PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 27, 2014

NEW ISSUE – BOOK-ENTRY ONLY **See "RATINGS" herein**

In the opinion of Sidley Austin LLP, Transaction Counsel ("Transaction Counsel"), under existing law, interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes. In addition, in the opinion of Transaction Counsel, interest on the Bonds is exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, and estate taxes and except to the extent the franchise tax imposed on banks and other financial institutions may be measured with respect to the Bonds or income therefrom. See "APPENDIX D—PROPOSED FORM OF APPROVING OPINION OF TRANSACTION COUNSEL" attached hereto for a more complete discussion.

$150,000,000*
State of Hawaii
Department of Business, Economic Development, and Tourism
Green Energy Market Securitization Bonds
2014 Series A
(Taxable)

Tranche*	Principal Amount Offered*	Expected Weighted Average Life (years)*	Scheduled Final Payment Date*±	Final Maturity Date*±	No. of Scheduled Semi-Annual Principal Payments*	Interest Rate	Public Offering Price	CUSIP†
A-1	$50,000,000	3.05	July 1, 2020	July 1, 2022	11.00	%	%	
A-2	$100,000,000	10.21	January 1, 2029	January 1, 2031	18.00			

± If such date is not a Business Day, the next Business Day.

The above-captioned bonds (the "Bonds") are being issued by the State of Hawaii (the "State"), acting through the Department of Business, Economic Development, and Tourism (the "Department"), pursuant to the laws of the State, a Financing Order issued by the Public Utilities Commission of the State of Hawaii (the "Commission") and an Indenture of Trust, dated as of November 1, 2014, by and between the State, acting through the Department, and U.S. Bank National Association, as Trustee and initial paying agent and registrar for the Bonds.

The Bonds are special and limited obligations of the State payable from and secured by the Revenues and the other Bond Collateral, which is pledged to the payment thereof, including the Green Infrastructure Property and Accounts held under the Indenture. Green Infrastructure Property consists generally of the right to impose, collect and adjust a nonbypassable fee (referred to as the "Green Infrastructure Fee") on all electric service customers of the three publicly regulated utilities in the State of Hawaii, Hawaiian Electric Company, Inc. ("Hawaiian Electric"), Hawaii Electric Light Company, Inc. ("Hawaii Electric Light") and Maui Electric Company, Limited ("Maui Electric") (collectively, the "Service Providers"). The Green Infrastructure Fee is property of the State, and the Green Infrastructure Fee will be collected by the Service Providers, as collection agents for the State, and will be remitted daily to the Trustee. The Green Infrastructure Fee is subject to mandatory adjustment, not less often than semi-annually, and more often as authorized by the Financing Order described herein, to ensure that the estimated amount of Green Infrastructure Fee projected to be collected will be sufficient to pay the Bonds in accordance with their scheduled maturities, together with related financing costs. There is no cap on the size of the Green Infrastructure Fee, which must be imposed until the Bonds are paid in full.

The Bonds are not subject to optional redemption prior to maturity.

The State has designated the Bonds as "Green Bonds" based on the intended use of the proceeds of the Bonds for the financing of environmentally beneficial projects.

The Bonds do not constitute a general or moral obligation of the State nor a charge upon the general fund of the State and the full faith and credit of the State is not pledged to payment of principal of or interest on the Bonds.

The Bonds will accrue interest from their date of delivery. Interest is payable semi-annually each January 1 and July 1, beginning July 1, 2015,* and if such day is not a Business Day, the next Business Day.

Investing in the Bonds involves risks. Please read "RISK FACTORS" herein.

The Bonds initially will be issued in the minimum denominations of $5,000 and integral multiples of $1,000 in excess thereof, except for one bond of each Tranche which may be of smaller denomination, to be held in a book-entry only system, registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Individual purchases of beneficial interests in the Bonds will be made in book-entry form under DTC's book-entry only system. Purchasers of beneficial interests in the Bonds will not receive certificates representing their interests in the Bonds. See "THE BONDS" herein. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be paid through the facilities of DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the purchasers of beneficial interests in the Bonds is the responsibility of DTC participants and indirect participants, as more fully described herein.

First Southwest Company has acted as an independent financial advisor to the Department in connection with the sale and issuance of the Bonds.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of the proceedings authorizing the Bonds by the Attorney General of the State of Hawaii and by Sidley Austin LLP, as Transaction Counsel, and certain other conditions. Certain additional legal matters will be passed upon for the State by Sidley Austin LLP, as Transaction Counsel. Certain legal matters will be passed upon by Alston Hunt Floyd & Ing and Katten Muchin Rosenman LLP, as Co-Underwriters' Counsel. Certain legal matters will be passed upon by Susan Li, Senior Vice President, General Counsel to Hawaiian Electric. The Bonds are expected to be delivered through the facilities of DTC on or about November ___, 2014.

Goldman, Sachs & Co. **Citigroup**

November ___, 2014

* Preliminary, subject to change.

† Copyright, American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP numbers are provided for convenience of reference only. Neither the State nor the Underwriters take any responsibility for the accuracy of such numbers.

ABOUT THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the State, the Department, the Service Providers, or Goldman, Sachs & Co. and Citigroup Global Markets Inc. (together, the "Underwriters"), to give any information or to make any representations with respect to the Bonds, other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the State, the Department, the Service Providers, the Underwriters or any other entity. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein concerning DTC has been furnished by DTC, and no representation is made by the State or the Underwriters as to the completeness or accuracy of such information.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the State, the Department or the Service Providers since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Service Providers or that the information contained herein is correct at any time subsequent to the date hereof.

THESE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THIS OFFICIAL STATEMENT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN THOSE ACTS.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THIS OFFICIAL STATEMENT, AND PARTICULARLY THE INFORMATION CONTAINED UNDER THE HEADINGS ENTITLED "SUMMARY STATEMENT," "INTRODUCTORY STATEMENT," "THE STATUTE AND THE FINANCING ORDER," "THE GREEN INFRASTRUCTURE PROPERTY," "THE BONDS," "EXPECTED SOURCES AND USES OF BOND PROCEEDS," "MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES," "HAWAII TAX CONSIDERATIONS," "FUTURE DEVELOPMENTS,"

"LEGAL MATTERS" AND APPENDIX A HERETO, CONTAIN STATEMENTS RELATING TO FUTURE RESULTS THAT ARE "FORWARD LOOKING STATEMENTS." WHEN USED IN THIS OFFICIAL STATEMENT, THE WORDS "ESTIMATE," "FORECAST," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS IDENTIFY FORWARD LOOKING STATEMENTS. SUCH STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED IN SUCH FORWARD LOOKING STATEMENTS. ANY FORECAST IS SUBJECT TO SUCH UNCERTAINTIES. INEVITABLY, SOME ASSUMPTIONS USED TO DEVELOP THE FORECASTS WILL NOT BE REALIZED AND UNANTICIPATED EVENTS AND CIRCUMSTANCES MAY OCCUR. THEREFORE, THERE ARE LIKELY TO BE DIFFERENCES BETWEEN FORECASTS AND ACTUAL RESULTS, AND THOSE DIFFERENCES MAY BE MATERIAL.

THE INFORMATION CONTAINED IN APPENDIX A HAS BEEN PROVIDED BY THE SERVICE PROVIDERS AND THE STATE TAKES NO RESPONSIBILITY FOR SUCH INFORMATION.

OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING FOR INCLUSION IN THIS OFFICIAL STATEMENT

NOTICE TO RESIDENTS OF SINGAPORE

THIS OFFICIAL STATEMENT HAS NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, THE UNDERWRITERS HAVE REPRESENTED AND AGREED THAT THE BONDS WILL NOT BE OFFERED OR SOLD OR MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, NOR WILL THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING DOCUMENT OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE OF THE BONDS BE CIRCULATED OR DISTRIBUTED, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SECURITIES AND FUTURES ACT (THE "SFA"), (II) TO A RELEVANT PERSON PURSUANT TO SECTION 275(1) OF THE SFA OR ANY PERSON PURSUANT TO SECTION 275(1A) OF THE SFA, AND IN EACH CASE IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275 OF THE SFA OR (III) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISION OF THE SFA.

WHERE THE BONDS ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 BY A RELEVANT PERSON WHICH IS:

(A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR

(B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR,

SECURITIES (AS DEFINED IN SECTION 239(1) OF THE SFA) OF THAT CORPORATION OR THE BONDHOLDERS' RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE BONDS PURSUANT TO AN OFFER MADE UNDER SECTION 275 OF THE SFA EXCEPT:

(I) TO AN INSTITUTIONAL INVESTOR OR TO A RELEVANT PERSON DEFINED IN SECTION 275(2) OF THE SFA OR TO ANY PERSON WHERE THE TRANSFER ARISES FROM AN OFFER REFERRED TO IN SECTION 275(1A) OR SECTION 276(4)(I)(B) OF THE SFA;

(II) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER;

(III) WHERE THE TRANSFER IS BY OPERATION OF LAW; OR

(IV) AS SPECIFIED IN SECTION 276(7) OF THE SFA.

NOTICE TO RESIDENTS OF THE PEOPLE'S REPUBLIC OF CHINA

THE BONDS SHALL NOT BE OFFERED OR SOLD IN THE PEOPLE'S REPUBLIC OF CHINA, EXCLUDING HONG KONG, MACAU AND TAIWAN (THE "PRC") AS PART OF THE INITIAL DISTRIBUTION OF THE BONDS.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN THE PRC TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN THE PRC.

NEITHER THE STATE NOR THE UNDERWRITERS REPRESENT THAT THIS OFFICIAL STATEMENT MAY BE LAWFULLY DISTRIBUTED, OR THAT ANY BONDS MAY BE LAWFULLY OFFERED, IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN THE PRC, OR PURSUANT TO AN EXEMPTION AVAILABLE THEREUNDER, OR ASSUME ANY RESPONSIBILITY FOR FACILITATING ANY SUCH DISTRIBUTION OR OFFERING. IN PARTICULAR, NO ACTION HAS BEEN TAKEN BY THE ISSUING ENTITY, WHICH WOULD PERMIT A PUBLIC OFFERING OF ANY BONDS OR THE DISTRIBUTION OF THIS OFFICIAL STATEMENT IN THE PRC. ACCORDINGLY, THE BONDS ARE NOT BEING OFFERED OR SOLD WITHIN THE PRC BY MEANS OF THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENT. NEITHER THIS OFFICIAL STATEMENT NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED IN THE PRC, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. THE STATE SHALL NOT BE RESPONSIBLE OR LIABLE FOR ANY APPROVALS, REGISTRATION OR FILING PROCEDURES REQUIRED BY THE PRC INVESTORS IN CONNECTION WITH THEIR SUBSCRIPTIONS UNDER THIS OFFICIAL STATEMENT UNDER THE LAWS OF THE PRC AS WELL AS ANY OTHER REQUIREMENTS UNDER OTHER FOREIGN LAWS.

NOTICE TO RESIDENTS OF JAPAN

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (ACT NO. 25 OF 1948, AS AMENDED, THE "FINANCIAL INSTRUMENTS AND EXCHANGE ACT"), AND EACH UNDERWRITER HAS REPRESENTED AND AGREED THAT IT WILL NOT OFFER OR SELL ANY OF THE BONDS, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (WHICH TERM AS USED HEREIN MEANS ANY PERSON RESIDENT OF JAPAN, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF JAPAN) OR TO, OR FOR THE BENEFIT OF OTHERS FOR REOFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO A RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES AND REGULATIONS OF JAPAN.

NOTICE TO RESIDENTS OF HONG KONG

EACH OF THE UNDERWRITERS HAS REPRESENTED AND AGREED THAT:

IT HAS NOT OFFERED OR SOLD AND WILL NOT OFFER OR SELL IN HONG KONG, BY MEANS OF ANY DOCUMENT, ANY BONDS OTHER THAN (A) TO "PROFESSIONAL INVESTORS" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) OF HONG KONG AND ANY RULES MADE UNDER THAT ORDINANCE, OR (B) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A "PROSPECTUS" AS DEFINED IN THE COMPANIES ORDINANCE (CAP. 32) OF HONG KONG OR WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THAT ORDINANCE; AND

IT HAS NOT ISSUED OR HAD IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, AND WILL NOT ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAW OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO "PROFESSIONAL INVESTORS" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) AND ANY RULES MADE UNDER THAT ORDINANCE.

NOTICE TO RESIDENTS OF THE EUROPEAN ECONOMIC AREA

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A "RELEVANT MEMBER STATE"), EACH OF THE UNDERWRITERS HAS REPRESENTED AND AGREED THAT WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE (THE "RELEVANT IMPLEMENTATION DATE") IT HAS NOT MADE AND WILL NOT MAKE AN OFFER OF BONDS TO THE PUBLIC IN THAT RELEVANT MEMBER STATE PRIOR TO THE PUBLICATION OF A PROSPECTUS IN RELATION TO THE BONDS WHICH HAS BEEN APPROVED BY THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE OR, WHERE APPROPRIATE, APPROVED IN ANOTHER RELEVANT MEMBER STATE AND PUBLISHED AND NOTIFIED TO THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE, ALL IN ACCORDANCE WITH THE PROSPECTUS DIRECTIVE, AS IMPLEMENTED IN THE RELEVANT MEMBER STATE OR FOLLOWING, IN EITHER CASE, TWELVE MONTHS AFTER SUCH PUBLICATION, EXCEPT THAT IT MAY, WITH EFFECT FROM AND INCLUDING THE RELEVANT IMPLEMENTATION DATE, MAKE AN OFFER OF SUCH BONDS TO THE PUBLIC IN THAT RELEVANT MEMBER STATE:

(A) SOLELY TO QUALIFIED INVESTORS (AS DEFINED IN THE PROSPECTUS DIRECTIVE);

(B) TO FEWER THAN 100 NATURAL OR LEGAL PERSONS (OR IF THE RELEVANT MEMBER STATE HAS IMPLEMENTED THE RELEVANT PROVISION OF THE 2010 AMENDING DIRECTIVE, 150 NATURAL OR LEGAL PERSONS) OTHER THAN QUALIFIED INVESTORS AS DEFINED IN THE PROSPECTUS DIRECTIVE, SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE REPRESENTATIVE OF THE UNDERWRITERS FOR ANY SUCH OFFER; OR

(C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 3(2) OF THE PROSPECTUS DIRECTIVE.

PROVIDED THAT NO SUCH OFFER OF THE BONDS SHALL REQUIRE THE ISSUING ENTITY OR ANY UNDERWRITER TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE OR SUPPLEMENT A PROSPECTUS PURSUANT TO ARTICLE 16 OF THE PROSPECTUS DIRECTIVE.

FOR PURPOSES OF THIS PROVISION, THE EXPRESSION AN "OFFER OF BONDS TO THE PUBLIC" IN RELATION TO ANY BONDS IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE OR SUBSCRIBE FOR THE BONDS, AS THE SAME MAY BE VARIED IN THAT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT MEMBER STATE; THE EXPRESSION "PROSPECTUS DIRECTIVE" MEANS DIRECTIVE 2003/71/EU AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE OR AMENDING MEASURE IN EACH RELEVANT MEMBER STATE AND THE EXPRESSION "2010 AMENDING DIRECTIVE" MEANS DIRECTIVE 2010/73/EU.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

EACH OF THE UNDERWRITERS HAS REPRESENTED AND AGREED THAT (A) IT HAS ONLY COMMUNICATED OR CAUSED TO BE COMMUNICATED AND WILL ONLY COMMUNICATE OR CAUSE TO BE COMMUNICATED AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, AS AMENDED (THE "FSMA")) RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE BONDS IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO THE ISSUING ENTITY; AND (B) IT HAS COMPLIED AND WILL COMPLY WITH ALL APPLICABLE PROVISIONS OF THE FSMA WITH RESPECT TO ANYTHING DONE BY IT IN RELATION TO THE BONDS IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

STATE OF HAWAII

Neil Abercrombie,* Governor

Shan Tsutsui, Lieutenant Governor

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, & TOURISM

Richard C. Lim, Director

SPECIAL SERVICES

Trustee
U.S. Bank National Association

Transaction Counsel
Sidley Austin LLP

Financial Advisor
First Southwest Company
New York, New York

* Governor Abercrombie's term of office ends on December 1, 2014 at 11:59 a.m. Hawaii Standard Time. The terms of the Lieutenant Governor and all cabinet officers are co-terminus with that of Governor Abercrombie.

TABLE OF CONTENTS

Page

SUMMARY STATEMENT

The following information is furnished solely to provide limited introductory information regarding the State, the Department, the Trustee, the Service Providers and the Bonds and does not purport to be comprehensive. Such information is qualified in its entirety by reference to the more detailed information and descriptions appearing elsewhere in this Official Statement and should be read together therewith. The offering of the Bonds is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to make offers to sell, or solicit offers to buy, the Bonds unless the entire Official Statement is delivered in connection therewith. Terms not defined elsewhere in this Official Statement are used as defined in Appendix B hereto.

Potential investors should carefully consider the Risk Factors described in this Official Statement before investing in the Bonds.

Securities Offered:	$150,000,000* Green Energy Market Securitization Bonds, 2014 Series A
Bond Structure:	Sinking fund bond, Tranche A-1 and Tranche A-2, scheduled to pay principal semi-annually and sequentially. See "THE BONDS—Expected Sinking Fund Schedule" in this Official Statement.
Designation as "Green Bonds":	The State has designated the Bonds as "Green Bonds" based on the intended use of proceeds of the Bonds for the financing of environmentally beneficial projects. The Hawaii Green Infrastructure Authority will file quarterly reports with the Public Utilities Commission of the State of Hawaii (the "Commission"), which will be made available to the public, providing certain information regarding these projects and their environmental benefits. See "THE DEPARTMENT AND THE HAWAII GREEN INFRASTRUCTURE AUTHORITY—The Hawaii Green Infrastructure Loan Program" in this Official Statement.
Interest Rates:	Tranche A-1 (___%) ; and Tranche A-2 (___%).
Payment Dates and Interest Accrual:	Semi-annually, January 1 and July 1. Interest will be calculated on a 30/360 basis. The first scheduled Payment Date is July 1, 2015.* If a Payment Date is not a Business Day, then payment will be made on the next Business Day.
Scheduled Final Payment Dates and Final Maturity Dates:	The Scheduled Final Payment Dates are: Tranche A-1, July 1, 2020* and Tranche A-2, January 1, 2029.* The Final Maturity Dates are: Tranche A-1, July 1, 2022* and Tranche A-2, January 1, 2031.* Failure to pay a scheduled principal payment on any Payment Date or the entire outstanding amount of the Bonds of any Tranche by the related Scheduled Final Payment Date is not an Event of Default. The failure to pay the entire outstanding principal balance of the Bonds of any Tranche will result in a default only if such payment has not been made by the related Final Maturity Date for such Tranche.

* *Preliminary, subject to change.*

Average Life Profile:	The Bonds are not callable and cannot be prepaid. The True-Up Adjustment mechanism described in "*True-Up Adjustments*" below is designed to ensure the timely payment of scheduled principal and interest according to the Expected Amortization Schedule. Extension risk is possible but is expected to be statistically remote. See "THE BONDS—Weighted Average Life Sensitivity" in this Official Statement.
Optional Redemption:	The Bonds are not subject to optional redemption prior to maturity.
Minimum Denomination:	$5,000, or integral multiples of $1,000 in excess thereof, except for one bond of each Tranche that may be of a smaller denomination.
Issuer:	The State of Hawaii (the "State"), acting through the Department of Business, Economic Development, and Tourism (the "Department").
Service Providers:	The three publicly regulated utilities in the State of Hawaii, being, Hawaiian Electric Company, Inc. ("Hawaiian Electric"), Hawaii Electric Light Company, Inc. ("Hawaii Electric Light") and Maui Electric Company, Limited ("Maui Electric") (collectively, the "Service Providers").
Trustee and initial Paying Agent:	U.S. Bank National Association, under the Indenture of Trust dated as of November 1, 2014 (the "Indenture") by and between the Trustee and the Department.
Enabling Legislation Authority for State:	On April 30, 2013, the Hawaii Legislature passed, and on June 27, 2013 the Governor signed into law, Act 211, Session Laws of Hawaii 2013 (the "Act"), as codified by HRS §§ 196-61 to 196-70, 269-161 to 269-176, 269-5 and 269-121, as amended (collectively, the "Statute"), for the purposes of establishing a regulatory financing structure authorizing the Commission and the Department to provide alternative low-cost financing for the promotion of clean energy infrastructure. The Statute provides for the issuance of the Bonds and the use of the Bond proceeds to fund a Green Infrastructure Loan Program to be administered by the Hawaii Green Infrastructure Authority. See "THE DEPARTMENT AND THE HAWAII GREEN INFRASTRUCTURE AUTHORITY—The Hawaii Green Infrastructure Loan Program" in this Official Statement. The Bonds will be issued pursuant to Article VII, Section 12 of the Constitution of the State of Hawaii and Part III, Chapter 39 of the Hawaii Revised Statutes ("HRS"), as amended (collectively, the "Revenue Bond Law"), the Statute, Decision and Order No. 32281 in Docket No. 2014-0134 (the "Financing Order"), issued by the Commission on September 4, 2014, which shall become irrevocable on November 3, 2014, a Certificate of the Director of the Department dated as of November ___, 2014 (the "Certificate") and the Indenture.

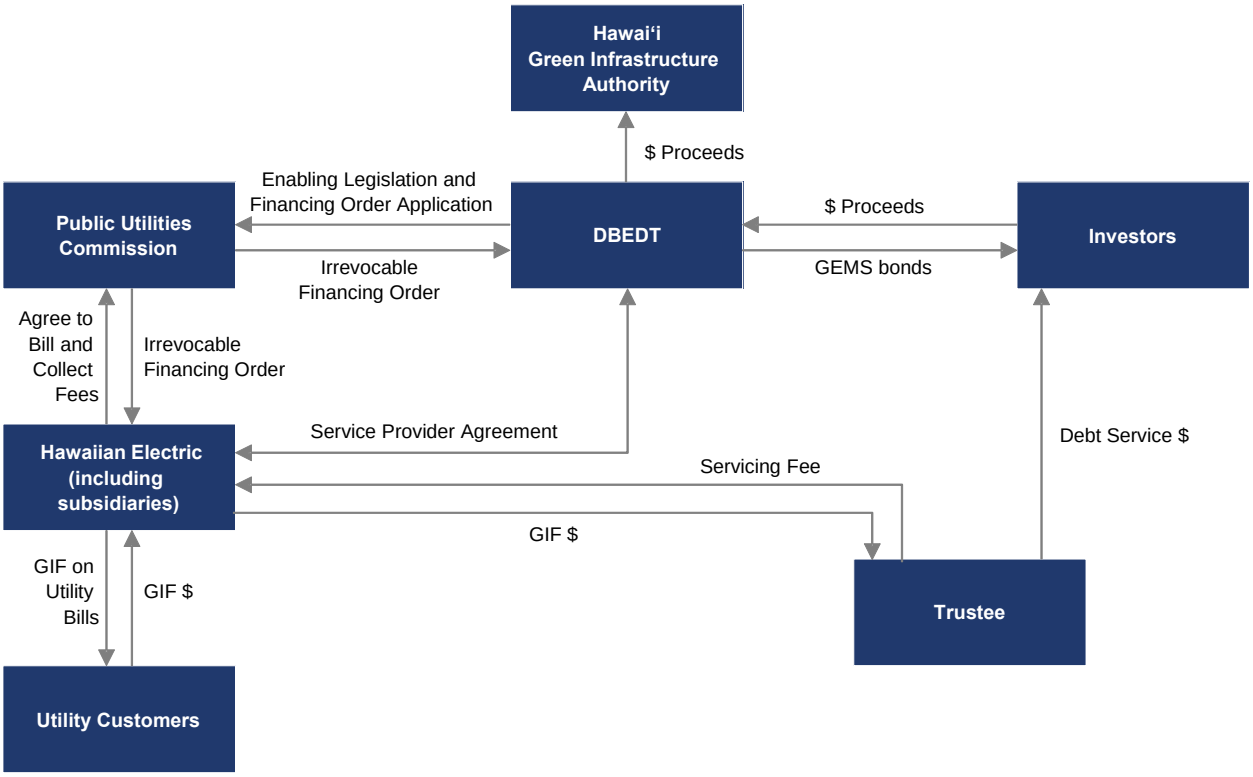
Transaction Overview:

The Statute authorizes the State, acting through the Department, to issue the Bonds. The Bonds are special and limited obligations of the State, secured by a pledge of the Green Infrastructure Property, and Accounts held under the Indenture. Green Infrastructure Property consists generally of the right to impose and collect, and to obtain periodic true-up adjustments (the "True-Up Adjustments") to a nonbypassable fee (referred to herein as the "Green Infrastructure Fee" or "GIF") on all electric service customers of the Service Providers.

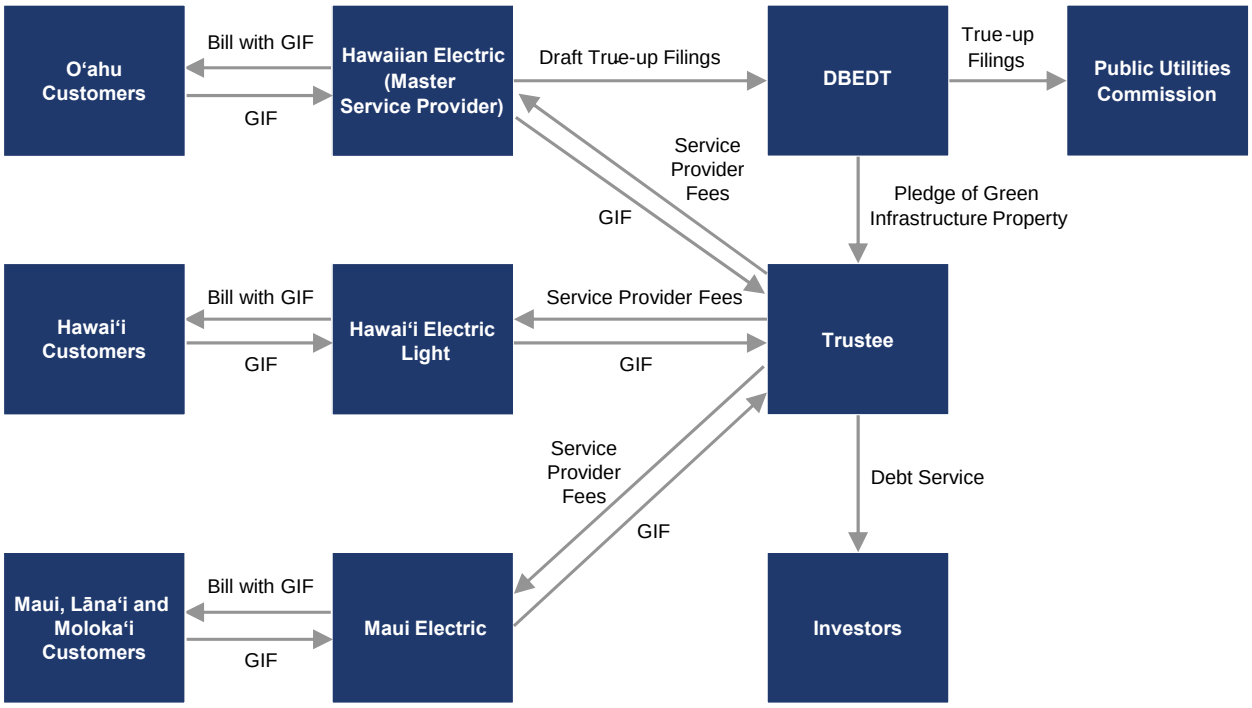
The Green Infrastructure Fee is property of the State, and will be collected by the Service Providers, as collection agents for the State, and will be remitted daily to the Trustee. There is no cap on the size of the Green Infrastructure Fee per customer, which must be imposed and collected until the Bonds are paid in full.

The State will use the proceeds of the Bonds, net of costs of issuance and the funding of a debt service reserve subaccount, to fund the Hawaii Green Infrastructure Loan Program (the "Loan Program"), which will be administered by the Hawaii Green Infrastructure Authority. The Loan Program will serve the environmentally beneficial purpose of financing the purchase and installation of clean or renewable energy systems and energy efficiency projects for Hawaii ratepayers. None of the net proceeds of the Bonds used to fund the Loan Program, the loans, the repayments thereon, or the other assets of the Loan Program will serve as security for the Bonds. See "THE DEPARTMENT AND THE HAWAII GREEN INFRASTRUCTURE AUTHORITY—The Hawaii Green Infrastructure Loan Program" in this Official Statement.

Indicative Transaction Structure – Initial Cash Flows



Indicative Transaction Structure – Ongoing Cash Flows



Financing Order:	In connection with the issuance of the Bonds, the Statute required the State to apply to the Commission for a Financing Order to, among other things, authorize the imposition and collection of the Green Infrastructure Fee and the creation of the Green Infrastructure Property, and to require the Service Providers to bill and collect the Green Infrastructure Fee, as agents, on behalf of the State. On September 4, 2014, the Commission issued the Financing Order which, among other things, authorized the issuance of the Bonds in an aggregate principal amount not exceeding $150,000,000; the imposition, charging and collection of the Green Infrastructure Fee in an amount sufficient to pay the debt service on the Bonds, together with related financing costs (as described herein) on a timely basis; and ordering the Service Providers to serve as collection agents for the State and to execute a Service Provider Agreement with the Department. Under the Statute, once a Financing Order has become final, the Commission may not directly or indirectly, except as provided by the True-Up Adjustment, reduce, impair, postpone, rescind, alter or terminate the Green Infrastructure Fee or impair the Green Infrastructure Property or the collection of the Green Infrastructure Fee so long as any Bonds are outstanding or any relating financing costs remain unpaid. The Financing Order shall become final and non-appealable on November 3, 2014.
Limited Obligation of the State:	The Bonds are special and limited obligations of the State, secured by a pledge of the Green Infrastructure Property and other moneys held by the Trustee pursuant to the Indenture. **The Bonds do not constitute a general or moral obligation of the State and the full faith and credit of the State is not pledged to payment of the principal of or interest on the Bonds.** The Bonds are not insured or guaranteed by any Service Provider, or by any of its affiliates. Thus, Bondholders must rely for payment solely upon the Statute, the Financing Order and state and federal constitutional rights to enforcement of the Statute and the Financing Order, and the Bond Collateral.
Security for the Bonds:	The Bonds are secured by a pledge of and payable from the Green Infrastructure Property, including the Green Infrastructure Fee revenues, together with other moneys held by the Trustee pursuant to the Indenture (the "Bond Collateral," as more fully described herein).

The Green Infrastructure Property includes the right, created by the Statute and the Financing Order and vested in the Department, to impose and collect the Green Infrastructure Fee from all existing and future electric customers ("Customers") that receive electric delivery service from the Service Providers or any successor electric utility and to obtain periodic True-Up Adjustments of the Green Infrastructure Fee in amounts sufficient to ensure the timely payment of principal and interest of the Bonds and related financing costs. See "THE GREEN INFRASTRUCTURE PROPERTY" in this Official Statement.

All Green Infrastructure Fees will be imposed and collected by the Service Providers, as collection agents, and remitted daily by the Service Providers directly into a Collection Account held by the Trustee, created under the Indenture. The Collection Account will consist of three subaccounts: a General Subaccount, a Debt Service Reserve Subaccount (the "DSRS"), which will be funded at closing in an amount equal to 0.50% of the initial principal amount of the Bonds (the "Required DSRS Level"), and a Surplus Revenue Subaccount. Amounts on deposit in each of these Subaccounts will be available to make payments on the Bonds on each Payment Date as provided for in the Indenture. See "THE INDENTURE—Collection Account" in this Official Statement.

True-Up Adjustments:

Pursuant to the Statute, the Financing Order includes a mechanism by which the Commission, at the request of and on behalf of the Department, will make periodic True-Up Adjustments to the Green Infrastructure Fee to ensure the timely and complete payment of principal and interest due on the Bonds, the replenishment of the Debt Service Reserve Subaccount, and the timely payment of all other Operating Costs. True-Up Adjustments must be made at least semiannually, and quarterly following the Scheduled Final Payment Date of any Tranche of Bonds until that Tranche has been paid in full. In addition to these mandatory semi-annual and quarterly True-Up Adjustments, the Department may request True-Up Adjustments at any time and without limit as to frequency, in order to ensure the timely and complete payment of principal of and interest on the Bonds, the replenishment of the Debt Service Reserve Subaccount, and the timely payment of all other Operating Costs. See "THE GREEN INFRASTRUCTURE PROPERTY—True-Up Adjustments" in this Official Statement.

There is no cap on the level of Green Infrastructure Fees which may be imposed on Customers. Through the True-Up Adjustment mechanism, all Customers cross-share in the liabilities of all other Customers for the payment of Green Infrastructure Fees.

Nonbypassable Green Infrastructure Fees: The Statute and the Financing Order provide that the Green Infrastructure Fees are nonbypassable and are payable from all existing and future Customers of the Service Providers and any successor electric utilities. See "THE GREEN INFRASTRUCTURE PROPERTY—Green Infrastructure Fee; Nonbypassability" in this Official Statement.

Service Provider Agreement: Pursuant to the Service Provider Agreement, the Service Providers are required to bill and collect the Green Infrastructure Fees for the account of the State. The Service Providers are required to remit Green Infrastructure Fees directly to the Trustee in equal daily amounts during each semi-annual collection period, regardless of the daily amounts of Green Infrastructure Fees actually received by the Service Providers during such period. Any over-remittance or under-remittance of Green Infrastructure Fees is required to be reconciled in the next True-Up Adjustment.

Hawaiian Electric, as Master Service Provider, must also cooperate with the Department to implement periodic True-Up Adjustments to the Green Infrastructure Fee. See "THE SERVICE PROVIDER AGREEMENT" of this Official Statement.

State Pledge: Under the Statute, the State has pledged to and agreed with the Holders and other Financing Parties that, until the Bonds have been paid and performed in full, the State will not take or permit any action that impairs the value of Green Infrastructure Property under the Financing Order, or reduce, alter, or impair the Green Infrastructure Fee that is imposed, charged, collected, or remitted for the benefit of the Holders and any Financing Parties, until the Bonds and all related financing costs are paid in full or adequate provision has been made by law for the protection of Bondholders. See "THE STATUTE AND THE FINANCING ORDER—State Pledge" in this Official Statement.

Priority of Collection Account Distributions: On each Payment Date (or in the case of clauses 1, 2 or 3 below, on any date directed by the Department), the Trustee shall apply all amounts on deposit in the Collection Account to pay the following amounts, in accordance with a Department Order, in the following order of priority:

1. all amounts owed by the Department to the Trustee (including legal fees and expenses and indemnity payments) not to exceed $50,000 in any calendar year will be paid to the Trustee;

2. the Service Provider Fees for such Payment Date and all unpaid Service Provider Fees for prior Payment Dates, together with out of pocket expenses not to exceed the amounts included in the last True Up Adjustment, will be paid to the Service Providers;

3. all other Operating Costs, provided that such payments in any calendar year will not exceed $100,000 on any Payment Date;

4. Periodic Interest for such Payment Date, including any overdue Periodic Interest (together with, to the extent lawful, interest on such overdue Periodic Interest at the applicable Interest Rate) will be paid to the Holders;

5. principal due and payable on the Bonds as a result of an Event of Default under the Indenture or on the Final Maturity Date of a Tranche of the Bonds will be paid to the Holders;

6. Periodic Principal scheduled to be paid for such Payment Date on a Tranche of Bonds according to the Expected Amortization Schedule, including any overdue Periodic Principal, will be paid to the Holders of any such Tranche *pro rata*, provided that if more than one Tranche is scheduled to be paid on such Payment Date then Periodic Principal will be paid sequentially in the numerical order of such Tranches;

7. all other Operating Costs for such Payment Date not described in another clause of this caption will be paid to the parties to which such Operating Costs are owed, *pro rata*;

8. the amount, if any, by which the Required DSRS Level exceeds the amount in the DSRS as of such Payment Date will be allocated to the DSRS;

9. the Remittance Excess, as required by the Service Provider Agreement, will be paid to the Service Providers, *pro rata*; and

10. the balance, if any, will be allocated to the Surplus Revenue Subaccount for subsequent distribution for the purposes and at the times contemplated above.

After principal of and interest on all Bonds, and all of the other foregoing amounts, have been paid in full, including amounts due and payable to the Trustee, the balance (including all amounts then held in the DSRS and the Surplus Revenue Subaccount), if any, will be paid to the Department for disbursement to the Commission, free from the Lien of the Indenture.

See "THE INDENTURE—Collection Account" in this Official Statement.

Credit Ratings: The Bonds are expected to receive credit ratings of "Aaa" by Moody's, "AAA (sf)" by S&P, and "AAA (sf)" by Fitch.

Tax Treatment: Interest on the Bonds is included in gross income for federal income tax purposes. Interest on the Bonds is exempt from all taxation by the State of Hawaii or any country or other political subdivision thereof, except inheritance, transfer, and estate taxes and except to the extent the franchise tax imposed on banks and other financial institutions may be measured with respect to the Bonds or income therefrom. See "MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES" in this Official Statement.

Green Infrastructure Fee as a Portion of Residential Customers' Total Electric Bill:	The initial Green Infrastructure Fee for the Bonds is expected to represent less than 1% of the total monthly bill received by an average 600 kWh residential Customer as of October 1, 2014.
Expected Settlement:	November ___, 2014, settling flat. DTC, Clearstream and Euroclear.

$150,000,000[*]
State of Hawaii
Department of Business, Economic Development, and Tourism
Green Energy Market Securitization Bonds
2014 Series A

INTRODUCTORY STATEMENT

This Official Statement is provided to furnish information in connection with the issuance by the State of Hawaii (the "State"), acting through the Department of Business, Economic Development, and Tourism (the "Department") of the State's $150,000,000[*] Green Energy Market Securitization Bonds, 2014 Series A (the "Bonds"). The Bonds will be issued pursuant to Article VII, Section 12 of the Constitution of the State of Hawaii and Part III, Chapter 39 of the Hawaii Revised Statutes ("HRS"), as amended (collectively, the "Revenue Bond Law"), HRS §§ 196-61 to 196-70, 269-161 to 269-176, 269-5 and 269-121, as amended (the "Statute"), Decision and Order No. 32281 in Docket No. 2014-0134 (the "Financing Order"), issued by the Public Utilities Commission of the State of Hawaii (the "Commission") on September 4, 2014, which shall become irrevocable on November 3, 2014, a Certificate of the Director of the Department dated as of November ___, 2014 (the "Certificate") and an Indenture of Trust dated as of November 1, 2014 (the "Indenture") between the State, acting through the Department, and U.S. Bank National Association, as trustee (the "Trustee"). Terms not defined elsewhere herein are used as defined in Appendix B hereto.

The Bonds will be secured by and payable solely from the collateral pledged by the State to the Trustee under the Indenture, including the Green Infrastructure Property and the Accounts held under the Indenture and the earnings thereon.

Green Infrastructure Property consists generally of the right to impose, collect and adjust, from time to time, a nonbypassable fee (referred to as the "Green Infrastructure Fee") on all electric service customers of the three publicly regulated utilities in the State of Hawaii, Hawaiian Electric Company, Inc. ("Hawaiian Electric"), Hawaii Electric Light Company, Inc. ("Hawaii Electric Light") and Maui Electric Company, Limited ("Maui Electric") (collectively, the "Service Providers"). The Green Infrastructure Property is property vested in the State, and the Green Infrastructure Fees will be collected by the Service Providers, as collection agents and service providers for the State. The Green Infrastructure Fees are subject to mandatory adjustment, not less often than semi-annually, and more often as authorized by the Financing Order described herein, to ensure that the amount of Green Infrastructure Fees to be collected will be sufficient to pay the Bonds in accordance with their scheduled maturities, together with related Operating Costs. There is no cap on the size of the Green Infrastructure Fee, which must be imposed until the Bonds are paid in full.

The proceeds of the Bonds, net of the costs of issuing the Bonds and the amount necessary to fund a Debt Service Reserve Subaccount to secure the bonds, will be deposited into the Green Infrastructure Special Fund to finance the Hawaii Green Infrastructure Loan Program (the "Loan Program"), as authorized by the Statute. No loans or other assets of the Loan Program will serve as security for the Bonds. Proceeds of the Bonds will be used for the environmentally beneficial purpose of financing the purchase and installation of clean or renewable energy systems. See "THE DEPARTMENT

[*] *Preliminary, subject to change.*

AND THE HAWAII GREEN INFRASTRUCTURE AUTHORITY—The Hawaii Green Infrastructure Loan Program" in this Official Statement.

Brief descriptions of the State, the Department, the Statute, the Financing Order, the Bonds, the Service Providers, the Customers, the Service Provider Agreement, the Loan Program and the Indenture are included in this Official Statement. Those descriptions and summaries do not purport to be comprehensive or definitive. Certain information regarding the Service Providers and their Customers provided by the Service Providers is included in Appendix A. Appendices C through H contain the proposed form of certain opinions to be delivered in connection with the issuance and delivery of the Bonds. The descriptions of the Bonds and other documents are qualified in their entirety by reference to them. Copies of documents relating to the Bonds may be obtained at the designated office of the Trustee, U.S. Bank National Association, Global Corporate Trust Services, 1420 Fifth Avenue, 7th Floor, Seattle, Washington 98101. Certain information relating to The Depository Trust Company ("DTC") and the book-entry only system has been furnished by DTC.

Whenever reference is made in this Official Statement to the "Department," it means the "Department, acting on behalf of the State."

THE STATUTE AND THE FINANCING ORDER

Background

In 2008, the State of Hawaii passed Act 155, Session Laws of Hawaii 2009 – the State Renewable Portfolio Standards codified as HRS § 269-92 and Energy Efficiency Portfolio Standards codified as HRS § 269-96, which set forth a 70% clean or renewable energy goal to be achieved by 2030, requiring the reduction of electrical energy consumption by 30% under the Energy Efficiency Portfolio Standards and the increase in electrical generation from renewable resources to 40% under the Renewable Portfolio Standards.

On April 30, 2013, the Hawaii Legislature passed, and on June 27, 2013 the Governor signed into law, Act 211, Session Laws of Hawaii 2013 (the "Act"). The Act, as codified by HRS §§ 196-61 to 196-70, 269-161 to 269-176, 269-5 and 269-121, as amended (referred to herein as the "Statute"). The Statute authorized the establishment of a green infrastructure financing program (the "Hawaii Green Infrastructure Loan Program" or the "Loan Program") administered by the State to make clean and renewable energy improvements more accessible and affordable to Hawaii ratepayers. The Loan Program will finance loans for clean energy technologies, especially solar photovoltaic equipment to underserved homeowners, renters and non-profit organizations in Hawaii. See "THE DEPARTMENT AND THE HAWAII GREEN INFRASTRUCTURE AUTHORITY—The Hawaii Green Infrastructure Loan Program" in this Official Statement. The Statute further authorized the establishment of a "regulatory financing structure" pursuant to which the Department, acting in conjunction with the Commission, would provide low-cost financing for the Loan Program via the issuance of "green infrastructure bonds" through the securitization of a nonbypassable charge imposed on electric utility customers.

Securitization Provisions of the Statute

The Statute provides for the issuance of "green infrastructure bonds," which are secured by "green infrastructure property," a property right created simultaneously with the issuance of the Bonds and pursuant to a financing order issued by the Commission. The Bonds constitute the first issuance of "green infrastructure bonds" under the Statute.

The Statute further provides a procedure by which the Department may apply for a financing order from the Commission authorizing and approving, among other things, the creation of "green infrastructure property," a portion of which includes the imposition, collection, calculation and adjustment of the "green infrastructure fee," as well as ordering the electric utilities to serve as collection agents for the State, as owner of the "green infrastructure property."

The Statute includes various provisions designed to achieve the highest possible credit ratings and marketability of "green infrastructure bonds," including the following:

The Financing Order is Irrevocable. A financing order is irrevocable once it has become final as provided by law, and will remain in effect until the green infrastructure bonds issued under the financing order and all financing costs related to the bonds have been paid in full or defeased by their terms, notwithstanding a bankruptcy, reorganization, or insolvency of any electric utility or any affiliate of the electric utility or the commencement of any judicial or nonjudicial proceeding on the financing order.

