Delivering Better Energy

February 2015
SolarCity Job Creation: The Internet of Solar Things

Estimated Job Growth of Four Leading Bay Area Companies

*Employee numbers for Twitter, Dropbox and Twilio are estimates based on publically available information and meant to be illustrative.
Solar’s Growth as a Percentage of New Generation Has Profound Implications for Future Total Generation

Percent of New U.S. Electricity Generation Capacity That Is Solar
How did we get here?

- Congress sent a strong signal with the ITC
- Expected private capital flows materialized demanding innovation
- Ratepayer capital complimented
- New electricity production through job creation, wealth opportunities and macroeconomic growth (e.g. 174,000 jobs created & 60% CAGR year-on-year)
Introduction to Solar Project Investments

- Leases/PPAs
- MyPower
- SolarBonds
- Securitizations
Lease or PPA: High-level Details of Customer Contracts

- A typical installation sizing:
  - Residential systems are approximately 4 to 6 kW
  - Commercial systems range from approximately 50 kW to over 1 MW

- 20-year agreement through our SolarLease program or a Power Purchase Agreement (PPA)

- Customers can save money by going solar

- Flow of project economic benefits commences upon receipt of Permission to Operate ("PTO") from the local utility and the start of solar electricity generation (i.e. the project is “Placed-In-Service”)
How Customers Benefit from a PPA/Lease Contract

- **Reduced Electricity Costs**
  
  The customer’s new utility bill plus PPA/Lease payment to SolarCity is structured to provide a discount to the customer’s original utility bill.

- **No Upfront Payment**
  
  SolarCity and its investment partners can efficiently utilize the federal tax credits, state incentives, and depreciation benefits to fund 100% of the PV system. The customer receives an affordable energy price without requiring any upfront investment.

- **Predictable Rates**
  
  Through the PPA or Lease contract, customers can set their solar rates for the next 20 years.

- **Simple and Worry Free**
  
  SolarCity installs, monitors, and maintains the PV system at the customer host site freeing the customer from ownership obligations.

---

(1) Customers also have the ability to elect full and partial pre-pay financing options.
Economic Benefits of Investments in Distributed Solar

* Distributed solar energy systems provide four primary economic benefits:

  **Investment Tax Credit (“ITC”)**
  - The ITC incentivizes private investment in renewable energy generation capacity
  - Allows for a tax credit equal to 30% of the eligible basis of distributed solar energy installations placed-in-service on or before December 31, 2016

  **Depreciation**
  - Distributed solar energy systems are eligible to claim accelerated depreciation (MACRS) benefits over a five year period
  - Depreciable basis of property must also be reduced by 50% of claimed ITC, resulting in a depreciable basis of 85% of the system’s appraised value

  **Local Incentives**
  - Incentives are provided by certain utilities or states to encourage local renewable energy development
  - Includes upfront rebates, Production Based Incentives (PBIs), Renewable Energy Certificates (RECs) and state tax credits

  **Customer Payments**
  - Credit-worthy customers execute long-term lease and power purchase agreements (PPAs) creating stable, contracted cash flows
  - Agreements typically have 20 year terms with customer payment options ranging from zero down payment to full prepayment
Strong Value From Long-Term, Predictable Benefits

Benefits of solar ownership are derived from following sources:

- **ITC**: 30% Investment Tax Credit
- **Local Incentives**: Renewable Energy Credits, State Rebates
- **Depreciation**: Accelerated (MACRS) Depreciation
- **Contracted Customer Payments**: Contracted monthly payments escalating 1 – 3% annually

(1) Includes only benefits associated with the 20 years of contracted customer payments
(2) Cash or MyPower deals assume customer has sufficient tax liability in first 12 months to take full ITC
Low Credit Risk on Long-Term Cash Flow

- **Low default rates compared to established asset classes**
  - Default rates for our household energy payments are historically lower than for residential mortgage payments
  - Long-term contracts offer high visibility and predictability of cash flow
  - Broad range of customers provides portfolio diversification
  - Price escalators in many contracts offer an inflation hedge

---

1) Net loss rates represents the net loss rates 1, 2, 3, and 4 years from the original origination date of asset backed security averaged across 1999 to 2011 for auto loans, 2003 to 2012 for prime residential mortgages, and 2008 – 2012 for SolarCity data. Time periods for auto loans and prime residential mortgages selected to normalize for outlier effects of financial crisis. Auto loan and prime residential data sources: A) Auto loans - Average cumulative auto loan losses rates reported by Ally, BMW, Chrysler, Ford, Honda, Hyundai, Nissan, USAA, World Omni and Wachovia which are publicly reported by or on the respective companies' website or in company issued reports; B) Residential mortgages – Sequoia Mortgage Trust (http://www.sequoia-reports.com).
Current Solar Ownership Environment

