



THE BAM GREENSTAR DESIGNATION IS A THIRD-PARTY ASSESSMENT OF THE “GREEN” ATTRIBUTES OF A MUNICIPAL BOND ISSUE

September 2020



U.S. municipal bond investors continue to show increasing interest in and appetite for investments that fit socially responsible and Environmental, Social and Governance (ESG) related investment strategies. BAM’s GreenStar designation has become a meaningful component of the US municipal Green Bond market. To date, BAM has verified more than 100 transactions, totaling more than \$1.5 billion in par. BAM is now the largest provider of third party Green Bond verifications in the US municipal market.

Any existing or new member of BAM is eligible to receive a GreenStar designation on a specific series of their bonds if the bonds are issued for Eligible Project(s) and if the bonds meet all of the BAM GreenStar Standards outlined below.

The GreenStar program has been designed to close the wide gap between the significant number of municipal bonds that should qualify as Green Bonds and the relatively few that are currently being labeled as such, by addressing:

- ❁ The limited awareness of the benefits of Green Bond issuance among issuers
- ❁ The lack of scale in the number and volume of Green Bond sales in the U.S. municipal sector, which limits the number of investors focused on the sector and imposes friction costs on green bond transactions
- ❁ Perceptions that verification and reporting carry a high cost or burden

At no additional cost and with no issuer required ongoing reporting, BAM will assess the suitability of every issue that it underwrites for GreenStar eligibility as part of its regular underwriting process.

Additionally, at the request of one of its members, BAM will assign a BAM GreenStar to any series of bonds issued by that member for Eligible Project(s) that meet the BAM GreenStar Standards. BAM will notify its members - the issuers of the bonds - if the bonds being issued are eligible for a BAM GreenStar.

The BAM GreenStar Standards are aligned with the Green Bond Principles promulgated by the International Capital Markets Association. In addition, BAM GreenStar bonds can only fund projects which are compliant with the Climate Bonds Initiative’s (“CBI”) sector- specific criteria for green bonds.

BAM’s policies and procedures for GreenStar have been reviewed by CBI and BAM has separately been designated as an Approved Verifier for Certified Climate Bonds. CBI is a leading not-for- profit organization focused on addressing climate change through the financial markets. The overall mission of CBI is to promote the issuance of Green and Climate Bonds, which incorporate a focus on sustainability and combating or adapting to climate change.

CONTACTS

Don Farrell

Managing Vice President, Investor Relations
212.235.2520 | dfarrell@buildamerica.com

Laura Levenstein

Chief Risk Officer
212.365.7552 | llevenstein@buildamerica.com

Michael Stanton

Head of Communications & Corporate Strategy
212.235.2575 | mstanton@buildamerica.com

Juliet Stiehl

Managing Vice President, Head of East Region
212.235.2521 | jstiehl@buildamerica.com

Howard Spumberg

Managing Vice President
212.235.2522 | hspumberg@buildamerica.com

Todd Tomich

Managing Vice President, Head of West Region
213.297.8001 | ttomich@buildamerica.com

Mark Capell

Managing Vice President
415.858.1007 | mcapell@buildamerica.com



BAM GREENSTAR STANDARDS

THE BAM GREENSTAR STANDARDS HAVE FOUR PRIMARY COMPONENTS, WHICH MIRROR THE FOUR PRIMARY COMPONENTS OF THE GREEN BOND PRINCIPLES

1. USE OF PROCEEDS

The key component of the standards is ensuring that the proceeds are being used for eligible Green Projects (as defined by the GBP). Refundings are eligible if the original bonds financed qualifying projects.