The Green Infrastructure Property is Vested in the State and Pledged Solely to the Payment of the Bonds. The green infrastructure property, which is created simultaneously with the issuance of the green infrastructure bonds, immediately vests in the Department, which shall pledge and create a lien on such property together with other money in the Green Infrastructure Bond Fund created pursuant to the Statute, solely and exclusively to secure payment of the green infrastructure bonds. Green infrastructure property includes the right to impose, charge and collect the green infrastructure fee and to obtain adjustments of such fee in amounts sufficient for the payment of the green infrastructure bonds and related financing costs. See "THE GREEN INFRASTRUCTURE PROPERTY—Green Infrastructure Property" herein.

The Service Providers Have No Interest in the Green Infrastructure Property. The electric utilities who serve as collection agents shall have no ownership or beneficial interest in nor any claim or right to the green infrastructure fee or the green infrastructure property, and shall act solely as collection agents for the State. See "THE GREEN INFRASTRUCTURE PROPERTY—Green Infrastructure Property" herein.

The Commission Will Ensure that the Service Providers' Costs are Recovered. The Commission will ensure that all reasonable costs incurred by the electric utilities to implement and collect the green infrastructure fee be recovered using the Green Infrastructure Fee.

The Green Infrastructure Fees must be "nonbypassable." The green infrastructure fee is "nonbypassable" for the customers of the electric utilities or any successors, as provided in the financing order. See "THE GREEN INFRASTRUCTURE PROPERTY—Green Infrastructure Fee; Nonbypassability" herein.

The Financing Order must contain a "True-Up Adjustment" Mechanism: The financing order must provide for a formulaic (true-up) adjustment mechanism to be used by the Commission, on behalf of the Department, to adjust the Green Infrastructure Fee in order to ensure that the amount of the Green Infrastructure Fee projected to be collected shall be sufficient to pay the principal and interest on the green infrastructure bonds, and all related financing costs on a timely basis, including the funding or maintenance of any reserves required to be maintained by the department. See "THE GREEN INFRASTRUCTURE PROPERTY—True-Up Adjustments" herein.

The Statute contains a State Pledge, as described under "—State Pledge" below.

The provisions of the Statute germane to the security of the Bonds are described in greater detail in this Official Statement.

The Financing Order

On June 6, 2014, the Department applied to the Commission for the Financing Order.

On September 4, 2014, the Commission issued the Financing Order which, among other things:

- authorized the issuance of the Bonds in one or more series, maturities and tranches on one or more issuance dates in an aggregate principal amount not to exceed $150,000,000;

- approved the financing structure proposed by the Department;

- afforded the Department flexibility in determining the final terms and conditions of the Bonds issuance to accommodate changes in market conditions;

- approved and authorized the creation of the Green Infrastructure Property as security for the Bonds (see "THE GREEN INFRASTRUCTURE PROPERTY" herein);

- approved the imposition, charging and collection of a Green Infrastructure Fee in an amount sufficient to pay the debt service on the Bonds, together with related financing costs on a timely basis, as well as the methodology for allocating these financing costs among Customer classes (see "THE GREEN INFRASTRUCTURE PROPERTY—Green Infrastructure Property" and "—Calculation of Green Infrastructure Fees" herein);

- approved a mechanism for periodic True-Up Adjustments to the Green Infrastructure Fee (see "THE GREEN INFRASTRUCTURE PROPERTY—True-Up Adjustments" herein);

- approved provisions providing for the nonbypassability of the Green Infrastructure Fee (see "THE GREEN INFRASTRUCTURE PROPERTY—Green Infrastructure Fee; Nonbypassability" herein);

- ordered the execution of a Service Provider Agreement among the Department, Hawaiian Electric and the other Service Providers, and provided for the compensation of the Service Providers and the mechanics for the replacement of the Service Providers upon default (see "THE SERVICE PROVIDER AGREEMENT—Service Provider Compensation" herein); and

- approved and authorized the form of a tariff to implement the Green Infrastructure Fee (see "THE GREEN INFRASTRUCTURE PROPERTY— Tariff; Separate Line Item; Partial Payments" herein).

The provisions of the Financing Order germane to the security of the Bonds are described below in greater detail in this Official Statement.

The Financing Order shall become final and non-appealable on November 3, 2014.

The Financing Order requires the Department to file with the Commission, for informational purposes only and following the pricing of the Bonds, an issuance advice letter (the "Issuance Advice Letter"), which indicates the final terms and structure of the Bonds, a schedule of estimated Operating Costs, and the initial Green Infrastructure Fee.

Further, the Statute provides that the Commission may not, except as provided in the True-Up Adjustment mechanism approved in the Financing Order, reduce, impair, postpone, rescind, alter or terminate the Green Infrastructure Fee authorized in such Financing Order or impair the Green Infrastructure Property or the collection of the Green Infrastructure Fee so long as any Bonds are outstanding or any Financing Costs remain unpaid.

State Pledge

Under the Statute, the State has pledged to and agreed with the Bondholders and other Financing Parties that, until the Bonds and any Ancillary Agreements have been paid and performed in full, the State will not take or permit any action that impairs the value of Green Infrastructure Property under the Financing Order, or (except for True-Up Adjustments as described below in "*—True-Up Adjustments*") reduce, alter, or impair the Green Infrastructure Fee that is imposed, charged, collected, or remitted for the benefit of the Bondholders and any Financing Parties, until any principal, interest, and redemption premium in respect of bonds, all Financing Costs, and all amounts to be paid to a Financing Party under an Ancillary Agreement are paid or performed in full or unless adequate provision has been made by law for the protection of Bondholders and other Financing Parties.

Constitutional Matters

Federal Constitutional Matters.

To date, no federal cases addressing the repeal or amendment of provisions analogous to those contained in the Statute have been decided. There have been cases in which courts have applied the Contract Clause of the United States Constitution (the "Federal Contract Clause") to strike down legislation, such as legislation reducing or eliminating taxes, public charges or other sources of revenues servicing other types of bonds issued by public instrumentalities or private issuers, or otherwise substantially impairing or eliminating the security for bonds or other indebtedness. Based upon this case law, Sidley Austin LLP, Transaction Counsel, will deliver its opinion to the effect that the State Pledge unambiguously indicates the State's intent to be bound with the Holders and, subject to all of the qualifications, limitations and assumptions set forth in its opinion, this case law supports the conclusion that the State Pledge constitutes a binding contractual relationship between the State and the Bondholders for purposes of the Federal Contract Clause.

Sidley Austin LLP, subject to all of the qualifications, limitations and assumptions (including the assumption that any impairment would be "substantial") will set forth in its opinion, that a reviewing court of competent jurisdiction, in a properly prepared and presented case (i) would conclude that the State Pledge constitutes a contractual relationship between the Bondholders and the State; and (ii) would conclude that, absent a demonstration by the State that an impairment is necessary to further a significant and legitimate public purpose, the Bondholders (or the Trustee acting on their behalf) could successfully challenge under the Federal Contract Clause the constitutionality of any legislation passed by the Hawaii legislature which becomes law or any action of the Commission exercising legislative powers determined by such court to limit, alter, impair or reduce the value of the Green Infrastructure Property or the Green Infrastructure Fee so as to cause an impairment prior to the time that the Bonds are fully paid and discharged or unless adequate provision has been made by law for the protection of Bondholders.

In addition, any action of the Hawaii Legislature adversely affecting the Green Infrastructure Property or the ability to collect Green Infrastructure Fees may be considered a "taking" under the United States Constitution (the "Federal Takings Clause"). Sidley Austin LLP has advised that it is not aware of any federal court cases addressing the applicability of the Federal Takings Clause of the United States Constitution in a situation analogous to that which would be involved in an amendment or repeal of the

Statute. It is possible that a court would decline even to apply a Federal Takings Clause analysis to a claim based on an amendment or repeal of the Statute, since, for example, a court might determine that a Federal Contract Clause analysis rather than a Federal Takings Clause analysis should be applied. Assuming a Federal Takings Clause analysis were applied under the United States Constitution, Sidley Austin LLP will render its opinion to the effect that under existing case law, a reviewing court of competent jurisdiction would hold that, subject to all of the qualifications, limitations and assumptions set forth in their opinion, if the Green Infrastructure Property is protected by the Federal Takings Clause of the United States Constitution, the State would be required to pay just compensation to Bondholders if the State's repeal or amendment of the Statute, or the Commission's amendment or revocation of the Financing Order, or taking of any other action by the State or the Commission in contravention of the State Pledge (a) constituted a permanent appropriation of a substantial property interest of the Bondholders in the Green Infrastructure Property or denied all economically productive use of the Green Infrastructure Property; (b) destroyed the Green Infrastructure Property other than in response to emergency conditions; or (c) substantially reduced, altered or impaired the value of the Green Infrastructure Property so as to unduly interfere with the reasonable expectations of the Bondholders arising from their investments in the Bonds. In examining whether action of the Hawaii Legislature amounts to a regulatory taking, federal courts will consider the character of the governmental action and whether such action substantially advances the State's legitimate governmental interests, the economic impact of the governmental action on the Holders, and the extent to which the governmental action interferes with distinct investment-backed expectations. There is no assurance, however, that, even if a court were to award just compensation, it would be sufficient for Bondholders to recover fully their investments.

In connection with the foregoing, Sidley Austin LLP has advised that issues relating to the Federal Contract and Takings Clauses of the United States Constitution are essentially decided on a case-by-case basis and that the courts' determinations, in most cases, appear to be strongly influenced by the facts and circumstances of the particular case, and has further advised that there are no reported controlling judicial precedents that are directly on point. The opinions described above will be subject to the qualifications included in them. The degree of impairment necessary to meet the standards for relief under a Federal Takings Clause analysis or Federal Contract Clause analysis could be substantially in excess of what a Bondholder would consider material. The proposed form of such opinion of Sidley Austin LLP relating to such federal constitutional matters is appended hereto as Appendix E.

In addition, Sidley Austin LLP will render its opinion to the effect that under existing case law, provisions of the Statute relating to the Bonds do not violate the United States Constitution in any way that would have a material adverse effect on the validity of the Bonds or the Bond Documents so as to impair the obligations thereunder.

State Constitutional Matters.

The Attorney General of the State of Hawaii will opine that under State law, the voters of the State do not have referendum or initiative powers. The proposed form of such opinion of the Attorney General of the State of Hawaii is appended hereto as Appendix C.

No Hawaii cases addressing the repeal or amendment of provisions analogous to those contained in the Statute have been decided to date. There have been cases in which courts have applied the Hawaii Constitution's adoption of the United States Constitution and the Due Process and Takings Clauses of the Hawaii Constitution (described below) to afford constitutional protection to contracts (the "State Contract Clause") to strike down legislation regarding similar matters.

Alston Hunt Floyd & Ing, subject to all of the qualifications, limitations and assumptions will opine that a Hawaii state court reviewing an appeal of Commission action of a legislative character would conclude that the (1) the State Pledge constitutes a contractual relationship between the Bondholders and the State; and (2) absent a demonstration by the State that an impairment of the contract created by the State Pledge described below is necessary to advance a significant and legitimate public purpose, and that the impairment is both "reasonable and necessary to serve" such a public purpose, the State, including the Commission, could not take any action ("Legislative Action") to repeal or amend the Statute or the Financing Order, or reduce, alter, or impair the value of the Green Infrastructure Property or the Green Infrastructure Fee so as to cause an impairment prior to the time that the Bonds are fully paid and discharged or unless adequate provision has been made by law for the protection of the Bondholders, or take, or refuse to take, any action required by the State under the State Pledge, if such Legislative Action would substantially impair the rights of the holders of the Bonds.

In addition, any action of the Hawaii Legislature adversely affecting the Green Infrastructure Property or the ability to collect Green Infrastructure Fees may be considered a "taking" under Article I, Section 20 of the Hawaii Constitution (the "State Takings Clause"). Alston Hunt Floyd & Ing has advised that they are not aware of any Hawaii court cases addressing the applicability of the State Takings Clause in a situation analogous to that which would be involved in an amendment or repeal of the Statute. It is possible that a court would decline even to apply a State Takings Clause analysis to a claim based on an amendment or repeal of the Statute, since, for example, a court might determine that a State Contract Clause analysis rather than a State Takings Clause analysis should be applied. Assuming a State Takings Clause analysis were applied under the Hawaii Constitution, Alston Hunt Floyd & Ing will render its opinion, to the effect that under existing case law, a reviewing court of competent jurisdiction would hold, subject to all of the qualifications, limitations and assumptions set forth in its opinion, under the State Takings Clause, the State of Hawaii would be required to pay just compensation to the Bondholders if the State undertook an impairment action in contravention of the State Pledge that: (i) constituted a permanent appropriation of a substantial property interest of the Bondholders in the Green Infrastructure Property or denied all economically beneficial or productive use of the Green Infrastructure Property; (ii) destroyed the Green Infrastructure Property, other than in response to so-called emergency conditions; or (iii) substantially reduced, altered or impaired the value of the Green Infrastructure Property so as to unduly interfere with the reasonable expectations of the Bondholders arising from their investment in the Bonds. There can be no assurance, however, that any award of compensation would be sufficient to pay the full amount of principal of and interest on the Bonds.

In connection with the foregoing, Alston Hunt Floyd & Ing has advised that issues relating to the State Contract and State Takings Clauses of the Hawaii Constitution are essentially decided on a case-by-case basis and that the courts' determinations, in most cases, appear to be strongly influenced by the facts and circumstances of the particular case, and has further advised that there are no reported controlling judicial precedents that are directly on point. The opinions described above will be subject to the qualifications included in them. The degree of impairment necessary to meet the standards for relief under a State Takings Clause analysis or State Contract Clause analysis could be substantially in excess of what a Bondholder would consider material. The proposed form of such opinion of Alston Hunt Floyd & Ing relating to such State constitutional matters is appended hereto as Appendix F.

In addition, Alston Hunt Floyd & Ing will render its opinion to the effect that under existing case law, a reviewing court of competent jurisdiction would hold that the provisions of the Statute relating to the Bonds do not violate the Hawaii Constitution in any way that would have a material adverse effect on the validity of the Bonds, the Certificate or the Indenture so as to impair the obligations under the Bonds, the Certificate and the Indenture.

For a discussion of risks associated with potential judicial, legislative or regulatory actions, please read "RISK FACTORS—Risks Associated with Potential Judicial, Legislative or Regulatory Actions."

Regulatory Matters

In connection with the issuance of the Bonds, Alston Hunt Floyd & Ing will deliver an opinion in respect of certain regulatory matters relating to the Financing Order. Specifically, such opinion will state, subject to all of the qualifications, limitations and assumptions set forth in the opinion, that, (1) the Financing Order among other things, (i) authorizes and approves the issuance of the Bonds, (ii) authorizes the creation of the Green Infrastructure Property, (iii) authorizes the Department, as owner of the Green Infrastructure Property to impose, bill and collect the Green Infrastructure Fee, (iv) authorizes the Department to pledge the Green Infrastructure Property as security for the repayment of the Bonds, (v) authorizes the Electric Utilities to serve as Service Providers and Hawaiian Electric to serve as initial Master Service Provider for the Department under the Service Provider Agreement, and (vi) authorizes periodic adjustments of the Green Infrastructure Fee, and the paragraphs of the Financing Order authorizing the foregoing actions are irrevocable; (2) the Bonds are "Green Infrastructure Bonds" within the meaning of the Statute and the Bonds are entitled to the protections provided under the Statute and the Financing Order, and the Trustee on behalf of the Holders of the Bonds shall be, to the extent permitted by Hawaii law and federal law and the Indenture, entitled to enforce the protections of the Statute and the Financing Order, including without limitation, the State Pledge not to take any action to impair the value of the Green Infrastructure Property under the Statute and the Financing Order; (3) the Green Infrastructure Property, including the irrevocable right to impose, collect and receive the Green Infrastructure Fee and the revenues and collections from the Green Infrastructure Fee, is the "Green Infrastructure Property" within the meaning of the Act; and (4) the Transaction, as contemplated by the Bond Documents, conforms to the Financing Order in all material respects. The proposed form of such opinion of Alston Hunt Floyd & Ing relating to such regulatory matters is attached hereto as Appendix G.

Alston Hunt Floyd & Ing will also deliver an opinion that the Financing Order has been duly issued and authorized by the Commission and is effective, irrevocable and after the statutory appeal period has run on November 3, 2014, is no longer subject to appeal. The proposed form of such opinion of Alston Hunt Floyd & Ing relating to such regulatory matters is attached hereto as Appendix H.

THE GREEN INFRASTRUCTURE PROPERTY

Green Infrastructure Property

The Statute authorizes the creation of the Green Infrastructure Property. Under the Statute, Green Infrastructure Property includes all property, rights, and interests created by the Commission under the Financing Order, including the right to impose, charge and collect from electric utility customers Green Infrastructure Fees, including the right to obtain adjustments to the Green Infrastructure Fee, and any revenues, rights to payment, payments, moneys, claims, or other proceeds arising from the rights and interests created by the Commission under the Financing Order.

Upon issuance of the Bonds, all of the rights, title and interest of the Department under the Financing Order will become Green Infrastructure Property, and will be vested in the State, and the State will pledge and grant a lien upon such property as security for the Bonds. None of the Service Providers will have ownership or beneficial interest in nor any claim or right to the Green Infrastructure Fees and Green Infrastructure Property created under the Financing Order.

Pursuant to the Financing Order, the Green Infrastructure Property will upon its creation constitute a present property right and interest which shall continue to exist regardless of whether the

Green Infrastructure Fee has been billed, has accrued or has been collected and notwithstanding any requirement that the value or the amount of the property is dependent on the future provision of service to electric utility customers, and will continue to exist until the Bonds and the Ongoing Financing Costs are paid in full.

Green Infrastructure Fee; Nonbypassability

Green Infrastructure Fees are "nonbypassable" and must be paid by all existing and future electric utility customers that receive electric delivery service from a Service Provider or its successor (herein referred to as "Customers").

The Financing Order also requires that (i) regardless of who is responsible for billing, Customers of the Service Providers shall continue to be responsible for the Green Infrastructure Fee; and (ii) the failure of Customers to pay the Green Infrastructure Fee shall allow service termination by the Service Provider (or its successor) on behalf of the Department in accordance with Commission-approved service termination rules and orders.

Under the Statute and the Financing Order, there is no "cap" on the level of Green Infrastructure Fees that may be imposed on Customers. There is also no limit on how long Green Infrastructure Fees may be imposed. Pursuant to the Statute and the Financing Order, the Green Infrastructure Fees will be imposed until the Bonds and all related Operating Costs have been paid in full.

Servicing of the Green Infrastructure Fee

The Statute and the Financing Order requires the Service Providers or any successor, as collection agents for the State, to bill and collect the Green Infrastructure Fees from all existing and future electric utility customers receiving electric delivery service daily. To that end, the Financing Order requires the Service Providers to enter into the Service Provider Agreement. See "THE SERVICE PROVIDER AGREEMENT" herein.

Pursuant to the Service Provider Agreement, the Service Providers are required to remit Green Infrastructure Fees directly to the Trustee in equal daily amounts during each Collection Period, regardless of the Green Infrastructure Fees actually received by the Service Provider. Any over-remittance or under-remittance of Green Infrastructure Fees is required to be reconciled as part of the next True-Up Adjustment.

Pursuant to the Financing Order and the Service Provider Agreement, Hawaiian Electric, as Master Service Provider, and as agent for the State, must cooperate with the Department to identify the need for, calculate, draft and implement True-Up Adjustment filings to be made by the Department with the Commission.

Under the Statute and the Financing Order, the obligation of any Customer to pay the Green Infrastructure Fee and the obligation of a Service Provider to collect and remit the Green Infrastructure Fee will not be subject to any setoff, counterclaim, surcharge, or defense by a Service Provider or any Customer, or in connection with a bankruptcy of any Service Provider or any Customer.

The Commission will ensure, among other things, that all reasonable costs incurred by the Service Providers to implement and service the Green Infrastructure Fee be recovered using the Green Infrastructure Fee. Each Service Provider's compensation, as approved in the Financing Order, is provided for in the Service Provider Agreement and will be paid as an Operating Cost subject to the terms of the Indenture.

Under the Statute a "successor" is defined to include, with respect to any Service Provider, another electric utility or other entity that succeeds voluntarily or by operation of law to the rights and obligations of the Service Provider, whether through bankruptcy, reorganization, restructuring, or other insolvency proceedings; any merger, acquisition, or consolidation; or any sale or transfer of assets. Accordingly, in the event that any of Hawaiian Electric, Hawaii Electric Light and Maui Electric merge or are otherwise consolidated, the merged entity shall be a successor and the Green Infrastructure Fee will be payable from all the electric utility customers of the merged entity.

Further, under the Financing Order, a Customer of a Service Provider (or its successor) that may subsequently receive electric delivery service from any other successor must also pay the Green Infrastructure Fee.

Under the Financing Order, no Service Provider shall be permitted to resign from its duties as a Service Provider without the consent of the Department and the Commission, and only upon such terms and conditions which will not harm the then-current credit ratings on the Bonds, as set forth in the Service Provider Agreement. The Green Infrastructure Fee will be collected in a manner that would not adversely affect the then-current credit ratings on the Bonds, including, without limitation, through third-party billing, collection and remittance. Further, any third-party billing must be conducted in a manner that would not result in a downgrade or withdrawal of the then-current rating of the Bonds.

True-Up Adjustments

Pursuant to the Statute, the Commission has included in the Financing Order a mechanism by which the Commission, on behalf of and at the request of the Department, will make True-Up Adjustments to the Green Infrastructure Fees to ensure the timely and complete payment of principal and interest due and accruing on the Bonds, the replenishment of the Debt Service Reserve Subaccount, and the timely payment of all other Ongoing Financing Costs during each period for which the requirement is calculated (the "Periodic Revenue Requirement"). These True-Up Adjustments are designed to ensure that the amount of Green Infrastructure Fees paid by Customers is neither more nor less than the amount necessary to cover the costs of a financing.

Specifically, the Commission, on behalf of and at the request of the Department, will make True-Up Adjustments to the Green Infrastructure Fee (a) semiannually, beginning no more than 12 months from issuance of the Bonds and continuing until the Scheduled Final Payment Date of the last maturing Tranche of Bonds, (b) quarterly following the Scheduled Final Maturity Date of any Tranche of Bonds that remains unpaid on such date and until such Bonds are paid in full, and (c) at any other time if the Department determines that such True-Up Adjustment is required to assure the timely payment of the principal and interest on the Bonds. Such adjustments are referred to herein as "Semiannual True-Up Adjustments," "Quarterly True-Up Adjustments" and "Optional True-Up Adjustments," respectively. Pursuant to the Service Provider Agreement, True-Up Adjustments will be made on January 1 and July 1 of each year, commencing July 1, 2015.

To initiate any True-Up Adjustment, Hawaiian Electric, as Master Service Provider and as agent for the State, will make a preliminary calculation of the True-Up Adjustment and will prepare and submit to the Department a draft request for adjustment (a "True-Up Letter"). The Department will review the draft True-Up Letter, including the proposed True-Up Adjustment, and subject to any corrections or modifications, will file the True-Up Letter with the Commission not later than 15 days prior to the proposed effective date of the adjustment (a "True-Up Adjustment Date"). The Commission, on behalf of the Department, will adjust the Green Infrastructure Fee as requested in each True-Up Letter and such Green Infrastructure Fee will be effective on the date specified in the True-Up Letter, so long as such effective date is at least 15 days after the filing of such True-Up Letter, subject only to the correction of

any mathematical errors by the Commission. If mathematical errors are discovered by the Commission after the effective date of the Green Infrastructure Fee adjustment, an adjustment will be made by the Department in the next True-Up Letter to reflect any necessary correction. The Commission will give the Department prompt notice of the discovery of any error requiring a recalculation of the Green Infrastructure Fee.

Each True-Up Adjustment will be designed (i) to correct for any over-collections or under-collections of Green Infrastructure Fees through the proposed True-Up Adjustment Date and (ii) to ensure that expected Green Infrastructure Fee remittances to the Trustee during the Applicable Collection Period are adequate (a) to pay timely principal of and interest on the Bonds when due and as accruing through the end of the Applicable Collection Period, (b) to replenish the Debt Service Reserve Subaccount to its required level no later than the next Payment Date following the True-Up Adjustment Date, and (c) to make timely payment of all other Ongoing Financing Costs payable during the Applicable Collection Period.

As used herein, "Applicable Collection Period" means the period which commences with the related True-Up Adjustment Date and which ends five (5) Service Provider Business Days prior to (i) with respect to any Semiannual True-Up Adjustment or any Quarterly True-Up Adjustment, the Payment Date next following the True-Up Adjustment Date, and (ii) with respect to any Optional True-Up Adjustment, the date specified in the True-Up Letter.

There is no cap on the level of Green Infrastructure Fees that may be imposed on Customers in a Rate Class (as defined below) as a result of the True-Up Adjustments. Through the True-Up Adjustment, all Customers cross-share in the liabilities of all other Customers for the payment of Green Infrastructure Fees. Accordingly, although the cost responsibility among the various classes of customers will differ, any deficiency in the payment of the Green Infrastructure Fees by any classes of customers will be included in the True-Up Adjustment and will be taken into account in the application of the True-Up Adjustment to adjust the Green Infrastructure Fee for all Customers.

Calculation of Green Infrastructure Fees

Under the terms of the Financing Order, payment responsibility for the Periodic Revenue Requirement is allocated between Customers in two rate classes (each a "Rate Class," and together, the "Rate Classes") comprised of residential and non-residential customers. The Periodic Revenue Requirement will be allocated based upon the following allocation factors: 45% of such Periodic Revenue Requirement will be allocated to residential customers and 55% of such Periodic Revenue Requirement will be allocated to the remaining classes of customers (i.e., the non-residential customers). This allocation of Periodic Revenue Requirements costs shall remain fixed for the life of the Bonds.

The Periodic Revenue Requirement allocated to non-residential Customers will be further allocated to the following four subclasses comprised as follows (each a "Subclass"): small commercial (G, TOU-G), medium commercial (EV-F, J, TOU-J, SS, EV-C), large commercial (DS, P, TOU-P, U) and street lighting (F), in the percentages shown in the table below.

Rate Class	Percentage of Periodic Revenue Requirement
Residential Customers	**45.0%**
Non-Residential Customers	
Small Commercial (G, TOU-G)	**4.2%**
Medium Commercial (EV-F, J, TOU-J, SS, EV-C)	**21.6%**
Large Commercial (DS, P, TOU-P, U)	**28.8%**
Street Lighting (F)	**0.4%**
Total	**100.0%**

This allocation of the Periodic Revenue Requirement among the Non-Residential Subclasses will remain fixed for the life of the Bonds, subject only to adjustment in the event that the number of customers of any Subclass falls by more than 50%. In such event, the loss of each incremental customer of such Subclass (which triggers and follows the 50% decline) will result in a reallocation of costs pro rata to the remaining Subclasses of Non-Residential Customers based on the then-current allocation percentages for each remaining Subclass.

Although the cost responsibility among the Rate Classes will differ, any deficiency in the payment of the Green Infrastructure Fees by any Rate Class will be included in the True-Up Adjustment and will be taken into account in the application of the True-Up Adjustment to adjust the Green Infrastructure Fee for all Customers.

The Green Infrastructure Fee for each customer of a Rate Class will be determined by dividing the Periodic Revenue Requirement by the number of customers in each Rate Class or Subclass.

Tariff; Separate Line Item; Partial Payments

Prior to the issuance of the Bonds, each Service Provider is required to complete a tariff schedule to be filed under the Service Providers' tariffs, in the form attached to the Financing Order, to implement the Green Infrastructure Fee. The Tariff will be amended each time the Green Infrastructure Fees are adjusted.

The Green Infrastructure Fee will appear as a separate line item on each Customer's electric bill.

Pursuant to the Financing Order, to the extent that any consumer makes a partial payment of a bill containing both the Green Infrastructure Fee and any other charges, such payment shall be allocated first to the payment in full of the Green Infrastructure Fee, and thereafter to the payment of all other charges on the bill.

Estimated Initial Green Infrastructure Fee; Public Benefits Fee

It is estimated that, as of October 1, 2014, the initial Green Infrastructure Fees would represent less than 1% of the total monthly bill received by a typical 600 kWh Residential Customer.

Under the Financing Order, the Commission approved an adjustment mechanism allowing the Green Infrastructure Fee to be credited against the public benefits fee established pursuant to HRS § 269-121 (the "Public Benefits Fee") identified on the electric bill, provided that such crediting mechanism

would have no effect on the calculation, imposition, collection, remittance or adjustment of the Green Infrastructure Fee. It is expected that the Public Benefits Fees collected from Hawaii ratepayers will be reduced by the Green Infrastructure Fees such that the typical Residential Customer would not see an increase in his or her monthly bill as a result of the imposition of the initial Green Infrastructure Fees.

THE BONDS

General

The Bonds will be issued in the aggregate principal amount of $150,000,000.* The Bonds will be dated November __, 2014 will bear interest from the date of their initial delivery and thereafter from and including the most recent date to which interest has been paid and will mature as set forth below. Interest will first be payable on July 1, 2015.* The initial principal amount, expected weighted average life, Scheduled Final Payment Date, Final Maturity Date and Interest Rate of each Tranche of the Bonds is set forth on the cover page of this Official Statement.

The Bonds will be issued in authorized denominations of $5,000 or any whole multiple of $1,000 in excess of $5,000, except for one bond of each Tranche that may be of a smaller denomination.

The Bonds originally will be issued solely in book-entry only form to DTC or its nominee, Cede & Co., to be held in DTC's book-entry only system. So long as the Bonds are held in the book-entry only system, DTC or its nominee will be the registered owner of the Bonds for all purposes of the Indenture, the Bonds and this Official Statement. For purposes of this Official Statement, DTC or its nominee, and its successors, are referred to as the "Securities Depository." See "THE BONDS" herein.

U.S. Bank National Association is the Trustee under the Indenture and also is the Bond Registrar, Authenticating Agent and Paying Agent for the Bonds.

Security

The Bonds are special and limited obligations of the State, secured by a pledge of the Green Infrastructure Property and payable solely from the Revenues and the other Bond Collateral. The Bonds are equally and ratably secured by a lien and charge on the Green Infrastructure Property prior and paramount to the lien thereon of any other bonds.

The Bonds do not constitute a general or moral obligation of the State and the full faith and credit of the State is not pledged to payment of the principal of and interest on the Bonds.

Interest on the Bonds

Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will be paid to the registered owner as of the Business Day preceding each Payment Date, January 1 and July 1, beginning July 1, 2015,* in immediately available funds by check or wire transfer in accordance with the Indenture on the Payment Date. If any payment on the Bonds is due on a non-Business Day, it will be made on the next Business Day, and no additional interest will accrue as a result.

* *Preliminary, subject to change.*

Principal of the Bonds

On each Payment Date, principal will be paid to the Bondholders in the following priority of order:

1. Principal due and payable on the Bonds as a result of an Event of Default or on the Final Maturity Date of a Tranche of the Bonds shall be paid to the Bondholders; and

2. Periodic Principal scheduled to be paid for such Payment Date on a Tranche of Bonds according to the Expected Amortization Schedule, including any overdue Periodic Principal, shall be paid to the Bondholders of any such Tranche, pro rata, provided that if more than one Tranche is schedule to be paid on such Payment Date then Periodic Principal shall be paid sequentially in the numerical order of such Tranches;

To the extent funds are so available, scheduled payments of principal of the Bonds will be made in the following order:

a. to the Bondholders of the Tranche A-1 Bonds, until the principal balance of that Tranche has been reduced to zero, and

b. to the Bondholders of the Tranche A-2 Bonds, until the principal balance of that Tranche has been reduced to zero.

However, unless accelerated pursuant to the Indenture following an Event of Default, the Bonds shall be payable on each Payment Date only to the extent that amounts in the Collection Account are available therefor, and only until the outstanding principal balance specified in the Expected Amortization Schedule below. Any excess funds remaining in the Collection Account after payment of principal, interest, applicable fees and expenses and payments to the applicable subaccounts of the Collection Account will be retained in the Surplus Revenue Subaccount for subsequent distribution in accordance with the provisions of the Indenture. The entire unpaid principal balance of each Tranche of the Bonds will be due and payable on the Final Maturity Date for such Tranche.

If an Event of Default under the Indenture has occurred and is continuing, the Trustee or the Holders of a majority in principal amount of the Bonds then Outstanding may declare the unpaid principal balance of the Bonds, together with accrued interest thereon, to be due and payable. However, this will result in payment of principal upon an acceleration of the Bonds being made only as funds become available in the Collection Account. See "RISK FACTORS—Risks Associated with Acceleration of the Bonds" herein.

If there is a shortfall in the amounts available to make principal payments on Bonds that are due and payable, including upon an acceleration following an Event of Default under the Indenture, the Trustee will distribute principal from the Collection Account *pro rata* to the Bondholders of each Tranche based on the respective amounts of principal amount then due and payable on the Payment Date.

The expected sinking fund schedule below sets forth the corresponding principal payment that is scheduled to be made on each Payment Date for each Tranche of the Bonds from the issuance date to the Scheduled Final Payment Date or the related Tranche. Similarly, the Expected Amortization Schedule below sets forth the principal balance that is scheduled to remain outstanding on each Payment Date for each Tranche of the Bonds from the issuance date to the Scheduled Final Payment Date.

Expected Sinking Fund Schedule*†

Semi-Annual Payment Date	Tranche A-1 Principal Payments	Tranche A-2 Principal Payments
Tranche Size	$ 50,000,000	$ 100,000,000
July 1, 2015	4,470,399	0
January 1, 2016	4,653,367	0
July 1, 2016	4,686,364	0
January 1, 2017	4,719,595	0
July 1, 2017	4,753,062	0
January 1, 2018	4,786,767	0
July 1, 2018	4,820,710	0
January 1, 2019	4,854,894	0
July 1, 2019	4,889,320	0
January 1, 2020	4,923,991	0
July 1, 2020	2,441,531	2,517,376
January 1, 2021	0	5,017,568
July 1, 2021	0	5,099,981
January 1, 2022	0	5,183,749
July 1, 2022	0	5,268,892
January 1, 2023	0	5,355,433
July 1, 2023	0	5,443,396
January 1, 2024	0	5,532,804
July 1, 2024	0	5,623,680
January 1, 2025	0	5,716,049
July 1, 2025	0	5,809,935
January 1, 2026	0	5,905,364
July 1, 2026	0	6,002,359
January 1, 2027	0	6,100,948
July 1, 2027	0	6,201,156
January 1, 2028	0	6,303,010
July 1, 2028	0	6,406,537
January 1, 2029	0	6,511,763
Total Payments	**$ 50,000,000**	**$ 100,000,000**

* Preliminary, subject to change.

† Numbers may not add to totals due to rounding.

There is no assurance that the principal balance of any Tranche of the Bonds will be reduced at the rate indicated in the table above. The actual reduction in Tranche principal balances may occur more slowly. The actual reduction in Tranche principal balances will not occur more quickly than indicated in the above table, except in the case of acceleration due to an Event of Default under the Indenture. **It is not an Event of Default if principal is not paid as specified in the schedule above unless the principal of any Tranche is not paid in full on or before the Final Maturity Date of that Tranche.**

Expected Amortization Schedule*

Outstanding Principal Balance Per Tranche

Semi-Annual Payment Date	Tranche A-1 Balance	Tranche A-2 Balance
November 13, 2014	$ 50,000,000	$ 100,000,000
July 1, 2015	45,529,601	100,000,000
January 1, 2016	40,876,234	100,000,000
July 1, 2016	36,189,870	100,000,000
January 1, 2017	31,470,275	100,000,000
July 1, 2017	26,717,213	100,000,000
January 1, 2018	21,930,446	100,000,000
July 1, 2018	17,109,736	100,000,000
January 1, 2019	12,254,842	100,000,000
July 1, 2019	7,365,522	100,000,000
January 1, 2020	2,441,531	100,000,000
July 1, 2020	0	97,482,624
January 1, 2021	0	92,465,056
July 1, 2021	0	87,365,075
January 1, 2022	0	82,181,326
July 1, 2022	0	76,912,435
January 1, 2023	0	71,557,002
July 1, 2023	0	66,113,605
January 1, 2024	0	60,580,801
July 1, 2024	0	54,957,121
January 1, 2025	0	49,241,072
July 1, 2025	0	43,431,137
January 1, 2026	0	37,525,773
July 1, 2026	0	31,523,414
January 1, 2027	0	25,422,466
July 1, 2027	0	19,221,310
January 1, 2028	0	12,918,300
July 1, 2028	0	6,511,763
January 1, 2029	0	0

* Preliminary, subject to change.

On each Payment Date, the Trustee will make principal payments to the extent that amounts are available therefor, and only until the outstanding principal balance of each Tranche of Bonds has been reduced to the principal balance specified in the Expected Amortization Schedule above, unless accelerated pursuant to the Indenture following an Event of Default. However, under the Indenture, principal payments may be made in lesser than expected amounts and at later times. The entire unpaid principal amount of each Tranche of Bonds shall be due and payable on the Final Maturity Date thereof. All principal payments on each Tranche of Bonds shall be made *pro rata* to the Holders of such Tranche based on the respective amounts of such Tranche of Bonds held by them.

Weighted Average Life Sensitivity

Weighted average life refers to the average amount of time from the date of issuance of a security until each dollar of principal of the security has been repaid to the investor. The rate of principal payments on each Tranche of the Bonds, the aggregate amount of each interest payment on each Tranche of the Bonds and the actual final Payment Date of each Tranche of the Bonds will depend on the variations in the number of customers. Changes in the expected weighted average lives of the Tranches of the Bonds in relation to variances in actual number of customers from forecast levels are shown below.

		Weighted Average Life Sensitivity*			
		5%		**15%**	
Tranche	**Expected Weighted Avg. Life ("WAL") (yrs)**	**WAL (yrs)**	**Change (days)**	**WAL (yrs)**	**Change (days)**
A-1	3.05	3.05	0.00	3.05	0.00
A-2	10.21	10.21	0.00	10.21	0.00

* Preliminary, subject to change.

For the purposes of preparing the above table, we have assumed, among other things, that:

- The customer count forecast error occurs during the first period stays constant over the life of the Bonds and is equal to an underestimate of customer counts for all customer classes of 5% or 15% as stated in the chart above;
- The Service Providers make timely and accurate filings to true-up the charges on a semi-annual basis (and, in each case, reforecasts customer counts to reflect actual experience);
- Customer charge-off rates are held constant at 0.10% for all customer classes;
- Operating expenses and servicing costs are equal to projections;
- There is no acceleration of the final maturity date of the Bonds;
- A permanent loss of all customers has not occurred; and
- The Service Providers will remit daily payments as required under the Service Provider Agreement.

There can be no assurance that the weighted average lives of the various tranches of the Bonds will be as shown in the above table.

Fees and Expenses[*]

As set forth in the table below, the following annual Operating Expenses will be payable from Revenues before debt service payments are made on the Bonds.

Recipient	Fees and Expenses Payable
Trustee	Trustee fees, indemnity payments and expense reimbursements not to exceed $50,000.
Service Providers	$2,729 for Hawaiian Electric, $2,729 for Hawaii Electric Light and $2,729 for Maui Electric, plus reimbursement for reasonable third-party costs, such as accountant and attorney fees and expenses, incurred in connection with the performance by the Service Providers under the Service Provider Agreement.
Department	Legal, Consulting and Accounting Fees of $10,000.
Rating Agencies	Rating Agency Fees of $45,750.

The annual Service Provider Fees payable to any third party successor not affiliated with Hawaiian Electric will not at any time exceed 0.75% per annum on the original principal balance of the Bonds (in each case, adjusted for the pro rata portion of the Bonds serviced by the replaced Service Provider so that the aggregate Service Provider Fee payable would never exceed 0.75% per annum on the original principal balance of the Bonds), unless a higher fee is approved by the Commission.

Redemption

The Bonds are not subject to redemption at the option of the State.

Additional Bonds

Additional green infrastructure bonds may be issued pursuant to the laws of the State, including the Statute. However, in the event that additional green infrastructure bonds are issued, such green infrastructure bonds would be issued under a new financing order and would not be secured by the Bond Collateral; consequently, the security for the Bonds will be independent of the security for any such additional bonds and such additional bonds will be neither senior nor junior to the Bonds. Further, the Indenture requires that the Rating Agency Condition be satisfied as a condition to such issuance.

Securities Depository

The Bonds will be available to investors only in book-entry form. DTC will act as securities depository for the Bonds. Bondholders may hold the Bonds through DTC in the United States, and may hold the Bonds through Clearstream, or Euroclear in Europe or in any other manner described in this Official Statement. See "Appendix J – Securities Depository" to this Official Statement for a description of DTC and its book-entry-only system that will apply to the Bonds, as well as information relating to Clearstream and Euroclear.

As long as the book-entry system is used for the Bonds, as to Bonds held through DTC, the Trustee and the Department will give any notice required to be given owners of Bonds only to DTC. BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS FOR THE DIRECT PARTICIPANT THROUGH WHOSE DTC ACCOUNT THEIR BENEFICIAL OWNERSHIP

[*] *Preliminary, subject to change.*

INTEREST IS RECORDED TO RECEIVE NOTICES THAT MAY BE CONVEYED TO DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS.

Definitive Bonds

In the event the Department determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bond certificates, the Department may notify DTC and the Trustee, whereupon DTC will notify the Participants, of the availability through DTC of the Bond certificates, subject to DTC procedures. In such event, the Department, acting for the State, shall issue, and the Trustee shall transfer and exchange, Bond certificates as requested by DTC and any other Bond owners in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Department and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor Securities Depository), the Department and the Trustee shall be obligated to deliver Bond certificates as described in the Indenture. In the event Bond certificates are issued, the provisions of the Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the Department and the Trustee to do so, the Trustee and the Department will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Bonds to any DTC Participant having Bonds credited to its DTC account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

Upon surrender by DTC of the definitive Bonds and instructions for registration, the Department, acting for the State, will issue the definitive Bonds, and thereafter the Trustee will recognize the registered holders of the definitive Bonds as Holders under the Indenture.

The Trustee will make payments of principal of and interest on the Bonds directly to Bondholders in accordance with the procedures set forth herein and in the Indenture. The Trustee will make interest payments and principal payments to Holders in whose names the definitive Bonds were registered at the close of business on the related record date. The Trustee will make payments by check mailed to the address of the Holder as it appears on the register maintained by the Bond Registrar or in such other manner as may be provided in the Indenture, except that certain payments will be made by wire transfer as described in the Indenture. The Trustee will make the final payment on any Bond (whether definitive Bonds or registered in the name of Cede & Co.), however, only upon presentation and surrender of the Bond on the final payment date at the office or agency that is specified in the notice of final payment to Holders.

Definitive Bonds will be transferable and exchangeable at the offices of the Paying Agent and Bond Registrar, which initially will be the Trustee. There will be no service charge for any registration of transfer or exchange, but the Paying Agent and Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge imposed in connection therewith.

EXPECTED SOURCES AND USES OF BOND PROCEEDS*

Set forth below is the estimated sources and uses of Bond proceeds.

	Total
Sources	
Par Amount	$150,000,000
Total Sources	$150,000,000
Uses	
Green Infrastructure Special Fund	$146,323,247
Debt Service Reserve Subaccount	750,000
Financing and Issuance Costs	2,926,753
Total Uses	$150,000,000

THE DEPARTMENT AND THE HAWAII GREEN INFRASTRUCTURE AUTHORITY

Department Organization

The Department is one of 18 principal executive departments of the State. The Department is established under HRS § 26-18 and organized under the provisions of Chapter 201 of Title 13 of the Hawaii Revised Statutes, HRS §§ 201-1 through 201-114. The Department is headed by the Director of Business, Economic Development and Tourism. The Department undertakes statewide business and economic development activities and energy development and management, provides economic research and analysis, plans for the use of Hawaii's ocean resources, and encourages the development and promotion of industry and international commerce through programs established by law.

Department Management

The Department is headed by the Director, a single executive appointed by the Governor and confirmed by the State Senate. The Director, with the approval of the Governor, designates a Deputy Director. The Director and Deputy Director serve four-year terms coterminous with the Governor's term.

Management Personnel

The following are the senior executives of the Department responsible for its management:

Richard C. Lim, Director, was appointed to his current position by Governor Neil Abercrombie in December 2010. Mr. Lim was President of City Bank (Hawaii) from 1999 to 2004; Executive Vice President of International Savings and Loan Association from 1994 to 1999; and President of International Holding Capital Corporation from 1988 to 1994.