- Poor customer experience in loans to date has resulted in low solar ownership
  - Financing from traditional sources are inefficient
    - Cumbersome approval process
    - Short term relative to asset life
    - Higher Annual Percentage Rate (7-10%)
    - Home is often pledged as collateral
  - O&M and servicing onus on the customer
    - Inverter replacement costs
    - Production uncertainty risks
  - Monthly loan payments offer minimal savings
  - Result:
    - Long return on investment for customer
    - Poor customer experience
MyPower – Great customer experience

Pay off your loan with the sun

- Pay back your loan based on production
- Payments below grid cost of power
- 30-year warranty and production guarantee

Best solar loan in market

- Low interest rate compared to other solar loans
- Loan secured by system not home

Retain benefits of ownership

- No prepayment penalties
- You control your cost of energy – any prepayment (>500) can reamortize loan
- Easily rolled into refinance or sale of home
MyPower Summary

- Launched October 2014 in 8 markets

- First solar loan of its kind
  - Only loan product from an integrated solar provider
  - Only loan to offer customers a competitive Annual Percentage Rate (4.5-5%)
  - Only loan with a 30 year term and matching warranty

- Same high-quality payment structure as PPA/Lease products

- Over 8,000 customers have already signed contracts for MyPower
  - On target to be 30 – 40% of SolarCity’s volume going forward

- Customer-owned solar expected to be a larger segment of solar installations
SOLAR BONDS by SolarCity
Solar Bonds are debt securities issued by SolarCity. As with any investment, purchasing Solar Bonds involves risk. You must make your own decision about whether and how much to invest in Solar Bonds. SolarCity cannot make any investment recommendations or otherwise provide any investment advice. Solar Bonds are not FDIC-insured. Your earnings and principal are not guaranteed.

SolarCity has filed a registration statement (including a prospectus) with the Securities and Exchange Commission (“SEC”) for offerings to which information on in this presentation relates. Before you invest, you should read the prospectus in that registration statement and other documents SolarCity has filed with the SEC for more complete information about SolarCity and the offerings. You may obtain these documents for free by visiting EDGAR on the SEC web site at www.sec.gov. Alternatively, you may obtain the prospectus relating to the Solar Bonds, and the pricing supplement relating to a particular series of Solar Bonds, at solarbonds.solarcity.com.
SolarCity Solar Bonds

• Nation’s first registered public offering of solar bonds

• Corporate bonds issued by SolarCity
  • Earnings paid in part by payments received from thousands of solar power systems we’ve installed
  • Maturities from 1 year to 7 years
  • Interest rates from 2% - 4%
  • $1,000 minimum purchase
  • Currently unrated

• Available online from SolarCity, without investment fees
  • solarbonds.solarcity.com
  • Not limited to accredited investors
  • $40 million initial offering
  • Issued continuously
Solar Bonds are debt securities issued by SolarCity. As with any investment, purchasing Solar Bonds involves risk. You must make your own decision about whether and how much to invest in Solar Bonds. SolarCity cannot make any investment recommendations or otherwise provide any investment advice. Solar Bonds are not FDIC-insured. Your earnings and principal are not guaranteed.

SolarCity has filed a registration statement (including a prospectus) with the Securities and Exchange Commission (“SEC”) for offerings to which information on this website relates. Before you invest, you should read the prospectus in that registration statement and other documents SolarCity has filed with the SEC for more complete information about SolarCity and the offerings. You may obtain these documents for free by visiting EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov). Alternatively, you may obtain the prospectus relating to the Solar Bonds, and the pricing supplement relating to a particular series of Solar Bonds, on this website.

<table>
<thead>
<tr>
<th>Solar Bonds</th>
<th>Minimum Order</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.0% 1 yrs</td>
<td>$1,000</td>
</tr>
<tr>
<td>2.5% 2 yrs</td>
<td>$1,000</td>
</tr>
<tr>
<td>3.0% 3 yrs</td>
<td>$1,000</td>
</tr>
<tr>
<td>4.0% 7 yrs</td>
<td>$1,000</td>
</tr>
</tbody>
</table>
A New Investment Option

- **SOLAR BONDS**: 4%
- **MUNICIPAL BONDS**: 3.36%
- **HIGH YIELD CDs**: 2.45%
- **TREASURY NOTES**: 2.13%
- **SAVINGS**: 1.05%
4.00% Solar Bonds, Series 2014/4-7

Maturity Date: Oct. 15, 2021
Minimum Purchase: $1,000.00
Denomination: $1,000.00
Prospectus: View | Download

You must view or download the prospectus prior to placing an order.

