3,686
144	8/14/25	\$4,647	\$127,579	\$687	\$126,891	\$0	\$127,579	\$127,473

If any of the scheduled payments is late, the Borrower will be liable for interest on that payment at the rate of 6.50% per annum, in addition to any late payment fee.

#### **About the Borrower**

The Borrower is a California limited liability company formed for the sole purpose of holding title to the assets and liabilities related to the Project and has no separate business operations or operating history. The Borrower is controlled and managed by Pristine Sun, LLC, a developer of small-scale solar projects in California. Founded in 2010, Pristine Sun's core management team has an average of 10+ years' experience each in the development and finance of solar and wind projects. As of March 31, 2013, Pristine Sun had \$19.7 million in total assets and \$19.9 million in total liabilities, with net negative equity of \$198,915. For the 12 months ended December 31, 2012 Pristine Sun had revenue of \$299,631 and operating expenses of \$1.8 million, for a net operating loss of \$1.6 million. The company had additional income of \$1.7 million, related primarily to a \$2.0 million gain on sale. Accounting for this additional income, Pristine Sun's net income for this period was \$46,672. The foregoing financial information has been provided by the Borrower, and we have played no role in its preparation and have not taken any steps to verify it.

## **About the Solar Customer**

Pacific Gas and Electric Company (PG&E) is one of the largest combination natural gas and electric utilities in the United States. The company provides natural gas and electric service to approximately 15 million people throughout a 70,000-square-mile service area in northern and central California. Based in San Francisco, the company was incorporated in 1906 and is a subsidiary of PG&E Corporation. The investor-owned utility is regulated by the California Public Utilities Commission (“CPUC”) and the Federal Energy Regulatory Commission (“FERC”). PG&E was most recently rated by Moody’s in December 2007 (A3, Stable), Standard and Poor’s in December 2011 (BBB, Stable), and Fitch in December 2012 (BBB+, Stable). In June 2013, Fitch affirmed an investment-grade rating for PG&E’s senior unsecured notes (A-, Stable).

Financial information regarding the Solar Customer is available at [http://www.pgecorp.com/investors/financial\\_reports/](http://www.pgecorp.com/investors/financial_reports/). Mosaic played no role in the preparation of this information, has not verified the information and neither approves nor adopts the information.

## **Material Agreements Relating to the Project**

### ***Loan and Security Agreement***

The Loan is being made pursuant to a Loan and Security Agreement between Mosaic and the Borrower (the “Loan Agreement”). Under the Loan Agreement, the Borrower is obligated to repay the Loan in monthly installments over 144 months. The Loan bears interest at the rate of 6.50% per annum. Each payment on the Loan is equal to a fixed percentage of Borrower’s estimated net revenues under the PPA, as described under “The Loan and the Notes.” The Loan may be prepaid at any time without penalty after the third anniversary of the date when the Loan was made; prior to that date, any prepayments are subject to a premium payment equal to 1.0% of the amount of principal prepaid. The Loan is secured by a first priority security interest in all of the assets owned by the Borrower related to the Project, including the solar power generating equipment and the rights under the PPA and other agreements relating to the Project (the “Collateral”).

The Loan Agreement requires the Borrower to (i) furnish Mosaic with top line annual and quarterly financial information, (ii) make timely payment of all taxes, and (iii) maintain insurance on the power generating equipment, among other things. The Borrower is prohibited from (a) disposing of the Collateral, (b) effecting a change in control, (c) acquiring another business, or (d) incurring other indebtedness or liens on the Collateral (other than as expressly permitted under the Loan Agreement), among other things.

Upon an Event of Default (as defined in the Loan Agreement), all unpaid principal and interest under the Loan becomes immediately due and payable. An “Event of Default” includes (i) the Borrower’s failure to make a required payment when due, (ii) a material adverse change relating to the Collateral, the Borrower’s business or the prospect of repayment of any portion of the Borrower’s Loan Obligations, (iii) certain legal actions against the Borrower or the Collateral, (iv) insolvency proceedings involving the Borrower, (v) certain legal judgments against the Borrower, or (vi) a change in control involving the Borrower.