Mr. Lim serves as Director of the Hawaii Technology Development Venture Board; Director/Treasurer of the Korean American Foundation; and is a Board member for Chaminade College Board of Governors. Mr. Lim received his BA from Santa Clara University, and his MBA from Chaminade University.

* *Preliminary, subject to change.*

Mary Alice Evans, Deputy Director, has been in state government for over 35 years, eight of which she served in the Department's Office of Planning. Most recently, Ms. Evans served as the Planning Program Manager in the Special Plans Branch of the Department.

She has also served as President of the Hawaii Chapter of American Planning Association on the Hawaii Economic Association, Honolulu City Planning Commission and the Urban Land Institute. Ms. Evans earned her BA in Sociology from the University of California, California, Santa Barbara, and a MA in Urban and Regional Planning from the University of Hawaii at Manoa.

The Hawaii Green Infrastructure Loan Program

The Department, on behalf of the Hawaii Green Infrastructure Authority, submitted a separate application to the Commission requesting the issuance of a program order (the "Program Order") to effectuate the Loan Program. The Hawaii Green Infrastructure Authority will administer the Loan Program.

On September 30, 2014, the Commission issued the Program Order under Docket No. 2014-0135 pursuant to HRS § 269-171, authorizing the use of Bond proceeds and other amounts held in the Hawaii Green Infrastructure Special Fund created pursuant to HRS § 196-65 to implement the Loan Program and to pay related administrative costs. The Loan Program is a sustainable green infrastructure financing program created to advance the State's clean energy mandates by providing ratepayers and underserved consumers in Hawaii with increased access to clean energy technologies, including solar photovoltaic technologies. Based on this use of proceeds of the Bonds, the State has designated the Bonds as "Green Bonds."

The Hawaii Green Infrastructure Authority became operational on October 23, 2014. The Loan Program will finance loans for clean energy technologies, especially solar photovoltaic equipment to underserved homeowners, renters and non-profit organizations in Hawaii. Under the Program Order, Loan Program funds may be deployed, upon the satisfaction of certain minimum criteria, by private sector entities including financial institutions, solar financiers, and other potential clean energy capital partners to finance solar photovoltaic systems for Hawaii ratepayers and consumers for an environmentally beneficial purpose.

The Hawaii Green Infrastructure Authority will file quarterly reports regarding the Loan Program with the Commission to provide periodic snapshots of Loan Program activity. The quarterly reports will include metrics on energy produced, petroleum displaced, greenhouse gas avoided and the number of projects financed according to technology/type/category. These reports will be available to the public through the Hawaii Public Utilities Commission website.

Neither the net proceeds of the Bonds used to finance the Loan Program, nor the loans or other assets of the Loan Program will serve as security for the Bonds.

The Hawaii Green Infrastructure Authority

The Hawaii Green Infrastructure Authority is comprised of five members. By law, the Director, the Director of Finance and the Energy Program Administrator of the Department shall serve as three of the five members. The Governor shall appoint two other public members, and the Director shall serve as Chairperson of the Hawaii Green Infrastructure Authority. The Director of Finance is Kalbert K. Young, and the Energy Program Administrator is Mark B. Glick. The Governor has appointed Wesley K. Machida and Jeffrey Mikulina to serve as the public members. Mr. Machida is Executive Director of the

Employees' Retirement System of the State of Hawaii, and Mr. Mikulina is Executive Director of Blue Planet Foundation, a Hawaii-based nonprofit organization advocating for clean energy in Hawaii.

THE INDENTURE

In addition to the description of certain provisions of the Indenture contained elsewhere herein, the following is a brief summary of certain provisions of the Indenture and does not purport to be comprehensive or definitive. All references herein to the Indenture are qualified in their entirety by reference to the Indenture for the detailed provisions thereof.

Pledge of Bond Collateral

Pursuant to Section 196-67 of the Statute, the State has established, the establishment of which is confirmed by the Indenture, the Hawaii Green Infrastructure Bond Fund (the "Bond Fund") as a special fund of the State and into which all proceeds of the Green Infrastructure Fee and all other proceeds of the Green Infrastructure Property, will be paid. There will also be deposited into the Bond Fund such other moneys as provided in the Financing Order and the Indenture. Pursuant to Section 269-164 of the Statute, upon issuance of the Bonds authorized under the Indenture, the Green Infrastructure Property will vest in the Department, and the Department will pledge and create a lien upon the Green Infrastructure Property, solely and exclusively in favor of the Bondholders and any Financing Parties, to secure the payment of the Bonds and all other Financing Costs as provided in the Indenture.

Pursuant to the Statute, the State pledges and assigns to, and grants a lien upon for the benefit of the Trustee, in trust upon the terms of the Indenture, the following (a) the Green Infrastructure Property, including without limitation all Revenues, and the Department's interest in the Financing Order, (b) the Bond Fund, and all Accounts, Subaccounts and assets, including money, contract rights, general intangibles or other personal property held by the Trustee under the Indenture, (c) the State Pledge and the other covenants of the State in the Indenture, (d) the Department's right to enforce the Service Provider Agreement; (e) any and all other property of any kind conveyed, pledged, assigned or transferred as and for additional security under the Indenture and (f) the proceeds of the foregoing. Except as specifically provided in the Indenture, this pledge, assignment and lien does not include (i) the rights of the Department pursuant to provisions for consent or other action by the Department, notice to the Department, or the filing of documents with the Department, or (ii) any right or power reserved to the State pursuant to the Statute or other law. The foregoing security constitutes the "Bond Collateral."

The pledge, assignment and lien created by the Indenture in the Bond Collateral will constitute a prior and paramount lien on all Revenues and other Bond Collateral, subject only to the provisions of the Indenture permitting the application of such Revenues and other funds for the purposes and on the terms and conditions of the Indenture, over and ahead of any claims (whether in tort, contract or otherwise and irrespective of whether or not the parties possessing such claims have notice of the foregoing lien), encumbrances or obligations of any nature arising or incurred after the effective date of the Indenture.

The Department has covenanted in the Indenture not to incur any other indebtedness payable from or secured by the Bond Collateral. See "THE BONDS — Additional Bonds" in this Official Statement.

The State will protect and defend the pledge and lien created by the Statute and the Indenture by all appropriate legal action as further described in the Indenture.

Collection of Money

Except as otherwise expressly provided in the Indenture, the Trustee may demand payment or delivery of, and will receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all money and other property payable to or receivable by the Trustee pursuant to the Indenture and the other Basic Documents. The Trustee will apply all such money received by it as provided in the Indenture. Except as otherwise expressly provided in the Indenture, if any default occurs in the making of any payment or performance under any agreement or instrument that is part of the Bond Collateral, the Trustee may take such action as may be appropriate to enforce such payment or performance, subject to the Indenture, including the institution and prosecution of appropriate Proceedings. Any such action will be without prejudice to any right to assert a Default or Event of Default under the Indenture and any right to proceed thereafter as provided in the Indenture.

Collection Account

(a) Under the Indenture, there is created within the Green Infrastructure Bond Fund, the Collection Account and the following three subaccounts in the Collection Account: a general subaccount (the "General Subaccount"), a surplus revenue subaccount (the "Surplus Revenue Subaccount") and a debt service reserve subaccount (the "DSRS" and, together with the General Subaccount and the Surplus Revenue Subaccount, the "Subaccounts"). All references to the Collection Account are deemed to include reference to all Subaccounts. For administrative purposes, the Subaccounts may be established by the Trustee as separate accounts.

(b) All amounts in the Collection Account not allocated to any other subaccount will be allocated to the General Subaccount. Deposits to and withdrawals from each Subaccount will be made as described in subsections (d) and (e) below.

(c) The Collection Account will at all times be maintained in an Eligible Account, will be under the sole dominion and exclusive control of the Trustee, and only the Trustee will have access to the Collection Account for the purpose of making deposits in and withdrawals from the Collection Account in accordance with the Indenture. Funds in the Collection Account will not be commingled with any other money. All money deposited from time to time in the Collection Account, all deposits therein pursuant to the Indenture, and all investments made in Eligible Investments with such money, including all income or other gain from such investments, will be held by the Trustee in the Collection Account as part of the Bond Collateral.

(d) All Revenues received by the Trustee from the Service Providers or otherwise will be immediately deposited in the General Subaccount. All deposits to and withdrawals from the Collection Account and all allocations to the Subaccounts of the Collection Account will be made by the Trustee in accordance with an Officer's Certificate (in the Indenture, an "Allocation Officer's Certificate"), which the Department covenants it will provide to the Trustee not later than five (5) Business Days prior to each Payment Date.

(e) On each Payment Date (or in the case of clauses (i), (ii) or (iii) below, on any date directed by the Department), the Trustee will apply all amounts on deposit in the Collection Account, including all Investment Earnings thereon, to pay the following amounts, in accordance with a Department Order, in the following order of priority:

(i) all amounts owed by the Department to the Trustee (including legal fees and expenses and indemnity payments) not to exceed $50,000 in any calendar year will be paid to the Trustee;

(ii) the Service Provider Fees for such Payment Date and all unpaid Service Provider Fees for prior Payment Dates, together with out of pocket expenses not to exceed the amounts included in the last True-Up Adjustment, will be paid to the Service Providers;

(iii) all other Operating Costs, provided that such payments in any calendar year will not exceed $100,000 on any Payment Date;

(iv) Periodic Interest for such Payment Date, including any overdue Periodic Interest (together with, to the extent lawful, interest on such overdue Periodic Interest at the applicable Interest Rate) will be paid to the Holders;

(v) principal due and payable on the Bonds as a result of an Event of Default or on the Final Maturity Date of a Tranche of the Bonds will be paid to the Holders;

(vi) Periodic Principal scheduled to be paid for such Payment Date on a Tranche of Bonds according to the Expected Amortization Schedule, including any overdue Periodic Principal, will be paid to the Holders of any such Tranche pro rata, provided that if more than one Tranche is scheduled to be paid on such Payment Date then Periodic Principal will be paid sequentially in the numerical order of such Tranches;

(vii) all other Operating Costs for such Payment Date not described in another clause of this Section will be paid to the parties to which such Operating Costs are owed, pro rata;

(viii) the amount, if any, by which the Required DSRS Level exceeds the amount in the DSRS as of such Payment Date will be allocated to the DSRS;

(ix) the Remittance Excess, as required by the Service Provider Agreement (see "THE SERVICE PROVIDER AGREEMENT—Remittances to Trustee" in this Official Statement), will be paid to the Service Providers, pro rata; and

(x) the balance, if any, will be allocated to the Surplus Revenue Subaccount for subsequent distribution for the purposes and at the times contemplated above.

After principal of and interest on all Bonds, and all of the other foregoing amounts, have been paid in full, including amounts due and payable to the Trustee under the Indenture or otherwise, the balance (including all amounts then held in the DSRS and the Surplus Revenue Subaccount), if any, will be paid to the Department for disbursement to the Commission, free from the Lien of the Indenture.

All payments to the Bondholders described in clauses (iv) through (vi) above will be made to such Holders pro rata based on the respective amounts of interest and/or principal owed. Payments in respect of principal of and interest on any Tranche of Bonds will be made on a pro rata basis among all the Holders of such Tranche.

(f) If on any Payment Date funds on deposit in the General Subaccount are insufficient to make the payments contemplated by clauses (i) through (vii) above, the Trustee will (i) first, draw from amounts on deposit in the Surplus Revenue Subaccount and (ii) second, draw from amounts on deposit in the DSRS, in each case, up to the amount of such shortfall in order to make the payments contemplated by clauses (i) through (vii) above. In addition, if on any Payment Date funds on deposit in the General Subaccount are insufficient to make the allocations contemplated by clause (viii) or (ix) above, the Trustee will draw from amounts on deposit in the Surplus Revenue Subaccount to make such allocations

in their specified order of priority. All funds in the DSRS will be applied to the final payment of principal of the Bonds.

State Pledge

The Department acknowledges that the purchase of any Bond by a Holder or the purchase of any beneficial interest in a Bond by any Person and the Trustee's obligations to perform under the Indenture are made in reliance on the pledge by the State of Hawaii (the "State Pledge"). Specifically:

Pursuant to HRS Section 269-169, in furtherance of HRS Section 39-61, the State pledges to and agrees with the Bondholders and all Financing Parties under the Financing Order that the State will not take or permit any action that impairs the value of Green Infrastructure Property under the Financing Order, or reduce, alter, or impair the Green Infrastructure Fee that is imposed, charged, collected, or remitted for the benefit of the Bondholders and any Financing Parties, until any principal, interest, and redemption premium in respect of the Bonds, all Financing Costs, and all amounts to be paid to a Financing Party under an Ancillary Agreement are paid or performed in full or unless adequate provision has been made by law for the protection of Bondholders and other Financing Parties (except for adjustments under the true-up mechanism established by the Commission pursuant to HRS Section 269-176).

HRS Section 269-169 further provides that in issuing the Bonds, the Department may include the State Pledge in the Bonds, Ancillary Agreements, and documentation related to the issuance and marketing of the Bonds.

In addition to the State Pledge described above, pursuant to HRS Section 269-165, once the Financing Order has become final as provided by law, the Financing Order is irrevocable. The Commission may not directly or indirectly, except as provided in the adjustment mechanism approved in the Financing Order, reduce, impair, postpone, rescind, alter or terminate the Green Infrastructure Fee authorized in the Financing Order or impair the Green Infrastructure Property or the collection of the Green Infrastructure Fee so long as any Bonds are outstanding or any Financing Costs remain unpaid.

State Acknowledgements

(a) The Department acknowledges that the State Pledge described above constitutes an important security provision of the Bonds, and to the fullest extent permitted by applicable federal and state law, waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support the assertion by any other Person of, any such claim to the contrary.

(b) By acknowledging that the State Pledge described above constitutes an important security provision of the Bonds, the Department also acknowledges, to the fullest extent permitted by applicable federal and State law, that, in the event of any failure or refusal by the State to comply with its agreements included in the Indenture, the Bondholders may have suffered monetary damages, the extent of the remedy for which may be, to the fullest extent permitted by applicable federal and state law, determined, in addition to any other remedy available at law or in equity, in the course of any action taken pursuant to the Indenture; and to the fullest extent permitted by applicable federal and state law, the Department waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support the assertion by any other Person of, any claim to the effect that no such monetary damages have been suffered.

(c) The Department confirms that the acknowledgments and agreements set forth in paragraphs (a) and (b) above have been included in the Indenture as a result of negotiations with the Underwriters of the Bonds and may further acknowledge in any Supplemental Indenture if and to the extent to which any provision of the Indenture has been amended pursuant to the terms of the Indenture, or any provision of such Supplemental Indenture has been included in the Indenture, as a result of the same or similar negotiations.

State Representations and Warranties

(a) In the Indenture, the Department represents and warrants to the Trustee and the Bondholders that:

(1) The State, acting through the Department, is duly authorized under the Constitution and laws of the State of Hawaii, including the Statute, to issue the Bonds authorized by the Indenture and to execute the Indenture and to make the pledge and covenants in the manner and to the extent in the Indenture set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of the Indenture has been duly and effectively taken; and that the Bonds in the hands of the Holders and owners of the Indenture are and will be valid and enforceable obligations of the State acting through the Department, according to the import of the Indenture.

(2) All actions required on its part to be performed for the execution and delivery of the Indenture and to provide the security for the Bonds as set forth in the Indenture and the Statute have been performed or will be taken.

(3) The Statute and the Financing Order provide that the Green Infrastructure Property currently exists and vests in the State. The Department has pledged and granted a first and paramount lien upon the Green Infrastructure Property and the other Bond Collateral to and for the benefit of the Trustee pursuant to the Indenture, and, except for such lien, the Green Infrastructure Property and other Bond Collateral are free and clear of all security interest, liens, charges or encumbrances of any type.

(4) No filings with any public agency are necessary to perfect the pledge and lien on the Green Infrastructure Property and the other Bond Collateral securing the Bonds.

(5) The Financing Order became final as of November 3, 2014, is in full force and effect and has not been amended or rescinded by the Commission.

(6) Under the Statute, the Financing Order is irrevocable and the Commission does not have authority (except for periodic adjustment to the Green Infrastructure Fee under the Financing Order and the Statute) to amend, alter or change the Financing Order as authorized after the Bonds are issued.

(7) There are no governmental approvals, authorizations, consents or filings required for the Department to obtain, except those which have been previously obtained, to complete its obligations under the Indenture.

(8) The Department is duly authorized to enter into the Service Provider Agreement, and the Service Provider Agreement represents a valid and binding obligation of the State.

(9) There is no court or administrative proceeding that is pending or, to the knowledge of the Department threatened asserting the invalidity of the Financing Order, the Indenture or the Bonds or seeking to prevent the consummation of the transaction as contemplated by the Indenture.

Other Covenants of State

Payment of Principal of and Interest on Bonds; Appointment of Paying Agent. The Department will promptly pay or cause to be paid, but solely from the Trust Estate, including without limitation the Revenues, the principal of, premium, if any, and interest on every Bond issued under the Indenture at the place, on the dates and in the manner provided in the Indenture and in the Bond according to the true intent and meaning of the Indenture.

Compliance with Laws. The Department will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all resolutions pertaining thereto.

Further Assurances. Except to the extent otherwise provided in the Indenture, the Department will not enter into any contract or take any action by which the rights of the Trustee or the Bondholders may be impaired and will, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of the Indenture.

Operating Costs. The Department agrees to pay all Operating Costs, subject to the availability of funds under the Indenture and the Financing Order.

Protection of Green Infrastructure Property. The Department or the Trustee, after being notified of the necessity of such action by the Department, will take all necessary action to:

(i) enforce any of the Bond Collateral; and

(ii) preserve and defend title to the Bond Collateral and the rights of the Trustee and the Bondholders in such Bond Collateral against the Adverse Claims of all Persons and parties (after, in the case of the Trustee, being indemnified to its satisfaction), including, without limitation, the challenge by any party to the validity or enforceability of the Financing Order, any Tariff, the Green Infrastructure Property, an True-Up Adjustment, or any proceeding relating thereto and institute any action or proceeding necessary to compel performance by the Commission or the State of any of its obligations or duties under the Statute, the State Pledge, or the Financing Order or Tariff.

Annual Budget. The Department will prepare and file with the proper officers of the State at the time and in the manner prescribed by law, an estimated budget appropriation request including all Bond payments, together with all other estimated Operating Expenses due for each of the two years comprising a legislative biennium. For such purpose, the Department covenants to include for each year, an amount equal to one and a half times the estimated principal and interest payments scheduled to be paid in that year. The budget appropriation requests will be open to inspection by the Trustee, any Bondholders or other interested party. The Department will review and revise the budget appropriation request annually in the event that the requested appropriation might be insufficient to pay the amounts due on Bonds in the next budget year.

Further Action. The State, acting by and through the Department or otherwise, will, at any and all times insofar as it may be authorized so to do by law, pass, adopt, make, do, execute, acknowledge, deliver, file and record such further resolutions, certificates, acts, deeds, conveyances, assignments, transfers, assurances and instruments and do such further acts, as may be necessary or desirable for

effectuating the Certificate and the Indenture the intent and purposes of the Indenture, for the better assuring and conforming unto the Holders of the Bonds the rights provided in the Indenture and for the better assuring, conveying, granting, assigning and confirming all and singular those rights, Revenues and other Bond Collateral which are pledged under the Indenture to the payment of the Bonds or intended so to be.

Performing All Obligations Under Laws and Certificate. The Department will do and perform, or cause to be done and performed, all acts and things required to be done or performed by or on its behalf under the provisions of the Constitution and laws of the United States of America or the State applicable thereto, and will comply with all lawful orders of any governmental agency or authority having jurisdiction in the premises; provided that the Department will not be required to comply with any such orders so long as the validity of the Indenture is being contested in good faith. The Department will faithfully observe, keep and perform any and all covenants, conditions, stipulations, requirements and provisions contained in the Indenture, the Financing Order, the Certificate and the Bonds in accordance with the terms of the Indenture.

Accounts and Reports.

(a) The Department will:

(1) cause to be kept books of account in which complete and accurate entries will be made of its transactions relating to Accounts under the Indenture and the Bonds;

(2) annually, within 180 days following the end of each fiscal year, beginning with the fiscal year ending June 30, 2015, deliver to the Trustee, the Commission, and each Rating Agency, the financial statements (which statements will consist of a statement of receipts and disbursements and statement of reserve account balances) for such fiscal year relating to the trust created under the Indenture, as audited by an accountant employed by the Department as required by Sections 196-64(a)(7) and 196-67(c) of the Statute;

(3) keep in effect at all times an accurate and complete file of all filings, reports, records and other documents relating to the Service Provider Agreement and the performance of the parties under the Indenture; and

(4) deliver to each Rating Agency and the Trustee a semiannual statement of cash flows, including Revenues received, transfers to the Accounts, payments of principal and interest on the Bonds, payment of Operating Expenses, outstanding Bonds payable and any deviations from the Expected Amortization Schedule.

(b) The independent accounting firm retained by the Department may prepare any of the financial reports required by this Section and the Department may rely on the reports prepared by such firm. The cost of such independent accounting firm will be an Operating Expense.

Ratings. Unless otherwise specified by Supplemental Indenture, the Department will pay such reasonable fees and provide such available information as may be necessary to obtain and keep in effect ratings on all the Bonds from at least two nationally recognized statistical rating organizations. Such costs are Operating Expenses.

Inspection. The Department agrees that, on reasonable prior notice, it will permit any representative of the Trustee, during the Department's normal business hours, to examine all the books of account, records, reports, audited financing statements, and other papers of the Department relevant to the

Bonds and the Bond Collateral, including all reports, records, filings or other documents relating to the Service Provider Agreement, to make copies and extracts of the Indenture, and to discuss the Department's performance of its obligations under the Indenture and the Service Provider Agreement, with the Department's officers, employees and an Independent registered public accounting firm, all at such reasonable times and as often as may be reasonably requested. The Trustee will hold and will cause its representatives to hold, in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) and except to the extent that the Trustee may reasonably determine that such disclosure is consistent with its obligations under the Indenture.

Continuing Disclosure. The Department covenants for the benefit of the Bondholders that the State will comply with the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, the failure of the State to comply with its obligations under the Continuing Disclosure Certificate shall not be considered an Event of Default; and the sole remedy of such Bondholders or of the Trustee on behalf of such Bondholders, in the event of any such failure of the State, shall be an action to compel the performance thereof.

True-Up Adjustments

(a) The Department will periodically file with the Commission for True-Up Adjustments, as authorized and required by the Financing Order and in accordance with the terms of the Financing Order and the Service Provider Agreement, in order to assure the timely payment of the principal and interest due on the Bonds as scheduled, the replenishment of the DSRS to the Required DSRS Level and the payment of all Operating Costs. The Department will file with the Trustee copies of all True-Up Letters within five (5) Business Days of filing with the Commission. If the Department will fail to file for any True-Up Adjustment on a timely basis, it will immediately give notice of such default to the Trustee and the Rating Agencies.

(b) The Department will provide or cause the Trustee to provide to Hawaiian Electric, as Master Service Provider, on a timely basis, all information required to be delivered to Hawaiian Electric under the Service Provider Agreement in order to ensure that Hawaiian Electric can perform its duties under the Service Provider Agreement, including providing draft True-Up Letters to the Department.

(c) The Department will take all necessary actions to ensure that all True-Up Adjustments are made on a timely basis.

Service Provider Agreement

(a) The Department will enforce or cause the Trustee to enforce, by appropriate legal proceedings, each covenant, pledge or agreement made by or imposed upon any Service Provider under the Service Provider Agreement or pursuant to the Statute or the Financing Order for the benefit of any of the Bondholders; and will take such action under the Service Provider Agreement as may be necessary to assure that the Trustee will receive Revenues sufficient for the timely payment of the principal and interest due on the Bonds as scheduled, the replenishment of the DSRS and the payment of all other Operating Costs. The Department will enforce or cause the Trustee to enforce for the benefit of the Bondholders all rights and benefits granted under the Statute.

(b) The Department (i) will diligently pursue any and all actions to enforce its rights under the Service Provider Agreement and (ii) will not take any action and will use its reasonable efforts to prevent any action to be taken by others that would release any Service Provider from its covenants or obligations except as expressly permitted in the Indenture or the Service Provider Agreement.

(c) The Department will punctually perform and observe all of its obligations and agreements contained in the Service Provider Agreement, in accordance with and within the time periods provided for in the Indenture and the Service Provider Agreement. Except as otherwise expressly permitted in the Indenture, the Department will not waive, amend, modify, supplement or terminate the Service Provider Agreement or any provision of the Indenture, unless (i) the Trustee will have received an Officer's Certificate stating that such waiver, amendment, modification, supplement or termination will not adversely affect in any material respect the interests of the Bondholders, accompanied by an Opinion of Independent Counsel to the Department to such effect or (ii) Rating Agency Condition will have been satisfied; provided that any change to the compensation of the Service Providers as approved in any Commission Order will be deemed to satisfy clause (i) without the furnishing of the Opinion of Independent Counsel specified therein.

(d) If the Department has knowledge of the occurrence of a Service Provider Default under the Service Provider Agreement, the Department will promptly give written notice of the Service Provider Default to the Trustee and the Rating Agencies, and will specify in such notice the action, if any, the Department is taking with respect to such default. If a Service Provider Default arises from the failure of the Service Provider to perform any of its duties or obligations under the Service Provider Agreement with respect to the Green Infrastructure Property, the Department will take all reasonable steps available to it to remedy such failure.

(e) If the Department determines that a Service Provider must be terminated and replaced, due to a Service Provider Default or otherwise, the Department will promptly make application to the Commission for the appointment of a successor Service Provider (the "Successor Service Provider") and will promptly provide notice of such determination and application to the Trustee and the Rating Agencies. Further, in the event of a Service Provider Default, the Department will make application to the Commission for the sequestration and payment of all Revenues arising with respect to the Green Infrastructure Property, as authorized by HRS § 269-167(b) and the Financing Order. A Successor Service Provider must satisfy the requirements of the Service Provider Agreement and the Financing Order. If within 30 days after the delivery of the application referred to above the Commission does not appoint a Successor Service Provider, the Trustee may petition the Commission or a court of competent jurisdiction to appoint a Successor Service Provider. In connection with any such appointment, the Department may make such arrangements for the compensation of such successor as it and such successor will agree, subject to the limitations set forth in the Indenture and in the Financing Order. Any successor Service Provider Agreement will be in form and substance reasonably satisfactory to the Trustee, provided that the Trustee may rely upon the satisfaction of the Rating Agency Condition in order to give its consent to such agreement.

(f) As soon as a Successor Service Provider is appointed, the Department will notify the Trustee, the Bondholders and the Rating Agencies of such appointment, specifying in such notice the name and address of such Successor Service Provider.

Events of Default

"Event of Default," wherever used in the Indenture, means any one or more of the following events (whatever the reason for such Event of Default and whether it will be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(i) default in the payment of any interest on any Bond when the same becomes due and payable (whether such failure to pay interest is caused by a shortfall in Green Infrastructure Fees received or otherwise), and such default will continue for a period of five (5) Business Days;

(ii) default in the payment of the then unpaid principal of any Bond of any Tranche on the Final Maturity Date for such Tranche;

(iii) any act or failure to act by the State or any of its agencies (including the Department and the Commission), officers or employees which violates or is not in accordance with the Financing Order or the State Pledge;

(iv) a material breach by the State of its representations or covenants set forth in the Indenture, which has a materially adverse effect on the Bondholders if within 90 days after the date of notice of such breach has not been cured or the State has not taken remedial action so there is not and will not be a material adverse effect on the Bondholders;

(v) a failure of the Department to file a True-Up Adjustment in accordance with the provisions of the Indenture or a failure by the Department to file with the Trustee an Allocation Officer's Certificate as required by the Indenture;

(vi) default in the observance or performance of any covenant or agreement of the Department made in the Indenture (other than defaults specified in clauses (i) through (iv) above), and such default will continue or not be cured, for a period of 30 days after the earlier of (A) the date that there will have been given, by registered or certified mail, to the Department by the Trustee or to the Department and the Trustee by the Holders of at least 25% of the Outstanding Amount of the Bonds, a written notice specifying such default and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Indenture or (B) the date that the Department has actual knowledge of the default;

(vii) if the Department or the State is for any reason rendered incapable of fulfilling its obligations under the Indenture.

The Department will deliver to a Authorized Officer of the Trustee and to the Rating Agencies, within five (5) days after a Authorized Officer of the Department has knowledge of the occurrence of the Indenture, written notice in the form of an Officer's Certificate of any event (I) which is an Event of Default under clauses (i), (ii), (v) or (II) which with the giving of notice, the lapse of time, or both, would become an Event of Default under clause (iii), (iv), (vi)(B) or (vii), including, in each case, the status of such Event of Default and what action the Department is taking or proposes to take with respect thereto.

The Trustee will, within ten (10) Business Days after the occurrence thereof, give written notice by first class mail to registered owners of Bonds and each Rating Agency of all Events of Default known to the Trustee, unless such Events of Default have been remedied; provided that in the case of an Event of Default under clause (vi)(B), the Trustee may withhold such notice to the Bondholders so long as it in good faith determines that such withholding is in the interest of the Bondholders. The Trustee will not be deemed to have notice of any Default or Event of Default under clause (vi)(B) unless notified in writing of such Default or Event of Default by the owners of at least 25% in principal amount of all Bonds then Outstanding.

Remedies: Acceleration of Maturity; Rescission and Annulment

If an Event of Default occurs and is continuing, then and in every such case the Trustee or the Holders representing not less than a majority of the Outstanding Amount of the Bonds may declare the Bonds to be immediately due and payable, by a notice in writing to the Department filed in the office of the Department and the Department of Finance (and to the Trustee if given by Holders), and upon any such declaration the unpaid principal amount of the Bonds, together with accrued and unpaid interest

thereon through the date of acceleration, will become immediately due and payable, without priority of interest over principal or principal over interest.

At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as in the Indenture provided, the Holders representing not less than a majority of the Outstanding Amount of the Bonds, by written notice to the Department and the Trustee, may rescind and annul such declaration and its consequences if:

(i) the Department has paid or deposited with the Trustee a sum sufficient to pay:

(A) all payments of principal of and premium, if any, and interest on all Bonds due and owing at such time as if such Event of Default had not occurred and was not continuing and all other amounts that would then be due under the Indenture or upon such Bonds if the Event of Default giving rise to such acceleration had not occurred; and

(B) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel; and

(ii) all Events of Default, other than the nonpayment of the principal of the Bonds that has become due solely by such acceleration, have been cured or waived as provided in the Indenture.

No such rescission will affect any subsequent default or impair any right consequent thereto.

See "RISK FACTORS—Risks Associated with Acceleration of the Bonds" herein.

Additional Remedies

(a) *Remedies of the Trustee*. If in the case one or more Events of Default occurs and be continuing:

(i) The Trustee may, and upon written request of the Holders of 25% in the Outstanding Principal Amount of the Bonds will, in its own name by action or proceeding in accordance with law:

(A) enforce all rights of the Bondholders and require the State to carry out its agreements with the Bondholders and to perform its duties under the Statute;

(B) sue upon such Bonds;

(C) require the Department to act as if it were the trustee of an express trust for the Bondholders of such Bonds; and

(D) enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders of such Bonds.

(ii) The Trustee will, in addition to the other provisions described above, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in the Statute, and the Revenue Bond Law or incident to the general representation of Bondholders in the enforcement and protection of their rights.

(b) *Individual Remedies*. Not one or more Bondholders will by his or their action affect, disturb or prejudice the pledge created by the Indenture, or enforce any right under the Indenture, except in the manner in the Indenture provided; and all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Bondholders of the same class; but nothing in the Indenture will affect or impair the right of any Bondholder of any Bond to enforce payment of the principal of, premium, if any, or interest thereon and after the maturity of the Indenture, or the obligation of the State to pay such principal, premium, if any, and interest on each of the Bonds to the respective Bondholders of the Indenture at the time, place, from the source and in the manner expressed in the Indenture and in the Bonds.

(c) *Waiver*. If the Trustee determines that a default has been cured before the entry of any final judgment or decree with respect to it, the Trustee may waive the default and its consequences, by written notice to the State, and will do so upon written instruction of the Bondholders of at least 25% in Outstanding Principal Amount.

Restoration of Rights and Remedies

If the Trustee or any Holder has instituted any Proceeding to enforce any right or remedy under the Indenture and such Proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Trustee or to such Holder, then and in every such case the Department, the Trustee and the Holders will, subject to any determination in such Proceeding, be restored severally and respectively to their former positions under the Indenture, and thereafter all rights and remedies of the Trustee and the Holders will continue as though no such Proceeding had been instituted.

Rights and Remedies Cumulative

No right or remedy in the Indenture conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy will, to the extent permitted by law, be cumulative and in addition to every other right and remedy given under the Indenture or now or after the effective date of the Indenture existing at law or in equity or otherwise. The assertion or employment of any right or remedy under the Indenture, or otherwise, will not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Delay or Omission Not a Waiver

No delay or omission of the Trustee or any Holder to exercise any right or remedy accruing upon any Default or Event of Default will impair any such right or remedy or constitute a waiver of any such Default or Event of Default or an acquiescence in the Indenture. Every right and remedy given in the Indenture or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Control by Holders

The Holders of not less than a majority of the Outstanding Amount of the Bonds will have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee; provided that:

(i) such direction will not be in conflict with any rule of law or with the Indenture;

(ii) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction;

(iii) the Trustee's duties will be subject to the limitations on its powers set forth in the Indenture, and the Trustee need not take any action that it determines might involve it in liability or might materially adversely affect the rights of any Holders not consenting to such action; and

(iv) without limiting the foregoing, the Trustee will not be required to take any action for which it reasonably believes that it will not be indemnified to its satisfaction against any cost, expense or liabilities.

Supplemental Indentures Without Consent of Bondholders

(a) Without the consent of the Bondholders but with prior notice to the Rating Agencies, the Department and the Trustee, when authorized by a Department Order, and, at any time and from time to time, may enter into one or more indentures supplemental hereto in form satisfactory to the Trustee, for any of the following purposes:

(i) to correct or amplify the description of any property, including, without limitation, the Bond Collateral, at any time subject to the Lien of the Indenture, or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the Lien of the Indenture, or to subject to the Lien of the Indenture additional property;

(ii) to add to the covenants of the State or of the Department, for the benefit of the Bondholders, or to surrender any right or power in the Indenture conferred upon the State or the Department;

(iii) to convey, transfer, assign, mortgage or pledge any property to or with the Trustee for the benefit of the Bondholders;

(iv) to cure any ambiguity, to correct or supplement any provision in the Indenture or in any supplemental indenture, which may be inconsistent with any other provision in the Indenture or in any supplemental indenture, or to make any other provisions with respect to matters or questions arising under the Indenture or in any supplemental indenture; provided that (i) such action will not, as evidenced by an Opinion of Independent Counsel, adversely affect in any material respect the interests of the Holders of the Bonds and (ii) the Rating Agency Condition will have been satisfied with respect thereto;

(v) to evidence and provide for the acceptance of the appointment under the Indenture by a successor Trustee with respect to the Bonds and to aid or change any of the provisions of the Indenture as will be necessary to facilitate the administration of the trusts under the Indenture by more than one Trustee, pursuant to the requirements of the Indenture;

(vi) to qualify the Bonds of any Tranche for listing on a securities exchange or registration with a Clearing Agency; or

(vii) to satisfy any Rating Agency requirements or criteria or to maintain, or improve upon, the existing ratings on the Bonds.

The Trustee is authorized under the Indenture to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations that may be in the Indenture contained.

(b) The Department and the Trustee, when authorized by a Department Order, also may without the consent of any of the Holders of the Bonds, with the consent of the Commission pursuant to

the Indenture, enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture or of modifying in any manner the rights of the Holders of the Bonds under the Indenture; provided, however, that (i) such action will not, as evidenced by an Opinion of nationally recognized counsel experienced in structured finance transactions, adversely affect in any material respect the interests of any Holder and (ii) the Rating Agency Condition will have been satisfied with respect thereto.

Supplemental Indentures with Consent of Bondholders

The Department and the Trustee, when authorized by a Department Order, also may, with the consent of the Commission if such consent is required pursuant to the Indenture, with prior notice to the Rating Agencies and with the written consent of the Bondholders of not less than a majority of the Outstanding Amount of the Bonds or, if such amendment manifestly affects only particular Tranches, a majority of Outstanding Amount of each Tranche to be affected, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture or of modifying in any manner the rights of the Bondholders under the Indenture; but no such supplemental indenture will, without the consent of the Holder of each Outstanding Bond of each Tranche affected thereby:

(i) change the date of payment of any installment of principal of or premium, if any, or interest on any Bond of such Tranche, or reduce the principal amount of the Indenture, the interest rate thereon or premium, if any, with respect thereto, change the provisions of the Indenture relating to the application of collections on, or the proceeds of the sale of, the Bond Collateral to payment of principal of or premium, if any, or interest on the Bonds, or change any place of payment where, or the coin or currency in which, any Bond or the interest thereon is payable, or impair the right to institute suit for the enforcement of the provisions of the Indenture requiring the application of funds available therefor, as provided in the Indenture, to the payment of any such amount due on the Bonds on or after the respective due dates of the Indenture;

(ii) reduce the percentage of the Outstanding Amount of the Bonds or of a Tranche of the Indenture, the consent of the Bondholders of which is required for any such supplemental indenture, or the consent of the Bondholders of which is required for any waiver of compliance with certain provisions of the Indenture or certain defaults under the Indenture and their consequences provided for in the Indenture; or modify the proviso to the definition of "Outstanding";

(iii) modify any provision of the "Supplemental Indentures with Consent of Holders" provisions of the Indenture except to increase any percentage specified in the Indenture or to provide that those provisions of the Indenture or the other Basic Documents referenced in this Section cannot be modified or waived without the consent of the Holder of each Outstanding Bond affected thereby;

(iv) modify any of the provisions of the Indenture in such manner as to affect the calculation of the amount of any payment of interest, principal or premium, if any, due on any Bond on any Payment Date (including the calculation of any of the individual components of such calculation) or change the Expected Amortization Schedules or Final Maturity Dates of any Tranche of Bonds;

(v) decrease the Required DSRS Level;

(vi) modify the provisions of the Indenture regarding the voting of the Bonds held by the Department, any other obligor of the Bonds, the Service Providers or any Affiliate of any of the foregoing Persons;

(vii) decrease the percentage of the aggregate Outstanding Amount of Bonds or affected Tranche required to amend the sections of the Indenture which specify applicable percentages of the aggregate principal amount of the Bonds necessary to amend any Basic Document; or

(viii) cause any material adverse federal or Hawaii state income tax consequence to the Department, the Trustee or the then existing Bondholders.

It will not be necessary for any consent of Bondholders under the "Supplemental Indentures with Consent of Holders" provisions of the Indenture to approve the particular form of any proposed supplemental indenture, but it will be sufficient if such Bondholders will approve the substance of the Indenture.

Promptly after the execution by the Department and the Trustee of any supplemental indenture, the Department will mail to the Rating Agencies and the Holders of the Bonds to which such supplemental indenture relates a notice setting forth in general terms the substance of such supplemental indenture. Any failure of the Department to mail such notice, or any defect in the Indenture, will not, however, in any way impair or affect the validity of any such supplemental indenture.

Execution of Supplemental Indentures

In executing, or permitting the additional trusts created by any supplemental indenture permitted by the Indenture or the modifications thereby of the trusts created by the Indenture, the Trustee will be entitled to receive, and subject to certain limitations set forth in the Indenture, will be fully protected in relying upon, an Opinion of Independent Counsel stating that the execution of such supplemental indenture is authorized or permitted by the Indenture. The Trustee may, but will not be obligated to, enter into any such supplemental indenture that affects the Trustee's own rights, duties, liabilities or immunities under the Indenture or otherwise.

Effect of Supplemental Indenture

Upon the execution of any supplemental indenture pursuant to the provisions of the Indenture, the Indenture will be and be deemed to be modified and amended in accordance therewith with respect to each Tranche of Bonds affected thereby, and the respective rights, limitations of rights, obligations, duties, liabilities and immunities under the Indenture of the Trustee, the Department and the Holders will thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture will be and be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Reference in Bonds to Supplemental Indentures

Bonds authenticated and delivered after the execution of any supplemental indenture may, and if required by the Trustee will, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Department or the Trustee so determines, new Bonds so modified as to conform, in the opinion of the Trustee and the Department, to any such supplemental indenture may be prepared and executed by the Department and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

Legal Opinion

Before the Department and the Trustee enters into any supplemental indenture pursuant to the Indenture, there will have been delivered to the Trustee an Opinion of Independent Counsel stating the

requirements of the Indenture with respect to the execution and delivery of such supplemental indenture have been complied with and also stating that such supplemental indenture will, upon the execution and delivery of the Indenture, be valid and binding upon the Department in accordance with its terms and that such supplement is permitted under the Indenture.

Satisfaction and Discharge of Indenture; Defeasance

(a) The Indenture will cease to be of further effect with respect to the Bonds and the Trustee, on reasonable written demand of and at the expense of the Department (subject to the availability of funds under the Indenture), and will execute proper instruments acknowledging satisfaction and discharge of the Indenture with respect to the Bonds, when either:

(i) all Bonds theretofore authenticated and delivered (other than (1) Bonds that have been destroyed, lost or stolen and that have been replaced or paid as provided in the Indenture and (2) Bonds for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Department and thereafter repaid to the Department or discharged from such trust, as provided in the Indenture) have been delivered to the Trustee for cancellation; or

(ii) either (A) the Scheduled Final Payment Date has occurred with respect to all Bonds not theretofore delivered to the Trustee for cancellation or (B) such Bonds will be due and payable on their respective Scheduled Final Payment Dates within one year, and in any such case, the Department has irrevocably deposited or caused to be irrevocably deposited in trust with the Trustee (i) cash or (ii) noncallable U.S. Government Obligations which through the scheduled payments of principal and interest in respect of the Indenture in accordance with their terms are in an amount sufficient to pay principal and interest on such Bonds not theretofore delivered to the Trustee for cancellation and all other sums payable under the Indenture by the Department with respect to such Bonds when scheduled to be paid pursuant to the Expected Amortization Schedule and to discharge the entire indebtedness on such Bonds when due, and the Department has satisfied the following additional conditions:

(A) the Department delivers to the Trustee a certificate from a nationally recognized firm of Independent certified public accountants expressing its opinion that the payments of principal and interest when due and without reinvestment of the deposited U.S. Government Obligations plus any deposited cash without investment will provide cash at such times and in such amounts as will be sufficient to pay in respect of the Bonds (i) principal in accordance with the Expected Amortization Schedule therefor, (ii) interest when due and (iii) all other sums payable under the Indenture by the Department with respect to such Bonds;

(B) no Default or Event of Default has occurred and is continuing on the day of such deposit and after giving effect thereto;

(C) the Rating Agency Condition will have been satisfied; and

(D) the Department has paid or caused to be paid all other sums payable under the Indenture by the Department;

(iii) the Department has delivered to the Trustee an Officer's Certificate, an Opinion of Independent Counsel stating that all conditions precedent in the Indenture provided for relating to the satisfaction and discharge of the Indenture with respect to Bonds have been complied with.

Upon satisfaction of the conditions set forth in the Indenture, the Trustee, on reasonable written demand of and at the expense of the Department, will execute proper instruments acknowledging satisfaction and discharge of the obligations that are terminated pursuant to such exercise.

(b) Notwithstanding the provisions described in (a)(ii) above, (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, destroyed, lost or stolen Bonds, (iii) rights of Holders to receive payments of principal, premium, if any, and interest, (iv) the Indenture provisions relating to the application of trust money and the repayment of money held by the Paying Agent, (v) the rights, obligations and immunities of the Trustee under the Indenture and (vi) the rights of Holders as beneficiaries of the Indenture with respect to the property deposited with the Trustee payable to all or any of them, will survive until the Bonds as to which the Indenture or certain obligations under the Indenture have been satisfied and discharged as described in (a)(ii) above have been paid in full. Thereafter the obligations in relating to the repayment of money held by the Paying Agent and the compensation and indemnification of the Trustee by the Department will survive.