Description

4.00% Solar Bonds, Series 2014/4-7 are senior unsecured notes issued by SolarCity Corporation. 4.00% Solar Bonds, Series 2014/4-7 are offered with an interest rate of 4.00% paid semi-annually. The bonds have a 7 year term from the date of offer (October 15, 2014), with a maturity date of October 15, 2021.
Securitizations

- Transaction Highlights: Three to date

- High Quality Cashflows (Energy Payments) That Are Consistent and Predictable
  - Historical utility data demonstrates that customers consistently make their energy payments with minimal defaults
  - Host Customers in the portfolio are economically incentivized to make monthly energy payments to SolarCity

- Strong Collateral Pool Ranks Among the Highest Credit Quality ABS Portfolios
  - Highly creditworthy Residential Host Customers in the utility rate-paying base
  - Commercial/Government Host Customers are primarily investment grade rated
  - 87.6% of these Solar Assets are comprised of assets that have an underlying credit rating of “A” or higher

- Diversified portfolio across utility district, county, state, equipment manufacturer and Host Customers
Thank You

888.SOL.CITY | 888.765.2489 | SOLARCYT.COM
APPENDIX – CONSUMER PROTECTION STATUTES

- Equal Credit Opportunity Act
- Consumer Leasing Act
- Electronic Funds Transfers Act
- Fair Debt Collection Practices Act
- Fair Credit Reporting Act
- Truth in Lending Act
- Servicemembers Civil Relief Act
- Electronic Signatures Act
- Right to Financial Privacy Act
- CAN-SPAM Act
- Uniform Commercial Code
- Federal Trade Commission Act
- OSHA Law and Regulations
- Telephone Consumer Protection Act
- Federal Magnuson-Moss Warranty Act
- Unfair, Deceptive or Abusive Acts or Practices
Equal Credit Opportunity Act ("ECOA")

a. The ECOA prohibits any creditor from discriminating against any applicant, in any aspect of a credit transaction, on the basis of race, color, religion, national origin, sex, marital status, or age.
b. Creditors cannot extend less favorable terms, discourage application, or otherwise disparately treat individuals on account of any of the factors above.

c. Special notices for each borrower upon adverse action, i.e., rejection of loan application.
d. Limitations on types of personal questions can ask in connection with application.
e. Enforcers: US DOJ, CFPB, FTC, and private plaintiffs.
APPENDIX – CONSUMER PROTECTION STATUTES

- Consumer Leasing Act ("CLA")
  a. The CLA requires that certain personal leases clearly disclose costs and terms, imposes limitations on late fees, and requires clear disclosures in lease advertising.
  b. The CLA protects consumers from hidden fees, overly complex financial terms, and disproportionate penalties upon default.
  c. Enforcers: FTC, CFPB, US DOJ, and private plaintiffs
APPENDIX – CONSUMER PROTECTION STATUTES

- Electronic Funds Transfers Act (“EFTA”)
  
a. The EFTA protects individual consumers engaging in electronic funds transfers.

b. It requires 1) disclosure of the terms and conditions at contract execution, 2) that institutions establish procedures for correcting electronic fund transfer errors, 3) and limits on consumer liability for unauthorized transfers.

c. It also prohibits creditors from requiring that electronic funds transfers be used, and requires prior consent.

d. Enforcers: FTC, CFPB, US DOJ, and private plaintiffs
APPENDIX – CONSUMER PROTECTION STATUTES

- Fair Debt Collection Practices Act ("FDCPA")
  a. The FDCPA protects consumers from deceptive, unfair, and abusive debt collection practices.
  b. Debt collectors cannot collect fees unless they are expressly authorized by contract, fail to credit or post payments, take property without legal right, misrepresent the status of the debt, or engage in a host of other abusive behaviors.
APPENDIX – CONSUMER PROTECTION STATUTES

- Fair Credit Reporting Act ("FCRA")
  a. The FCRA regulates how companies report consumer debts, use consumer information, and access sensitive credit information. It also requires certain corrective action upon learning that a consumer’s identity may have been stolen.
  b. FCRA restricts when and how a company can share confidential consumer information, when and what disclosures are required, and the consequences of failing to adequately protect consumer information.
APPENDIX – CONSUMER PROTECTION STATUTES