In the event of certain types of defaults by the Borrower under the PPA, Mosaic will have the right to take action to attempt to cure the default. See “Power Purchase Agreement.”

### ***Power Purchase Agreement***

The PPA was entered into in August 2011 and has a 20-year term starting in July 2013, the date when the Project commenced commercial operation. PG&E will buy the solar facility’s gross electricity output, net of any energy used on-site and transmission losses to the Delivery Point into the PG&E grid. The PPA has a term of 20 years commencing after the date of commercial operation. PG&E will purchase the solar energy at a base rate of \$0.10898/kWh, and will acquire all “green” attributes associated with the solar electricity generation. The PPA base rate is subject to adjustment for time of delivery factors (see below) related to peak, shoulder, night and holiday periods. After adjusting for time of delivery, the average rate over the term of the PPA is projected to be \$0.13849/kWh.

<b>Time of Delivery Factors</b>			
Monthly Period	Super-Peak <sup>1</sup>	Shoulder <sup>2</sup>	Night <sup>3</sup>
June – Sep	2.38	1.12	0.59
Oct – Dec., Jan & Feb	1.10	0.94	0.66
Mar – May	1.22	0.90	0.61

<sup>1</sup>Super-Peak = HE (Hours Ending) 13:00 – 20:00 Pacific Prevailing Time (PPT)  
Monday – Friday (except NERC holidays in the applicable Monthly Period)

<sup>2</sup>Shoulder = HE 7:00 – 12:00, 21:00 and 22:00 PPT Monday – Friday (except NERC Holidays); and HE 7:00 – 22:00 PPT Saturday, Sunday and *all* NERC holidays in the applicable Monthly Period

<sup>3</sup>Night = HE 1:00 – 6:00 am, 23:00 and 24:00 PPT all days (*including* NERC holidays) in the applicable monthly period.

“NERC Holidays” mean the following holidays: New Year’s Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

The PPA contains a provision that excuses PG&E from its obligation to pay for the Project’s electricity output during a force majeure event or a dispatch down period. PG&E may require the Borrower to interrupt or reduce deliveries of energy (a) when necessary in order for PG&E to construct, install, maintain, repair, replace, remove, or investigate any of its equipment or part of PG&E’s transmission system or distribution system or facilities, or (b) if PG&E or the California Independent System Operator Corporation (CAISO) determines that curtailment, interruption, or reduction is necessary because of a system emergency. Since the power-generating capacity of the Project’s solar installation is less than one megawatt, it is not subject to additional jurisdiction by CAISO. However, PG&E is subject to regulation by the California Public Utilities Commission as it relates to its distribution and generation operations, and the Federal Energy Regulatory Commission as it relates to the utility’s electric transmission operations.

#### **Additional Risk Factor Relating to the Project**

In addition to the risk factors discussed in the Offering Memorandum, you should consider following risk factors in evaluating an investment in the Project:

***The Borrower’s ability to repay the Loan in full will be dependent upon its ability to refinance the Loan prior to the maturity date.***

Although the payment terms of the Loan are based on a 15-year amortization schedule, the Loan has a term of 12 years, after which the remaining principal of \$123,785 will be payable in a single balloon payment. To make this payment, it is likely that the Borrower will be required to refinance the Loan. If the Borrower is unable to obtain new financing on acceptable terms, it could default on the Loan, whereupon we may take over the Project as a secured lender and continue selling power to PG&E pursuant to the PPA. In such event, we will continue making payments on the Notes out of net revenues we receive under the PPA until the Final Maturity Date (three years after the Initial Maturity Date) or such earlier time as the Notes are fully repaid.

Based on the power generating capacity of the PV modules used in the Project and the historical weather patterns at the Site, we expect that the revenues generated under the PPA would be sufficient for us to repay the Notes prior to the Final Maturity Date. However, such revenues could be lower than expected due to defects in the modules, declining efficiency of the modules, the manufacturer’s inability to satisfy warranty claims, greater-than-expected cloud cover during the period or other risks described in the accompanying Offering Memorandum under “Risk Factors,” or the Project could incur greater-than-expected costs. Any of these factors could result in net revenues that are insufficient for us to repay the Notes on or prior to the Final Maturity Date, in which case the Notes will not be fully repaid.