Application of Trust Money

All money or U.S. Government Obligations deposited with the Trustee as described (a)(ii) above will be held in trust and applied by it, in accordance with the provisions of the Bonds and the Indenture, to the payment, either directly or through any Paying Agent, as the Trustee may determine, to the Holders of the particular Bonds for the payment of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for principal, premium, if any, and interest; but such money need not be segregated from other funds except to the extent required in the Indenture or required by law. Notwithstanding anything to the contrary in the Indenture, the Trustee will deliver or pay to the Department from time to time upon Department Request any money or U.S. Government Obligations held by it under the Indenture which, in the opinion of a nationally recognized firm of Independent certified public accountants expressed in a written certification of the Indenture delivered to the Trustee (and not at the cost or expense of the Trustee), are in excess of the amount of the Indenture which would be required to be deposited for the purpose for which such moneys or U.S. Government Obligations were deposited, subject to the satisfaction of the Rating Agency Condition.

Repayment of Money Held by Paying Agent

In connection with the satisfaction and discharge of the Indenture, all money then held by any Paying Agent other than the Trustee under the provisions of the Indenture with respect to such Bonds will, upon demand of the Department, be paid to the Trustee to be held and applied according to the Indenture and thereupon such Paying Agent will be released from all further liability with respect to such money.

THE SERVICE PROVIDER AGREEMENT

In addition to the description of certain provisions of the Service Provider Agreement contained elsewhere herein, the following is a brief summary of certain provisions of the Service Provider Agreement and does not purport to be comprehensive or definitive. All references herein to the Service Provider Agreement are qualified in their entirety by reference to the Service Provider Agreement for the detailed provisions thereof.

General

The Service Providers agree to bill, collect and remit payments arising from the Green Infrastructure Property, as agents of the Department, according to the terms of the Service Provider

Agreement. The Service Providers' duties will include billing and collecting the Green Infrastructure Fee, remitting the Green Infrastructure Fee to the Trustee on a daily basis, responding to limited inquiries of Customers regarding the Green Infrastructure Fee, maintaining accounts and records pertaining to the Green Infrastructure Fees, accounting for collections, and furnishing periodic reports and statements to the Department and the Trustee.

In addition, Hawaiian Electric agrees, as master Service Provider (the "Master Service Provider"), to cooperate with the Department to identify the need for, calculate and implement periodic True-Up Adjustments.

Servicing Standards

The Service Providers will bill and collect the Green Infrastructure Fee using the same degree of care and diligence and in accordance with the same Commission Regulations and the same practices and procedures that each Service Provider exercises and applies with respect to other charges collected from customers for its own account.

Services Relating to True-Up Adjustments

The Master Service Provider is required to cooperate with the Department or any representative of the Department to help identify the need for True-Up Adjustments and to help calculate and implement the True-Up Adjustments, all in accordance with the following:

(a) Department Commitment to Provide Information. The Department is required to provide, or cause the Trustee to provide, to the Master Service Provider, not later than thirty (30) days prior to each May 1 and November 1 in the case of any Semi-Annual True-Up Adjustment, and not later than the date the Department requests the Master Service Provider to prepare the calculation for any other True-Up Adjustment, a certificate (the "Revenue Requirements Certificate"), together with any additional information that is in the possession and/or control of the Department or the Trustee, which is necessary or appropriate to enable the Master Service Provider to prepare each draft True-Up Letter, including any revisions to the Debt Service Schedule, the amounts held in all subaccounts of the Collection Account held by the Trustee, any deficiency in the Debt Service Reserve Subaccount, and estimates of all Ongoing Financing Costs for the ensuing Semiannual Collection Period. If the Master Service Provider has not received the Revenue Requirements Certificate within five (5) Service Provider Business Days of any Department Certificate Delivery Date of which the Master Service Provider has knowledge, the Master Service Provider shall send a notification to the Department and the Trustee requesting immediate delivery of the Revenue Requirements Certificate. Until the Master Service Provider receives a new Revenue Requirements Certificate, the Master Service Provider shall use the information provided in the immediately prior Semiannual Collection Period's Revenue Requirements Certificate for the purpose of any required calculations.

(b) True-Up Filings.

(i) Initial Green Infrastructure Fee. The Master Service Provider shall assist the Department in the calculation of the initial Green Infrastructure Fee to be included in the Issuance Advice Letter, and to ensure that the Green Infrastructure Fee, as adjusted from time to time, is reflected in each Service Provider's bills to customers in accordance with the Financing Order and the Service Provider Agreement.

(ii) Semiannual True-Up Adjustments and Filings. No later than thirty (30) days prior to May 1 and November 1 of each year, the Master Service Provider shall prepare a calculation

of the True-Up Adjustments to the Green Infrastructure Fee required to satisfy the Periodic Revenue Requirement, and prepare and deliver to the Department a draft of the semiannual True-Up Letter. For the purpose of preparing a draft semiannual True-Up Letter, the Master Service Provider (a) shall utilize the most recent customer count by category, delinquencies and the rate of charge offs available to the Master Service Provider, provided that the Master Service Provider shall be under no obligation to update any such data or information solely for the purposes of this calculation, (b) adjust the revenue requirements set forth in the Revenue Requirements Certificate to give effect to estimated Remittances expected to be remitted to the Trustee prior to the True-Up Adjustment Date and which were not accounted for in the Revenue Requirement Certificate, and (c) based upon such updates and information, prepare a calculation of the Green Infrastructure Fee to be charged by the Service Providers during the next succeeding Semiannual Collection Period. The Department shall file, or cause to be filed, with the Commission the completed semiannual True-Up Letter, subject to any mathematical corrections as it deems necessary, no later than fifteen (15) days prior to January 1 and July 1 of each year. Pursuant to the Service Provider Agreement, True-Up Adjustments will be made on January 1 and July 1 of each year, commencing July 1, 2015.

(iii) Quarterly True-Up Adjustments and Filings. If the Department or the Trustee determines that Quarterly True–Up Adjustments are required under the Financing Order or the financing documents, then, at the written request of the Department, the Master Service Provider shall prepare a calculation of the True-Up Adjustments to the Green Infrastructure Fee required to satisfy the Periodic Revenue Requirement, and prepare and deliver to the Department a draft quarterly True-Up Letter not later than fifteen (15) days after the receipt of such request. The Department shall file, or cause to be filed, with the Commission the quarterly True-Up Letter, subject to any mathematical corrections as it deems necessary, at least fifteen (15) days before the end of a calendar quarter.

(iv) Optional True-Up Adjustments and Filings. If the Master Service Provider determines that, due to unexpected changes in customer counts or delinquencies or other unexpected conditions (such as severe electrical service outages or other Force Majeure-type events), it is likely that expected Green Infrastructure Fee remittances will be inadequate to satisfy the Periodic Revenue Requirement, and in any event, if directed by the Department, the Master Service Provider shall immediately confer with the Department and, as soon as practicable, but in no event later than fifteen (15) days following the request of the Department, prepare a calculation of the True-Up Adjustments to the Green Infrastructure Fee required to satisfy the Periodic Revenue Requirement, and prepare and deliver to the Department a draft True-Up Letter. The Department shall file the optional True-Up Letter with the Commission, subject to any mathematical corrections as it deems necessary, no later than five (5) days following the delivery of the draft True-Up Letter by the Master Service Provider with the Department.

(v) Effective Date of True-Up Adjustment. Pursuant to the Financing Order, a True-Up Adjustment will become effective on the date specified in the True-Up Letter, so long as such effective date is at least fifteen (15) days after the filing of such True-Up Letter. Each Service Provider will take such actions so as to assure that the Green Infrastructure Fee is reflected in customer Bills on and after the effective date as provided in the Service Provider Agreement.

(vi) Requests for Information. The Master Service Provider shall request from the Trustee or the Department all necessary information, take all reasonable actions, and make all reasonable efforts to assure that draft True-Up Letters are delivered to the Department, on a timely basis and the Department agrees to, and shall cause the Trustee to, cooperate with the Master Service Provider. The Department shall promptly deliver to the Master Service Provider and the Trustee a copy of each True-Up Letter filed with the Commission.

(vii) Coordination with Other Service Providers. As required by the Financing Order, the Master Service Provider shall request, and the Service Providers shall promptly provide to the Master Service Provider, such billing, collection, delinquency, write off, customer count, and other information as is required by the Master Service Provider to allow for the preparation of all draft True-Up Letters, and the filing of all reports and certificates required to be delivered by the Master Service Provider in a timely manner.

See "THE GREEN INFRASTRUCTURE PROPERTY—True-Up Adjustments" for a description of the True-Up Adjustments.

Remittances to Trustee

Each Service Provider will make daily Remittances of Green Infrastructure Fees to the Trustee in accordance with the methodology provided in the Service Provider Agreement (the "Daily Remittance Amount"). The Daily Remittance Amount to be made by each Service Provider will be determined by the Master Service Provider at the time of the preparation of each True-Up Letter and will be set forth in each True-Up Letter. The Daily Remittance Amount will be calculated by dividing the number of Service Provider Business Days in the related Remittance Period into the amount equal to the Periodic Revenue Requirement, which Daily Remittance Amount is assumed to be collected as Green Infrastructure Fees by the Service Providers during the Remittance Period. "Remittance Period" means the period which commences with the day which is the ADSO number of days following the related True-Up Adjustment Date and ends on a day which is five (5) Service Provider Business Days (defined below) prior to the ADSO number of days following the related Collection Period End Date (as defined in Exhibit 5 to the Application). The Daily Remittance Amount takes into account the expected delay between billing and the receipt of the Green Infrastructure Fees, by delaying each Daily Remittance by the average days sales outstanding ("ADSO") for each Service Provider. As a result of this remittance methodology, each Service Provider will be required to remit an equal daily amount, which if paid on each Service Provider Business Day, will satisfy the Periodic Revenue Requirement for the applicable Remittance Period.

Each Service Provider will be required to remit the Daily Remittance Amount regardless of the actual amount of Green Infrastructure Fees received by the Service Provider.

Daily Remittances are expected to begin approximately 23 days after the initial Green Infrastructure Fees have been included in the customer bills, and will be made to the Trustee, to deposit in the Collection Account.

Each Service Provider will make daily Remittances in accordance with the Service Provider Agreement without any surcharge, fee, offset, charge or other deduction. If any Service Provider defaults in its obligations to make daily Remittances, and such default continues for more than five (5) Service Provider Business Days, then, in addition to any other remedy against the Service Provider available under the Service Provider Agreement, such Service Provider will be obligated to pay interest on such delinquent Remittances at a rate equal to the weighted average interest rate on the Bonds.

If there is a Force Majeure (as described below) that prevents a Service Provider from making daily Remittances, such Service Provider will remit promptly once performance of its obligations resumes, based on the estimated amount collected. Any Remittance Excess or Remittance Shortfall resulting from such Force Majeure may be adjusted in the next Remittance Period.

Not later than sixty (60) calendar days following the end of each Remittance Period, the Master Service Provider will calculate the amount of any Remittance Excess or Remittance Shortfall for the immediately preceding Remittance Period, and provide the Department and the Trustee notification of

such amount, together with applicable workpapers. The Department shall instruct the Trustee to pay to the applicable Service Provider the amount of such Remittance Excess from the Collection Account on a subordinated basis on the next succeeding Payment Date, to the extent of available funds in accordance with the priorities set forth in the Indenture. Any such reimbursement to the Service Providers of such Remittance Excess will be without interest and will be subordinate to the payment of debt service on the Bonds and other Ongoing Financing Costs to the extent provided in the Indenture. Any delay in such reimbursement will not constitute a default under the Service Provider Agreement or any other financing document. In the event of a Remittance Shortfall, the Service Providers will be required to pay to the Trustee the amount of such Remittance Shortfall within two (2) Service Provider Business Days.

Service Provider Compensation

Initial Set-Up Fee. Hawaiian Electric shall receive an initial one-time only set-up fee of approximately $240,303, Hawaii Electric Light shall receive an initial one-time only set-up fee of approximately $60,872 and Maui Electric shall receive an initial one-time only set-up fee of approximately $52,732.

Annual Service Provider Fees. Each Service Provider shall receive an annual fee (the "Annual Service Provider Fee") of approximately $2,729. The Annual Service Provider Fees are subject to escalation annually by the change in the Gross Domestic Product Implicit Price Deflator. Each Service Provider shall be entitled to retain as additional compensation, all late charges, if any, collected from its respective customers with respect to the Green Infrastructure Fees, and all interest earnings on Green Infrastructure Fees collected by the Service Provider, subject to the terms of the Service Provider Agreement. The Annual Service Provider Fees must be paid to the applicable Service Provider by the Trustee, not later than five (5) Service Provider Business Days following each Payment Date, from and to the extent of Revenues available in accordance with the priorities set forth in the Indenture. Any portion of the Annual Service Provider Fee or expenses not paid on or before such date shall be added to the Annual Service Provider Fee payable on the subsequent Payment Date.

Reimbursement of Expenses. Each Service Provider will also be entitled to receive reimbursement for all reasonable fees and expenses of third parties, including without limitation, attorneys and accountants ("third party costs"), incurred by such Service Provider in performing its respective functions under the Service Provider Agreement. Any requisition for the reimbursement of third party costs shall be submitted to the Department and the Commission by the Master Service Provider, and the Department shall approve or deny such requisition (in whole or in part) within thirty (30) days of such submission. If the Department disputes the reasonableness of any third party costs and the parties cannot resolve the matter, either the Department or the Master Service Provider may request the Commission to make a final determination of the issue.

Reports

Each Service Provider shall maintain records showing the amount of Green Infrastructure Fees remitted to the Trustee on each Service Provider Business Day. Maui Electric and Hawaii Electric Light shall report such information to the Master Service Provider no less often than monthly in such manner as directed by the Master Service Provider.

The Master Service Provider shall deliver monthly and semi-annual reports to the Department and, in the case of the case of the monthly reports, the Trustee and the other Service Providers, showing Remittances made by the Service Providers during the month or semi-annual period as applicable.

Annual Audit

The Master Service Provider will cause a firm of independent certified public accountants to perform an examination and sampling of the Service Provider's billing and remittance data with respect to Billed Green Infrastructure Fees on or before December 31st of each year, as part of such accounting firm's annual audit of the Service Providers' financial statements. The procedures will require the accountants to compare random daily Remittances made by each Service Provider to the Trustee with the amount required to be remitted on such day based upon the most recent True-Up Adjustment and the Remittance methodology.

Limitation on Liability

The Department and the Service Providers expressly agree and acknowledge that: (i) in connection with any True-Up Adjustment, the Service Providers are acting solely in their capacities as agents of the Department under the Service Provider Agreement; (ii) the Service Providers shall not be responsible in any manner for, and shall have no liability whatsoever as a result of, any action, decision, ruling or other determination made or not made by the Department or by the Commission, or any delay by the Department or the Commission in any way related to the Green Infrastructure Property or any True-Up Adjustment (other than any delay resulting from a Service Provider's failure to prepare an initial calculation of a True-Up Adjustment or to deliver to the Department a draft True-Up Letter in a timely and correct manner, or other material breach by a Service Provider of its duties under the Service Provider Agreement that materially and adversely affects any True-Up Adjustment or the Green Infrastructure Property); and (iii) the Service Providers shall have no liability whatsoever relating to the calculation of the Green Infrastructure Fee and the True-Up Adjustments thereto, including as a result of any inaccuracy of any of the assumptions made in such calculation regarding expected customer counts, delinquencies or the rate of charge offs, or the provision of inaccurate information by the Department or the Trustee so long as the Service Providers have acted in good faith and have not acted in a negligent or unlawful manner in connection therewith. In addition, no Service Provider shall have any liability whatsoever as a result of any Person, including the Bondholders, not receiving any payment, amount or return anticipated or expected in respect of any Bond generally.

The foregoing provisions do not relieve a Service Provider of any liability for its negligence or willful misconduct on the performance of its duties under the Service Provider Agreement.

Matters Regarding the Service Providers

Resignation. No Service Provider is permitted to resign from its obligations and duties as a Service Provider except upon either (a) a determination that the performance of its duties under the Service Provider Agreement is no longer permissible under applicable law or (b) satisfaction of the Rating Agency Condition and the approval by the Department and the Commission of the resignation. No such resignation will become effective until a successor Service Provider assumes the responsibilities of the applicable Service Provider in accordance with the Service Provider Agreement.

Merger, Consolidation or Assumption of Obligations. Any Person into which a Service Provider may be merged or consolidated, which may result from any merger or consolidation, or which may succeed to the properties and assets of a Service Provider substantially as a whole, voluntarily or by operation of law, including pursuant to any bankruptcy, reorganization, restructuring, or other insolvency proceedings, or any sale or transfer of assets, will be a successor to such Service Provider and will be bound by the Service Provider Agreement without further action on the part of any of the parties to the Service Provider Agreement. The Service Provider shall give prior written notice the Department of any such transaction, and the Department shall promptly provide such notice to the Rating Agencies.

Defaults and Remedies; Force Majeure

Defaults and Remedies. Service Provider defaults ("Service Provider Defaults") will include:

(i) any failure by a Service Provider to remit to the Collection Account on behalf of the Department any required Remittance, or to file any draft True-up Adjustment, that continues unremedied for a period of five (5) Service Provider Business Days after written notice from the Department or the Trustee is received by such Service Provider;

(ii) any failure on the part of a Service Provider duly to observe or to perform in any material respect any other covenants or agreements of such Service Provider set forth in the Service Provider Agreement, if such failure shall materially and adversely affect the rights of the Department or the Bondholders and (ii) continue unremedied for a period of sixty (60) days after written notice of such failure is given (A) to the Service Provider by the Department or (B) to the Service Provider by the Trustee or by the Bondholders evidencing not less than 25% in principal amount of the Outstanding Bonds; or

(iii) an event of bankruptcy, insolvency, receivership or liquidation of a Service Provider.

The Service Provider Default will be remedied by the Master Service Provider if such Service Provider Default relates to a Service Provider other than the Master Service Provider, and if and so long as the Service Provider Default has not been remedied, then either the Department or the Trustee, on behalf of the Holders, may apply to the Commission for the appointment of a new Service Provider and/or for sequestration and payment of Revenues arising with respect to the Green Infrastructure Property in accordance with the Financing Order and the Statute. The predecessor Service Provider shall cooperate with the successor Service Provider, the Department and the Trustee in effecting the termination of the responsibilities and rights of the predecessor Service Provider under the Service Provider Agreement, including the transfer to the successor Service Provider for administration by it of all cash amounts that are held by the predecessor Service Provider for remittance, or will thereafter be received by it with respect to the Green Infrastructure Property to be collected by a Service Provider pursuant to the Financing Order or the Green Infrastructure Fee.

All reasonable costs and expenses incurred in transferring servicing responsibilities to a successor Service Provider will constitute Operating Expenses of the Department. The Department may waive in writing any default by any Service Provider in accordance with the provisions of the Indenture, so long as such waiver would not adversely affect the interests of the Bondholders. No waiver of a past default by the Department will extend to any subsequent or other default or impair consequent rights.

Force Majeure. If any party is unable to perform its obligations due to a Force Majeure, such party shall be excused from performance of those obligations for such time as the Force Majeure prevents performance. Such affected party shall make reasonable efforts to resume performance in the shortest possible time. During any time in which a party is relying on Force Majeure to excuse its performance of obligations, the other party will be excused from its corresponding obligations under the Service Provider Agreement. A party asserting Force Majeure must immediately, or as soon as reasonably possible, notify the other party of its inability to perform and the basis for such inability, and provide an estimate of when it expects to be able to resume performance (and must periodically update such estimate while the Force Majeure persists).

The term "Force Majeure" means any cause which is beyond the control and without the fault or negligence of the party affected and which by reasonable efforts the party affected is unable to overcome,

including without limitation the following acts of God, including fire, flood, landslide, lightning, earthquake, hurricane, tornado, storm or volcanic eruption; strike; theft; casualty; war; invasion; civil disturbance; explosion; acts of public enemies; or sabotage.

RATING AGENCY CONDITION

Certain proposed amendments and supplements to the Basic Documents cannot be adopted or actions relating thereto completed unless the Rating Agency Condition has been satisfied. The "Rating Agency Condition" means, with respect to any action, not less than ten (10) Business Days' prior written notification provided by the Department to each Rating Agency of such action, and written confirmation from each of S&P and Moody's to the Trustee and the Department that such action will not result in a suspension, reduction or withdrawal of the then-current rating by such Rating Agency of any Tranche of Bonds and that prior to the taking of the proposed action no other Rating Agency shall have provided written notice to the Department that such action has resulted or would result in the suspension, reduction or withdrawal of the then-current rating of any Tranche of Bonds; provided, however, that if within such ten (10) Business Day period, any Rating Agency (other than S&P) has neither replied to such notification nor responded in a manner that indicates that such Rating Agency is reviewing and considering the notification, then (i) the Department shall be required to confirm that such Rating Agency has received the Rating Agency Condition request, and if it has, promptly request the related Rating Agency Condition confirmation, and (ii) if the Rating Agency neither replies to such notification nor responds in a manner that indicates it is reviewing and considering the notification within five (5) Business Days following such second request, the applicable Rating Agency Condition requirement shall not be deemed to apply to such Rating Agency. For the purposes of this definition, any confirmation, request, acknowledgment or approval that is required to be in writing may be in the form of electronic mail or a press release (which, if furnished by a Rating Agency, may contain a general waiver of such Rating Agency's right to review or consent).

RISK FACTORS

Please carefully consider all the information included in this Official Statement, including the risks described below before deciding to invest in the Bonds.

General

The Bonds shall be special and limited obligations of the State, secured by a pledge of the Green Infrastructure Property and payable solely from the Revenues and assets held by the Trustee pursuant to the Indenture. The Bonds shall not be paid out of any other funds of the State except such Bond Collateral. The Bonds shall not be paid in whole or in part out of any funds raised or to be raised by taxation or out of any other revenues or assets of the State except the Bond Collateral.

The Bonds are not insured or guaranteed by any Service Provider, or by any of its affiliates. Thus, Bondholders must rely for payment solely upon the Statute, the Financing Order and state and federal constitutional rights to enforcement of the Statute and the Financing Order, and the Bond Collateral.

Risks Associated with Potential Judicial, Legislative or Regulatory Actions

Future Judicial Action Could Reduce the Value of Your Investment in the Bonds.

The Green Infrastructure Property is the creation of the Statute and the Financing Order. There is uncertainty associated with investing in bonds payable from an asset that depends for its existence on legislation because there is limited juridical or regulatory experience implementing and interpreting the

legislation. Because the Green Infrastructure Property is a creation of the Statute, any judicial determination affecting the validity of or interpreting the Statute, the Green Infrastructure Property or the Department's ability to make payments securing the Bonds might have an adverse effect on the Bonds.

Other states have passed laws similar to the Statute, and some of these laws have been challenged by judicial actions. To date, none of these challenges has succeeded, but future judicial challenges might be made. An unfavorable decision regarding another state's law would not automatically invalidate the Statute or the Financing Order, but it might provoke a challenge to the Statute, establish a legal precedent for a successful challenge to the Statute or heighten awareness of the political and other risks of the Bonds, and in that way may limit the liquidity and value of the Bonds. Therefore, legal activity in other states may indirectly affect the value of a Holder's investment in the Bonds.

Federal Action Might Pre-empt the Statute.

Hawaii law may not protect Holders against an adverse effect on their investment pursuant to a federal law enacted under the powers of the United States Congress, such as the war power or the power to regulate interstate commerce.

Future State Action Might Attempt Actions that Could Reduce the Value of the Bonds.

Unlike the citizens of California, Massachusetts, Michigan and some other states, the citizens of the State currently do not have the constitutional right to adopt or revise state laws by initiative or referendum. Thus, absent an amendment of the Hawaii Constitution, the Statute cannot be amended or repealed by direct action of the electorate of the State.

Despite the pledges in the Statute and Financing Order, respectively, not to take or permit certain actions that would impair the value of the Green Infrastructure Property or the Green Infrastructure Fees, the Hawaii legislature might attempt to repeal or amend the Statute in a manner that limits or alters the Green Infrastructure Property so as to reduce its value. See "THE STATUTE AND THE FINANCING ORDER—State Pledge" and "—Constitutional Matters." It might be possible for the Hawaii legislature to repeal or amend the Statute notwithstanding the State's pledge if the Legislature acts in order to serve a significant and legitimate public purpose. Any such action, as well as the litigation that likely would ensue, might adversely affect the price and liquidity, the dates of payment of interest and principal and the weighted average lives of the Bonds. Moreover, the outcome of any litigation cannot be predicted. Accordingly, Holders might incur a loss on or delay in recovery of their investment in the Bonds.

If an action of the Hawaii legislature adversely affecting the Green Infrastructure Property or the ability to collect Green Infrastructure Fees were considered a "taking" under the United States or Hawaii Constitutions, the State might be obligated to pay compensation for the taking. However, even in that event, there is no assurance that any amount provided as compensation would be sufficient for Holders to fully recover their investment in the Bonds or to offset interest lost pending such recovery.

The enforcement of any rights against the State under their respective pledges may be subject to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against state and local governmental entities in Hawaii. These limitations might include, for example, the necessity to exhaust administrative remedies prior to bringing suit in a court, or limitations on type and locations of courts in which the State or the Commission may be sued.

The Commission Might Attempt Actions that Could Reduce the Value of the Bonds.

The Statute provides that once the Financing Order becomes final, it is irrevocable and, further, the Commission may not directly or indirectly, by any subsequent action, rescind or amend a financing order or reduce or impair the green infrastructure fees authorized under a Financing Order, except for the True-Up Adjustments to the Green Infrastructure Fees. True-Up adjustment procedures may be challenged in the future. Challenges to or delays in the true-up process might adversely affect the market perception and valuation of the Bonds. Also, any litigation arising from a challenge to the True-up Adjustment procedures, might materially delay collections due to delayed implementation of True-Up Adjustments and might result in missing payments or payment delays and lengthened weighted average life of the Bonds. The Commission retains the power to adopt, revise or rescind rules or regulations affecting the Service Providers.

The Commission also retains the power to interpret the Financing Order, and in that capacity might be called upon to rule on the meanings of provisions of the order that might need further elaboration. If any new or amended regulations or orders from the Commission might attempt to affect the ability of the Service Providers to collect the Green Infrastructure Fees in full and on a timely basis, the rating of the Bonds or their price and, accordingly, the amortization of the Bonds and their weighted average lives.

State Must Have a Budget in Effect for the Payment of the Bonds.

The State must have adopted a budget appropriating the payment on the Bonds and related costs. Pursuant to Article VII, Section 8 of the State Constitution, the Governor submits a proposed biennial budget to the Legislature prior to the opening of each regular session in each odd year. If the Legislature fails to pass a related appropriations bill pursuant to Article VII, Section 9 of the State Constitution, and the State fails to adopt a budget, no expenditures by the State are authorized and the State must shut down all departments and services. The State has never failed to adopt a budget on a timely basis, or to make timely payments on its bonded indebtedness.

The Department has covenanted to file with the proper officers of the State an estimated budget including all Bond payments, together with all other estimated Operating Expenses due for each of the two years comprising a legislative biennium and, for each year, an amount equal to one and a half times the estimated principal and interest payments scheduled to be paid in that year. The Department has further covenanted to review and revise the budget appropriation request annually in the event that the requested appropriation might be insufficient to pay the Bonds in the next budget year. This duty of the Department to file these budgets is a ministerial act, and may be compelled by mandamus action.

Servicing Risks

Investment in the Bonds Depends in Part on the Electric Utilities or their Successors Acting as Service Providers of the Green Infrastructure Property.

The Service Providers will be responsible for, among other things, billing and collecting the Green Infrastructure Fees from Customers on behalf of the State. In addition, Hawaiian Electric, as Master Service Provider will be responsible for assisting the Department with making the calculations necessary to set and adjust the Green Infrastructure Fee from time to time, and in filing on a timely basis the True-Up Adjustment Letters necessary to implement the charge adjustments. In addition, the Trustee's receipt of collections, which will be used to make payments on the Bonds, will depend in part on the skill and diligence of Hawaiian Electric and the other Service Providers in performing these functions. In addition, any entity that acquires or otherwise becomes the successor to an Electric Utility is

required by the Statute to assume the role as Service Provider. Any successor may not have the same expertise as Hawaii Electric.

If Hawaii Electric is Replaced as the Master Service Provider, There May Be Difficulties Finding and Using a Successor Master Service Provider.

If a Service Provider (other than Hawaiian Electric) defaults in its obligations under the Service Provider Agreement, then Hawaiian Electric has agreed to assume that Service Provider's functions. However if Hawaiian Electric defaults under the Service Provider Agreement, then either the Department or the Trustee may apply to the Commission for the appointment of successor Service Providers. In such event, it would be difficult to find a successor Master Service Provider. Under the Financing Order, the annual service provider fee payable to a successor Service Provider who is not affiliated with Hawaiian Electric is capped and the payment of compensation in excess of the cap is dependent upon Commission approval. See "THE SERVICE PROVIDER AGREEMENT—Service Provider Compensation." Also, any successor Service Provider might have less experience and ability than Hawaiian Electric and might experience difficulties in collecting Green Infrastructure Fees and determining appropriate adjustments to the Green Infrastructure Fees, and billing and/or payment arrangements may change, resulting in delays or disruptions of collections. Further, a successor Service Provider might require a different remittance methodology, or charge fees that, while permitted under the Financing Order, are substantially higher than the fees paid to Hawaiian Electric. In the event of the commencement of a case by or against the Service Provider under the United States Bankruptcy Code or similar laws, the Master Service Provider and the Trustee might be prevented from effecting a transfer of servicing due to operation of the Bankruptcy Code. See "Risks Associated with Potential Bankruptcy Proceedings of the Service Provider" below. Any of these factors and others might delay the timing of payments and may reduce the value of the Bonds.

The Service Providers are Entitled to Suspend Their Servicing Functions in The Event of a Force Majeure; Related Consequences of Force Majeure Events.

Under the Service Provider Agreement, the Service Providers are entitled to suspend their performance in the event of a force majeure. "Force Majeure" is defined in the Service Provider Agreement as "any cause which is beyond the control and without the fault or negligence of the party affected and which by reasonable efforts the party affected is unable to overcome, including without limitation the following: acts of God; fire, flood, landslide, lightning, earthquake, hurricane, tornado, storm or volcanic eruption; strike; theft; casualty; war; invasion; civil disturbance; explosion; acts of public enemies; or sabotage." Major hurricanes have struck Hawaii in 1982, 1992 and 2014. Any Force Majeure event which continued for an extended period of time could cause a delay in the payment of the Bonds.

In addition any severe storms could cause long-lasting adverse effects on residential and commercial development and economic activity among the Service Providers' Customers, which could cause the Green Infrastructure Fee to be greater than expected as a percentage of base rate revenues. Legislative action adverse to the Holders might be taken in response, and such legislation, if challenged as violative of the State Pledge, might be defended on the basis of public necessity.

Risks Associated with Potential Bankruptcy Proceedings of the Service Provider

The Service Providers Will Commingle the Green Infrastructure Fee, Which Might Obstruct Access to the Green Infrastructure Fees in the Case of a Service Provider Bankruptcy.

The Service Providers will be required to remit estimated Green Infrastructure Fees on a daily basis. However, the Service Providers will not segregate the Green Infrastructure Fees from the other funds they collect from Customers or its general funds.

Despite this requirement, the Service Providers might fail to remit the full amount of the Green Infrastructure Fees to the Trustee or might fail to do so on a timely basis. This failure, whether voluntary or involuntary, might materially reduce the amount of collections available to make payments on the Bonds.

The Statute provides that the Beneficiary shall have a paramount lien on Green Infrastructure Property. The Statute provides that upon a default by a Service Provider in remitting Green Infrastructure Fees, the Commission, upon application by the Department, will order the sequestration and payment to the Bondholders of all Green Infrastructure Fees, and such order will remain in effect notwithstanding the bankruptcy or insolvency of the Service Provider. In a bankruptcy of any of the Service Providers, however, a bankruptcy court might rule that federal bankruptcy law takes precedence over the Statute and might decline to recognize the Department's right to collections of the Green Infrastructure Fees that are commingled with other funds of such Service Provider as of the date of bankruptcy. If so, the collections of the Green Infrastructure Fees held by a Service Provider as of the date of bankruptcy would not be available to pay amounts owing on the Bonds. In this case, the Department would have only a general unsecured claim against such Service Provider for those amounts. This decision could cause material delays in payments of principal or interest, or losses, on the Bonds and could materially reduce the value of the Bonds.

If a Service Provider Were a Debtor in a Bankruptcy Proceeding, the Service Provider Could Elect to Reject the Service Provider Agreement and Any Resulting Delay in the Appointment of a Replacement or Successor Service Provider Could Disrupt the Billing and Collection of the Green Infrastructure Fee, Thus Delaying the Payment on the Bonds.

Among the powers given to a debtor in such a bankruptcy case is the right to "assume" or "reject" any unexpired lease or "executory contract." While not defined in the Bankruptcy Code, an "executory contract" is generally said to be a bilateral agreement as to which material performance remains for both parties at the time the bankruptcy case is commenced. The Service Provider Agreement would likely be found to be an executory contract. If the Service Providers, as debtors, elected to reject the Service Provider Agreement as permitted under the Bankruptcy Code, the Service Provider Agreement would no longer be enforceable against the Service Providers, and the Department, or the Trustee as the Department's assignee, would have only general unsecured claims against the Service Providers for the damages resulting from such rejection.

Such claims would be subject to being discharged in the bankruptcy case and no assurance can be given as to what percentage of their claims unsecured creditors would receive in the bankruptcy case.

In the event of a bankruptcy of the Service Providers, the Service Provider Agreement provides for the appointment of successor Service Providers. However, the automatic stay in effect during a Service Provider bankruptcy might delay or prevent a successor Service Provider's replacement of such Service Provider. Even if a Successor Service Provider is permitted to be appointed to replace the Service

Provider, as described above, a successor may be difficult to obtain and may not be capable of performing all of the duties that the Service Providers were capable of performing.

Customer and Technology Related Risks

Alternatives to Purchasing Electricity Through Service Providers' Distribution Facilities or Technological Change Might Make Substitute Energy Sources More Attractive in the Future, and Effect of Net Metering.

Only electric service customers of the Service Providers (or their successors) are required to pay the Green Infrastructure Fees. Customers who disconnect from the distribution lines of the Service Providers (or their successors) and no longer obtain any electric service will no longer be "customers" and will no longer be required to pay the Green Infrastructure Fees.

Technological developments might result in the introduction of economically attractive alternatives to purchasing electricity through Service Providers' transmission and distribution facilities for increasing numbers of Customers. Manufacturers of self-generation facilities may develop smaller-scale, more fuel-efficient and/or more environmentally friendly generating units that can be cost-effective sources of energy for a greater number of Customers. The development of small-scale storage or battery capacity may also allow Customers, who use solar generation, to store enough electricity to enable the Customers to cut off all service from the Electric Utilities.

The need for reliable back-up power supply from the Service Providers, as well as the cost of self-generation, is expected to preclude, at least in the near term, a meaningful number of residential and commercial Customers within the Service Area from disconnecting from the grid. However, over time, technological developments might allow greater numbers of Customers to disconnect from the grid, thus reducing the total number of Customers paying the Green Infrastructure Fees and change the relative amounts of Green Infrastructure Fees on such Customers, all of which would increase the amount and share of Green Infrastructure Fees billed to the remaining Customers. Such increase may reduce the collectability of the Green Infrastructure Fees.

An Unanticipated Reduction in the Number of Customers Could Delay Payment of Principal of the Green Infrastructure Bonds.

The Green Infrastructure Fee will be calculated and adjusted from time to time based upon the number of customers in each relevant customer Rate Class. Should the number of Customers in any Rate Class decline unexpectedly, the Green Infrastructure Fee collections might decline so as to cause a temporary delay in the payment of principal on the Bonds.

Risks Associated with Acceleration of the Bonds

Payments to Holders on the Bonds May Not Be Made on an Accelerated Basis Following an Acceleration of the Bonds.

Since the True-Up Mechanism was not designed to respond to an acceleration of Bonds, and since the Indenture does not provide for the remedy of foreclosure and sale of the Green Infrastructure Property following any such acceleration, it is unlikely that aggregate payments to Holders would be received on an accelerated basis following an acceleration of the Bonds. However, following any acceleration of the Bonds, principal will be paid to the Bondholders at each Tranche on a *pari passu* basis, without regard to the numeric designation of such Tranche.

Other Risks

The Absence of a Secondary Market for the Bonds Might Limit the Ability to Resell the Bonds.

The underwriters for the Bonds might assist in resales of the Bonds, but they are not required to do so. A secondary market for the Bonds might not develop. If a secondary market does develop, it might not continue or it might not be sufficiently liquid to allow a Holder to resell any of its Bonds.

If the Ratings on the Bonds are Withdrawn or Revised, the Value of the Bonds may be Adversely Affected.

The ratings on the Bonds may be withdrawn or revised, which may have an adverse effect on the market price of the Bonds. A security rating is not a recommendation to buy, sell or hold the Bonds. The ratings are assessments by the respective Rating Agencies of the likelihood that interest and principal on the Bonds will be paid on a timely basis. Ratings on the Bonds may be lowered, qualified or withdrawn at any time without notice.

The Credit Ratings Are Not an Indication of the Expected Rate of Payment of Principal on the Bonds.

The Bonds are expected to receive credit ratings from three nationally recognized statistical rating organizations ("NRSROs"). A rating is not a recommendation to buy, sell or hold the Bonds. The ratings merely analyze the probability that the State will repay the principal amount of the Bonds at each Final Maturity Date (which is later than the related Scheduled Final Payment Date) and will make timely interest payments. The ratings are not an indication that the rating agencies believe that principal payments are likely to be paid on time according to the Expected Amortization Schedules.

UNDERWRITING

Goldman, Sachs & Co., as representative (the "Representative") on behalf of itself and Citigroup Global Markets Inc. (together with the Representative, the "Underwriters") have agreed, jointly and severally and subject to certain conditions, to purchase the Bonds from the State at an underwriters' discount of $_____. The initial public offering prices of the Bonds may be changed from time to time by the Underwriters.

The Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than such public offering prices.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their affiliates have in the past provided, and may in the future provide, a variety of these services to the State, the Department, and the Service Providers and their affiliates for which they received or may receive, customary fees and expenses.

In addition, each Underwriter may from time to time take positions in the Bonds. Goldman, Sachs & Co. ("Goldman Sachs"), one of the Underwriters of the Bonds, has entered into a master dealer agreement (the "Master Dealer Agreement") with Incapital LLC ("Incapital") for the distribution of certain municipal securities offerings, including the Bonds, to Incapital's retail distribution network at the initial public offering prices. Pursuant to the Master Dealer Agreement, Incapital will purchase Bonds

from Goldman Sachs at the initial public offering price less a negotiated portion of the selling concession applicable to any Bonds that Incapital sells.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for its selling efforts with respect to the Bonds.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the State, the Department and the Service Providers (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the State, the Department and the Service Providers. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

All discussions of U.S. federal tax issues in this Official Statement are written in connection with the promotion and marketing by the State and the Underwriters of the transactions described in this Official Statement. These discussions are not intended or written to be legal or tax advice to any person and are not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal income tax penalties. Each investor is encouraged to seek advice based on its particular circumstances from an independent tax advisor.

General

The following is a general discussion of the material federal income tax consequences of the purchase, ownership and disposition of the Bonds. Except as specifically provided below with respect to Non-U.S. Holders (as defined below), this discussion does not address the tax consequences to persons other than initial purchasers who are U.S. Holders (as defined below) that hold their Bonds as capital assets within the meaning of section 1221 of the Internal Revenue Code, and it does not address all of the tax consequences relevant to investors that are subject to special treatment under the U.S. federal income tax laws (such as financial institutions, life insurance companies, retirement plans, regulated investment companies, persons who hold Bonds as part of a "straddle," a "hedge" or a "conversion transaction," persons that have a "functional currency" other than the U.S. dollar, investors in pass-through entities and tax-exempt organizations). This summary also does not address the consequences to holders of the Bonds under state, local or foreign tax laws.

This summary is based on current provisions of the Internal Revenue Code, the Treasury Regulations promulgated and proposed thereunder, judicial decisions and published administrative rulings and pronouncements of the Internal Revenue Service of the United States of America (the "IRS") and interpretations thereof. All of these authorities and interpretations are subject to change, and any change may apply retroactively and affect the accuracy of the opinions, statements and conclusions set forth in this discussion.

U.S. Holder and Non-U.S. Holder Defined

A "U.S. Holder" means a beneficial owner of a Bond that, for U.S. federal income tax purposes, is (i) a citizen or individual resident of the United States, (ii) a corporation (including an 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 the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust if (A) a court in the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority 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" means a beneficial owner of a Bond that is not a U.S. Holder but does not include (i) an entity or arrangement treated as a partnership for U.S. federal income tax purposes, (ii) a former citizen of the United States or (iii) a former resident of the United States.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes is a holder of a Bond, 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. Partners are encouraged to consult their tax advisors about the particular U.S. federal income tax consequences applicable to them. Similarly, former citizens and former residents of the United States are encouraged to consult their tax advisors about the particular U.S. federal income tax consequences that may be applicable to them.

ALL PROSPECTIVE INVESTORS ARE ENCOURAGED TO CONSULT THEIR TAX ADVISERS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF BONDS IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, AS WELL AS THE EFFECT OF ANY FOREIGN, STATE, LOCAL OR OTHER TAX LAWS.

Characterization of the Bonds and the Taxability of Interest

In the opinion of Sidley Austin LLP, for U.S. federal income tax purposes, the Bonds will be characterized as debt and the interest on the Bonds will be includible in the gross income of the Holders. By acquiring a Bond, a Holder agrees, for U.S. federal income tax purposes, to treat the Bond as debt and the interest as subject to tax.

Tax Consequences to U.S. Holders

Interest

Interest income on the Bonds, payable at a fixed rate, will be includible in income by a U.S. Holder when it is received, in the case of a U.S. Holder using the cash receipts and disbursements method of tax accounting, or as it accrues, in the case of a U.S. Holder using the accrual method of tax accounting. We expect that the Bonds will not be issued with original issue discount.

Sale or Retirement of Bonds

On a sale, exchange or retirement of a Bond, a U.S. Holder will have taxable gain or loss equal to the difference between the amount received by the U.S. Holder and the U.S. Holder's tax basis in the Bond. A U.S. Holder's tax basis in a Bond is the U.S. Holder's cost, subject to adjustments such as reductions in basis for principal payments received previously. Gain or loss will generally be capital gain or loss, and will be long-term capital gain or loss if the Bond was held for more than one year at the time of disposition. If a U.S. Holder sells the Bond between interest payment dates, a portion of the amount

received will reflect interest that has accrued on the Bond but that has not yet been paid by the sale date. To the extent that amount has not already been included in the U.S. Holder's income, it will be treated as ordinary interest income and not as capital gain.

3.8% Tax on "Net Investment Income"

U.S. Holders that are individuals, estates and certain trusts are subject to an additional 3.8% tax on all or a portion of their "net investment income," which may include the interest payments and any gain realized with respect to the Bonds, to the extent that their net investment income, when added to their other modified adjusted gross income, exceeds $200,000 for an unmarried individual, $250,000 for a married taxpayer filing a joint return (or a surviving spouse), or $125,000 for a married individual filing a separate return. Such U.S. Holders are encouraged to consult their tax advisors with respect to the 3.8% tax.

Tax Consequences to Non-U.S. Holders

Withholding Taxation on Interest

Subject to the discussions of backup withholding and FATCA below, payments of interest income on the Bonds received by a Non-U.S. Holder that does not hold its Bonds in connection with the conduct of a trade or business in the United States will generally not be subject to U.S. federal withholding tax, provided that the Non-U.S. Holder is not a bank that acquires the Bonds as part of its business of making loans and the withholding agent receives:

- from a Non-U.S. Holder appropriate documentation to treat the payment as made to a foreign beneficial owner under Treasury Regulations issued under section 1441 of the Internal Revenue Code (the "Section 1441 Regulations");

- a withholding certificate from a person claiming to be a foreign partnership and the foreign partnership has received appropriate documentation to treat the payment as made to a foreign beneficial owner in accordance with the Section 1441 Regulations;

- a withholding certificate from a person representing to be a "qualified intermediary" that has assumed primary withholding responsibility under the Section 1441 Regulations and the qualified intermediary has received appropriate documentation from a foreign beneficial owner in accordance with its agreement with the IRS; or

- a statement, under penalties of perjury from an authorized representative of a financial institution, stating that the financial institution has received from the beneficial owner a withholding certificate described in these Treasury Regulations or that it has received a similar statement from another financial institution acting on behalf of the foreign beneficial owner and a copy of such withholding certificate.