GBP eligible project categories include:

- a. **Renewable Energy**
Including solar, wind and geothermal
- b. **Energy Efficiency**
Projects relating to enhancing the efficiency of new and refurbished buildings, including enhanced infrastructure, energy storage, smart grids
- c. **Pollution Prevention and Control**
Projects focused on the reduction of greenhouse gas emissions and the amount of waste produced within a community; waste recycling
- d. **Environmentally Sustainable Management of Living Natural Resources and Land Use**
Projects that minimize carbon emissions, such as low carbon agriculture and preservation or restoration of natural landscapes
- e. **Terrestrial and Aquatic Biodiversity Conservation**
Projects focused on the protection of coastal, marine and watershed environments
- f. **Clean Transportation Projects**
Electric and hybrid mass transit and infrastructure for rail, non-motorized, or multi-modal transportation projects
- g. **Sustainable Water and Wastewater Management**
Projects that contribute to the development of sustainable infrastructure for clean and/or drinking water, wastewater treatment, systems and flood mitigation
- h. **Climate Change Adaptation**
Resilient infrastructure, and implementation of information support systems, such as early warning systems
- i. **Green Buildings**
Buildings which meet regional, national or internationally recognized standards or certifications for "Green Buildings"

NOTE: In drought-prone areas, the issues relating to Sustainable Water and Wastewater Management must include a focus on the sustainability of the projects, including the degree to which the projects address the impact of drought.

To be eligible, improvements to existing facilities or new facilities need to include features that will help the issuer adapt to or mitigate the impact of drought on water sustainability.

2. PROJECT SELECTION

BAM's analysts will confirm that the Use of Proceeds is consistent with one of the Eligible Project(s) defined above.

Issuers whose transactions are identified as potential BAM GreenStar Bonds will be contacted by BAM prior to assignment of the BAM GreenStar to the bonds. There must be sufficient disclosure about the project specifics to ensure that the project fits within one or more of the eligible project categories noted here.

3. ALLOCATION AND MANAGEMENT OF PROCEEDS




BAM's analysts will confirm that the Use of Proceeds is consistent with one of the Eligible Project(s) defined above.

Issuers whose transactions are identified as potential BAM GreenStar Bonds will be contacted by BAM prior to assignment of the BAM GreenStar to the bonds. There must be sufficient disclosure about the project specifics to ensure that the project fits within one or more of the eligible project categories noted here.

4. REPORTING ON THE USE OF PROCEEDS

As part of the initial GreenStar assessment, BAM's analysts will determine the status of the Eligible Project(s) being financed or refinanced by the proceeds of the GreenStar bonds.

Prior to the assignment of the GreenStar, the BAM analyst will determine if the Eligible Project(s) are:

-  Not yet constructed
-  Under construction
-  Completed

In any case, if the Use of Proceeds has changed from that specified in the Official Statement, a GreenStar can only be applied if the actual use of proceeds falls within one of the Eligible Green Project categories.



FAQ

1. WHAT BENEFIT IS THERE TO HAVING A BAM GREENSTAR DESIGNATION ?

The GreenStar designation may widen and deepen an issuer's investor base to include the rapidly expanding group of investors pursuing ESG strategies. Additionally, Green Bond issuance highlights the issuer's leadership role to its local stakeholders, mayors, councils, and voters.

2. WHAT IS THE COST OF BAM'S GREENSTAR DESIGNATION ?

BAM does not charge for its GreenStar designation. BAM will assess the suitability of every issue that it underwrites as part of its regular underwriting process and notify the issuer if their bonds are eligible. Additionally, as a service to BAM members, BAM will assign a GreenStar to any series of bonds issued by the member if requested by the issuer and if the bonds meet the BAM GreenStar Standards.

3. CAN ISSUERS RECEIVE A BAM GREENSTAR DESIGNATION BY RAISING FUNDS FOR ELIGIBLE PROJECTS IN A SINGLE SERIES OF A LARGER BOND ISSUE ?

Yes, the BAM GreenStar can be assigned at the series level, as long as the proceeds from that series fund eligible projects.

4. ARE THERE ANY CONTINUING OBLIGATIONS IMPOSED ON THE ISSUER AFTER CLOSING ?

No. For GreenStar bonds issued for Eligible Projects that are not complete at the time of issuance, BAM's analysts, as part of our annual ongoing credit surveillance and monitoring will determine if the Eligible Project(s) are complete. BAM's analysts will use various sources of information to make this assessment including, publicly available information, issue tax opinions and certificates, third party reports or information provided by the issuer or any of the transaction participants.