- Truth In Lending Act ("TILA")
  a. TILA requires accurate and standardized disclosures of costs, fees, rates and certain loan terms in consumer debts.
  b. TILA requires disclosure of and a standardized method of describing the Finance Chart and the Annual Percentage Rate so as to minimize confusion by consumers.
  c. TILA also regulates advertising.
APPENDIX – CONSUMER PROTECTION STATUTES

- Servicemembers Civil Relief Act (“SCRA”)
  a. The SCRA is protects members of the armed forces while on active duty.
  b. While deployed, service members may not be charged more than 6% interest on any loans they accrued prior to deployment.
  c. The SCRA prohibits creditors from many adverse actions against service members while on active duty, including taking a default judgment, proceeding with foreclosure, or terminating leases.
APPENDIX – CONSUMER PROTECTION STATUTES

Electronic Signatures Act ("E-Sign Act")

a. The E-Sign Act regulates how companies and consumers use electronic signatures rather than handwritten ones.

b. The Act requires that both parties to such a transaction agree to electronic signature.

c. The Act protects customers by requiring affirmative consent, clear and conspicuous disclosure of the terms, and description of necessary hardware.

d. Enforcers: Private plaintiffs.
Right to Financial Privacy Act ("RFPA")

a. The RFPA establishes that customers have a right to expect that their financial activities will be kept private from federal governmental scrutiny.

b. It establishes procedures that the government must follow when seeking consumer’s financial records.

c. It also places duties on the disclosing entity including a written notice, an explanation, and the procedure for objecting.

d. Enforcers: Private plaintiffs.
APPENDIX – CONSUMER PROTECTION STATUTES

- CAN-SPAM Act
  a. The CAN-SPAM Act sets out a host of limitations on commercial email.
  b. The Act requires that the sender clearly identify themselves, state that the email is an advertisement, accurately describe the contents of the email, and provide an opt-out method.
  c. Violations are punishable by fines of up to $16,000 per offending email.
  d. Enforcers: FTC, CFPB, US DOJ.
APPENDIX – CONSUMER PROTECTION STATUTES

- Uniform Commercial Code (“UCC”)
  a. The UCC sets out uniform rules governing sales, leases and commercial transactions in all 50 states of the United States.
  b. While the UCC is not a consumer-protection statute, UCC promotes fair and predictable commercial practices in any jurisdiction.
  c. The UCC limits how a solar contract may impair the free transfer of real property.
  d. Enforcers: private plaintiffs.
APPENDIX – CONSUMER PROTECTION STATUTES

- Federal Trade Commission Act (“FTCA”)
  a. The FTCA empowers the Fair Trade Commission to 1) prevent unfair or deceptive methods of competition, 2) seek money to address wrongdoing to consumers, 3) prescribe trade regulation rules, 4) conduct investigations, and 5) make reports to congress.
  b. The FTC publishes “Green Guides” that limits what marketers can claim about the environmental attributes of a product.
  c. Enforcers: FTC.
APPENDIX – CONSUMER PROTECTION STATUTES

- OSHA Law and Regulations
  a. OSHA’s mission is to assure safe and healthful working conditions by setting and enforcing standards and by providing training, outreach, education and assistance.
  b. OSHA regulations include limits on chemical exposure, mandatory employee access to information, personal protective equipment, and safety procedures.
  c. Enforcers: OSHA and private plaintiffs.
APPENDIX – CONSUMER PROTECTION STATUTES

- **Telephone Consumer Protection Act**
  a. The TCPA restricts the use of automated or prerecorded telephone equipment to make telephone calls.
  b. If a consumer withdraws or does not give consent to be autodialed, the institution may only contact the consumer with manually dialed calls.
  c. Under the TCPA, the FCC has created the Do-Not-Call List. Once a consumer puts registers their name and phone number, they are protected from telephone solicitations.
APPENDIX – CONSUMER PROTECTION STATUTES

- Federal Magnuson-Moss Warranty Act ("MMWA")
  a. The MMWA requires that manufacturers and sellers of consumer products disclose detailed, standardized information about warranty coverage.
  b. These disclosures let consumers know what they are buying and what to expect if something goes wrong.
  c. The MMWA encourages businesses to address consumer complaints in a timely and satisfactory way.
APPENDIX – CONSUMER PROTECTION STATUTES

- Unfair, Deceptive or Abusive Acts or Practices ("UDAAP")
  a. UDAAP covers all aspects of the relationship with consumers, including marketing, disclosures, terms, underwriting, options, closings, ancillary products, fees, complaint resolution, servicing, and default, and prohibits unfair, deceptive or abusive acts or practices.
  b. Each employee is expected to comply with UDAAP at all times.
  c. Enforcers: CFPB, FTC, private plaintiffs, and states.