In general, it will not be necessary for a Non-U.S. Holder to obtain or furnish a United States taxpayer identification number in order to claim the foregoing exemption from U.S. withholding tax on payments of interest. Interest paid to a Non-U.S. Holder will be subject to a United States withholding tax of 30% upon the actual payment of interest income, except as described above and except where an applicable income tax treaty provides for the reduction of or exemption from the withholding tax and the Non-U.S. Holder provides a withholding certificate properly establishing such reduction or exemption. A Non-U.S. Holder generally will be taxable in the same manner as a United States corporation or resident with respect to interest income if the income is effectively connected with the Non-U.S. Holder's conduct

of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States). Effectively connected income received by a Non-U.S. Holder that is a corporation may in some circumstances be subject to an additional "branch profits tax" at a 30% rate, or if applicable, a lower rate provided by an income tax treaty. To avoid having the 30% withholding tax imposed on effectively connected interest income, the Non-U.S. Holder must provide a withholding certificate on which the Non-U.S. Holder certifies, among other facts, that payments on the Bonds are effectively connected with the conduct of a trade or business in the United States.

Capital Gains Tax Issues

Subject to the discussions of backup withholding and recently enacted legislation below, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on gain realized on the sale or exchange of Bonds, unless:

- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year and this gain is from United States sources; or

- the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States).

The Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("FATCA") imposes a 30% withholding tax on Bond payments made to foreign entities and intermediaries unless such entities or intermediaries comply with reporting obligations that require them to identify to the IRS their accounts and investments held for U.S. persons. This tax applies to interest paid after June 30, 2014, and to gross proceeds, including the return of principal, from the sale, exchange or retirement of a Bond made after December 31, 2016. U.S. Holders that own their interests in a Bond through foreign entities and intermediaries, and Non-U.S. Holders are encouraged to consult their tax advisor regarding foreign account tax compliance.

Backup Withholding

Backup withholding of U.S. federal income tax may apply to payments made in respect of the Bonds to registered owners who are not "exempt recipients" and who fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Bonds to a U.S. Holder must be reported to the IRS, unless the U.S. Holder is an exempt recipient or establishes an exemption. A U.S. Holder can obtain a complete exemption from the backup withholding tax by providing a properly completed IRS Form W-9 (Payer's Request for Taxpayer Identification Number and Certification). Compliance with the identification procedures described above under "—Tax Consequences to Non-U.S. Holders—Withholding Taxation on Interest" would establish an exemption from backup withholding for those Non-U.S. Holders who are not exempt recipients.

In addition, backup withholding of U.S. federal income tax may apply upon the sale of a Bond to (or through) a broker, unless either (1) the broker determines that the seller is a corporation or other exempt recipient or (2) the seller provides, in the required manner, certain identifying information and, in the case of a Non-U.S. Holder, certifies that the seller is a Non-U.S. Holder (and certain other conditions

are met). The sale may also be reported by the broker to the IRS, unless either (a) the broker determines that the seller is an exempt recipient or (b) the seller certifies its non-U.S. status (and certain other conditions are met). Certification of the seller's non-U.S. status would be made normally on an IRS Form W-8BEN (in the case of an individual) or an IRS Form W-8BEN-E (in the case of an entity) signed under penalty of perjury, although in certain cases it may be possible to submit other documentary evidence. A sale of a Bond to (or through) a non-U.S. office of a broker generally will not be subject to information reporting or backup withholding unless the broker is a U.S. person or has certain connections to the United States.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's U.S. federal income tax provided the required information is timely furnished to the IRS.

HAWAII TAX CONSIDERATIONS

In addition, in the opinion of Sidley Austin LLP, interest on the Bonds is exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, and estate taxes and except to the extent the franchise tax imposed on banks and other financial institutions may be measured with respect to the Bonds or income therefrom. Each prospective purchaser of the Bonds should consult his or her own tax advisor as to the status of interest on the Bonds under the tax laws of any state other than Hawaii.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 4975 of the Code generally prohibit certain transactions between employee benefit plans under ERISA or tax qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In addition, each fiduciary of a Plan ("Plan Fiduciary") must give appropriate consideration to the facts and circumstances that are relevant to an investment in the Bonds, including the role that such an investment in the Bonds would play in the Plan's overall investment portfolio. Each Plan Fiduciary, before deciding to invest in the Bonds, must be satisfied that such investment in the Bonds is a prudent investment for the Plan, that the investments of the Plan, including the investment in the Bonds, are diversified so as to minimize the risk of large losses and that an investment in the Bonds complies with the documents of the Plan and related trust, to the extent such documents are consistent with ERISA. In addition, by its acquisition of a Bond (or any interest therein), each Plan Fiduciary will be deemed to have represented and warranted that the acquisition and holding of such Bond (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code. All Plan Fiduciaries, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Bond.

FUTURE DEVELOPMENTS

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to Hawaii or local income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the Hawaii or local tax-exempt status of such interest. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed Hawaii or local tax legislation, regulations, rulings or litigation, as to which Transaction Counsel expresses no opinion.

RATINGS

The Bonds are expected to be assigned ratings of "Aaa" by Moody's, "AAA (sf)" by S&P, and "AAA (sf)" by Fitch. It is a condition to the issuance of the Bonds that such ratings are received.

The respective ratings by Fitch, Moody's and S&P of the Bonds reflect only the views of such organizations and any desired explanation of the significance of such ratings and any outlooks or other statements given by the Rating Agencies with respect thereto should be obtained from the Rating Agency furnishing the same, at the following addresses: Fitch Ratings, ABS Surveillance, 33 Whitehall Street, New York, New York 10004; Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. Generally, a Rating Agency bases its rating and outlook (if any) on the information and materials furnished to it and on investigations, studies and assumptions of its own. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning Rating Agency. No person is obligated to maintain the rating on any Bonds and, accordingly, there is no assurance that such ratings for the Bonds will continue for any given period of time or that any of such ratings will not be revised downward or withdrawn entirely by any of the Rating Agencies, if, in the judgment of such Rating Agency or Agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the liquidity and the market price of the Bonds. In general, ratings address credit risk and do not represent any assessment of any particular rate of principal payments on the Bonds other than the payment in full of each Tranche of the Bonds by the Final Maturity Date as well as the timely payment of interest.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the State, acting through the Department, will execute a Continuing Disclosure Certificate with respect to the Bonds for the benefit of the beneficial owners of the Bonds, substantially in the form attached as Appendix I to this Official Statement (the "Continuing Disclosure Certificate"), pursuant to which the Department will agree to provide or cause to be provided, in accordance with the requirements of Rule 15c2-12: (i) certain annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds, and (iii) timely notice of a failure by the Department to provide the required annual financial information on or before the date specified in the Continuing Disclosure Certificate. The Underwriters' obligation to purchase the Bonds shall be conditioned upon their receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Certificate. See Appendix I – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Although the Department has not previously been subject to the requirements of Rule 15c2-12, in two instances within the past five years the State has filed annual reports on a timely basis, but did not include audited financial statements or, as required by the applicable continuing disclosure certificates, when audited financial statements were not available, unaudited financial statements. In each case, a notice was filed that the audited financial statements were not available and audited financial statements were filed when they became available. In addition, the State has in certain years during the past five years: (1) failed to file notices of certain rating recalibrations with respect to its general obligation bonds in a timely manner, and (2) failed to file certain defeasance, refunding and redemption notices or failed to file them in a timely manner. The State has policies and procedures in place to enhance compliance with its continuing disclosure undertakings including the one referenced in the preceding paragraph. The State regularly updates its financial disclosure, which may involve adding additional financial and operating data, displaying data in a different format, or eliminating data that are no longer material.

A failure by the State to comply with the Continuing Disclosure Certificate will not constitute an event of default of the Bonds, although any Bondholder or any beneficial owner may bring action to compel the State to comply with its obligations under the Continuing Disclosure Certificate. Any such failure must be reported in accordance with Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

INDEPENDENT FINANCIAL ADVISOR

First Southwest Company is employed as an independent financial advisor to the Department (the "Financial Advisor") in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the Department has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Department and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

ABSENCE OF LITIGATION

Upon delivery of the Bonds, the Attorney General of the State will deliver an opinion, dated the date of delivery of the Bonds, to the effect that there is no controversy or litigation of any nature pending or threatened (i) to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or (ii) in any way contesting or affecting the validity of the Bonds, the validity of the Statute or the Financing Order, or any of the other Basic Documents or any of the proceedings taken with respect to the issuance and sale of the Bonds or the application of monies to the payment of the Bonds. See "APPENDIX C – PROPOSED FORM OF APPROVING OPINION OF ATTORNEY GENERAL."

LEGAL MATTERS

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of the proceedings authorizing the Bonds by the Attorney General of the State of Hawaii and by Sidley Austin LLP, as Transaction Counsel, and certain other conditions. See "APPENDIX C – PROPOSED FORM OF APPROVING OPINION OF ATTORNEY GENERAL" and "APPENDIX D – PROPOSED FORM OF APPROVING OPINION OF TRANSACTION COUNSEL" hereto. Certain additional legal matters will be passed upon for the State by Sidley Austin LLP, as Transaction Counsel. Certain legal matters will be passed upon by Alston Hunt Floyd & Ing and Katten Muchin Rosenman LLP, as Co-Underwriters' Counsel. Certain legal matters will be passed upon by Susan Li, Senior Vice President, General Counsel to Hawaiian Electric. The Bonds are expected to be delivered to DTC on or about November ___, 2014.

MISCELLANEOUS

The references in this Official Statement to Acts of the Legislature, the Statute, the Indenture, the Financing Order, the Certificate and the Service Provider Agreement do not purport to be complete and

are subject to the detailed provisions thereof to which reference is hereby made. The Statute and other Hawaii Statutes may be amended by the Legislature. The Department has provided the information in this Official Statement, and other matters, as indicated.

All statements in this Official Statement involving matters of opinion, estimates, forecasts, projections, or the like, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any such statements will be realized. The agreements of the Department and the State are fully set forth in the Indenture, the Certificate, the Statute and the Revenue Bond Law, and this Official Statement is not to be construed as a contract or agreement between the Department or the State and the purchasers or Holders of any of the Bonds.

STATE OF HAWAII, DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM

By: _____
Richard C. Lim
Director of Business, Economic Development, and Tourism

APPENDIX A

CERTAIN INFORMATION CONCERNING THE SERVICE PROVIDERS AND THEIR CUSTOMERS

The information under this caption was provided by the Service Providers. Neither the State nor the Underwriters make any representations as to the accuracy or completeness of such information.

Hawaiian Electric Company, Inc.

Hawaiian Electric Industries, Inc. ("HEI") was incorporated in 1981 under the laws of the State of Hawaii and is a holding company with its principal subsidiaries engaged in electric utility and banking businesses operated primarily in the State of Hawaii. Hawaiian Electric Company, Inc. ("Hawaiian Electric") serves the island of Oahu; Hawaii Electric Light Company, Inc. ("Hawaii Electric Light") serves the island of Hawaii; and Maui Electric Company, Limited ("Maui Electric" and, together with Hawaiian Electric and Hawaii Electric Light, the "Service Providers") serves the islands of Maui, Lanai, and Molokai. Hawaii Electric Light and Maui Electric are wholly owned subsidiaries of Hawaiian Electric, which in turn is a wholly owned subsidiary of HEI.

As of December 31, 2013, Hawaiian Electric, Hawaii Electric Light and Maui Electric provided electric service to approximately 451,742 retail customers. The retail customer base includes a mix of residential and non-residential customers. During the twelve months ended December 31, 2013, the Service Providers delivered approximately 9,070 million kilowatt hours of electricity resulting in electric sales revenues of approximately $2.97 billion.

Where to Find Information about Hawaiian Electric. HEI files periodic reports with the SEC as required by the Exchange Act. Reports filed with the SEC are available for inspection without charge at the public reference room maintained by the SEC at 100 F Street, N.E., Washington, DC 20549. Copies of periodic reports and exhibits thereto may be obtained at the above location at prescribed rates. Information as to the operation of the public reference facilities is available by calling the SEC at 1-800-SEC-0330. Information filed with the SEC can also be inspected at the SEC site on the World Wide Web at http://www.sec.gov. You may access a copy of HEI's filings at www.hei.com.

Customer Base

The Green Infrastructure Fee will be a monthly fixed per capita fee imposed on each retail customer of the Service Providers, based upon their class of service. The principal factor affecting the number of customers of any class is the general economic climate in each of the Service Providers' respective service territories, which affects migration of residential, commercial and industrial customers into or out of the service territory.

The table below sets forth the historical customer count by class of each Service Provider for the years 2003 to 2013. As this table reflects, the number of customers in each class has been relatively stable.

Historical Customer Count by Class (as of Years Ended December 31)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Hawaiian Electric	**286,677**	**288,456**	**291,580**	**292,988**	**294,591**	**293,740**	**295,282**	**296,422**	**296,800**	**297,529**	**299,528**
Residential	253,033	254,797	257,804	259,098	260,583	259,929	261,630	262,635	263,384	264,047	265,772
Small Commercial	25,271	25,241	25,469	25,613	25,862	25,901	25,331	25,565	25,552	25,497	25,653
Medium Commercial	7,633	7,658	7,500	7,467	7,398	7,137	7,539	7,437	7,076	7,191	7,334
Large Commercial	354	355	360	360	347	337	347	343	358	366	344
Street Lighting	386	405	447	450	401	436	435	442	430	428	425
Hawaii Electric Light	**68,893**	**71,594**	**73,835**	**76,417**	**78,983**	**79,606**	**79,813**	**80,695**	**81,199**	**81,792**	**82,637**
Residential	57,257	58,861	60,699	62,851	65,305	66,188	66,825	67,837	68,423	69,099	69,719
Small Commercial	9,725	10,728	11,177	11,522	11,560	11,271	10,830	10,658	10,580	10,618	10,884
Medium Commercial	1,735	1,810	1,772	1,834	1,870	1,863	1,861	1,898	1,886	1,754	1,699
Large Commercial	60	66	65	66	70	70	69	66	74	76	79
Street Lighting	116	129	122	144	178	214	228	236	236	245	256
Maui Electric	**61,423**	**61,996**	**63,901**	**64,937**	**66,323**	**67,065**	**67,489**	**67,739**	**68,230**	**68,922**	**69,577**
Residential	52,110	52,559	54,135	54,834	56,076	56,925	57,431	57,835	58,326	58,879	59,419
Small Commercial	7,456	7,457	7,732	8,058	8,195	8,081	8,058	7,992	8,011	8,268	8,313
Medium Commercial	1,559	1,682	1,727	1,725	1,718	1,723	1,656	1,570	1,553	1,434	1,504
Large Commercial	135	134	134	141	137	136	142	139	135	135	133
Street Lighting	163	164	173	179	197	200	202	203	205	206	208
TOTAL	**416,993**	**422,046**	**429,316**	**434,342**	**439,897**	**440,411**	**442,584**	**444,856**	**446,229**	**448,243**	**451,742**

The table below sets forth the historical year-over-year changes in customer count for each Service Provider for the years 2004 to 2013.

Historical Year-Over-Year Change in Customer Count

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Hawaiian Electric	**0.6%**	**1.1%**	**0.5%**	**0.5%**	**-0.3%**	**0.5%**	**0.4%**	**0.1%**	**0.2%**	**0.7%**
Residential	0.7%	1.2%	0.5%	0.6%	-0.3%	0.7%	0.4%	0.3%	0.3%	0.7%
Small Commercial	-0.1%	0.9%	0.6%	1.0%	0.2%	-2.2%	0.9%	-0.1%	-0.2%	0.6%
Medium Commercial	0.3%	-2.1%	-0.4%	-0.9%	-3.5%	5.6%	-1.4%	-4.9%	1.6%	2.0%
Large Commercial	0.3%	1.4%	0.0%	-3.6%	-2.9%	3.0%	-1.2%	4.4%	2.2%	-6.0%
Street Lighting	4.9%	10.4%	0.7%	-10.9%	8.7%	-0.2%	1.6%	-2.7%	-0.5%	-0.7%
Hawaii Electric Light	**3.9%**	**3.1%**	**3.5%**	**3.4%**	**0.8%**	**0.3%**	**1.1%**	**0.6%**	**0.7%**	**1.0%**
Residential	2.8%	3.1%	3.5%	3.9%	1.4%	1.0%	1.5%	0.9%	1.0%	0.9%
Small Commercial	10.3%	4.2%	3.1%	0.3%	-2.5%	-3.9%	-1.6%	-0.7%	0.4%	2.5%
Medium Commercial	4.3%	-2.1%	3.5%	2.0%	-0.4%	-0.1%	2.0%	-0.6%	-7.0%	-3.1%
Large Commercial	10.0%	-1.5%	1.5%	6.1%	0.0%	-1.4%	-4.3%	12.1%	2.7%	3.9%
Street Lighting	11.2%	-5.4%	18.0%	23.6%	20.2%	6.5%	3.5%	0.0%	3.8%	4.5%
Maui Electric	**0.9%**	**3.1%**	**1.6%**	**2.1%**	**1.1%**	**0.6%**	**0.4%**	**0.7%**	**1.0%**	**1.0%**
Residential	0.9%	3.0%	1.3%	2.3%	1.5%	0.9%	0.7%	0.8%	0.9%	0.9%
Small Commercial	0.0%	3.7%	4.2%	1.7%	-1.4%	-0.3%	-0.8%	0.2%	3.2%	0.5%
Medium Commercial	7.9%	2.7%	-0.1%	-0.4%	0.3%	-3.9%	-5.2%	-1.1%	-7.7%	4.9%
Large Commercial	-0.7%	0.0%	5.2%	-2.8%	-0.7%	4.4%	-2.1%	-2.9%	0.0%	-1.5%
Street Lighting	0.6%	5.5%	3.5%	10.1%	1.5%	1.0%	0.5%	1.0%	0.5%	1.0%
Total	**1.2%**	**1.7%**	**1.2%**	**1.3%**	**0.1%**	**0.5%**	**0.5%**	**0.3%**	**0.5%**	**0.8%**

Credit Policy

The Service Providers' credit and collections policies are regulated by the Public Utilities Commission of the State of Hawaii (the "Commission"). Under the Commission's regulations, each Service Provider is obligated to provide service to all customers within its respective service territory.

On application for service, the identification of all residential customers is verified through the use of a major credit-reporting bureau. The rating returned from the credit reporting bureau includes a recommendation on requirement of a security deposit, or if a waiver is acceptable. If the residential customer had a break in service, their past credit history with the Service Provider will take precedence over the credit reporting bureau recommendation. In instances where non-residential customers have not established satisfactory credit, a security deposit in the form of a cash deposit may be required. In lieu of the cash deposit, the non-residential customer may have the option to provide a personal guaranty. The amount of security is normally the maximum estimated charge for service for two consecutive months. According to the Commission's regulations, a Service Provider may refuse to provide service, at any location, to an applicant who is indebted to it for any service previously furnished to the applicant. A Service Provider will commence service, however, if a reasonable payment plan for the indebtedness is first made between a residential applicant and such Service Provider, and it may likewise commence service for an industrial or commercial applicant.

Billing Process

Each Service Provider bills its respective customers in 20 billing cycles each month. These billing cycles range from 27 to 33 days, with an average of 30 days. An approximately equal number of bills are distributed each business day. During calendar year 2013, each Service Provider distributed an average of approximately 22,600 bills per billing cycle (*i.e.*, on each business day) to customers in each Service Provider's various customer categories.

For accounts with potential billing errors, exception reports are generated for manual review. This review examines accounts that have abnormally high or low bills, potential meter-reading errors and possible meter malfunctions.

Collection Process

Each Service Provider receives the majority of its payments via the U.S. mail and through the Service Provider's automated bill payment program; however, other payment options are also available. These options include electronic payments, electronic fund transfers, as well as direct payment at each Service Provider's payment agency network.

Under the customer information system in use as of May 2012, the Service Providers consider customer bills to be delinquent if they are unpaid 1 day after the billing due date. In general, the Service Providers' collection processes begin when balances are unpaid for 10 days or more from the billing due date. At that time, the Service Providers bring collection activities ranging from delinquency notice mailings, to telephone calls, to personal collection and ending with payment plans or electricity shutoff. The Service Providers also use collection agencies and

legal collection experts as needed to collect on balances left owing by customers who no longer have active service with the Service Providers.

Restoration of Service

Before restoring service that has been shut off for non-payment, each Service Provider has the right to require the payment of all of the following charges:

- amounts owing on an account including the amount of any past-due balance for charges for which the Service Providers may disconnect service if they are unpaid and legal notice requirements were met prior to service termination, the current billing and a credit deposit, if applicable;

- any miscellaneous charges associated with the reconnection of service (*i.e.*, reconnection charges, field collection charges, and/or returned check charges); and

- any unpaid closing bills from other accounts in the name of the customer of record.

Loss Experience

The following table sets forth information relating to the Service Providers' historical annual monthly average net charge-off data and historical annual delinquencies for the years 2004 through 2013:

Historical Net Charge-Off Data –Hawaiian Electric

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross Charge-Off	$88,847	$75,353	$122,926	$131,099	$313,205	$180,165	$135,911	$249,780	$202,451	$287,555
Net Charge-Off	$44,505	$30,320	$ 83,282	$ 88,984	$263,650	$122,487	$ 34,012	$154,473	$131,646	$224,594
Net Charge-Off as a % of Revenue	0.07%	0.04%	0.06%	0.09%	0.08%	0.18%	0.06%	0.03%	0.11%	0.08%

Historical Net Charge-Off Data –Hawai'i Electric Light

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross Charge-Off	$48,933	$50,436	$64,959	$74,340	$143,863	$146,488	$66,636	$71,573	$93,308	$110,525
Net Charge-Off	$28,929	$27,023	$36,080	$45,395	$95,932	$113,384	$34,938	$35,772	$74,977	$80,360
Net Charge-Off as a % of Revenue	0.15%	0.11%	0.13%	0.15%	0.26%	0.39%	0.11%	0.10%	0.21%	0.23%

Historical Net Charge-Off Data –Maui Electric

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross Charge-Off	$17,984	$20,942	$27,618	$31,791	$44,629	$72,634	$36,193	$84,930	$31,949	$59,108
Net Charge-Off	$7,408	$12,736	$16,740	$18,183	$30,689	$57,494	$22,204	$77,640	$28,379	($5,520)
Net Charge-Off as a % of Revenue	0.04%	0.05%	0.06%	0.06%	0.08%	0.23%	0.08%	0.22%	0.08%	-0.02%

Each Service Provider determines a customer's account to be inactive on the date:

- the customer requests discontinuance of service,
- a new customer applies for service at a location where the customer of record has not yet discontinued service, or
- the customer's service has been shut off due to non-payment.

Each Service Provider's policy is to charge-off an inactive account against bad debt reserve 110 days after the date the account is determined to be inactive if payment has not been received.

Aging Receivables

The following table sets forth information relating to the aging of the Service Providers' accounts receivable for all classes of customers based on the average of the twelve month-end outstanding receivables for the given year. This historical information is presented because the Service Providers' actual accounts receivable aging experience may affect the amounts charged-off, and consequently the total amounts remitted, that arise from the Green Infrastructure Fee.

Historical Annual Delinquencies – Hawaiian Electric (Per Old Customer Information System)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Residential	**$2,499,640**	**$2,663,098**	**$2,869,295**	**$2,602,725**	**$3,361,334**	**$2,378,740**	**$2,626,923**	**$3,237,307**	**$3,624,060**
30 Days	$2,051,471	$2,167,492	$2,387,108	$2,148,934	$2,869,317	$2,048,220	$2,361,507	$2,882,839	$3,278,014
60 Days & Over	$448,169	$495,605	$482,186	$453,790	$492,016	$330,521	$265,417	$354,468	$346,046
Commercial	**$1,477,821**	**$1,495,627**	**$2,205,904**	**$1,540,922**	**$2,083,434**	**$1,484,036**	**$1,715,346**	**$2,004,798**	**$2,311,771**
30 Days	$1,323,677	$1,243,186	$1,667,413	$1,347,834	$1,903,846	$1,326,037	$1,494,766	$1,702,475	$1,906,944
60 Days & Over	$154,144	$252,440	$538,491	$193,088	$179,589	$157,999	$220,580	$302,323	$404,828
Total	**$3,977,461**	**$4,158,724**	**$5,075,199**	**$4,143,647**	**$5,444,768**	**$3,862,776**	**$4,342,270**	**$5,242,104**	**$5,935,831**
30 Days	$3,375,148	$3,410,679	$4,054,522	$3,496,769	$4,773,163	$3,374,256	$3,856,273	$4,585,314	$5,184,957
60 Days & Over	$602,313	$748,046	$1,020,677	$646,878	$671,605	$488,520	$485,997	$656,791	$750,874

Historical Annual Delinquencies – Hawaiian Electric (Per New Customer Information System)

	2012[1]	2013	2014[2]
Residential	**$12,859,263**	**$12,032,282**	**$7,649,689**
1 - 30 Days	$9,170,904	$8,328,187	$6,709,585
31 - 60 Days	$2,524,246	$2,354,325	$745,693
61 - 90 Days	$765,726	$782,617	$134,486
90+ Days	$398,388	$567,153	$89,925
Commercial	**$8,035,220**	**$6,234,522**	**$3,701,467**
1 - 30 Days	$5,810,885	$4,755,783	$3,337,052
31 - 60 Days	$1,314,626	$584,036	$154,046
61 - 90 Days	$506,100	$262,428	$23,565
90+ Days	$403,609	$632,275	$186,804
Total	**$20,894,483**	**$18,266,804**	**$11,381,156**
1 - 30 Days	$14,981,789	$13,083,970	$10,046,637
31 - 60 Days	$3,838,872	$2,938,361	$899,739
61 - 90 Days	$1,271,826	$1,045,045	$158,051
90+ Days	$801,996	$1,199,427	$276,729

[1] June to December only.
[2] As of June 30, 2014.

Historical Annual Delinquencies – Hawai‘i Electric Light (Per Old Customer Information System)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Residential	**$1,136,371**	**$1,279,557**	**$1,480,569**	**$1,612,363**	**$2,132,719**	**$1,811,543**	**$1,497,177**	**$1,684,130**	**$1,905,051**
30 Days	$849,892	$973,547	$1,140,964	$1,236,558	$1,583,150	$1,385,935	$1,234,350	$1,353,158	$1,467,804
60 Days & Over	$286,479	$306,010	$339,605	$375,805	$549,569	$425,608	$262,827	$330,972	$437,247
Commercial	**$1,116,522**	**$1,149,416**	**$1,272,463**	**$1,106,212**	**$1,566,561**	**$810,803**	**$504,881**	**$715,320**	**$906,325**
30 Days	$587,061	$617,974	$695,720	$711,073	$1,079,584	$619,764	$439,079	$640,342	$677,199
60 Days & Over	$529,461	$531,442	$576,743	$395,139	$486,977	$191,039	$65,802	$74,978	$229,126
Total	**$2,252,892**	**$2,428,972**	**$2,753,032**	**$2,718,574**	**$3,699,280**	**$2,622,347**	**$2,002,060**	**$2,399,450**	**$2,811,376**
30 Days	$1,436,953	$1,591,520	$1,836,684	$1,947,631	$2,662,734	$2,005,700	$1,673,430	$1,993,500	$2,145,003
60 Days & Over	$815,939	$837,452	$916,348	$770,943	$1,036,546	$616,647	$328,630	$405,950	$666,373

Historical Annual Delinquencies – Hawai‘i Electric Light (Per New Customer Information System)[1]

	2012	2013	2014
Residential	**$3,353,650**	**$2,776,698**	**$1,128,201**
1 - 30 Days	$1,988,616	$1,998,505	$949,801
31 - 60 Days	$583,484	$363,004	$116,638
61 - 90 Days	$436,642	$80,104	$1,138
90+ Days	$344,908	$335,085	$60,624
Commercial	**$4,133,773**	**$3,519,177**	**$1,121,669**
1 - 30 Days	$2,492,964	$2,094,826	$618,337
31 - 60 Days	$858,030	$617,952	$196,881
61 - 90 Days	$428,444	$347,299	$133,902
90+ Days	$354,335	$459,099	$172,549
Total	**$7,487,423**	**$6,295,875**	**$2,249,870**
1 - 30 Days	$4,481,580	$4,093,331	$1,568,138
31 - 60 Days	$1,441,514	$980,956	$313,519
61 - 90 Days	$865,086	$427,404	$135,040
90+ Days	$699,244	$794,184	$233,173

[1] Totals may not sum due to rounding.

Historical Annual Delinquencies – Maui Electric (Per Old Customer Information System)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Residential	**$681,743**	**$859,056**	**$1,012,968**	**$1,049,339**	**$1,403,707**	**$927,081**	**$823,598**	**$998,740**	**$1,021,935**
30 Days	$600,779	$718,049	$855,386	$885,622	$1,183,631	$787,664	$733,866	$856,735	$867,949
60 Days & Over	$80,964	$141,008	$157,583	$163,718	$220,077	$139,417	$89,732	$142,005	$153,986
Commercial	**$297,837**	**$461,577**	**$534,890**	**$642,905**	**$753,746**	**$631,621**	**$426,644**	**$723,259**	**$449,619**
30 Days	$270,525	$421,753	$469,859	$578,666	$648,579	$507,021	$383,165	$499,553	$383,207
60 Days & Over	$27,312	$39,824	$65,031	$64,239	$105,167	$124,600	$43,479	$223,705	$66,411
Total	**$979,580**	**$1,320,633**	**$1,547,859**	**$1,692,244**	**$2,157,454**	**$1,558,702**	**$1,250,243**	**$1,721,998**	**$1,471,554**
30 Days	$871,304	$1,139,802	$1,325,245	$1,464,287	$1,832,210	$1,294,685	$1,117,032	$1,356,288	$1,251,157
60 Days & Over	$108,276	$180,831	$222,614	$227,957	$325,244	$264,017	$133,211	$365,710	$220,397

Historical Annual Delinquencies – Maui i Electric (Per New Customer Information System)

	2012	2013	2014
Residential	**$3,317,900**	**$2,037,741**	**$1,503,853**
1 - 30 Days	$1,680,083	$1,579,337	$1,480,998
31 - 60 Days	$261,734	$133,804	$72,674
61 - 90 Days	$83,622	$40,164	-$2,261
90+ Days	$1,292,461	$284,436	-$47,557
Commercial	**$3,926,544**	**$2,488,499**	**$2,481,999**
1 - 30 Days	$1,740,901	$1,735,945	$1,729,049
31 - 60 Days	$324,340	$259,284	$383,712
61 - 90 Days	$165,764	$91,727	$189,498
90+ Days	$1,695,539	$401,542	$179,740
Total	**$7,244,444**	**$4,526,239**	**$3,985,852**
1 - 30 Days	$3,420,983	$3,315,282	$3,210,047
31 - 60 Days	$586,073	$393,088	$456,386
61 - 90 Days	$249,386	$131,891	$187,236
90+ Days	$2,988,001	$685,978	$132,184

During the last ten years, the accounts receivable aging experience for each Service Provider has remained relatively consistent with no discernible trend upwards or downwards. The Service Providers are not aware of any material factors that caused the accounts receivable aging experience to vary significantly.

Disaster Recovery Provisions

The Service Providers have comprehensive business resumption plans in place for the systems that support their critical business applications, including their billing and customer service applications. These plans include provisions for the activation and utilization of a back-up data center facility located in Hawaii, which maintains a near real time copy of data for the Service Providers' critical business systems. In the event of a disaster where the Service Providers' primary data center in Honolulu is not operational, these business systems can be operated through the back-up data center until the Service Providers' primary data center is restored. System and application backups are performed as part of regular operational schedules to ensure that these systems can be restored to operation in the event of a disaster. The Service Providers also have an agreement with a third party for offsite disaster recovery services, which include the necessary data center space, hardware, and remote access connectivity to enable the Service Providers to operate critical business systems remotely at a mainland facility until the primary data center is restored.

Formal business resumption testing is conducted on an annual basis for billing and customer service systems to ensure that the plans remain current and effective. The tests are run using the Service Providers' documented procedures and offsite equipment and systems. Each test is reviewed for problems and lessons learned, and the Service Providers' disaster recovery plan is updated as needed to reflect the results of these reviews.

APPENDIX B

DEFINITIONS

Terms not defined elsewhere in this Official Statement are used as defined in this Appendix B.

"Accounts" means the accounts described in the Indenture.

"Act" means Act 211, Session Laws of Hawaii 2013.

"Adverse Claim" means and includes any action by the State inconsistent with its obligations under the State Pledge; or any other claim or action adverse to the Bondholders or to the Trustee's interest in any of the Bond Collateral.

"Affiliate" means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Allocation Officer's Certificate" means a Certificate to be filed by an officer of the Department with the Trustee not later than five Business Days prior to each Payment Date, pursuant to which the Trustee will make all deposits to and withdrawals from the Collection Account and allocations to the Subaccounts thereof.

"Ancillary Agreement" means any bond insurance policy, letter of credit, reserve account, surety bond, swap arrangement, hedging arrangement, liquidity or credit support arrangement, or other related bond document or other similar agreement or arrangement entered into in connection with the issuance of the Bonds that is designed to promote the credit quality and marketability of the Bonds or to mitigate the risk of an increase in interest rates.

"Applicable Collection Period" means the period which commences with the related True-Up Adjustment Date and which ends five (5) Service Provider Business Days prior to (i) with respect to any Semiannual True-Up Adjustment, the Payment Date next following the True-Up Adjustment Date, (ii) with respect to any Quarterly True-Up Adjustment, the Payment Date next following the True-Up Adjustment Date, and (iii) with respect to any Optional True-Up Adjustment, the date specified in the True-Up Letter.

"Authorized Officer" means: (i) in the case of the Department, the Director, the Deputy Director or any designee authorized to act hereunder as identified by Written Notice to the Trustee, (ii) in the case of the Trustee, any officer assigned to the Corporate Trust Office, including any managing director, vice president, assistant vice president, assistant treasurer, assistant secretary or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of the Indenture, and also, with respect to a particular matter, any other officer, to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject, and (iii) in the case of the Service Providers, as defined in the Service Provider Agreement.

"Average Days Sales Outstanding" or "ADSO" means the average number of days that customer bills remain outstanding, as calculated and revised from time to time by the Master Service Provider in accordance with the Service Provider Agreement.

"Bankruptcy Code" means Title 11 of the United States Code (11 U.S.C. § 101 et seq.), as amended from time to time.

"Basic Documents" means the Indenture, the Director's Certificate, the Service Provider Agreement, the Continuing Disclosure Certificate, the Bond Purchase Contract and all other documents and certificates delivered in connection therewith.

"Billed Green Infrastructure Fees" means the dollar amounts billed to customers in respect of the Green Infrastructure Fee.

"Bills" means each of the regular monthly bills, summary bills and other bills issued to customers by each Service Provider on its own behalf and in its capacity as Service Provider.

"Bond Collateral" means (a) all Green Infrastructure Property, including without limitation all Revenues, and the Department's interest in the Financing Order, (b) the Bond Fund, and all Accounts, Subaccounts and assets, including money, contract rights, general intangibles or other personal property held by the Trustee under the Indenture, (c) the State Pledge and the other covenants of the State in the Indenture; (d) the Department's right to enforce the Service Provider Agreement; (e) any and all other property of any kind conveyed, pledged, assigned or transferred as and for additional security under the Indenture and (f) the proceeds of the foregoing. Except as specifically provided in the Indenture, such pledge, assignment and lien, does not include (i) the rights of the Department pursuant to provisions for consent or other action by the Department, notice to the Department, or the filing of documents with the Department, or (ii) any right or power reserved to the State pursuant to the Statute or other law.

"Bond Documents" means the Indenture, the Director's Certificate and the Continuing Disclosure Certificate.

"Bond Interest Rate" means the rate at which interest accrues on the Bonds of a Tranche, as provided for in Exhibit B to the Indenture.

"Bond Purchase Contract" means the Bond Purchase Contract, dated November ___, 2014 between the Department and the Underwriters as the same may be amended, supplemented or modified from time to time.

"Bondholders" or "Holders" means the Persons in whose name a Bond is registered on the Bond Register.

"Bonds" or "Green Energy Market Securitization Bonds" means the State of Hawaii Department of Business, Economic Development, and Tourism Green Energy Market Securitization Bonds, 2014 Series A.

"Book-Entry Form" means, with respect to any Bond, that the ownership and transfers thereof shall be recorded through book entries by a Clearing Agency as described in the Indenture.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions or trust companies in New York, New York, Seattle, Washington or Honolulu, Hawaii are, or DTC is, authorized or obligated by law, regulation or executive order to remain closed.

"Certificate" means the Certificate of the Director of the Department dated November ___, 2014.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"Code" means the Internal Revenue Code.

"Collection Account" means the account established and maintained by the Trustee designated by the Department for the deposit of Green Infrastructure Fees remitted by the Service Providers in accordance with the Indenture and any subaccounts contained therein.

"Commission" means the Public Utilities Commission of the State of Hawaii and any successor thereto.

"Continuing Disclosure Certificate" means the Department's continuing disclosure undertaking pursuant to the Rule, dated November ___, 2014.

"Counsel" means an attorney at law or law firm (who may be counsel for any Person).

"Customers" means all existing and future electric customers that receive electric delivery service from the Service Providers or any successor electric utility.

"Debt Service Reserve Subaccount" or "DSRS" means the debt service reserve subaccount of the Collection Account created within the Green Infrastructure Bond Fund under the Indenture.

"Debt Service Schedule" means the debt service schedule set forth in the Indenture showing the principal and interest payments to be made on the Bonds.

"Default" means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default as described in the Indenture.

"Definitive Bonds" means Bonds that are not in Book-Entry Form.

"Department" means the State of Hawaii Department of Business, Economic Development, and Tourism or any successor thereto. Whenever reference is made in this Official Statement and in the Indenture to the "Department," it means the "Department, acting on behalf of the State."

"Department Order" or "Department Request" means a written order or request signed in the name of the Department by any one of its Authorized Officers and delivered to the Trustee, or if so contemplated by the Indenture, another Fiduciary.

"Director" means the Director of the Department.

"DTC" means The Depository Trust Company or any successor thereto or nominee thereof.

"Eligible Account" means a segregated non-interest-bearing trust account.

"Eligible Institution" means:

(a) the corporate trust department of the Trustee, so long as the Trustee has either a short-term credit rating from Moody's of at least P-1 or a long term unsecured rating from Moody's of at least A2 and has a credit rating from each other Rating Agency in one of its generic rating categories which signifies investment grade; or

(b) a depository institution organized under the laws of the United States of America or any State (or any domestic branch of a foreign bank), which (i) has either a long-term issuer rating of "AA-" or higher by S&P and "A2" or higher by Moody's, and, if rated by Fitch, the equivalent of the lower of those two ratings by Fitch or (ii) a short-term issuer rating of "A-1+" by S&P, "P-1" by Moody's and "F-1+" by Fitch, or any other long-term, short-term or certificate of deposit rating acceptable to the Rating Agencies and (ii) whose deposits are insured by the FDIC.

If so qualified under clause (b) above, the Trustee may be considered an Eligible Institution for the purposes of clause (a) of this definition.

"Eligible Investments" mean instruments or investment property which are legal investments for moneys of the Department and which evidence:

(a) direct obligations of, and obligations fully and unconditionally guaranteed as to timely payment by, the United States of America;

(b) demand or time deposits, unsecured certificates of deposit of, money market deposit accounts of, or bankers' acceptances issued by, any depository institution (including the Trustee, acting in its commercial capacity) incorporated or organized under the laws of the United States of America or any State thereof and subject to supervision and examination by federal or state banking authorities, so long as the commercial paper or other short term debt obligations of such depository institution are, at the time of deposit, rated not less than A-1, P-1, F-1 or their equivalents by each of S&P, Moody's and Fitch, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Bonds;

(c) commercial paper (including commercial paper issued by the Trustee, acting in its commercial capacity, which at the time of purchase is rated not less than A-1, P-1, F-1 or their equivalents by each of S&P and Moody's and Fitch, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Bonds;

(d) investments in money market funds having a rating in the highest investment category granted thereby (including funds for which the Trustee or any of its Affiliates is investment manager or advisor) from Moody's, S&P and Fitch;

(e) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America or certain of its agencies or instrumentalities, entered into with Eligible Institutions;

(f) repurchase obligations with respect to any security (other than as described in paragraph (e)) or whole loan entered into with an Eligible Institution or a registered broker-dealer, acting as principal and that meets certain ratings criteria set forth below:

(i) a broker/dealer (acting as principal) registered as a broker or dealer under Section 15 of the Exchange Act (any broker/dealer being referred to in this definition as a "broker/dealer"), the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's, "A-1+" by Standard & Poor's and "F1+" by Fitch, and the long-term debt obligations of which are rated at least "Aa3" by Moody's, in each case at the time of entering into this repurchase obligation, or

(ii) an unrated broker/dealer acting as principal, that is a wholly-owned subsidiary of a non-bank or bank holding company the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's, "A-1+" by Standard & Poor's and "F1+" by Fitch, and the long-term debt obligations of which are rated at least "Aa3" by Moody's, in each case at the time of purchase so long as the obligations of such unrated broker/dealer are unconditionally guaranteed by such non-bank or bank holding company; and

(g) any other investment permitted by each of the Rating Agencies, as evidenced by Department Order accompanied by evidence of such permission reasonably satisfactory to the Trustee;

in each case maturing not later than the Business Day immediately preceding the next Payment Date or Special Payment Date, if applicable (for the avoidance of doubt, investments in money market funds or similar instruments which are redeemable on demand shall be deemed to satisfy the foregoing requirement). Notwithstanding the foregoing: (1) no securities or investments which mature in 30 days or more shall be "Eligible Investments" unless the issuer thereof has either a short-term unsecured debt rating of at least P-1 from Moody's or a long-term unsecured debt rating of at least A2 from Moody's and also has a long-term unsecured debt rating of at least A+ from S&P; (2) no securities or investments described in clauses (b) through (d) above which have maturities of more than 30 days but less than or equal to 3 months shall be "Eligible Investments" unless the issuer thereof has a long-term unsecured debt rating of at least A1 from Moody's and a short-term unsecured debt rating of at least P-1 from Moody's; (3) no securities or investments described in clauses (b) through (d) above which have maturities of more than 3 months shall be an "Eligible Investment" unless the issuer thereof has a long-term unsecured debt rating of at least Aa3 from Moody's and a short-term unsecured debt rating of at least P1 from Moody's.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"Event of Default" means one or more of the events listed in the Indenture and summarized in the forepart of this Official Statement under "THE INDENTURE—Events of Default."

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Expected Amortization Schedule" means the amortization schedule set forth in the Indenture showing the expected principal payments to be made on the Bonds.

"Fiduciary" means the Trustee, the Bond Registrar and each Paying Agent.

"Final Maturity Date" means, with respect to any Tranche of Bonds, the date by which all principal and interest on that Tranche is required to be paid, as specified in the Indenture.

"Financing Costs" has the meaning set forth in HRS § 269-161.

"Financing Order" means Decision and Order No. 32281, issued in Docket Number 2014-0134, and filed on September 4, 2014.

"Financing Party" has the meaning set forth in HRS § 269-161.

"Fitch" means Fitch Ratings or any successor thereto. References to Fitch are effective so long as Fitch is a Rating Agency.

"Force Majeure" means any cause which is beyond the control and without the fault or negligence of the party affected and which by reasonable efforts the party affected is unable to overcome, including without limitation the following: acts of God; fire, flood, landslide, lightning, earthquake, hurricane, tornado, storm or volcanic eruption; strike; theft; casualty; war; invasion; civil disturbance; explosion; acts of public enemies; or sabotage.

"General Subaccount" means the general subaccount of the Collection Account created within the Green Infrastructure Bond Fund under the Indenture.

"Governor" means the Governor of the State.

"Green Infrastructure Bond Fund" or "Bond Fund" means the fund by that name established by the State under HRS § 196-67 and confirmed in the Indenture.

"Green Infrastructure Fee" means, as defined in HRS § 269-161, the nonbypassable fees authorized by HRS § 269-166 and in the Financing Order to be imposed on and collected by the Service Providers or any successors from all existing and future customers in the Service Areas.