5. WHAT HAPPENS IF THE PROCEEDS ARE NOT UTILIZED IN THE MANNER DESCRIBED IN THE OFFICIAL STATEMENT ?


The BAM GreenStar may ONLY be withdrawn if the bond proceeds are used for non-Eligible Project(s) other than the Eligible Project(s) specified in the bond issuance disclosure documents.

6. HOW WILL THE MUNICIPAL ADVISOR, UNDERWRITER AND INVESTORS KNOW THAT A BOND ISSUE HAS THE BAM GREENSTAR DESIGNATION ?

The BAM analyst will work with the Municipal Advisors to confirm eligibility during BAM's underwriting process and to arrange for the GreenStar status to be noted in the Official Statement.

The BAM GreenStar designation will appear:

 **Negotiated Transactions:** In the Preliminary and Final Official Statement and ultimately in descriptive info on Bloomberg and other market information services and the pricing wire, as well as BAM's Credit Profile

 **Competitive Transactions:** The issue will be denoted as "GreenStar eligible" on the pricing sheet BAM distributes on the bid date and if the winning bid utilizes BAM insurance, the status will be included in the Final OS and on Bloomberg as well as BAM's Credit Profile



BAM GREENSTAR CREDIT PROFILE SUPPLEMENTS

BAM Credit Profiles, which contain credit and demographic information about every transaction BAM insures, will feature a GreenStar supplement for every GreenStar designated transaction (see example).

The cornerstone of the Green Bond Principles is an evaluation of the use of proceeds.

BAM's GreenStar Supplement provides a description of the Use of Proceeds from the Offering Supplement and then maps that use to the Eligible Project Category under the Green Bond Principles classifications and the United Nations Sustainable Development Goals.

BAM's Supplement also identifies the construction status of the Project.

BAM's Credit Profiles are updated annually, and the Supplement will also be updated through project completion.



BAM
— GREENSTAR —


CREDIT
PROFILE
SUPPLEMENT

Stockton Public Financing Authority, CA, Water Revenue Refunding Bonds, Series 2018A

FIRST DESIGNATED: October 23, 2018

Latest Update: October 23, 2018

USE OF PROCEEDS (From the Issuer's Official Statement): "The 2018 Bonds are being issued by the Authority to provide funds which, together with certain other available funds, will be used to: (i) refund all of the \$4,030,000 outstanding obligations of the City of Stockton (the "City") under California Statewide Communities Development Authority Water and Wastewater Revenue Bonds (Pooled Financing Program), Series 2002A (the "Refunded 2002 Bonds"), all of the \$19,055,000 outstanding principal amount of Stockton Public Financing Authority 2005 Water Revenue Bonds, Series A (Water System Capital Improvement Projects) (the "Refunded 2005 Bonds"), and all of the \$146,725,000 outstanding principal amount of Stockton Public Financing Authority Water Revenue Bonds, Taxable Build America Bonds, Series 2009B (Delta Water Supply Project) (the "Refunded 2009B Bonds," and together with the Refunded 2002 Bonds, and the Refunded 2005 bonds, the "Refunded Bonds"); (ii) purchase a municipal bond insurance policy and a debt service reserve fund surety policy as security for the 2018 Bonds; and (iii) pay certain costs associated with the issuance of the 2018 Bonds."

BAM GreenStar Transparency Grid	
BAM GreenStar Classification	Sustainable Water & Wastewater Management
ICMA Green Bond Principles Eligible Project Category(ies)	Sustainable Water & Wastewater Management
United Nations Sustainable Development Goal(s)	Goal 6: Clean Water and Sanitation 
Project Status	Completed

BAM GREENSTAR DESIGNATION

This bond series has been designated as a BAM GreenStar Bond by Build America Mutual's Municipal Credit Committee because the issuer's stated use of proceeds aligns with the International Capital Markets Association's Green Bond Principles. The issuer has agreed to provide BAM with regular updates on the status of construction until the designated projects are completed.

BUILD AMERICA MUTUAL
200 Liberty Street, 27th Floor
New York, New York 10281
212.235.2500 | www.buildamerica.com



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