"Green Infrastructure Property" means the property, rights, and interests authorized by the Statute and created by the Commission under the Financing Order, including the right to impose, charge, and collect from electric utility customers the Green Infrastructure Fee that shall be used to pay and secure the payment of Bonds and Financing Costs, including the right to obtain adjustments to the Green Infrastructure Fee, and any revenues, receipts, collections, rights to payment, payments, moneys, claims, or other proceeds arising from the rights and interests created by the Commission under the Financing Order.

"Hawaiian Electric" means Hawaiian Electric Company, Inc.

"Hawaii Electric Light" means Hawaii Electric Light Company, Inc.

"HRS" means the Hawaii Revised Statutes, as may be amended from time to time.

"Indenture" means that certain Indenture dated as of November 1, 2014, between the Department and the Trustee, as the same may be amended and supplemented from time to time.

"Independent" means, when used with respect to any specified Person, that the Person (a) is in fact independent of the Department, the Service Providers and any Affiliate of any of the foregoing Persons, (b) does not have any direct financial interest or any material indirect financial interest in the Department, the Service Providers or any Affiliate of any of the foregoing Persons and (c) is not connected with the Department, the Service Providers or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, trustee, partner, director (other than as an independent director or manager) or person performing similar functions.

"Indirect Participant" means a securities broker, dealer, bank, trust company or other Person that clears through or maintains a custodial relationship with a Clearing Agency Participant, either directly or indirectly.

"Interest Rate" means the Bond Interest Rate.

"Investment Earnings" means investment earnings on funds deposited in the Collection Account net of losses and investment expenses.

"Issuance Advice Letter" means the Issuance Advice Letter, dated _____, 2014, filed by the Department with the Commission pursuant to the Financing Order.

"Issuer" or "State" means the State of Hawaii.

"Lien" means a security interest, lien, mortgage, charge, pledge, claim, equity or encumbrance of any kind.

"Loan Program" means the Hawaii Green Infrastructure Loan Program authorized by the Statute.

"Master Service Provider" means Hawaiian Electric.

"Maui Electric" means Maui Electric Company, Limited.

"Minimum Denomination" means, with respect to any Bond, $5,000 and integral multiples of $1,000 in excess thereof, except for one bond of each Tranche which may be of smaller denomination.

"Moody's" means Moody's Investors Service, Inc. or any successor thereto. References to Moody's are effective as long as Moody's is a Rating Agency.

"Non-U.S. Holder" means a beneficial owner of a Bond that is not a U.S. Holder but does not include (i) an entity or arrangement treated as a partnership for U.S. federal income tax purposes, (ii) a former citizen of the United States or (iii) a former resident of the United States.

"Notice of Default" means a written notice to the Department by the Trustee or to the Department and the Trustee by the Holders specifying the occurrence of an Event of Default and requiring it to be remedied and stating that such notice is a notice of default under the Indenture.

"Officer's Certificate" means a certificate signed by a Authorized Officer of the Department (or another Person) under the circumstances described in, and otherwise complying with, the applicable requirements of the Basic Documents, and delivered to the Trustee. In connection with the Service Provider Agreement, "Officer's Certificate" means a certificate of a Service Provider signed by a chief executive officer, the president, the chairman or vice chairman of the board, any vice president, the treasurer, any assistant treasurer, the secretary, any assistant secretary, the controller or the finance manager of a Service Provider.

"Ongoing Financing Costs" means Financing Costs that accrue and are payable over the life of the Bonds, including without limitation, (i) principal and interest on the Bonds; (ii) Service Providers' fees and Service Providers' legal and accounting expenses reimbursable under the Service Provider Agreement, together with any other fees and expenses relating to servicing the Green Infrastructure Property or the Bonds; (iii) Trustee fees and expenses, including any indemnity expenses; (iv) rating agency fees; (v) all other Department costs incurred in connection with the administration of the Bonds pursuant to the Indenture (including all actions related to the collection, assignment or enforcement of the Green Infrastructure Property) or in discharge of its obligations and duties under the Bond Documents, including without limitation, a pro rata portion of salaries, insurance premiums, auditing and legal expenses; (vi) the costs to replenish the Debt Service Reserve Subaccount and the costs of any other credit enhancement; (vii) the return to the Service Providers of any excess remittances of Green Infrastructure Fees; and (viii) any other Financing Cost authorized by the Financing Order and approved by the Department.

"Operating Expenses" or "Operating Costs" means Ongoing Financing Costs identified in clauses (ii) through (v) and (viii).

"Opinion of Independent Counsel" means one or more written opinions of counsel who may be an employee of or counsel to the party providing such opinion(s) of counsel, which counsel shall be reasonably acceptable to the party receiving such opinion(s) of counsel.

"Outstanding" means, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture except:

(a) Bonds theretofore canceled by the Bond Registrar or delivered to the Bond Registrar for cancellation;

(b) Bonds the payment for which money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Bonds; and

(c) Bonds in exchange for or in lieu of other Bonds which have been issued pursuant to the Indenture;

provided that in determining whether the Holders of the requisite Outstanding Amount of the Bonds or any Tranche thereof have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture or under any Basic Document, Bonds owned by the State or any Affiliate shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds that the Trustee actually knows to be so owned shall be so disregarded. Bonds so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the State or any Affiliate of any of the foregoing Persons.

"Outstanding Amount" means the aggregate principal amount of all Bonds or, if the context requires, all Bonds of a Tranche, Outstanding at the date of determination.

"Paying Agent", "paying agent", "Co-Paying Agent" or "co-paying agent" means the Trustee or any successor paying agent or co-paying agent serving as such under the Indenture. If at any time there is no qualified paying agent serving as such, the Trustee shall act as paying agent under the Indenture. "Principal Office of the Paying Agent" or "Principal Office of the Co-Paying Agent" means the office thereof designated in writing to the Trustee, and which initially shall be as specified in the Indenture.

"Payment Date" means, with respect to any Tranche of Bonds, the dates specified in the Indenture; or if any such date is not a Business Day, the next Business Day.

"Periodic Interest" means, with respect to any Payment Date, the periodic interest for such Payment Date as specified in the Indenture.

"Periodic Principal" means, with respect to any Payment Date, the excess, if any, of the Outstanding Amount of Bonds over the outstanding Unrecovered Balance for such Payment Date.

"Periodic Revenue Requirement" means the amount of Green Infrastructure Fees which, after giving effect to amounts available under the Indenture, are required to be collected during any Semiannual Collection Period to pay the principal and interest due and accruing on the Bonds, to

replenish the Debt Service Reserve Subaccount to its required level, and to pay all other Ongoing Financing Costs due and payable during such Semiannual Collection Period.

"Person" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or government or any agency or political subdivision thereof.

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"Rating Agencies" means, collectively, Fitch, Moody's and S&P and their successors. If no such organization or successor is in existence, "Rating Agency" shall be a nationally recognized statistical rating organization or similar institution selected by the Department with notice to the Trustee and Service Providers.

"Rating Agency Condition" means, with respect to any action, not less than ten (10) Business Days' prior written notification provided by the Department to each Rating Agency of such action, and written confirmation from each of S&P and Moody's to the Trustee and the Department that such action will not result in a suspension, reduction or withdrawal of the then current rating by such Rating Agency of any Tranche of Bonds and that prior to the taking of the proposed action no other Rating Agency shall have provided written notice to the Department that such action has resulted or would result in the suspension, reduction or withdrawal of the then current rating of any Tranche of Bonds; provided, however, that if within such ten (10) Business Day period, any Rating Agency (other than S&P) has neither replied to such notification nor responded in a manner that indicates that such Rating Agency is reviewing and considering the notification, then (i) the Department shall be required to confirm that such Rating Agency has received the Rating Agency Condition request, and if it has, promptly request the related Rating Agency Condition confirmation, and (ii) if the Rating Agency neither replies to such notification nor responds in a manner that indicates it is reviewing and considering the notification within five (5) Business Days following such second request, the applicable Rating Agency Condition requirement shall not be deemed to apply to such Rating Agency. For the purposes of this definition, any confirmation, request, acknowledgment or approval that is required to be in writing may be in the form of electronic mail or a press release (which, if furnished by a Rating Agency, may contain a general waiver of such Rating Agency's right to review or consent).

"Remittance" means each remittance pursuant to the Service Provider Agreement of Green Infrastructure Fee Payments by a Service Provider to the Trustee for deposit to the Collection Account.

"Remittance Excess" means the amount, calculated for a particular Remittance Period for any Service Provider, by which Remittances to the Trustee by a Service Provider during such period exceeded actual Green Infrastructure Fee Collections.

"Remittance Shortfall" means the amount, calculated for a particular Remittance Period for any Service Provider, by which Remittances to the Trustee by the Service Provider during such period were less than actual Green Infrastructure Fee Collections.

"Required DSRS Level" means an amount equal to 0.50% of the initial principal amount of Bonds, which amount shall be reduced to zero upon application of the funds in the related DSRS to the last principal payment of the Bonds.

"Revenue Bond Law" means Article VII, Section 12 of the Constitution of the State of Hawaii and Part III, Chapter 39 of the HRS, as amended from time to time.

"Revenue Requirements Certificate" means the certificate to be provided by or caused to be provided by the Department to the Master Service Provider pursuant to the Service Provider Agreement, which certificate is necessary or appropriate to enable the Master Service Provider to prepare each draft True-Up Letter in accordance with the Service Provider Agreement.

"Revenues" means all amounts derived from the Bond Collateral or held or deposited or to be deposited in the Collection Account pursuant to the Indenture or the Service Provider Agreement, including without limitation all Green Infrastructure Fees and any Remittance Shortfall required to be paid by a Service Provider.

"Rule 15c2-12" or the "Rule" means Rule 15c2-12 of the SEC under the Exchange Act, as amended.

"Scheduled Final Payment Date" means, with respect to each Tranche of Bonds, the date when all interest and principal are scheduled to be paid with respect to that Tranche in accordance with the Expected Amortization Schedule, as specified in the Indenture. For the avoidance of doubt, the Scheduled Final Payment Date with respect to any Tranche shall be the last Scheduled Payment Date set forth in the Expected Amortization Schedule relating to such Tranche.

"Scheduled Payment Date" means each Payment Date on which the principal of the Bonds is scheduled to be paid.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Depository" means DTC or another Clearing Agency acting for the Beneficial Owners.

"Semiannual Collection Period" means the six month period commencing on January 1 and July 1 of each year and ending on December 31 or June 30, as applicable of each year; provided, however, that the initial Semiannual Collection Period shall commence on the Closing Date and end on December 31, 2014.

"Service Area" means the customer service area of the related Service Providers as of the date of the issuance of the Financing Order.

"Service Provider Agreement" means the Service Provider Agreement, dated as of November 1, 2014, by and among the Department and the Service Providers, as amended, restated, supplemented or otherwise modified from time to time, or any substitute agreement with any successor Service Provider.

"Service Provider Business Day" means any Business Day on which a Service Provider's offices in the State of Hawaii are open for business.

"Service Provider Default" means the occurrence of any one of the events listed in the Service Provider Agreement and summarized in the forepart of this Official Statement under "THE SERVICE PROVIDER AGREEMENT—Defaults and Remedies; Force Majeure."

"Service Provider Fees" means the compensation to be provided to each Service Provider pursuant to the Service Provider Agreement in consideration for services provided thereunder.

"Service Providers" means Hawaiian Electric, Hawaii Electric Light and Maui Electric, and each successor or assigns (in the same capacity), pursuant to the Service Provider Agreement.

"Special Payment" means with respect to any Bonds, any payment of principal of or interest on (including any interest accruing upon default), or any other amount in respect of, the Bonds that is not actually paid within five (5) calendar days of the Payment Date applicable thereto.

"Special Payment Date" means the date on which a Special Payment is to be made by the Trustee to the Holders.

"Standard & Poor's" or "S&P" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, or any successor thereto. References to S&P are effective so long as S&P is a Rating Agency.

"State" or "Issuer" means the State of Hawaii.

"State Pledge" means the pledge of the State of Hawaii set forth in HRS § 269-169.

"Statute" means HRS §§ 196-61 to 196-70, 269-161 to 269-176, 269-5 and 269-121, as amended.

"Subaccounts" means, collectively, the General Subaccount, the Surplus Revenue Subaccount and the DSRS created under the Indenture.

"Subclass" means any of the following four subclasses of non-residential customers: small commercial (G, TOU-G), medium commercial (EV-F, J, TOU-J, SS, EV-C), large commercial (DS, P, TOU-P, U) and street lighting (F).

"Surplus Revenue Subaccount" means the surplus revenue subaccount of the Collection Account created within the Green Infrastructure Bond Fund under the Indenture.

"Tariff" means any rate tariff filed with the Commission pursuant to the Statute to evidence any Green Infrastructure Fees.

"Tranche" means any one of the groupings of Bonds identified in this Official Statement.

"Transaction Counsel" means Sidley Austin LLP.

"Treasury Regulations" means the regulations, including proposed or temporary regulations, promulgated under the Code. References to specific provisions of proposed or temporary regulations shall include analogous provisions of final Treasury Regulations or other successor Treasury Regulations.

"True-Up Adjustment" means each adjustment to the Green Infrastructure Fee made pursuant to the terms of the Financing Order and in accordance with the Indenture and the Service Provider Agreement.

"True-Up Adjustment Date" means the date requested in a True-Up Letter for an adjustment to the Green Infrastructure Fee.

"True-Up Letter" means a letter filed by the Department with the Commission, substantially in the form of Exhibit B to the Service Provider Agreement, in respect of a True-Up Adjustment authorized under the Financing Order.

"Trust Estate" means the Bond Collateral pledged to the Trustee.

"Trustee" means U.S. Bank National Association, having a corporate trust office in Seattle, Washington, and any successor trustee or co-trustee serving as such under the Indenture, which has been duly appointed by the Director of Finance. "Corporate Trust Office" means the business address designated in writing to the Department and the Service Providers as its principal office for its duties under the Indenture.

"Underwriter" means each underwriter of Bonds.

"Upfront Financing Costs" means Financing Costs that are incurred prior to or in connection with the issuance of the Bonds that can be financed with the proceeds of the Bonds. Upfront Financing Costs include Department legal and accountants' fees, Department financial advisor fees, underwriting fees, Rating Agency fees, Service Provider legal and accountants' fees, initial funding of the Debt Service Reserve Subaccount, set-up implementation costs of the Service Providers, printing and marketing expenses and any other cost, charge or fee incurred in connection with the original issuance of such Bonds approved by the Department.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable at the option of the issuer thereof.

"U.S. Holder" means a beneficial owner of a Bond that, for U.S. federal income tax purposes, is (i) a citizen or individual resident of the United States, (ii) a corporation (including an 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 the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust if (A) a court in the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority 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.

"Written Notice," "written notice" or "notice in writing" means notice in writing which may be delivered by hand or first class mail and also means electronic transmission.

APPENDIX C

PROPOSED FORM OF APPROVING OPINION OF ATTORNEY GENERAL

_____, 2014

State of Hawaii
Honolulu, Hawaii

Re: $_____ State of Hawaii
Department of Business, Economic Development, and Tourism
Green Energy Market Securitization Bonds, 2014 Series A
(Approving Opinion of Attorney General)

Ladies and Gentlemen:

Under the laws of the State of Hawaii, the Department of the Attorney General is charged with and has the duty of rendering legal services to departments and offices of the State of Hawaii. Additionally, the Department of the Attorney General, through its Deputy Attorneys General assigned to service the executive departments of the State of Hawaii, including the Department of Business, Economic Development, and Tourism (the "Department"), is familiar with the operations of such departments. Such familiarity with respect to the Department is on a day-to-day basis and is current.

I have been assigned to service the Department in connection with the issuance by the State of Hawaii (the "State"), acting through the Department, of its $_____ Green Energy Market Securitization Bonds, 2014 Series A (the "Bonds"). The Bonds are issued pursuant to Article VII, Section 12 of the Constitution of the State of Hawaii and Part III, Chapter 39 of the Hawaii Revised Statutes ("HRS"), as amended (collectively, the "Revenue Bond Law"), HRS §§ 196-61 to 196-70, HRS §§ 269-161 to 269-176, and HRS §§ 269-5 and 269-121, as amended (the "Securitization Statute"), a Decision and Order No. 32281, in Docket No. 2014-0134 (the "Financing Order") issued by the Public Utilities Commission of the State of Hawaii (the "Commission") on September 4, 2014, a Certificate of the Director of the Department dated as of November 1, 2014, (the "Certificate"), an Indenture of Trust dated as of November 1, 2014, between the State and U.S. Bank National Association, as trustee (the "Indenture Trustee") (the "Indenture"), and a Bond Purchase Contract dated November 5, 2014, with Goldman Sachs & Co. as representative of itself and Citigroup Global Markets, Inc., the Underwriters (the "Purchase Contract"). The Department has also executed and delivered a Continuing Disclosure Certificate dated as of November ___, 2014 (the "Continuing Disclosure Certificate") and a Service Provider Agreement dated as of November 1, 2014, with Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited (the "Service Provider Agreement" and, together with the Certificate, the Indenture, the Purchase Contract, the Continuing Disclosure Certificate and the Service Provider Agreement, the "Bond Documents"). Capitalized terms used in this opinion without definition have the respective meanings set forth in the Bond Documents.

In connection with rendering this opinion, the Department of the Attorney General has examined: (1) the Constitution and statutes of the State of Hawaii, including the Revenue Bond law and the Securitization Statute, (2) certificates of the Governor, the Director of Finance and the Director of the Department authorizing the issuance of the Bonds, (3) the Bond Documents, (4) the Official Statement

dated November 5, 2014 (the "Official Statement"), and (5) such other papers, instruments, documents and proceedings as were considered necessary to enable me to render this opinion. It is my opinion that:

1. The Bond Documents have been duly authorized, executed, and delivered by the Department, on behalf of the State, and, assuming the due authorization, execution and delivery of the Indenture by the Indenture Trustee and of the Service Provider Agreement by the Service Providers, constitute valid binding obligations of the State.

2. The Certificate and the Indenture create a valid pledge of and lien upon the Revenues, including the Green Infrastructure Property and the other funds and assets held by the Indenture Trustee as security for the Bonds, subject to the terms of the Indenture permitting the application of such funds and assets pursuant to the terms of the Indenture. By operation of Section 269-164 of the Act and Hawaii Revised Statutes Section 39-63, such lien is a first and paramount priority lien to secure payment of the Bonds.

3. To the best of my knowledge, the execution and delivery of the Bond Documents and the Bonds, and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Department a breach of or default under any agreement or instrument to which the Department is a party or by which the Department is bound, or any existing law, regulation, court order or consent decree to which the Department is subject and of which I have knowledge, except that I express no opinion with respect to compliance with federal or state securities laws.

4. To the best of my knowledge, no consent, approval, authorization or order of or filing by, registration or declaration with any court or governmental body or agency not already obtained or filed is required for the issuance and delivery of the Bonds, except that I express no opinion with respect to compliance with federal or state securities laws.

5. Except as otherwise disclosed in the Official Statement, there was no controversy or litigation of any nature pending or threatened in the Courts of the State of Hawaii or any federal courts in the District of Hawaii at the close of business (Hawaii time) on November 12, 2014, to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, the validity of the Statute or the Financing Order, or any of the other Bond Documents or any of the proceedings taken with respect to the issuance and sale of the Bonds, or the imposition or collection of the Green Infrastructure Fee and the application of monies to pay principal of and interest on the Bonds.

6. The Bonds have been duly authorized by and executed by the Director and the Director of Finance, on behalf of the State, and, when authenticated by the Trustee will be binding limited obligations of the State payable solely from the Revenues and other funds and assets pledged to the payment of the Bonds.

7. The Bonds do not constitute a general or moral obligation of the State or a charge upon the general fund of the State, nor shall the full faith and credit of the State be pledged to payment of the principal and interest thereof. The Bonds do not constitute an indebtedness of the State within the meaning of any constitutional or statutory debt limitation or restriction and, accordingly, shall not be subject to any statutory limitation on the indebtedness of the State and shall not be included in computing the aggregate indebtedness of the State in respect to and to the extent of any such limitation. The issuance of the Bonds shall not directly, indirectly, or contingently obligate the State to levy or to pledge any form of taxation therefor or to make any appropriation for their payment.

8. The State has included in the Bonds the State's pledge and agreement with the owners and Bondholders to the effect that the State will not take or permit any action that would impair the value of the Green Infrastructure Property, or reduce, alter or impair the Green Infrastructure Fee, until the Bonds, together with the interest thereon, are fully met and discharged, or until adequate provision shall be made by law for the protection of the owners and Bondholders.

9. The provisions of the Act concerning the Bonds are severable from other provisions of Act which do not concern the issuance of the Bonds. Accordingly, the invalidation of any provision of the Act which do not concern the issuance of Bonds would not cause provisions of the Act which do concern the issuance of Bonds to be invalidated.

10. Under State law, the voters of the State do not have referendum or initiative powers.

I have caused to be made such examination and investigation as is necessary to enable me to express an informed opinion with respect to the foregoing matter.

The Department of the Attorney General expresses no opinion concerning any laws other than the laws of the State of Hawaii.

Very truly yours,

APPENDIX D

PROPOSED FORM OF APPROVING OPINION OF TRANSACTION COUNSEL

_____, 2014

State of Hawaii
Honolulu, Hawaii

Re: $_____ State of Hawaii
Department of Business, Economic Development, and Tourism
Green Energy Market Securitization Bonds, 2014 Series A
(Approving Opinion of Transaction Counsel)

Ladies and Gentlemen:

We have acted as Transaction Counsel in connection with the issuance by the State of Hawaii (the "State"), acting through the Department of Business, Economic Development, and Tourism (the "Department"), of its $_____ Green Energy Market Securitization Bonds, 2014 Series A (the "Bonds"). The Bonds are issued pursuant to Article VII, Section 12 of the Constitution of the State of Hawaii and Part III, Chapter 39 of the Hawaii Revised Statutes ("HRS"), as amended (collectively, the "Revenue Bond Law"), HRS §§ 196-61 to 196-70, HRS §§ 269-161 to 269-176, and HRS §§ 269-5 and 269-121, as amended (the "Securitization Statute"), a Decision and Order No. 32281, in Docket No. 2014-0134 (the "Financing Order") issued by the Public Utilities Commission of the State of Hawaii (the "Commission") on September 4, 2014, a Certificate of the Director of the Department dated as of November ___, 2014 (the "Certificate") and an Indenture of Trust dated as of November 1, 2014 (the "Indenture" and, together with the Certificate, the "Bond Documents") between the State, acting through the Department, and U.S. Bank National Association, as trustee (the "Indenture Trustee"). Capitalized terms used in this opinion without definition have the respective meanings set forth in the Bond Documents.

In our capacity as Transaction Counsel, we have reviewed a certified copy of the record of proceedings relating to the issuance of the Bonds, including originals or copies certified or otherwise identified to our satisfaction as being true copies of the Bond Documents, an opinion of the Department of the Attorney General, certificates of the Director (including the Certificate), the State Director of Finance and the Department of Attorney General, and such other documents, certificates, opinions and matters we have considered necessary or appropriate under the circumstances to render the opinions set forth herein. Our services as Transaction Counsel were limited to such examination and to rendering the opinions set forth below. We have examined originals or copies, certified or otherwise identified to our satisfaction, of such other documents, legal opinions, instruments and records, and have made such investigation of law, as we have considered necessary or appropriate for the purpose of this opinion, and, with your permission, we have assumed, but have not independently verified, that the signatures on all documents, certificates and opinions that we have reviewed are genuine.

In our examination, with your permission, we have assumed, but have not independently verified, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies or by facsimile or other means of electronic transmission or which we obtained from sites on the internet, and the authenticity of the originals of such latter documents. As to facts and certain other matters and the

consequences thereof relevant to the opinions expressed herein and the other statements made herein, with your permission, we have relied without independent investigation or verification upon, and assumed the accuracy and completeness of the factual matters represented, warranted or certified in the documents, certificates, letters (including opinion letters), and oral and written statements and representations of public officials, officers and other representatives of the State. Furthermore, with your permission, we have assumed compliance with all covenants and agreements, which is necessary to assure that future actions, omissions or events will not cause the interest on the Bonds to be included in gross income for State income tax purposes.

Based on the foregoing, and subject to the limitations and qualifications herein specified, as of the date hereof, and under current law, we are of the opinion that:

1. The Certificate and the Indenture have been duly authorized, executed, and delivered by the Department and, assuming the due authorization, execution and delivery of the Indenture by the Indenture Trustee, constitute valid binding obligations of the State.

2. The Bond Documents create a valid pledge of and lien upon the Revenues, including the Green Infrastructure Property and the other funds and assets held by the Indenture Trustee as security for the Bonds, subject to the terms of the Indenture permitting the application of such funds and assets pursuant to the terms thereof. By operation of Section 269-D of the Act and Hawaii Revised Statutes Section 39-63, such lien is a first and paramount priority lien to secure payment of the Bonds.

3. The Bonds have been duly authorized by and executed by the Director and State Director of Finance, on behalf of the State, and, when authenticated by the Trustee will be binding limited obligations of the State payable solely from the Revenues and other funds and assets pledged to the payment thereof.

4. The Bonds do not constitute a general or moral obligation of the State or a charge upon the general fund of the State, nor shall the full faith and credit of the State be pledged to payment of the principal and interest thereof. The Bonds do not constitute an indebtedness of the State within the meaning of any constitutional or statutory debt limitation or restriction and, accordingly, shall not be subject to any statutory limitation on the indebtedness of the State and shall not be included in computing the aggregate indebtedness of the State in respect to and to the extent of any such limitation. The issuance of the Bonds shall not directly, indirectly, or contingently obligate the State to levy or to pledge any form of taxation therefor or to make any appropriation for their payment.

5. The State has included in the Bonds the State's pledge and agreement with the owners and Bondholders to the effect that the State will not take or permit any action that would impair the value of the Green Infrastructure Property, or reduce, alter or impair the Green Infrastructure Fee, until the Bonds, together with the interest thereon, are fully met and discharged, or until adequate provision shall be made by law for the protection of the owners and Bondholders.

6. Under existing statutes, interest on the Bonds is exempt from all taxation imposed by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, and estate taxes and except to the extent the franchise tax imposed on banks and other financial institutions may be measured with respect to the Bonds or income therefrom. No opinion is expressed regarding taxation of interest on the Bonds under any other provision of Hawaii law. Ownership of the Bonds may result in other Hawaii tax consequences to certain taxpayers, and we express no opinion regarding such collateral tax consequences arising with respect to the Bonds.

In rendering the foregoing opinions, we have relied upon the opinions of even date herewith of Alston Hunt Floyd & Ing to the effect that the Financing Order has been duly issued and authorized by the Commission and is effective, irrevocable and no longer subject to appeal.

With respect to the opinions expressed herein, the rights and obligations under the Bond Documents and the Bonds are subject to bankruptcy, insolvency, reorganization, arrangement, moratorium and other laws affecting the enforcement of creditors' rights generally, to the application of equitable principles (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against the State. In addition, we express no opinion with respect to any indemnification, contribution, penalty, choice of forum, or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of such actions or events or for any other reason.

Very truly yours,

SIDLEY AUSTIN LLP

APPENDIX E

PROPOSED FORM OF OPINION OF
TRANSACTION COUNSEL
RELATING TO FEDERAL CONSTITUTIONAL MATTERS

_____, 2014

To Each of the Persons Listed
on Schedule A Attached Hereto

Re: $_____ State of Hawaii
Department of Business, Economic Development, and Tourism
Green Energy Market Securitization Bonds, 2014 Series A
(Federal Constitution Issues)

Ladies and Gentlemen:

We have acted as Transaction Counsel in connection with the issuance by the State of Hawaii (the "State"), acting through the Department of Business, Economic Development, and Tourism (the "Department"), of its $_____ Green Energy Market Securitization Bonds, 2014 Series A (the "Bonds"). The Bonds are issued pursuant to Article VII, Section 12 of the Constitution of the State of Hawaii and Part III, Chapter 39 of the Hawaii Revised Statutes ("HRS"), as amended (collectively, the "Revenue Bond Law"), HRS §§ 196-61 to 196-70, HRS §§ 269-161 to 269-176, and HRS §§ 269-5 and 269-121, as amended (the "Statute"), a Decision and Order No. 32281, in Docket No. 2014-0134 (the "Financing Order") issued by the Public Utilities Commission of the State of Hawaii (the "Commission") on September 4, 2014, a Certificate of the Director of the Department dated as of November ___, 2014 (the "Certificate") and an Indenture of Trust dated as of November 1, 2014 (the "Indenture" and, together with the Certificate, the "Bond Documents") between the State, acting through the Department, and U.S. Bank National Association, as trustee (the "Indenture Trustee"). Capitalized terms used in this opinion without definition have the respective meanings set forth in the Bond Documents.

The Bonds are payable from, and secured by a lien upon, Green Infrastructure Property (the "Green Infrastructure Property"), which is a property right created by the Statute. The Green Infrastructure Property includes the right to impose, charge and collect certain nonbypassable fees and charges, as adjusted from time to time (the "Green Infrastructure Fee"), with respect to all existing and future electric utility customers of Hawaiian Electric Company, Inc. ("Hawaiian Electric"), Hawaii Electric Light Company, Inc. ("Hawaii Electric Light") and Maui Electric Company, Limited ("Maui Electric" and, together with Hawaiian Electric and Hawaii Electric Light, the "Electric Utilities"), as well as other collateral, to become effective upon the issuance of the Bonds.

We have assumed for the purpose of this opinion that the Bonds and related documents are executed in substantially the form we have examined, and the transactions contemplated to occur under and described in the Official Statement, dated November ___, 2014 (the "Official Statement") relating to the Bonds, in fact occurred in accordance with the terms thereof.

The Financing Order was issued in response to an application for its issuance that was filed by the Department with the Commission pursuant to the provisions of the Statute. The Financing Order became final and not subject to further appeal on November 3, 2014.[1]

Questions Presented and Opinions

You have requested our opinions as to:

(a) whether the State Pledge (as described herein) creates a contractual relationship between the State and the holders of the Bonds (the "Bondholders");

(b) whether the Bondholders could challenge successfully under the "contract clause" of the United States Constitution (Article I, Section 10 (the "Federal Contract Clause")) the constitutionality of any legislation passed by the Hawaii legislature (the "Legislature")[2] which becomes law or any action of the Commission exercising legislative powers (any such legislation which becomes law or action of the Commission exercising legislative powers being referred to herein as "Legislative Action") that in either case limits, alters, impairs or reduces the value of the Green Infrastructure Property or the Green Infrastructure Fee so as to impair (i) the terms of the Bond Documents or the Bonds or (ii) the rights and remedies of the Bondholders (or the Indenture Trustee acting on their behalf) (any impairment described in clause (i) or (ii) being referred to herein as an "Impairment") prior to the time that the Bonds are fully paid and discharged or unless adequate provision has been made by law for the protection of Bondholders;[3]

(c) whether preliminary injunctive relief would be available under federal law to delay implementation of Legislative Action that limits, alters, impairs or reduces the value of the Green Infrastructure Property or the Green Infrastructure Fee so as to cause an Impairment pending final adjudication of a claim challenging such Legislative Action under the Federal Contract Clause and, assuming a favorable final adjudication of such claim, whether relief would be available to prevent permanently the implementation of the challenged Legislative Action; and

(d) whether, under the Fifth Amendment to the United States Constitution (made applicable to the State by the Fourteenth Amendment to the United States Constitution), which provides in part "nor shall private property be taken for public use, without just compensation"

---

[1] We refer you to the opinions of even date herewith of Alston Hunt Floyd & Ing to the effect that the Financing Order has been duly issued and authorized by the Commission and is effective, irrevocable and no longer subject to appeal.

[2] We refer you to the opinion of even date herewith of the State Attorney General to the effect that under State law, the voters of the State do not have referendum or initiative powers.

[3] We refer you to the opinion of Alston Hunt Floyd & Ing of even date herewith to the effect that absent a demonstration by the State that an impairment of the contract created by the State Pledge is necessary to advance a significant and legitimate public purpose, and that the impairment is both "reasonable and necessary to serve" such a public purpose, the State, including the Commission, could not take any action to repeal or amend the Statute or the Financing Order, or reduce, alter, or impair the value of the Green Infrastructure Property or the Green Infrastructure Fee so as to cause an impairment prior to the time that the Bonds are fully paid and discharged or unless adequate provision has been made by law for the protection of the Bondholders, or take, or refuse to take, any action required by the State under the State Pledge, if such action would substantially impair the rights of the holders of the Bonds. Assuming that the Commission is bound by the State Pledge as a matter of Hawaii law, a breach of the State Pledge by the Commission exercising legislative powers should be treated the same as a breach of the State Pledge by the Legislature under the Federal Contract Clause.

(the "Federal Takings Clause"), the State could repeal or amend the Statute or take any other action in contravention of the State Pledge without paying just compensation to the Bondholders, as determined by a court of competent jurisdiction, if doing so (a) constituted a permanent appropriation of a substantial property interest of the Bondholders in the Green Infrastructure Property or denied all economically productive use of the Green Infrastructure Property; (b) destroyed the Green Infrastructure Property other than in response to emergency conditions; or (c) substantially reduced, altered or impaired the value of the Green Infrastructure Property so as to unduly interfere with the reasonable expectations of the Bondholders arising from their investments in the Bonds (a "Taking").

Based upon our review of relevant judicial authority, as set forth in this letter, but subject to the qualifications, limitations and assumptions (including the assumption that any Impairment would be "substantial") set forth in this letter, it is our opinion that a reviewing court of competent jurisdiction, in a properly prepared and presented case:

(i) would conclude that the State Pledge constitutes a contractual relationship between the Bondholders and the State;

(ii) would conclude that, absent a demonstration by the State that an Impairment is necessary to further a significant and legitimate public purpose**,** the Bondholders (or the Indenture Trustee acting on their behalf) could successfully challenge under the Federal Contract Clause the constitutionality of any Legislative Action determined by such court to limit, alter, impair or reduce the value of the Green Infrastructure Property or the Green Infrastructure Fee so as to cause an Impairment prior to the time that the Bonds are fully paid and discharged or unless adequate provision has been made by law for the protection of Bondholders;

(iii) should conclude that permanent injunctive relief is available under federal law to prevent implementation of Legislative Action hereafter taken and determined by such court to limit, alter, impair or reduce the value of the Green Infrastructure Property or the Green Infrastructure Fee so as to cause an Impairment in violation of the Federal Contract Clause; and although sound and substantial arguments support the granting of preliminary injunctive relief, the decision to do so will be in the discretion of the court requested to take such action, which will be exercised on the basis of the considerations discussed in subpart B of Part II below; and

(iv) would conclude that the State would be required to pay just compensation to Bondholders if the State's repeal or amendment of the Statute, or the Commission's amendment or revocation of the Financing Order, or taking of any other action by the State or the Commission in contravention of the State Pledge (a) constituted a permanent appropriation of a substantial property interest of the Bondholders in the Green Infrastructure Property or denied all economically productive use of the Green Infrastructure Property; (b) destroyed the Green Infrastructure Property other than in response to emergency conditions; or (c) substantially reduced, altered or impaired the value of the Green Infrastructure Property so as to unduly interfere with the reasonable expectations of the Bondholders arising from their investments in the Bonds.

Our opinion in the preceding paragraphs (i) through (iv) is based upon our evaluation of existing judicial decisions and arguments related to the factual circumstances likely to exist at the time of a Federal Contract Clause challenge to Legislative Action; such precedents and such circumstances could change materially from those discussed below in this letter. Accordingly, such opinion is intended to express our belief as to the result that should be obtainable through the proper application of existing judicial decisions in a properly prepared and presented case.

Discussion

I. Protection of State Pledge Under the Federal Contract Clause

HRS § 269-169 provides that:

> "(a) In furtherance of section 39-51, the State pledges to and agrees with the bondholders and any financing parties under a financing order that the State will not take or permit any action that impairs the value of green infrastructure property under the financing order, or reduce, alter, or impair the green infrastructure fee that is imposed, charged, collected, or remitted for the benefit of the bondholders and any financing parties, until any principal, interest, and redemption premium in respect of bonds, all financing costs, and all amounts to be paid to a financing party under an ancillary agreement are paid or performed in full or unless adequate provision has been made by law for the protection of bondholders and other financing parties.
>
> (b) In issuing the bonds, the department may include the pledge specified in subsection (a) of this section in the bonds, ancillary agreements, and documentation related to the issuance and marketing of the bonds."

This language is referred to in this letter as the "State Pledge." As authorized by the foregoing statutory provision and the Financing Order, the language of the State Pledge has been included in the Certificate, the Indenture and in the Bonds. Based on our analysis of relevant judicial authority, as set forth below, it is our opinion, subject to all of the qualifications, limitations and assumptions (including the assumption that any Impairment would be "substantial") set forth in this letter, that, absent a demonstration by the State that an Impairment is necessary to further a significant and legitimate public purpose, a reviewing court would conclude that the State Pledge provides a basis upon which the Bondholders (or the Indenture Trustee acting on their behalf) could challenge successfully, under the Federal Contract Clause, the constitutionality of any Legislative Action determined by such court to reduce, alter, or impair the value of the Green Infrastructure Property or the Green Infrastructure Fee so as to cause an Impairment prior to the time that the Bonds are fully paid and discharged or unless adequate provision has been made by law for the protection of Bondholders.

A. Contractual Relationship

The courts have ruled that a statute creates a contractual relationship between a state and private parties if the statutory language contains sufficient words of contractual undertaking.[4] The United States Supreme Court has stated that a contract is created "when the language and circumstances evince a legislative intent to create private rights of a contractual nature enforceable against the State."[5]

The language of the State Pledge plainly manifests the Legislature's intent to bind the State. The Statute expressly includes language indicating the State's obligation with respect to bond transactions. See HRS § 269-169(a) ("The state pledges . . . that the state will not take or permit any action that impairs the value of green infrastructure property under the financing order or reduce, alter, or

---

[4] See Indiana ex rel. Anderson v. Brand, 303 U.S. 95, 104-05 (1938) (noting "the cardinal inquiry is as to the terms of the statute supposed to create such a contract"); United States Trust Co. of New York v. New Jersey, 431 U.S. 1, 18 (1977).

[5] United States Trust Co. of New York v. New Jersey, 431 U.S. 1, 17 n.14 (1977).

impair the green infrastructure fee that is imposed, charged, collected, or remitted . . . until any principal, interest, and redemption premium in respect of bonds, all financing costs, and all amounts to be paid to a financing party under an ancillary agreement are paid or performed in full or unless adequate provision has been made by law for the protection of bondholders and other financing parties." Id. (emphasis added). Moreover, it is important to note that the State also authorizes and the Commission requires the issuer of bonds to include the State Pledge in contracts with the holders of the Bonds. HRS § 269-169(b).

In summary, the language of the State Pledge supports the conclusion that it constitutes a contractual relationship between the State and the Bondholders. We are not aware of any circumstances that suggests that the Legislature did not intend to bind the State contractually by the State Pledge.[6]

B. State's Burden to Justify an Impairment

Article I, Section 10 of the United States Constitution prohibits any state from impairing the "obligation of contracts," whether among private parties or among state and private parties.[7] The general purpose of the Federal Contract Clause is "to encourage trade and credit by promoting confidence in the stability of contractual obligations."[8] The law is well-settled that "the [Federal] Contract Clause limits the power of the States to modify their own contracts as well as to regulate those between private parties,"[9] including by State constitutional amendments.[10] Case law makes clear that the principle precluding impairment of private contractual rights applies equally to the state legislatures and to the electorate in the exercise of its direct legislative powers.[11] Although the Federal Contract Clause appears literally to proscribe any impairment, the United States Supreme Court has made it clear that the proscription is not absolute: "Although the language of the [Federal] Contract Clause is facially absolute, its prohibition must be accommodated to the inherent police power of the State 'to safeguard the vital interests of its people.'"[12]

To survive scrutiny under the Federal Contract Clause, a substantial impairment by a state of a valid state contract must be justified by "a significant and legitimate public purpose . . . , such as

---

[6] In addition to the State Pledge, the Commission's Financing Order contains the following language: "[T]his Financing Order will become irrevocable once it has become final as provided by law, and the commission may not, directly or indirectly, reduce, impair, postpone, rescind, alter, or terminate the Green Infrastructure Fee, except for the true-up adjustment mechanism approved in this Financing Order, as described in HRS § 269-176 and as required to be provided by HRS §§ 269-162 and 269-163, or impair the Green Infrastructure Property or the collection of the Green Infrastructure Fee for so long as any Bonds are outstanding or any Financing Costs remain unpaid." We refer you to the opinion with respect to constitutional law issues of Alston Hunt Floyd & Ing of even date herewith for a discussion of this language.

[7] Article I, Section 10, provides, in relevant part, "No State shall . . . pass any bill of attainder, ex post facto law, or law impairing the obligation of contracts, …" U.S. Const. art. I, § 10. Please see opinion of Alston Hunt Floyd & Ing, of even date herewith, with respect to the Contract Clause in the Hawaii Constitution.

[8] See United States Trust Co. of New York v. New Jersey, 431 U.S. 1, 15 (1977) (cited in the text as "U.S. Trust").

[9] Id. at 17 (citations omitted).

[10] Allied Structural Steel Co. v. Spannaus, 438 U.S. 234 (1978); United States Trust Co. v. New Jersey, 431 U.S. 1 (1977).

[11] Continental Ill. Nat'l Bank & Trust Co. of Chicago v. Washington, 696 F.2d 692 (9th Cir. 1983).

[12] Energy Reserves Group, Inc. v. Kansas Power & Light Co., 459 U.S. 400, 410 (1983) (cited in the text as "Energy Reserves") (citing Home Bldg. & Loan Ass'n v. Blaisdell, 290 U.S. 398, 434 (1934) (cited in the text as "Blaisdell")).

the remedying of a broad and general social or economic problem,"[13] and the state action causing that impairment must be both "reasonable and necessary to serve" such a public purpose.[14]

The determination of whether a particular Legislative Action constitutes a substantial impairment of a particular contract is a fact-specific analysis, and nothing in this letter expresses any opinion as to how a court would resolve the issue of "substantial impairment" with respect to the Financing Order, the Green Infrastructure Property or the Bonds *vis-à-vis* a particular Legislative Action. Therefore, we have assumed for purposes of this letter that any Impairment resulting from the Legislative Action being challenged under the Federal Contract Clause would be substantial.[15]

The courts have held that the provisions of the Federal Contract Clause would not apply to state laws, the enactment of which constitutes a reasonable and necessary exercise of a state's sovereign power to serve an important public purpose.[16] There have been numerous cases in which legislative or popular concerns with the burden of taxation or governmental charges have led to the adoption of legislation reducing or eliminating taxes or charges that supported bonds or other contractual obligations entered into by public instrumentalities. Such concerns by themselves have not, however, been considered sufficient justification for a substantial impairment of the security of such bonds or obligations provided by the taxes or governmental charges involved. Instead, case law demonstrates that the complete impairment of a municipal bond obligation will not be tolerated, although an impairment may be upheld if it can be shown to be necessary to advance "a significant and legitimate public purpose . . . , such as the remedying of a broad and general social or economic problem,"[17] or addressing the concerns of a "great public calamity."[18] The United States Supreme Court "has indicated that the public purpose need not be addressed to an emergency or temporary situation."[19]

Although courts ordinarily "defer to legislative judgment as to the necessity and reasonableness" of a particular action,[20] the Supreme Court has noted that such deference "is not appropriate" when a state is a contracting party.[21] In that circumstance, a "stricter standard" of

---

[13] Energy Reserves Group, Inc. v. Kansas Power & Light Co., 459 U.S. 400, 411-12 (1983) (citing Allied Structural Steel Co. v. Spannaus, 438 U.S. 234 at 247, 249 (1978)).

[14] U.S. Trust, 431 U.S. at 25.

[15] We note, however, that in U.S. Trust the United States Supreme Court found a substantial impairment where the States of New York and New Jersey repealed outright an "important security provision" securing repayment of bonds without any form of compensation to the bondholders, even in the absence of a finding of the extent of financial loss suffered by the bondholders as a result of the repeal. U.S. Trust, 431 U.S. at 19. See also Home Bldg. & Loan Ass'n v. Blaisdell, 290 U.S. 398, 429-35 (1934).

[16] See, e.g., U.S. Trust, supra, 431 U.S. at 15, 19-20.

[17] Energy Reserves Group, Inc. v. Kansas Power & Light Co., 459 U.S. 400, 412 (1983) (citing Allied Structural Steel Co. v. Spannaus, 438 U.S. 234 at 247, 249 (1978)).

[18] See, e.g., Home Bldg. & Loan Ass'n v. Blaisdell, 290 U.S. 398, 439-41 (1934).

[19] Energy Reserves Group, Inc. v. Kansas Power & Light Co., 459 U.S. 400, 412 (1983) (citing United States Trust Co., supra, 431 U.S. at 22, n. 19 and Veix v. Sixth Ward Bldg. & Loan Ass'n, 310 U.S. 32 at 39-40 (1940)).

[20] Keystone Bituminous Coat Ass'n v. DeBenedictis, 480 U.S. 470, 505 (1987) (cited in the text as "Keystone") (citing Energy Reserves, supra, 459 U.S. at 413 (quoting U.S. Trust, supra, 431 U.S. at 23) (upholding against Contract Clause challenge a law authorizing revocation of a coal mine operator's mining permit as a reasonable and necessary response to the "devastating effects" of subsidence caused by underground mining).

[21] U.S. Trust, 431 U.S. at 26.

justification should apply.[22] The United States Supreme Court has consistently refused to permit the complete destruction of a governmental entity's obligation to repay a debt. As one commentator has noted: "Despite the Supreme Court's general disinterest in the Contract Clause, the Court has invalidated virtually every legislative impairment of municipal or local indebtedness that has come before it in the last fifty years." See Barton H. Thompson, Jr., "The History of the Judicial Impairment 'Doctrine' and Its Lessons for the Contract Clause," 44 Stan. L. Rev. 1373, 1463 (1992). In Energy Reserves Group, Inc. v. Kansas Power & Light Co., the Court noted that "[i]n almost every case, the Court has held a governmental unit to its contractual obligations when it enters financial or other markets."[23]

Based upon such case law under the Contract Clause, absent a demonstration by the State that an impairment is necessary to advance a significant and legitimate public purpose, and that the impairment is both "reasonable and necessary to serve" such a public purpose it is our opinion that the State, including the Commission, could not take any Legislative Action to repeal or amend the Statute or the Financing Order, or reduce, alter, or impair the value of the Green Infrastructure Property or the Green Infrastructure Fee so as to cause an Impairment prior to the time that the Bonds are fully paid and discharged, or until adequate provision has been made by law for the protection of Bondholders, or take, or refuse to take, any action required by the State under the State Pledge, if such Legislative Action would substantially impair the rights of the holders of the Bonds.

II. Relief Granted in a Federal Contract Clause Challenge

A. Permanent Injunctive Relief

In a Federal Contract Clause challenge to Legislative Action alleged to cause an Impairment, the remedies which the plaintiff would be expected to seek are (i) a declaration of the invalidity of such Legislative Action and (ii) an order permanently enjoining State officials from enforcing the provisions of such Legislative Action; a claim for money damages against the State would appear less likely. Whether such a declaration of invalidity could be obtained will depend on application of the principles discussed in Part I, as well as a demonstration that such law effected a substantial impairment. If such a declaration were obtained, the plaintiff would then have to meet several requirements in order to obtain a permanent injunction. Hawaii law would govern the requirements for issuance of a permanent injunction if the case were brought in State court,[24] while federal law would govern those requirements if the case were brought in federal court. The following discussion relates to federal law only.

---

[22] Energy Reserves Group, Inc. v. Kansas Power & Light Co., 459 U.S. 400, 412-13 n.14 (1983); Allied Structural Steel Co. v. Spannaus, 438 U.S. 234, 244 n.15 (1978). See also United States v. Winstar Corp., 518 U.S. 839, 876 (1996) (noting "heightened Contract Clause scrutiny when States abrogate their own contractual obligations"). Winstar addressed whether a contract claim against the federal government was barred by the "sovereign acts" doctrine, *i.e.*, the doctrine that the government's "public and general" acts cannot amount to a breach of contract. Although the legislation alleged to constitute a contractual breach had as its purposes "preventing the collapse of the [thrift] industry, attacking the root causes of the crisis, and restoring public confidence," *id.* at 856, the Court held that a "sovereign acts" defense was unavailable, because "the extent to which this reform relieved the Government of its own contractual obligations precludes a finding that the statute is a 'public and general' act for purposes of the sovereign acts defense." *Id.* at 903.

[23] Energy Reserves Group, Inc. v. Kansas Power & Light Co., 459 U.S. 400, 412 n.14 (1983) (citing United States Trust Co. of New York v. New Jersey, 431 U.S. 1 (1977); W.B. Worthen Co. v. Kavanaugh, 295 U.S. 56 (1935); and Murray v. Charleston, 96 U.S. 432 (1878)).

[24] Please see the opinion of Alston Hunt Floyd & Ing, of even date herewith, for an analysis of Hawaii law and permanent injunctive relief.

According to Federal case law, "a plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief," and the plaintiff "must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction."[25] The Ninth Circuit, which includes Hawaii, applies a substantially similar test: "[t]o be entitled to a permanent injunction, a plaintiff must demonstrate: (1) actual success on the merits; (2) that it has suffered an irreparable injury; (3) that remedies available at law are inadequate; (3) [sic] that the balance of hardships justify a remedy in equity; and (4) that the public interest would not be disserved by a permanent injunction."[26] It seems doubtful that the Bondholders (or the Indenture Trustee acting on their behalf) could obtain adequate money damages from the State or its officials. We understand that retrospective monetary claims brought against the State of Hawaii are generally barred by sovereign immunity.[27] In addition, depending on the nature of the impairment, a legal remedy may be inadequate or the injury may be irreparable because the amount of damages may be difficult or impossible to measure,[28] or because the injury is of a continuing nature such that the Bondholders would be forced to sue for damages each time they suffer injury (*e.g.*, non-receipt of a scheduled interest payment).[29] The Bondholders thus likely could satisfy these traditional requirements for injunctive relief if an unconstitutional impairment had occurred, and an injunction to prevent a violation of the Contracts Clause would be an available remedy.[30] Moreover, even if the Bondholders cannot establish the inadequacy of a damages remedy, it is "well established that the deprivation of constitutional rights 'unquestionably constitutes irreparable injury'" and thus no further showing of irreparable injury will be necessary to obtain a permanent injunction.[31]

B. Preliminary Injunctive Relief

Whether a preliminary injunction delaying implementation of Legislative Action being challenged under the Federal Contract Clause as a substantial Impairment could be obtained by the

---

[25] eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (U.S. 2006).

[26] Indep. Training & Apprenticeship Program v. Cal. Dep't of Indus. Rels., 730 F.3d 1024 (9th Cir. 2013) (citing eBay, supra, 547 U.S. at 391, and Amoco Prod. Co. v. Village of Gambell, 480 U.S. 531, 546 n.12 (1987) ("The standard for a preliminary injunction is essentially the same as for a permanent injunction with the exception that the plaintiff must show a likelihood of success on the merits rather than actual success")).

[27] We do not undertake to express any opinions on matters of Hawaii law herein and refer you to the opinion of Alston Hunt Floyd & Ing addressed to you of even date herewith with respect to issues of Hawaii law.

[28] Gilder v. PGA Tour, Inc., 936 F.2d 417, 423 (9th Cir. 1991) ("where the threat of injury is imminent and the measure of that injury defies calculation, damages will not provide a remedy at law").

[29] See, e.g., Orantes-Hernandez v. Thornburgh, 919 F.2d 549, 564 (9th Cir. 1990) (a federal court has "broad power to restrain acts which are of the same type or class as unlawful acts which the court has found to have been committed or whose commission in the future, unless enjoined, may be fairly anticipated from the defendant's conduct in the past") (quoting N.L.R.B. v. Express Publishing Co., 312 U.S. 426, 435 (1941)).

[30] Lipscomb v. Columbus Municipal Separate School Dist., 269 F.3d 494, 502 (5th Cir. 2001).

[31] 11A Charles Alan Wright, Arthur R. Miller & Edward H. Cooper, *Federal Practice and Procedure* § 2944, at 94 (2d ed. 1995). See, e.g., de Jesus Ortega Melendres v. Arpaio, 695 F.3d 990, 1002 (9th Cir. 2012) (quoting Elrod v. Burns, 427 U.S. 347 (1976)). Application of this general rule is more complicated, however, in the context of a takings claim. Under the Contracts Clause, the constitutional violation occurs at the time of an unjustified substantial impairment of a contract. By contrast, under the Takings Clause, the constitutional violation occurs not merely when a state takes protected property, but when it denies compensation for that taking. See Allied Structural Steel Co. v. Spannaus, 438 U.S. 234, 245 (1978).

Bondholders (or the Indenture Trustee acting on their behalf) pending an adjudication on the merits of such claim will depend on several considerations. As noted in subpart A of this Part II with respect to the availability of permanent injunctive relief, an action challenging such Legislative Action, and therefore an accompanying request for preliminary injunctive relief, could be brought in either a Hawaii court or a federal court, and Hawaii law or federal law, respectively, would provide the basis for determining whether such relief should be granted. The following discussion relates to federal law only.

The function of preliminary injunctive relief is to preserve the latest uncontested status quo prior to the action which is the subject of the legal challenge.[32] The latest uncontested status quo with respect to the Bonds prior to the challenged Legislative Action would appear to be the continued effectiveness of the Financing Order and the validity of the Green Infrastructure Property and Green Infrastructure Fee. On a request for preliminary injunctive relief, a plaintiff must establish: "[1] that he is likely to succeed on the merits, [2] that he is likely to suffer irreparable harm in the absence of preliminary relief, [3] that the balance of equities tips in his favor, and [4] that an injunction is in the public interest."[33] Winter v. NRDC, Inc., 555 U.S. 7, 20 (2008). In order to succeed on a claim for preliminary injunctive relief, a plaintiff "must demonstrate that it meets all four of the elements" set forth in Winter.[34] Given the limited purpose of a preliminary injunction, a party seeking a preliminary injunction "is not required to prove his case in full" under the same procedures and evidentiary requirements that would apply at a trial on the merits.[35]

Assuming that the injunction is not adverse to the public interest and that the Federal Contract Clause claim appears to the court to be meritorious (based on the application of the principles discussed in Part I), the requirement of likelihood of success on the merits should be met. The irreparable harm requirement, however, may pose a greater challenge, as decisions in several federal courts have found that a delay in the scheduled receipt of payments until final judgment is not the type of "irreparable harm" which a preliminary injunction seeks to prevent, absent countervailing circumstances – such as the possibility that such delay could result in the insolvency or the destruction of the business of the party seeking the preliminary injunction or could result in the other party's insolvency (thereby rendering a judgment worthless).[36] Notwithstanding these decisions, there are arguments why payment delays on the

---

[32] University of Texas v. Camenisch, 451 U.S. 390, 395 (1981) ("The purpose of a preliminary injunction is merely to preserve the relative positions of the parties until a trial on the merits can be held."); Sierra On-Line, Inc. v. Phoenix Software, Inc., 739 F.2d 1415, 1422 (9th Cir. 1984) ("A preliminary injunction… is not a preliminary adjudication on the merits but rather a device for preserving the status quo and preventing the irreparable loss of rights before judgment").

[33] Winter v. NRDC, Inc., 555 U.S. 7, 20 (2008) (cited in the text as "Winter"). Dish Network Corp. v. FCC, 653 F.3d 771 (9th Cir. 2011).

[34] Dish Network Corp., supra, 653 F.3d at 776 (9th Cir. 2011) ("To warrant a preliminary injunction, [a plaintiff] must demonstrate that it meets all four of the elements of the preliminary injunction test established in [Winter]").

[35] See University of Texas, supra, 451 U.S. at 395.

[36] See, e.g., Rent-A-Center, Inc. v. Canyon Television & Appliance Rental, Inc., 944 F.2d 597, 603 (9th Cir. 1991) ("[E]conomic injury alone does not support a finding of irreparable harm, because such injury can be remedied by a damage award," however, other types of "intangible injuries" may constitute irreparable harm.) (citing Los Angeles Memorial Coliseum Com. v. National Football League, 634 F.2d 1197, 1202 (9th Cir. 1980) and Regents of University of California v. American Broadcasting Cos., 747 F.2d 511, 519-20 (9th Cir. Cal. 1984)). See also Fed. Leasing, Inc. v. Underwriters at Lloyd's, 650 F.2d 495, 500 (4th Cir. 1981) (holding that plaintiffs were entitled to preliminary injunctive relief where the economic losses threatened the very existence of the business) (citing Semmes Motors, Inc., v. Ford Motor Co., 429 F.2d 1197, 1205 (2d Cir. 1970)). See also Centurion Reinsurance Co. v. Singer, 810 F.2d 140 (7th Cir. 1987); Roland Mach. Co. v. Dresser Indus., Inc., 749 F.2d 380, 386 and n.1 (7th Cir. 1984).

Bonds should be accepted as "irreparable harm." As just noted, Bondholders may be able to establish that they will suffer irreparable harm in the absence of a preliminary injunction because the State enjoys sovereign immunity, the amount of damages may be difficult or impossible to measure, or because the injury is of a continuing nature such that the Bondholders would be forced to sue for damages each time they suffer injury. In addition, federal courts often do not require a showing of irreparable harm to enjoin constitutional violations. Unlike permanent injunctions, however, which are issued only after the court has found a constitutional violation, preliminary injunctions are issued before the court has reached and resolved the merits of the constitutional claim. Accordingly, the likelihood of obtaining preliminary injunctive relief depends heavily on the strength of the Bondholders' showing on the merits of their Contracts Clause claim.

Therefore, any attempt by the State, the Commission or any other agency or instrumentality of the State to repeal or amend the Act or the Financing Order or take other action in a manner that substantially impairs the rights of the holders of the Bonds would be subject to a preliminary injunction if a court hearing a request therefor finds (i) that the party requesting such injunctive relief has a substantial likelihood of success on the merits, (ii) that such party will suffer irreparable injury if the preliminary injunctive relief is not granted, (iii) that, on balance, the harm to the party requesting such preliminary injunctive relief, given the likelihood of success on the merits, outweighs any harm the issuance of such preliminary injunctive relief would inflict on the party adverse to the request for such preliminary injunction, and (iv) that the issuance of such injunctive relief would not severely and adversely affect the public interest.

III. Federal Takings Clause

The Takings Clause of the Fifth Amendment of the United States Constitution – "nor shall private property be taken for public use, without just compensation" – is made applicable to state action via the Fourteenth Amendment. Webb's Fabulous Pharmacies v. Beckwith, 449 U.S. 155, 160 (1980). The Federal Takings Clause covers both tangible and intangible property. Ruckelshaus v. Monsanto Co., 467 U.S. 986, 1003 (1984). Rights under contracts can be property for purposes of the Federal Takings Clause. Lynch v. United States, 292 U.S. 571, 577 (1934), but legislation that "disregards or destroys" contract rights does not always constitute a taking. Connolly v. Pension Benefit Guaranty Corporation, 475 U.S. 211, 224 (1986). Where intangible property is at issue, state law will determine whether a property right exists. If a court determines that an intangible asset is property, a court will next look to whether the owner of the property interest had a "reasonable investment-backed expectation" that the property right would be protected.[37]

The United States Supreme Court has suggested that the Federal Takings Clause may be implicated by a diverse range of government actions, including when the government (a) permanently

[37] 2 Rotunda and Nowak, TREATISE ON CONSTITUTIONAL LAW: SUBSTANCE AND PROCEDURE 966 (5th ed. 2012).

appropriates or denies all economically productive use of property[38]; (b) destroys property other than in response to emergency conditions;[39] or (c) reduces, alters or impairs the value of property so as to unduly interfere with reasonable investment-backed expectations.[40] In determining what is an undue interference, a court would consider the nature of the governmental action and weigh the public purpose served thereby against the degree to which it interferes with legitimate property interests and distinct investment-backed expectations of bondholders.

The Supreme Court has identified two categories where regulatory action constitutes a per se taking – regulations that require an owner to suffer a permanent physical invasion of property and regulations that deprive of the owner of all economically beneficial use of the property. Lingle v.

---

[38] Connolly v. Pension Benefit Guaranty Corporation, 475 U.S. at 225 (cited in the text as "Connolly") (noting that in that case the government did not "permanently appropriate" any of the employer's assets for its own use); Palazzolo v. Rhode Island, 533 U.S. 606, 607 ("regulation which 'denies all economically beneficial or productive use of land' will require compensation under the Takings Clause") (citing Lucas v. South Carolina Coastal Council, 505 U.S. 1003, 1015 (1992), which notes that for personal property, however, some regulations that limit use of personal property may not be compensable takings given the state's "traditionally high degree of economic control over commercial dealings"); U.S. v. Security Industrial Bank, 459 U.S. 70, 77 (1982), citing Armstrong v. U.S., 364 U.S. 40, 48 (1960) ("The total destruction by the Government of all value of these liens, which constitute compensable property, has every possible element of a Fifth Amendment 'taking' and is not a mere 'consequential incidence' of a valid regulatory measure"). See also Lingle v. Chevron USA, 544 U.S. 528, 538 (2005) (noting that regulatory action will be deemed a per se taking of property if it requires an owner to suffer a "permanent" physical invasion of property or completely deprives the owner of "*all* economically beneficial" use of such property) (citing Lucas v. South Carolina Coastal Council, 505 U.S. 1003, 1019) (emphasis in original). The Supreme Court has also held that legislation that terminates a property interest can be considered a taking for which compensation is due. Hodel v. Irving, 481 U.S. 704 (1987) (federal law escheating certain fractional interests in tribal property to an Indian tribe was a compensable taking). See also 2 Rotunda and Nowak, TREATISE ON CONSTITUTIONAL LAW: SUBSTANCE AND PROCEDURE 984 (5th ed. 2012).

[39] The emergency exception to the just compensation requirement of the Federal Takings Clause appears in several Supreme Court decisions. See generally 2 Rotunda and Nowak, TREATISE ON CONSTITUTIONAL LAW: SUBSTANCE AND PROCEDURE 1013-1015 (5th ed. 2012). Several of these decisions involve the government's activities during military hostilities. See e.g., United States v. Caltex, Inc., 344 U.S. 149 (1952), rehearing denied 344 U.S. 919 (1953) (no compensable taking when Army destroys property to prevent enemy forces from obtaining it); United States v. Central Eureka Mining Co., 357 U.S. 155 (1958), rehearing denied 358 U.S. 858 (1958) (no compensable taking when government forces gold mines to cease operations to conserve resources for war effort); National Board of Young Men's Christian Associations v. United States, 395 U.S. 85 (1969) (no compensable taking where private property destroyed when US troops take shelter there). Compare United States v. Pewee Coal Co., 341 U.S. 114 (1951) (compensable taking when occupation is physical rather than regulatory, emergency notwithstanding). The emergency exception is not limited to wartime activities, however. See e.g., Miller v. Schoene, 276 U.S. 272 (1928) (no compensable taking where trees destroyed to prevent disease from spreading to other trees); Dames & Moore v. Regan, 453 U.S. 654 (1981) (no compensable taking resulting from executive order nullifying attachments on Iranian assets and permitting those assets to be transferred out of the country). The emergency exception is not limited to the physical destruction of property by the government, see Central Eureka Mining, 357 U.S. at 168, but the Supreme Court has suggested it does not apply to physical occupation of property, see Pewee, 341 U.S. at 116-17, or permanent appropriation, see Lingle, 544 U.S. at 538, both of which constitute a per se taking. Moreover, we believe that a permanent appropriation of property by the government would be generally inconsistent with the concept of an "emergency." See Central Eureka Mining, 357 U.S. at 168 (describing wartime restrictions as "temporary in character").

[40] Connolly v. Pension Benefit Guaranty Corporation, 475 U.S. at 225 (noting that one point of Federal Takings Clause analysis is "the extent to which the regulation has interfered with distinct investment-backed expectations") (citing Penn Central Transportation Co., 438 U.S. at 124); Central Eureka Mining, 357 U.S. at 155, rehearing denied 358 U.S. 858 (1958) (no compensable taking when government forces gold mines to cease operations to conserve resources for war effort).

Chevron U.S.A., 544 U.S. 528, 538 (2005). Outside these two narrow categories, challenges to regulations that interfere with protected property interests are governed by the three-part test set forth in Penn Central Transportation Co. v. New York, 438 U.S. 104, 124 (1978). Under that test, a regulation constitutes a taking if it denies a property owner "economically viable use" of that property, which is determined by three factors: (i) the character of the governmental action; (ii) the economic impact of the regulation on the claimant; and (iii) the extent to which the regulation has interfered with distinct investment-backed expectations. Id.

The first factor requires the court to examine "the purpose and importance of the public interest reflected in the regulatory imposition" and "to balance the liberty interest of the private property owner against the Government's need to protect the public interest through imposition of the restraint." Loveladies Harbor, Inc. v. U.S., 28 F.3d 1171, 1176 (Fed. Cir. 1994); see Keystone Bituminous Coal Ass'n v. DeBenedictis, 480 U.S. 470 (1987).

The second factor incorporates the principle enunciated by Justice Holmes: "Government hardly could go on if to some extent values incident to property could not be diminished without paying for every such change in the general law." Penn Coal Co. v. Mahon, 260 U.S. 393, 413 (1922); Loveladies, 28 F.3d at 1176-77. "Not every destruction or injury to property by governmental action has been held to be a 'taking' in the constitutional sense," Armstrong v. U.S., 364 U.S. 40, 48 (1960). Diminution in property value alone, thus, does not constitute a taking; there must be serious economic harm.

The third factor is "a way of limiting [recovery under the Federal Takings Clause] to owners who could demonstrate that they bought their property in reliance on a state of affairs that did not include the challenged regulatory regime." Loveladies, 28 F.3d at 1177. The burden of showing such interference is a heavy one. Keystone, 480 U.S. at 493. Thus, a reasonable investment-backed expectation "must be more than a 'unilateral expectation or an abstract need." Monsanto, 467 U.S. at 1005. Further, "legislation adjusting rights and burdens is not unlawful solely because it upsets otherwise settled expectations." Usery v. Turner Elkhorn Mining Co., 428 U.S. 1, 16 (1976). "[T]he fact that legislation disregards or destroys existing contractual rights does not always transform the regulation into an illegal taking…. This is not to say that contractual rights are never property rights or that the Government may always take them for its own benefit without compensation." Connolly, 475 U.S. at 223-24. In order to sustain a claim under the Federal Takings Clause, the private party must show that it had a "reasonable expectation" at the time the contract was entered that it "would proceed without possible hindrance" arising from changes in government policy. Chang v. U.S., 859 F.2d 893, 897 (Fed. Cir. 1988).

We are not aware of any case law which addresses the applicability of the Federal Takings Clause in the context of exercise by a state of its police power to abrogate or impair contracts otherwise binding on the state. The outcome of any claim that interference by the State with the value of the Green Infrastructure Property without compensation is unconstitutional would likely depend on factors such as the State interest furthered by that interference and the extent of financial loss to Bondholders caused by that interference, as well as the extent to which courts would consider that Bondholders had a reasonable expectation that changes in government policy and regulation would not interfere with their investment. With respect to this latter factor, we note that the Statute expressly provides for the creation of Green Infrastructure Property in connection with the issuance of the Bonds and such Green Infrastructure Property shall immediately vest in the Department, and further provides that the Financing Order, once final, is irrevocable. Moreover, through the State Pledge, the State has pledged to and agreed "with the bondholders and any financing parties under a financing order that the State will not take or permit any action that impairs the value of such Green Infrastructure Property."

Given the foregoing, we believe it would be hard to dispute that Bondholders have reasonable investment expectations with respect to their investments in the Bonds.

Based on our analysis of relevant judicial authority, it is our opinion, as set forth above, subject to all of the qualifications, limitations and assumptions set forth in this letter, that, under the Federal Takings Clause, a reviewing court would hold that the State would be required to pay just compensation to the Bondholders if the State's repeal or amendment of the Statute or the Commission's amendment or revocation of the financing order, or the taking of any other action by the State or the Commission in contravention of the State Pledge that (i) constituted a permanent appropriation of a substantial property interest of the Bondholders in the Green Infrastructure Property or denied all economically beneficial or productive use of the Green Infrastructure Property; (ii) destroyed the Green Infrastructure Property, other than in response to emergency conditions; or (iii) substantially reduced, altered or impaired the value of the Green Infrastructure Property so as to unduly interfere with the reasonable expectations of the Bondholders arising from their investment in the Bonds. As noted earlier, in determining what is an undue interference, a court would consider the nature of the governmental action and weigh the public purpose served thereby against the degree to which it interferes with the legitimate property interests and distinct investment-backed expectations of the Bondholders. There can be no assurance, however, that any award of compensation would be sufficient to pay the full amount of principal of and interest on the Bonds.[41]

* * * * *

We note that judicial analysis of issues relating to the Federal Contract Clause has typically proceeded on a case-by-case basis and that the court's determination, in most instances, is usually strongly influenced by the facts and circumstances of the particular case. We further note that there are no reported controlling judicial precedents of which we are aware directly on point. Our analysis is necessarily a reasoned application of judicial decisions involving similar or analogous circumstances. Moreover, the application of equitable principles (including the availability of injunctive relief or the issuance of a stay pending appeal) is subject to the discretion of the court which is asked to apply them. We cannot predict the facts and circumstances that will be present in the future and may be relevant to the exercise of such discretion. Consequently, there can be no assurance that a court will follow our reasoning or reach the conclusions which we believe current judicial precedent supports. It is our and your understanding that none of the foregoing opinions is intended to be a guaranty as to what a particular court would actually hold; rather each such opinion is only an expression as to the decision a court ought to reach if the issue were properly prepared and presented to it and the court followed what we believe to be the applicable legal principles under existing judicial precedent. The recipients of this

[41] A takings claim is generally not ripe until (1) the government has made a final decision as to how a regulation will be applied to the property at issue and (2) the owner has sought and been denied compensation through whatever adequate procedures or mechanisms state law provides. Williamson County Reg'l Planning Comm'n v. Hamilton Bank, 473 U.S. 172, 186 (1985) ("Williamson"); Williamson has come under scrutiny since it was decided. See e.g., San Remo Hotel, L.P. v. City and County of San Francisco, 545 U.S. 323, 344-48, 125 S.Ct. 2491, 162 L.Ed.2d 315 (2005). Although the Supreme Court has so far declined to reconsider Williamson, it has with some frequency continued to clarify and modify the ripeness doctrine. See e.g., Horne v. Department of Agriculture, 133 S.Ct. 2053, 2062 (2013); Lucas v. South Carolina Coastal Council, 505 U.S. 1003, 1012-13, 112 S.Ct. 2886, 120 L.Ed.2d 798 (1992); Suitum v. Tahoe Regional Planning Agency, 520 U.S. 725, 733-34 & n.7, 117 S.Ct. 1659, 137 L.Ed.2d 980 (1997). We express no opinion as to whether the State of Hawaii provides any administrative or judicial procedures for seeking just compensation for a taking of the type of contract rights the Bondholders possess, or whether such procedures would be "adequate." To the extent that there is a taking and state procedures for seeking just compensation are inadequate, Bondholders (or the Indenture Trustee on their behalf) or the Department could seek to enjoin enforcement of the State action by suing individual officers under Ex Parte Young, 209 U.S. 123 (1908) and 42 U.S.C. §1983.

letter should take these considerations into account in analyzing the risks associated with the subject transaction.

Moreover, there can be no assurance that, through the legislative or executive process, a repeal or an amendment of the Statute, the Financing Order or other action in contravention of the State Pledge described above would not be approved. In such an event, costly and time consuming litigation may ensue, adversely affecting, at least temporarily, the price and liquidity of the Bonds.

This letter is limited to the federal laws of the United States of America.

This letter is being delivered solely for the benefit of the persons to whom it is addressed; accordingly, it may not be quoted, filed with any governmental authority or other regulatory agency or otherwise circulated or utilized for any other purpose without our prior written consent. We assume no obligation to update or supplement this letter to reflect any facts or circumstances which may hereafter come to our attention with respect to the opinions or statements expressed above, including any changes in applicable law which may hereafter occur.

Respectfully yours,

SIDLEY AUSTIN LLP

SCHEDULE A

State of Hawaii
Department of Business, Economic Development, and Tourism
250 South Hotel Street, 5th Floor
Honolulu, Hawaii 96813

U.S. Bank National Association
as Indenture Trustee
Global Corporate Trust Services
1420 Fifth Avenue, 7th Floor
Seattle, Washington 98101

Fitch Ratings
ABS Surveillance
33 Whitehall Street
New York, New York 10004

Moody's Investors Service
ABS Monitoring Department
7 World Trade Center at 250 Greenwich Street
New York, New York 10007

Standard & Poor's Ratings Services
55 Water Street, 40th Floor
New York, New York 10041

For itself and as Representative of the
Underwriters of the Bonds:

Goldman, Sachs & Co.
2121 Avenue of the Stars, Suite 2600
Los Angeles, California 90067

APPENDIX F

PROPOSED FORM OF OPINION OF
ALSTON HUNT FLOYD & ING
RELATING TO STATE CONSTITUTIONAL MATTERS

_____, 2014

State of Hawaii
Department of Business, Economic Development, and Tourism
250 South Hotel Street, 5th Floor
Honolulu, Hawaii 96813

U.S. Bank National Association
as Indenture Trustee
Global Corporate Trust Services
1420 Fifth Avenue, 7th Floor
Seattle, Washington 98101

Fitch Ratings
ABS Surveillance
33 Whitehall Street
New York, New York 10004

Goldman, Sachs & Co.
2121 Avenue of the Stars, Suite 2600
Los Angeles, California 90067
As Representative of the Underwriters

Moody's Investors Service
ABS Monitoring Department
7 World Trade Center at 250 Greenwich Street
New York, New York 10007

Standard & Poor's Ratings Services
55 Water Street, 40th Floor
New York, New York 10004

Re: $_____ State of Hawaii Department of Business, Economic Development, and Tourism, Green Energy Market Securitization Bonds, 2014 Series A, Hawaii Constitutional Law Issues

Ladies and Gentlemen:

We have acted as co-counsel to Goldman Sachs & Co. and Citigroup Global Markets, Inc. (together, the "Underwriters") in connection with the issuance by the State of Hawaii (the "State"), acting through the Department of Business, Economic Development, and Tourism (the "Department"), of its $_____ Green Energy Market Securitization Bonds, 2014 Series A (the "Bonds"). The Bonds are

issued pursuant to Article VII, Section 12 of the Constitution of the State of Hawaii and Part III, Chapter 39 of the Hawaii Revised Statutes ("HRS"), as amended (collectively, the "Revenue Bond Law"), HRS §§196-61 to 196-70, HRS §§269-161 to 269-176, and HRS §§269-5 and 269-121, as amended (the "Statute"), Decision and Order No. 32281, in Docket No. 2014-0134 (the "Financing Order") issued by the Public Utilities Commission of the State of Hawaii (the "Commission") on September 4, 2014, pursuant to an application for its issuance, a Certificate of the Director of the Department dated as of _____, 2014 (the "Certificate") and an Indenture dated as of _____, 2014 (the "Indenture" and, together with the Certificate, the "Bond Documents") between the State and U.S. Bank National Association, as trustee (the "Indenture Trustee"). Capitalized terms used in this opinion without definition have the respective meanings set forth in the Bond Documents.

The Bonds are payable from, and secured by a lien upon, Green Infrastructure Property (the "Green Infrastructure Property"), which is a property right created by the Statute. The Green Infrastructure Property includes the right to impose, charge and collect certain nonbypassable fees and charges, as adjusted from time to time (the "Green Infrastructure Fee"), with respect to all existing and future electric utility customers of Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO") and Maui Electric Company, Limited ("MECO" and, together with HECO and HELCO, the "Electric Utilities"), as well as other collateral, to become effective upon the issuance of the Bonds.

We have assumed for the purpose of this opinion that the Bonds and related documents are executed in substantially the form we have examined, and the transactions contemplated to occur as described in the Official Statement dated _____, 2014 (the "Official Statement") relating to the Bonds, in fact occur as described in the Official Statement.

The law covered by the opinions expressed in this letter is limited to the federal law of the United States and the law of the State of Hawaii. In rendering these opinions we have also examined pertinent statutes and regulations, and have done such other investigation as we have considered necessary as the basis for the opinions expressed below.

I. Questions Presented

You have requested our opinions as to whether: (1) the legislature of the State of Hawaii (the "State") could amend or repeal the Statute or otherwise take or refuse to take action required under the State Pledge (as defined below) if such amendment, repeal, action or inaction would have the effect of substantially impairing the rights of the holders of the Bonds (the "Bondholders"), (2) the State would be required to pay just compensation to the Bondholders if the State undertook an impairment action, and (3) injunctive relief may be available to prevent any attempt to impair the rights of the Bondholders.

II. Opinions

We have reviewed the provisions of the Statute relating to the Bonds, as well as the applicable provisions of the U.S. Constitution, the Hawaii Constitution, the Certificate, Indenture, and the Bonds, relevant judicial authority and such other documents and matters that we have deemed relevant. Based on the foregoing and our consideration of applicable law, if the arguments were properly briefed and presented to a court of competent jurisdiction, subject to the qualifications, limitations, and assumptions set forth below, it is our opinion that a court would conclude that:

(1) the State Pledge constitutes a contractual relationship between the Bondholders and the State;

(2) absent a demonstration by the State that an impairment of the contract created by the State Pledge described below (an "Impairment") is necessary to advance a significant and legitimate public purpose, and that the impairment is both "reasonable and necessary to serve" such a public purpose it is our opinion that, the State, including the Commission, could not take any action ("Legislative Action") to repeal or amend the Statute or the Financing Order, or reduce, alter, or impair the value of the Green Infrastructure Property or the Green Infrastructure Fee so as to cause an Impairment prior to the time that the Bonds are fully paid and discharged or unless adequate provision has been made by law for the protection of the Bondholders, or take, or refuse to take, any action required by the State under the State Pledge, if such Legislative Action would substantially impair the rights of the holders of the Bonds;

(3) of the State to repeal or amend the Act or the Financing Order or take other action in a manner that substantially impairs the rights of the holders of the Bonds would be subject to a preliminary injunction if a court hearing a request therefor finds: (i) that the party requesting such injunctive relief has a substantial likelihood of success on the merits, (ii) that such party will suffer irreparable injury if the preliminary injunctive relief is not granted, (iii) that, on balance, the harm to the party requesting such preliminary injunctive relief, given the likelihood of success on the merits, outweighs any harm the issuance of such preliminary injunctive relief would inflict on the party adverse to the request for such preliminary injunction, and (iv) that the issuance of such injunctive relief would not severely and adversely affect the public interest. Further, upon final adjudication of the challenged repeal, amendment or other action, the alleged wrongful conduct would be subject to permanent injunction if the court hearing the request therefor finds that such conduct constituted a legal wrong for which no adequate remedy at law was available; and

(4) under Article I, Section 20 of the Hawaii Constitution (the "State Takings Clause"), the State of Hawaii would be required to pay just compensation to the Bondholders if the State undertook an impairment action in contravention of the State Pledge that: (i) constituted a permanent appropriation of a substantial property interest of the Bondholders in the Green Infrastructure Property or denied all economically beneficial or productive use of the Green Infrastructure Property; (ii) destroyed the Green Infrastructure Property, other than in response to so-called emergency conditions; or (iii) substantially reduced, altered or impaired the value of the Green Infrastructure Property so as to unduly interfere with the reasonable expectations of the Bondholders arising from their investment in the Bonds. There can be no assurance, however, that any award of compensation would be sufficient to pay the full amount of principal of and interest on the Bonds.

Our opinions in the preceding paragraphs (1) through (4) are based upon our evaluation of existing judicial decisions and arguments related to the factual circumstances likely to exist at the time of a Hawaii state law challenge to the Statute; such precedents and such circumstances could change materially from those discussed below in this letter. Accordingly, such opinion is intended to express our belief as to the result that should be obtainable through the proper application of existing judicial decisions in a properly prepared and presented case.

III. Rationale for Opinions

A. The State Pledge Creates a Contract

HRS § 269-169 creates a pledge of the Green Infrastructure Fee in favor of the Bondholders (the "State Pledge"):

> (a) In furtherance of section 39-51, the State pledges to and agrees with the bondholders and any financing parties under a financing order that the State will not take or permit any action that impairs the value of green infrastructure property under the financing order, or reduce, alter, or impair the green infrastructure fee that is imposed, charged, collected, or remitted for the benefit of the bondholders and any financing parties, until any principal, interest, and redemption premium in respect of bonds, all financing costs, and all amounts to be paid to a financing party under an ancillary agreement are paid or performed in full or unless adequate provision has been made by law for the protection of bondholders and other financing parties.
>
> (b) In issuing the bonds, the department may include the pledge specified in subsection (a) of this section in the bonds, ancillary agreements, and documentation related to the issuance and marketing of the bonds.

As authorized by the foregoing statutory provision and the Financing Order, the language of the State Pledge has been included in the Certificate, the Indenture, and in the Bonds. Based on our analysis of relevant judicial authority, as set forth below, it is our opinion, subject to all of the qualifications, limitations and assumptions (including the assumption that any Impairment would be "substantial") set forth in this letter, that, absent a demonstration by the State that an Impairment is necessary to further a significant and legitimate public purpose, a reviewing court would conclude that the State Pledge provides a basis upon which the Bondholders (or the Indenture Trustee acting on their behalf) could challenge successfully, under Hawaii law and Article I, Section 10 of the U.S. Constitution (the "Federal Contract Clause"), the constitutionality of any Legislative Action determined by such court to reduce, alter, or impair the value of the Green Infrastructure Property or the Green Infrastructure Fee so as to cause an Impairment prior to the time that the Bonds are fully paid and discharged.

The State Pledge is a contract between the State and the Bondholders. The State Pledge has been incorporated within Article II of the Indenture, the Certificate, and in the Bonds.

Courts have ruled that a statute creates a contractual relationship between a state and private parties if the statutory language contains sufficient words of contractual undertaking.[1] The United States Supreme Court has stated that a contract is created "when the language and circumstances evince a legislative intent to create private rights of a contractual nature enforceable against the State."[2]

Based on our analysis, the language of the State Pledge plainly manifests the Legislature's intent to bind the State. The phrase "the State Pledge" in the Statute expressly indicates the State's obligation with respect to bond transactions. *See* HRS § 269-169(a) ("The state pledges . . . that the state will not take or permit any action that impairs the value of green infrastructure property under the financing order

[1] *See Indiana ex rel. Anderson v. Brand*, 303 U.S. 95, 104-05 (1938) (noting "the cardinal inquiry is as to the terms of the statute supposed to create such a contract"); *United States Trust Co. of New York v. New Jersey*, 431 U.S. 1, 18 (1977).

[2] *United States Trust Co. of New York v. New Jersey*, 431 U.S. 1, 17 n.14 (1977).

. . . .") *Id*. (emphasis added). We note that the Statute also authorizes and the Commission requires the issuer of bonds to include the State Pledge in contracts with the holders of the Bonds. HRS § 269-169(b).

In summary, the language of the State Pledge supports the conclusion that it constitutes a contractual relationship between the State and the Bondholders. We are not aware of any circumstances that suggests that the Legislature did not intend to bind the State contractually by the State Pledge.[3]

B. Impairment of Contract

Article I, Section 5 of the Hawaii Constitution provides, in pertinent part, that: "[n]o person shall be deprived of life, liberty or property without due process of law" ("State Due Process Clause").

Article I, Section 8 of the Hawaii Constitution provides, in pertinent part, that: "[n]o citizen shall be . . . deprived of any of the rights or privileges secured to other citizens, unless by the law of the land." Applying Section 8, the Hawaii Supreme Court has held that there is no doubt that the legislature cannot destroy all effective remedy for breach of contract since "the existence of some sufficient remedy is essential to the obligation of a contract." *Carpenter v. Lawson*, 19 Haw. 433, 434 (1909).

The State Takings Clause provides that: "Private Property shall not be taken or damaged for public use without just compensation."

There is no comparable provision to the Federal Contract Clause in the Hawaii Constitution, however, the Hawaii Constitution expressly adopts the U.S. Constitution, and all of its rights and protection, under a section following the Preamble called Federal Constitution Adopted.

Certain contract rights have been held to be protected by Amendment V to the U.S. Constitution (the "Federal Takings Clause") and the State Takings Clause. *E.g. Gallas v. Sanchez*, 48 Haw. 370, 375, 405 P.2d 772, 776 (1965) (acknowledging that some rights are vested, which are permanently protected by our state and federal constitutional provisions forbidding the impairment of contracts and the taking of property without due process); *Carpenter v. Lawson*, 19 Haw. 433, 434 (1909) (holding that there is no doubt that the legislature cannot destroy all effective remedy for breach of contract since "the existence of some sufficient remedy is essential to the obligation of a contract").

The Hawaii Supreme Court has also found a State statute unconstitutional for impairing an existing contract under the Federal Contract Clause. The statute at issue in *Anthony v. Kualoa Ranch, Inc.*, 736 P.2d 55, 736 P.2d 55 (1987) obligating a lessor to pay for improvements on the property at the termination of a lease was adopted after commencement of the lease in question. The court found the statute unconstitutional for impairing the contract on grounds that it was "an attempt by the legislature to change contractual remedies and obligations . . . without relation to the purposes of the [Act at issue was] limited [in effect] to contractual obligations and remedies, as distinguished from one imposing a generally applicable rule of conduct designed to advance broad social interests". *Id*., 69 Haw. at 123, 736 P.2d at 63. The court acknowledged that only "in emergency situations and for limited periods" the legislature may be justified in impairing contracts. *Id*. (citing *Building & Loan Association v. Blaisdell*, 290 U.S.

[3] In addition to the State Pledge, the Commission's Financing Order contains the following language: "[T]his Financing Order will become irrevocable once it has become final as provided by law, and the commission may not, directly or indirectly, reduce, impair, postpone, rescind, alter, or terminate the Green Infrastructure Fee, except for the true-up adjustment mechanism approved in this Financing Order, as described in HRS § 269-176 and as required to be provided by HRS §§ 269-162 and 269-163, or impair the Green Infrastructure Property or the collection of the Green Infrastructure Fee for so long as any Bonds are outstanding or any Financing Costs remain unpaid."

398 (1934) (providing the example of a "great public calamity")). However, the court found that, absent an emergency and limitation on the duration of the change, impairment is unconstitutional. *Id*.

The determination of whether a particular Legislative Action constitutes a substantial impairment of a particular contract is a fact-specific analysis, and we do not express any opinion as to how a court would resolve the issue of "substantial impairment" with respect to the Financing Order, the Green Infrastructure Property or the Bonds *vis-à-vis* a particular Legislative Action. Therefore, we have assumed for purposes of this letter that any Impairment resulting from the Legislative Action being challenged under the Federal Contract Clause must be substantial.[4]

Although courts ordinarily "defer to legislative judgment as to the necessity and reasonableness" of a particular action,[5] the United States Supreme Court has noted that such deference "is not appropriate" when a state is a contracting party.[6] In that circumstance, a "stricter standard" of justification should apply.[7] The United States Supreme Court has consistently refused to permit the complete destruction of a governmental entity's obligation to repay a debt. As one commentator has noted: "Despite the Supreme Court's general disinterest in the [Federal] Contract Clause, the [United States Supreme] Court has invalidated virtually every legislative impairment of municipal or local indebtedness that has come before it in the last fifty years." *See* Barton H. Thompson, Jr., "The History of the Judicial Impairment 'Doctrine' and Its Lessons for the [Federal] Contract Clause," 44 Stan. L. Rev. 1373, 1463 (1992). In *Energy Reserves Group, Inc. v. Kansas Power & Light Co.*, the Court noted that "[i]n almost every case, the Court has held a governmental unit to its contractual obligations when it enters financial or other markets."[8]

Based upon such case law under the Federal Contract Clause, absent a demonstration by the State that an impairment is necessary to advance a significant and legitimate public purpose, and that the impairment is both "reasonable and necessary to serve" such a public purpose it is our opinion that,

---

[4] We note, however, that in *U.S. Trust* the United States Supreme Court found a substantial impairment where the States of New York and New Jersey repealed outright an "important security provision" securing repayment of bonds without any form of compensation to the bondholders, even in the absence of a finding of the extent of financial loss suffered by the bondholders as a result of the repeal. 431 U.S. 1, 19 (1977). *See also Home Bldg. & Loan Ass'n v. Blaisdell*, 290 U.S. 398, 429-35 (1934).

[5] *Keystone Bituminous Coat Ass'n v. DeBenedictis*, 480 U.S. 470, 505 (1987) (cited in the text as "*Keystone*") (citing *Energy Reserves, supra*, 459 U.S. at 413 (quoting *U.S. Trust, supra*, 431 U.S. at 23) (upholding against [Federal] Contract Clause challenge a law authorizing revocation of a coal mine operator's mining permit as a reasonable and necessary response to the "devastating effects" of subsidence caused by underground mining).

[6] *United States Trust Co. of New York v. New Jersey*, 431 U.S. 1, 26 (1977).

[7] *Energy Reserves Group, Inc. v. Kansas Power & Light Co.*, 459 U.S. 400, 412-13 n.14 (1983); *Allied Structural Steel Co. v. Spannaus*, 438 U.S. 234, 244 n.15 (1978). *See also United States v. Winstar Corp.*, 518 U.S. 839, 876 (1996) (noting "heightened [Federal] Contract Clause scrutiny when States abrogate their own contractual obligations"). *Winstar* addressed whether a contract claim against the federal government was barred by the "sovereign acts" doctrine, *i.e.*, the doctrine that the government's "public and general" acts cannot amount to a breach of contract. Although the legislation alleged to constitute a contractual breach had as its purposes "preventing the collapse of the [thrift] industry, attacking the root causes of the crisis, and restoring public confidence," *id*. at 856, the Court held that a "sovereign acts" defense was unavailable, because "the extent to which this reform relieved the Government of its own contractual obligations precludes a finding that the statute is a 'public and general' act for purposes of the sovereign acts defense." *Id*. at 903.

[8] *Energy Reserves Group, Inc. v. Kansas Power & Light Co.*, 459 U.S. 400, 412 n.14 (1983) (citing *United States Trust Co. of New York v. New Jersey*, 431 U.S. 1 (1977); *W.B. Worthen Co. v. Kavanaugh*, 295 U.S. 56 (1935); and *Murray v. Charleston*, 96 U.S. 432 (1878)).

neither the State, including the Commission, could take any Legislative Action to repeal or amend the Statute or the Financing Order, or reduce, alter, or impair the value of the Green Infrastructure Property or the Green Infrastructure Fee so as to cause an Impairment prior to the time that the Bonds are fully paid and discharged, or until adequate provision has been made by law for the protection of the Bondholders, or take, or refuse to take, any action required by the State under the State Pledge, if such Legislative Action would substantially impair the rights of the holders of the Bonds.

Our consideration of Legislative Action does not consider the possibility of a challenge to the Statute by initiative or referendum, since under Hawaii law, the voters of the State do not have referendum or initiative powers. "Pursuant to the clear mandate of [A]rticle XVII, [Section] 3, [of the Hawaii Constitution] the electorate is to perform only a ratification function, by voting at the general election either to approve or reject a proposed constitutional amendment which has been adopted by the legislature." *Blair v. Cayetano*, 73 Haw. 536, 549, 836 P.2d 1066, 1073 (1992) (concluding that "referendum is an impermissible delegation of legislative authority to the electorate [and] would vitiate the premise that the legislature must not abdicate its ultimate responsibility for policymaking").

C. Injunctive Relief

Whether a preliminary injunction delaying implementation of Legislative Action being challenged under the Federal Contract Clause as a substantial Impairment could be obtained by the Bondholders (or the Indenture Trustee acting on their behalf) pending an adjudication on the merits of such claim will depend on several considerations. The availability of permanent injunctive relief, an action challenging such Legislative Action, and therefore an accompanying request for preliminary injunctive relief, could be brought in either a Hawaii court or a federal court, and Hawaii law or federal law, respectively, would provide the basis for determining whether such relief should be granted. The following discussion relates to Hawaii law, as supplemented by federal law.

The function of preliminary injunctive relief is to preserve the latest uncontested status quo prior to the action which is the subject of the legal challenge. The latest uncontested status quo with respect to the Bonds prior to the challenged Legislative Action would appear to be the continued effectiveness of the Financing Order and the validity of the Green Infrastructure Property and Green Infrastructure Fee.

Under Hawaii law, the standard for a preliminary injunction is threefold: (1) whether the moving party has shown that it is likely to succeed on the merits; (2) whether the balance of irreparable harms favors the issuance of an injunction; and (3) whether the public interest supports granting such an injunction. *Life of the Land v. Ariyoshi*, 59 Haw. 156, 158, 577 P.2d 1116, 1118 (1978). In general, a preliminary injunction seeks to preserve the status quo until a dispute may be finally resolved on the merits. *Wahba, LLC v. USRP (Don), LLC*, 106 Hawai`i 466, 472, 106 P.3d 1109, 1115 (2005).

The standard for a permanent injunction is essentially the same as for a preliminary injunction with the exception that the plaintiff must show actual, as opposed to likely, success on the merits. Accordingly, the test in Hawaii for determining whether a permanent injunction is proper is: (1) whether the plaintiff has prevailed on the merits; (2) whether the balance of irreparable damage favors the issuance of a permanent injunction; and (3) whether the public interest supports granting such an injunction. *Office of Hawaiian Affairs v. Housing and Community Develop. Corp. of Hawai`i (HCDCH)*, 117 Hawai`i 174, 212, 177 P.3d 884, 922 (2008), *overruled on other grounds by Hawai`i v. Office of Hawaiian Affairs*, 556 U.S. 163 (2009).

It seems doubtful that the Bondholders (or the Indenture Trustee acting on their behalf) could obtain adequate money damages from the State or its officials. We understand that retrospective

monetary claims brought against the State of Hawaii are generally barred by sovereign immunity. In addition, depending on the nature of the impairment, a legal remedy may be inadequate or the injury may be irreparable because the amount of damages may be difficult or impossible to measure,[9] or because the injury is of a continuing nature such that the Bondholders would be forced to sue for damages each time they suffer injury (*e.g.*, non-receipt of a scheduled interest payment).[10]

The more the balance of irreparable damage favors issuance of the injunction, the less the party seeking the injunction has to show the likelihood of his success on the merits. *Penn v. Transp. Lease Hawaii, Ltd.*, 2 Haw. App. 272, 276, 630 P.2d 646, 650 (1981). Likewise, the greater the probability the party seeking the injunction is likely to prevail on the merits, the less the petitioner must show that the balance of irreparable damage favors issuance of the injunction. *Id.*

Retrospective monetary claims against the state are barred by the doctrine of sovereign immunity. The doctrine of sovereign immunity refers to the general rule, incorporated in the Eleventh Amendment to the United States Constitution, that a state cannot be sued in federal court without its consent or an express waiver of its immunity. U.S. Const. amend. XI. The doctrine of sovereign immunity, as it has developed in Hawaii, also precludes such suits in state courts. *State ex rel. Anzai v. Honolulu*, 99 Hawai`i 508, 515, 57 P.3d 433, 440 (2002) (footnote omitted) (citing *Pele Defense Fund v. Paty*, 73 Haw. 578, 606–07, 837 P.2d 1247, 1264–65 (1992); *W.H. Greenwell, Ltd. v. Dep't of Land & Natural Res.*, 50 Haw. 207, 208, 436 P.2d 527, 528 (1968)).

The Hawaii Supreme Court has recognized the clear distinction between the effect of sovereign immunity on actions seeking prospective relief and those seeking retrospective relief, stating: "[i]n previous cases, we have held that "the sovereign State is immune from suit for money damages, except where there has been a 'clear relinquishment' of immunity and the State has consented to be sued." *Pele Defense Fund v. Paty*, 73 Haw. 578, 607, 837 P.2d 1247, 1265 (1992), *cert. denied*, 507 U.S. 918 (1993) (citing *Washington v. Fireman's Fund Ins. Co.*, 68 Haw. 192, 198, 708 P.2d 129, 134 (1985), *cert. denied*, 476 U.S. 1169 (1986)). This exception to sovereign immunity can be traced to *Ex parte Young*, 209 U.S. 123 (1908). The Hawaii Supreme Court has adopted the rule in *Young*, which:

> makes an important distinction between prospective and retrospective relief. If the relief sought against a state official is prospective in nature, then the relief may be allowed regardless of the state's sovereign immunity. This is true "even though accompanied by a substantial ancillary effect on the state treasury." However, relief that is "tantamount to an award of damages for a past violation of ... law, even though styled as something else," is barred by sovereign immunity.

Sierra Club v. Dep't of Transp. of State of Hawaii, 120 Haw. 181, 225-26, 202 P.3d 1226, 1270-71 (2009) (quoting *Pele*, 73 Haw. at 609–10, 837 P.2d at 1266 (footnotes and citations omitted); *see also Bush v. Watson*, 81 Hawai'i 474, 481, 918 P.2d 1130, 1137 (1996) (holding that sovereign immunity did not bar an action seeking prospective relief for ongoing violations of the Hawaiian Homes Commission Act by existing and future third party agreements).

---

[9] *Gilder v. PGA Tour, Inc.*, 936 F.2d 417, 423 (9th Cir. 1991) ("where the threat of injury is imminent and the measure of that injury defies calculation, damages will not provide a remedy at law").

[10] *See, e.g., Orantes-Hernandez v. Thornburgh*, 919 F.2d 549, 564 (9th Cir. 1990) (a federal court has "broad power to restrain acts which are of the same type or class as unlawful acts which the court has found to have been committed or whose commission in the future, unless enjoined, may be fairly anticipated from the defendant's conduct in the past") (quoting *N.L.R.B. v. Express Publishing Co.*, 312 U.S. 426, 435 (1941)).

An injury is irreparable, within the law of injunctions when it is of such character that fair and reasonable redress may not be had by action at law after injury and damage is sustained and refusal of injunction would be denial of justice. "The term 'irreparable damage' does not have reference to the amount of damage caused, but rather to the difficulty of measuring the amount of damages inflicted," or, where the injury "tends toward the destruction of the complainant's estate, or where it is of such a character as to work the destruction of the property as it has been held and enjoyed, so that no judgment at law can restore it to him in that character." *Klausmeyer v. Makaha Valley Farms, Limited*, 41 Haw. 287, 340 (1956).

The deprivation of legal rights or permanent appropriation of property may be irreparable injury, for which law gives no adequate remedy such as equity gives, and no other irreparable injury is required as ground for injunction, though injury is not irreparable in any other sense. *Penn v. Transp. Lease Hawaii, Ltd.*, 2 Haw. App. 272, 276, 630 P.2d 646, 650 (1981); *see also McBryde Sugar Co. v. Koloa Sugar Co.*, 19 Haw. 106 (Haw. Terr. 1908)

Thus, where an action by the State, Commission, or any other agency or instrumentality of the State causes or is likely to cause an unconstitutional impairment and injury to the Bondholders, the Bondholders could likely satisfy the requirements for injunctive relief and qualify for an injunction to prevent violation of the federal Contracts Clause and the State Takings Clause. However, economic injury alone does not support a finding of irreparable harm. *E.g., Kitazato v. Black Diamond Hospitality Investments, LLC*, 655 F. Supp. 2d 1139, 1147 (D. Haw. 2009). Nevertheless, deprivation of legal rights, destruction or appropriation of property, the State's retrospective sovereign immunity under *Ex Parte Young* as adopted by the Hawaii Supreme Court, and that the amount of damages may be difficult or impossible to measure and continuing in nature all support the irreparable harm prong. Therefore, the likelihood of obtaining preliminary injunctive relief depends on the strength of the Bondholders showing on the merits of their contracts clause or takings claim.

D. The State Takings Clause

We believe the State Takings Clause prohibits the State, in the exercise of its executive or legislative powers, from repealing or amending the Statute or the Financing Order or taking any action in contravention of the State Pledge as described above, without paying just compensation to the holders of the Bonds.

Article I, Section 20, of the Hawaii State Constitution states that "[p]rivate property shall not be taken or damaged for public use without just compensation."[11] "When enacted, Article I, Section 20 of the Hawaii Constitution was identical to the fifth amendment to the United States Constitution and was adopted because of the certainty given to the interpretation of the section by the federal decisions." *Hawaii Hous. Auth. v. Lyman*, 68 Haw. 55, 69, 704 P.2d 888, 896 (1985) (citing Committee of the Whole

[11] The fifth amendment to the United States Constitution provides that "private property [shall not] be taken for public use, without just compensation." This prohibition against takings without just compensation applies to the states through the fourteenth amendment. *Hawaii Housing Auth. v. Midkiff*, 467 U.S. 229 (1984).

Report No. 5, in 1 Proceedings of the Constitutional Convention of Hawaii 1950 at 304 (1960)). The two sections remain substantially similar.[12] *Id*.

Likewise, "[t]he Takings Clause analysis under the Hawaii Constitution is similar to the United States Constitution." *Small Landowners of Oahu v. City & Cnty. of Honolulu*, 832 F. Supp. 1404, 1409 (D. Haw. 1993) *aff'd sub nom. Richardson v. City & Cnty. of Honolulu*, 124 F.3d 1150 (9th Cir. 1997). In *Hawaii Housing Authority v. Lyman*, 68 Haw. 55, 704 P.2d 888 (1985), the Hawaii Supreme Court adopted a very deferential position similar to that in *Midkiff*:

> We therefore hold that once the legislature has spoken on the social issue involved, so long as the exercise of the eminent domain power is rationally related to the objective sought, the legislative public use declaration should be upheld unless it is palpably without reasonable foundation. The crucial inquiry is whether the legislature might reasonably consider the use public, and whether it rationally could have believed that application of the sovereign's condemnation powers would accomplish the public use goal.

Id. at 70-71, 704 P.2d 888.

However, Hawaii courts may interpret the Hawaii Constitution to afford greater protection than provided by the United States Constitution. *Lyman, supra*, 68 Haw. at 69, 704 P.2d at 896.

The State's eminent domain power is further detailed in the Hawaii Revised Statutes ("HRS"), Chapter 101. The Hawaii Supreme Court has held that "our state legislature may, by legislative act, change or entirely abrogate common law rules through its exercise of the legislative power under the Hawaii State Constitution, but in the exercise of such power, the legislature may not violate a constitutional provision." *Fujioka v. Kam*, 55 Haw. 7, 9, 514 P.2d 568, 570 (1973).[13]

Therefore, a governmental body can take private property, but it is subject to the requirements of a "public purpose" and "just compensation" to the property owner. *Leone v. Cnty. of Maui*, 128 Haw. 183, 189, 284 P.3d 956, 962 (Ct. App. 2012) (citing *Lingle v. Chevron U.S.A. Inc.*, 544 U.S. 528, 537–38 (2005)).

The Hawaii Supreme Court has interpreted the "public use" clause to authorize takings for "public purposes." *Haw. Housing Auth. v. Lyman*, 68 Haw. 55, 68, 704 P.2d 888, 896 (1985) (holding that "[w]here the exercise of the eminent domain power is rationally related to a conceivable public purpose, a compensated taking is not proscribed by the public use clause" (citation omitted)). Hawaii courts apply the two categories of compensable regulatory takings identified by the United States Supreme Court: "(1) where 'regulations compel the property owner to suffer a physical 'invasion' of his property ... no matter how minute the intrusion'; and (2) 'where regulation denies all economically beneficial or productive use

[12] The Hawaii provision differs from the federal provision only insofar as it provides that "property shall not be taken or damaged . . . ." The "or damaged" language was added by the Hawaii Constitutional Convention of 1968 to bring our eminent domain provision in line with that of twenty-five other states. *Lyman*, 68 Haw. at 76 n.12, 704 P.2d at 901 n.12 (citing Stand.Comm.Rep. No. 55 (Majority), in 1 Proceedings of the Constitutional Convention of Hawaii of 1968 at 235 (1973)).

[13] Furthermore, "legislative bodies vested with the power of eminent domain have broad discretion in determining what uses will benefit the public and what land is necessary to facilitate those uses." *Cnty. of Hawaii v. C & J Coupe Family Ltd. P'ship*, 119 Haw. 352, 374, 198 P.3d 615, 637 (2008).

of land.'" *Leone v. Cnty. of Maui*, 128 Hawai`i 183, 190, 284 P.3d 956, 963 (Ct. App. 2012) (quoting *Lucas v. South Carolina Coastal Council*, 505 U.S. 1003, 1015 (1992) (brackets omitted)); *see also Lingle v. Chevron U.S.A. Inc.*, 544 U.S. 528 (2005).

Outside these two narrow categories, challenges to regulations that interfere with protected property interests are governed by the three-part test set forth in *Penn Central Transportation Co. v. New York*, 438 U.S. 104, 124 (1978). *Kauai Cnty. v. Pac. Standard Life Ins. Co.*, 65 Haw. 318, 338, 653 P.2d 766, 780 (1982) (citing to *Penn Central*). "The particular circumstances of each case will determine whether 'regulation has interfered with distinct investment-backed expectations' sufficient to require compensation therefor." *Id*. (quoting *Penn Central*, 438 U.S. at 124); *see also Kaiser Aetna v. United States*, 444 U.S. 164 (1979). Under that test, a regulation constitutes a taking if it denies a property owner "economically viable use" of that property, which is determined by three factors: (i) the character of the governmental action; (ii) the economic impact of the regulation on the claimant; and (iii) the extent to which the regulation has interfered with distinct investment-backed expectations. *Penn Central*, 438 U.S. at 124.

The first factor requires the court to examine "the purpose and importance of the public interest reflected in the regulatory imposition" and "to balance the liberty interest of the private property owner against the Government's need to protect the public interest through imposition of the restraint." *Loveladies Harbor, Inc. v. U.S.*, 28 F.3d 1171, 1176 (Fed. Cir. 1994); *see Keystone Bituminous Coal Ass'n v. DeBenedictis*, 480 U.S. 470 (1987).

The second factor incorporates the principle enunciated by Justice Holmes: "Government hardly could go on if to some extent values incident to property could not be diminished without paying for every such change in the general law." *Penn Coal Co. v. Mahon*, 260 U.S. 393, 413 (1922); *Loveladies*, 28 F.3d at 1176-77. "Not every destruction or injury to property by governmental action has been held to be a 'taking' in the constitutional sense," *Armstrong v. U.S.*, 364 U.S. 40, 48 (1960). Diminution in property value alone, thus, does not constitute a taking; there must be serious economic harm.

The third factor is "a way of limiting [recovery under the Federal Takings Clause] to owners who could demonstrate that they bought their property in reliance on a state of affairs that did not include the challenged regulatory regime." *Loveladies*, 28 F.3d at 1177. The burden of showing such interference is a heavy one. *Keystone*, 480 U.S. at 493. Thus, a reasonable investment-backed expectation "must be more than a 'unilateral expectation or an abstract need." *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1005 (1984). Further, "legislation adjusting rights and burdens is not unlawful solely because it upsets otherwise settled expectations." *Usery v. Turner Elkhorn Mining Co.*, 428 U.S. 1, 16 (1976). "[T]he fact that legislation disregards or destroys existing contractual rights does not always transform the regulation into an illegal taking…. This is not to say that contractual rights are never property rights or that the Government may always take them for its own benefit without compensation." *Connolly*, 475 U.S. at 223-24. In order to sustain a claim under the Federal Takings Clause, the private party must show that it had a "reasonable expectation" at the time the contract was entered that it "would proceed without possible hindrance" arising from changes in government policy. *Chang v. U.S.*, 859 F.2d 893, 897 (Fed. Cir. 1988).

While, "the Constitution demands that just compensation be paid, and courts are left to the task of trying to approximate just compensation with tools which are, at best, inexact." *Housing Fin. & Dev. Corp. v. Castle*, 72 Haw. 383, 385, 819 P.2d 82, 84 (1991). "The particular circumstances of each case will determine whether 'regulation has interfered with distinct investment-backed expectations' sufficient to require compensation therefor." *Kauai Cnty.*, 65 Haw. at 338, 653 P.2d at 780 (quoting *Penn Central*, 438 U.S. at 124).

Hawaii courts have relied on the United States Supreme Court's holdings in *Hodel v. Virginia Surface Mining and Reclamation Ass'n*, 452 U.S. 264 (1981) and *Penn Central Transportation Co. v. City of New York*, 438 U.S. 104 (1978) which provide that the 'taking' question is examined by engaging in essentially ad hoc, factual inquiries that have identified several factors—such as the economic impact of the regulation, its interference with reasonable investment backed expectations, and the character of the government action—that have particular significance. *Maunalua Bay Beach Ohana 28 v. State*, 122 Hawai`i 34, 56, 222 P.3d 441, 465 (Ct. App. 2009). Furthermore, these "ad hoc, factual inquiries" must be conducted with respect to specific property, and the particular estimates of economic impact and ultimate valuation relevant in the unique circumstances. *Id*.

The outcome of any claim that interference by the State of Hawaii with the value of the Green Infrastructure Property without just compensation is unconstitutional under Hawaii law would likely depend on factors such as the state interest furthered by that interference, the extent of the financial loss to the Bondholders caused by that interference, and the extent to which courts would consider that Bondholders had a reasonable expectation that changes in government policy and regulation would not interfere with their investment.

We are not aware of any case law which addresses the applicability of the State Takings Clause in the context of exercise by a state of its police power to abrogate or impair contracts otherwise binding on the state. The outcome of any claim that interference by the State with the value of the Green Infrastructure Property without compensation is unconstitutional would likely depend on factors such as the State interest furthered by that interference and the extent of financial loss to Bondholders caused by that interference, as well as the extent to which courts would consider that Bondholders had a reasonable expectation that changes in government policy and regulation would not interfere with their investment. With respect to this latter factor, we note that the Statute expressly provides for the creation of Green Infrastructure Property in connection with the issuance of the Bonds and such Green Infrastructure Property shall immediately vest in the Department, and further provides that the Financing Order, once final, is irrevocable. Moreover, through the State Pledge, the State has pledged to and agreed "with the bondholders and any financing parties under a financing order that the State will not take or permit any action that impairs the value of such Green Infrastructure Property." Given the foregoing, we believe it would be hard to dispute that Bondholders have reasonable investment expectations with respect to their investments in the Bonds.

Based on our analysis of relevant judicial authority, it is our opinion, as set forth above, subject to all of the qualifications, limitations and assumptions set forth in this letter, that, under the State Takings Clause and state law applying Federal Takings Clause analysis, a reviewing court would hold that the State would be required to pay just compensation to the Bondholders if the State's repeal or amendment of the Statute or the Commission's amendment or revocation of the financing order, or the taking of any other action by the State or the Commission in contravention of the State Pledge that (i) constituted a permanent appropriation of a substantial property interest of the Bondholders in the Green Infrastructure Property or denied all economically beneficial or productive use of the Green Infrastructure Property; (ii) destroyed the Green Infrastructure Property, other than in response to emergency conditions; or (iii) substantially reduced, altered or impaired the value of the Green Infrastructure Property so as to unduly interfere with the reasonable expectations of the Bondholders arising from their investment in the Bonds. As noted earlier, in determining what is an undue interference, a court would consider the nature of the governmental action and weigh the public purpose served thereby against the degree to which it interferes with the legitimate property interests and distinct investment-backed expectations of the Bondholders.

There can be no assurance, however, that any award of compensation would be sufficient to pay the full amount of principal of and interest on the Bonds.[14]

IV. General Considerations

We note that judicial analysis of issues relating to the Federal Contract Clause has typically proceeded on a case-by-case basis and that the court's determination, in most instances, is usually strongly influenced by the facts and circumstances of the particular case. We further note that there are no reported controlling judicial precedents of which we are aware directly on point. Our analysis is necessarily a reasoned application of judicial decisions involving similar or analogous circumstances. Moreover, the application of equitable principles (including the availability of injunctive relief or the issuance of a stay pending appeal) is subject to the discretion of the court which is asked to apply them. We cannot predict the facts and circumstances that will be present in the future and may be relevant to the exercise of such discretion. Consequently, there can be no assurance that a court will follow our reasoning or reach the conclusions which we believe current judicial precedent supports. It is our and your understanding that none of the foregoing opinions is intended to be a guaranty as to what a particular court would actually hold; rather each such opinion is only an expression as to the decision a court ought to reach if the issue were properly prepared and presented to it and the court followed what we believe to be the applicable legal principles under existing judicial precedent. The recipients of this letter should take these considerations into account in analyzing the risks associated with the subject transaction.

Moreover, there can be no assurance that, through the legislative or executive process, a repeal or an amendment of the Statute, the Financing Order or other action in contravention of the State Pledge described above would not be approved. In such an event, costly and time consuming litigation may ensue, adversely affecting, at least temporarily, the price and liquidity of the Bonds.

This letter is limited to the federal laws of the United States of America and the laws of the State of Hawaii.

[14] A takings claim is generally not ripe until (1) the government has made a final decision as to how a regulation will be applied to the property at issue and (2) the owner has sought and been denied compensation through whatever adequate procedures or mechanisms state law provides. *Williamson County Reg'l Planning Comm'n v. Hamilton Bank*, 473 U.S. 172, 186 (1985) ("*Williamson*"); *Williamson* has come under scrutiny since it was decided. *See e.g., San Remo Hotel, L.P. v. City and County of San Francisco*, 545 U.S. 323, 344-48 (2005). Although the Supreme Court has so far declined to reconsider *Williamson*, it has with some frequency continued to clarify and modify the ripeness doctrine. *See, e.g., Horne v. Department of Agriculture*, 133 S.Ct. 2053, 2062 (2013); Lucas v. South Carolina Coastal Council, 505 U.S. 1003, 1012-13 (1992); *Suitum v. Tahoe Regional Planning Agency*, 520 U.S. 725, 733-34 & n.7 (1997). We express no opinion as to whether the State provides any administrative or judicial procedures for seeking just compensation for a taking of the type of contract rights the Bondholders possess, or whether such procedures would be "adequate." To the extent that there is a taking and state procedures for seeking just compensation are inadequate, Bondholders (or the Indenture Trustee on their behalf) or the Department could seek to enjoin enforcement of the State action by suing individual officers under *Ex Parte Young*, 209 U.S. 123 (1908) and 42 U.S.C. §1983.

This letter is being delivered solely for the benefit of the persons to whom it is addressed; accordingly, it may not be quoted, filed with any governmental authority or other regulatory agency or otherwise circulated or utilized for any other purpose without our prior written consent. We assume no obligation to update or supplement this letter to reflect any facts or circumstances which may hereafter come to our attention with respect to the opinions or statements expressed above, including any changes in applicable law which may hereafter occur.

Very truly yours,

ALSTON HUNT FLOYD & ING

APPENDIX G

PROPOSED FORM OF OPINION OF
ALSTON HUNT FLOYD & ING RELATING TO REGULATORY ISSUES

_____, 2014

State of Hawaii
Department of Business, Economic Development, and Tourism
250 South Hotel Street, 5th Floor
Honolulu, Hawaii 96813

U.S. Bank National Association
as Indenture Trustee
Global Corporate Trust Services
1420 Fifth Avenue, 7th Floor
Seattle, Washington 98101

Fitch Ratings
ABS Surveillance
33 Whitehall Street
New York, New York 10004

Goldman, Sachs & Co.
2121 Avenue of the Stars, Suite 2600
Los Angeles, California 90067
As Representative of the Underwriters

Moody's Investors Service
ABS Monitoring Department
7 World Trade Center at 250 Greenwich Street
New York, New York 10007

Standard & Poor's Ratings Services
55 Water Street, 40th Floor
New York, New York 10004

Re: $_____ State of Hawaii Department of Business, Economic Development, and Tourism Green Energy Market Securitization Bonds, 2014 Series A: Regulatory Issues

Ladies and Gentlemen:

We have acted as co-counsel to Goldman Sachs & Co. and Citigroup Global Markets, Inc. (together, the "Underwriters") in connection with the issuance by the State of Hawaii (the "State"), acting through the Department of Business, Economic Development, and Tourism (the "Department"), of its $_____ Green Energy Market Securitization Bonds, 2014 Series A (the "Bonds"). The Bonds are issued pursuant to Article VII, Section 12 of the Constitution of the State of Hawaii and Part III, Chapter 39 of the Hawaii Revised Statutes ("HRS"), as amended (collectively, the "Revenue Bond Law"), HRS §§196-61 to 196-70, HRS §§269-161 to 269-176, and HRS §§269-5 and 269-121, as amended (the

"Statute"), Decision and Order No. 32281, in Docket No. 2014-0134 (the "Financing Order") issued by the Public Utilities Commission of the State of Hawaii (the "Commission") on September 4, 2014, pursuant to an application for its issuance, a Certificate of the Director of the Department dated as of _____, 2014 (the "Certificate") and an Indenture dated as of _____, 2014 (the "Indenture" and, together with the Certificate, the "Bond Documents") between the State and U.S. Bank National Association, as trustee (the "Indenture Trustee"). Capitalized terms used in this opinion without definition have the respective meanings set forth in the Bond Documents.

The Bonds are payable from, and secured by a lien upon, Green Infrastructure Property (the "Green Infrastructure Property"), which is a property right created by the Statute. The Green Infrastructure Property includes the right to impose, charge and collect certain nonbypassable fees and charges, as adjusted from time to time (the "Green Infrastructure Fee"), with respect to all existing and future electric utility customers of Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO") and Maui Electric Company, Limited ("MECO" and, together with HECO and HELCO, the "Electric Utilities"), as well as other collateral, to become effective upon the issuance of the Bonds.

We have assumed for the purpose of this opinion that the Bonds and related documents are executed in substantially the form we have examined, and the transactions contemplated to occur as described in the Official Statement dated _____, 2014 (the "Official Statement") relating to the Bonds, in fact occur as described in the Official Statement.

The law covered by the opinions expressed in this letter is limited to the federal law of the United States and the law of the State of Hawaii. In rendering these opinions we have also examined pertinent statutes and regulations, and have done such other investigation as we have considered necessary as the basis for the opinions expressed below.

I. Questions Presented

You have requested our opinions as to: (1) actions authorized by the Financing Order, (2) whether the Bonds are "Green Infrastructure Bonds" within the meaning of the Statute, (3) whether the Green Infrastructure Property qualifies as such under the Statute, and (4) whether the issuance of the Bonds conforms to the Financing Order.

II. Opinions

We have reviewed the provisions of the Statute relating to the Bonds, as well as the applicable provisions of the Hawaii Constitution, the Certificate, Indenture, and the Bonds, relevant judicial authority and such other documents and matters that we have deemed relevant. Based on the foregoing and our consideration of applicable law, subject to the qualifications, limitations, and assumptions set forth below, it is our opinion that:

(1) the Financing Order, among other things: (i) authorizes and approves the issuance of the Bonds, (ii) authorizes the creation of the Green Infrastructure Property, (iii) authorizes the Department, as owner of the Green Infrastructure Property to impose, bill and collect the Green Infrastructure Fee, (iv) authorizes the Department to pledge the Green Infrastructure Property as security for the repayment of the Bonds, (v) authorizes the Electric Utilities to serve as Service Providers and HECO to serve as initial Master Service Provider for the Department under the Service Provider Agreement authorized under the Financing Order (the "Service Provider Agreement"), and (vi) authorizes

periodic adjustments of the Green Infrastructure Fee, and the paragraphs of the Financing Order authorizing the foregoing actions are irrevocable;

(2) the Bonds are "Green Infrastructure Bonds" within the meaning of the Statute and the Bonds are entitled to the protections provided under the Statute and the Financing Order, and the Trustee on behalf of the Holders of the Bonds shall be, to the extent permitted by Hawaii law and federal law and the Indenture, entitled to enforce the protections of the Statute and the Financing Order, including without limitation, the State Pledge not to take any action to impair the value of the Green Infrastructure Property under the Statute and the Financing Order;

(3) the Green Infrastructure Property, including the irrevocable right to impose, collect and receive the Green Infrastructure Fee and the revenues and collections from the Green Infrastructure Fee, is the "Green Infrastructure Property" within the meaning of the Act; and

(4) the Transaction, as contemplated by the Bond Documents, conforms to the Financing Order in all material respects.

III. Rationale for Opinions

A. Actions Authorized by the Financing Order

1. Issuance of the Bonds

The Commission issued the Financing Order on September 4, 2014.[1] By and through the Financing Order, the Commission approved the Department's application for authorization to issue Green Infrastructure Bonds as defined under HRS § 269-161. See Financing Order, Section I. The Financing Order provides that the State, acting through the Department, may issue Bonds in accordance with the Financing Order, and HRS Chapter 39, as supplemented and amended by the Statute. Financing Order, Conclusions of Law ¶ 76. The Commission authorized the Department to issue the Bonds: " . . . as specified in the Financing Order in a maximum principal amount of $150,000,000 in one or more series or tranches subject to the terms and conditions of this Financing Order, on one or more dates if the Department deems it to be appropriate, provided however that no Bonds will be issued on a date more than two years following the date of this Financing Order." Financing Order, Ordering Paragraphs ¶ 109.

2. Issuance of the Program Order

Financing Order Findings of Fact ¶ 26 expressly prohibits the Department from issuing the Bonds until the Commission has issued its order approving the Green Infrastructure Loan Program pursuant to the Department's application in the companion Docket No. 2014-0135. The Commission issued Decision and Order No. 32318 in that Docket on September 30, 2014 (the "Program Order"). The Program Order authorizes the creation of the Green Infrastructure Loan Program described in the Program Order.

3. Creation of Green Infrastructure Property

The Financing Order provides that, "[u]pon the issuance of the Bonds, all the rights, title, and interest of the Department under th[e] Financing Order shall become Green Infrastructure Property[.]"

[1] The effectiveness of the Financing Order is discussed in greater depth in our opinion of even date entitled 'Effectiveness of Financing Order.'

Financing Order, Ordering Paragraphs ¶ 123. The Green Infrastructure Property "includ[es], without limitation, the right to impose, charge, and collect the Green Infrastructure Fee authorized by the Financing Order and to exercise any and all rights and remedies with respect thereto, including the right to request the Service Providers to assess and collect any amounts payable by any consumer in respect of the Green Infrastructure Property." Financing Order, Ordering Paragraphs ¶ 123. Pursuant to HRS § 269-164, the Green Infrastructure Property vests in the Department as provided in the Financing Order. Financing Order, Conclusions of Law ¶ 74. HRS § 269-161 provides that " 'Green infrastructure property' means the property, rights, and interests created by the public utilities commission under a financing order, including the right to impose, charge, and collect from electric utility customers the green infrastructure fee that shall be used to pay and secure the payment of bonds and financing costs, including the right to obtain adjustments to the green infrastructure fee, and any revenues, receipts, collections, rights to payment, payments, moneys, claims, or other proceeds arising from the rights and interests created by the public utilities commission under any financing order."

4. Authority to collect the Green Infrastructure Fee

The Financing Order also authorized the Department "to impose, and the Electric Utilities as agents of the Department are authorized to collect, the Green Infrastructure Fee, from all of the Electric Utilities' existing and future electric utility customers in an amount sufficient to provide for the timely payment of principal of and interest on the Bonds and all Ongoing Financing Costs." Financing Order, Ordering Paragraphs ¶ 116. Furthermore, the Commission ordered that "such charges shall be nonbypassable[.]" Id.

The Commission ordered the Electric Utilities to file amended tariff schedules including the Green Infrastructure Fee, and to work with the Department to create a communications plan to inform customers of the Green Infrastructure Fee. Although the Green Infrastructure Fee is to be included in the Electric Utilities' tariff schedules, the Green Infrastructure Fee is a user fee and surcharge authorized by HRS § 269-166 and the Financing Order to be imposed on and collected from all existing and future customers of the Electric Utilities, and not a public utilities tariff to be filed under § 6-61-111, Hawaii Administrative Rules ("HAR"). The Financing Order clarifies that the Green Infrastructure Fee becomes final and effective on December 1, 2014, which is ". . . the first business day if the calendar month immediately following the date of issuance of the Bonds." Financing Order, Ordering Paragraphs ¶ 114.

5. Authority to pledge the Green Infrastructure Property

The Financing Order states that, "[u]nder the Statute, the rights to impose, charge, and collect the Green Infrastructure Fee will be created simultaneously when the Bonds are issued, which rights shall immediately vest in the Department. The Department shall pledge these rights in connection with the issuance of the Bonds in favor of bondholders and financing parties to secure the Bonds [pursuant to HRS § 269-164]. Financing Order at page 14. Furthermore, the Financing Order Provides that the "Bonds will be secured by, and be payable solely out of, the Green Infrastructure Property created pursuant to this Financing Order and other collateral described in the Application [and t]hat collateral will be pledged to the indenture trustee for the benefit of the holders of the Bonds and to secure payment of the Ongoing Financing Costs" as defined by the Financing Order and Statute. Financing Order at pages 25-26.

Financing Order Findings of Fact ¶ 23, provides in relevant part that: "[t]he Department will pledge to the indenture trustee, as collateral for payment of the Bonds, all right, title, and interest of the Department in and to (i) the Green Infrastructure Property, (ii) the Collection Account and all subaccounts established in the indenture (discussed below) under which the Bonds will be issued, (iii) the amounts in the Debt Service Reserve Subaccount, (iv) the Department's rights under the Service Provider Agreement (with limited exceptions as may be appropriate), and (v) all proceeds of each of the foregoing."

6. Authority of HECO to serve as Master Service Provider

HECO, HELCO and MECO are authorized to serve as Service Providers and HECO is authorized to serve as the Master Service Provider pursuant to Financing Order Ordering Paragraphs ¶ 132 and ¶ 135, respectively, and the Service Provider Agreement. Furthermore the Financing Order mandates that HECO "(i) assist the Department with calculation of the initial Green Infrastructure Fee[,] (ii) assist the Department with the initial calculation of each true-up adjustment of the Green Infrastructure Fee and prepare draft true-up filings for review by the Department and any consultant of the Department, and (iii) file such remittance and compliance reports, all in the manner required by the Service Provider Agreement." Financing Order, Ordering Paragraphs ¶ 135.

7. Periodic Adjustments of the Green Infrastructure Fee

The Financing Order authorizes "periodic true-up adjustments of the Green Infrastructure Fee" which should occur as described in Appendix C to the Financing Order. Financing Order, Ordering Paragraphs ¶ 120. The irrevocability of the Financing Order is unaffected by any adjustment through the true-up adjustment mechanism. Financing Order, Ordering Paragraphs ¶ 147. Appendix C to the Financing Order, titled "Formulaic Adjustment Mechanism to Establish and Adjust the Green Infrastructure Fee," conforms to HRS § 269-163(c)(5), which states that the Financing Order must contain a description of the formulaic adjustment mechanism to be used by the Commission, on behalf of the department, to adjust the Green Infrastructure Fee in order to ensure that the amount of the Green Infrastructure Fee projected to be collected shall be sufficient to pay the principal and interest on the Bonds, and any related financing costs on a timely basis, including the funding or maintenance of any reserves required to be maintained by the Department. Appendix C further conforms with HRS § 269-176, which requires the Financing Order to include a procedure to require the Commission, in accordance with the formula set out in the Financing Order, expeditiously to review and approve period adjustments to the Green Infrastructure Fee to ensure the payment of the Bonds and any related financing costs on a timely basis.

Financing Order Findings of Fact ¶ 67 further states that the "true-up adjustment mechanism and procedures described in the Application and in this Financing Order are reasonable and will reduce risks related to the Bonds, resulting in a lower Green Infrastructure Fee and greater benefits to customers[.]" Ordering Paragraphs ¶ 120 expressly approves and incorporates Appendix C and Findings of Fact ¶¶ 65-67.

8. Green Infrastructure Bonds

The Bonds issued pursuant to th[e] Financing Order will be 'Bonds' within the meaning of HRS § 269-161 and such Bonds and holders thereof are entitled to all of the protections provided under the Statute, including without limitation, the pledge of the State of Hawaii embodied in HRS § 269-169." Financing Order, Conclusions of Law ¶ 90. HRS § 269-161 provides that "'Bond' or 'green infrastructure bond' means any bond, note or other evidence of indebtedness that is issued by the State, acting through the department, under a financing order, the proceeds of which are used directly or indirectly to recover, finance, or refinance financing costs of clean energy technology, demand response technology, and energy use reduction and demand side management infrastructure, programs, and services, and that are secured by or payable from green infrastructure property."

9. Green Infrastructure Property

The Financing Order provides that the "Green Infrastructure Property will, upon its creation, constitute a present property right and interest which shall continue to exist regardless of whether the

Green Infrastructure Fee has been billed, has accrued, or has been collected, and notwithstanding any requirement that the value or the amount of the property is dependent on the future provision of service to electric utility customers, and shall continue to exist until the Bonds and the Ongoing Financing Costs are paid in full." Financing Order, Ordering Paragraphs ¶ 123. The payment of the Bonds and related charges authorized by the Financing Order are secured by the Green Infrastructure Property. Financing Order, Ordering Paragraphs ¶ 124 (incorporating Findings of Fact Nos. ¶¶ 43-49). The Financing Order is irrevocable when it became final as provided by law, and the Commission expressly stated it "shall not reduce, impair, postpone, terminate, or otherwise adjust the Green Infrastructure Fee . . . or impair the Green Infrastructure Property or the collection of the Green Infrastructure Fee or the recovery of financing costs." Financing Order, Ordering Paragraphs ¶ 147.

The Department, pursuant to HRS § 196-67, and the Director of Finance, pursuant to HRS § 39-68, shall appoint the Indenture Trustee to receive, hold, and disburse all amounts required to be held in the Hawaii Green Infrastructure Bond Fund upon the terms and conditions set forth in the Indenture. Id. Pursuant to the Indenture, the Indenture Trustee will hold all Green Infrastructure Property. Financing Order, Ordering Paragraphs ¶ 124. The Indenture Trustee is a "financing party" as defined in HRS § 269-161. Financing Order, Conclusions of Law ¶ 75.

10. The Transaction conforms to the Financing Order

As described above, the Transaction, as structured and contemplated by the Bond Documents, conforms to the Financing Order in all material respects. The Department will enter into the Certificate, the Indenture, and the Service Provider Agreement and will issue the Bonds. The Certificate and the Indenture provide for issuance of the Bonds. The Commission has issued the Program Order. The Service Provider Agreement provides for the collection of the Green Infrastructure Fee by the Electric Utilities. The Bonds do not exceed $150,000,000, which is the maximum principal amount of Bonds authorized to be issued pursuant to the Financing Order. The Formulaic Adjustment Mechanism to Establish and Adjust the Green Infrastructure Fee, attached as Appendix C to the Financing Order, provides for the periodic true-up adjustments of the Green Infrastructure Fee in order to ensure that the amount of the Green Infrastructure Fee projected to be collected is sufficient to pay the principal and interest on the Bonds, and any related financing costs on a timely basis, including the funding or maintenance of any reserves required to be maintained by the Department.

IV. General Considerations

The foregoing opinion is based upon existing law, including case law, and our judgment as to the claims that might be asserted under the rules and laws of the State of Hawaii.

To our knowledge, no such claims have been asserted. Our opinions are, however, subject to the uncertainties inherent in any litigation that might be brought challenging the validity of the Statute, and do not constitute a guaranty as to the outcome of such litigation. In addition, we express no opinion herein with respect to any subsequent changes in law, through the legislative process or otherwise.

This opinion letter is solely for your benefit and may not be relied upon or used by, circulated, quoted, or referred to, nor may any copies of this opinion be delivered to, any other person without our prior written approval.

We disclaim any obligation to update this opinion letter for events occurring or coming to our attention after the date of this opinion.

Very truly yours,

ALSTON HUNT FLOYD & ING

APPENDIX H

PROPOSED FORM OF OPINION OF ALSTON HUNT FLOYD & ING RELATING TO EFFECTIVENESS OF FINANCING ORDER

_____, 2014

State of Hawaii
Department of Business, Economic Development, and Tourism
250 South Hotel Street, 5th Floor
Honolulu, Hawaii 96813

U.S. Bank National Association
as Indenture Trustee
Global Corporate Trust Services
1420 Fifth Avenue, 7th Floor
Seattle, Washington 98101

Fitch Ratings
ABS Surveillance
33 Whitehall Street
New York, New York 10004

Goldman, Sachs & Co.
2121 Avenue of the Stars, Suite 2600
Los Angeles, California 90067
As Representative of the Underwriters

Moody's Investors Service
ABS Monitoring Department
7 World Trade Center at 250 Greenwich Street
New York, New York 10007

Standard & Poor's Ratings Services
55 Water Street, 40th Floor
New York, New York 10004

Re: $_____ State of Hawaii Department of Business, Economic Development, and Tourism Green Energy Market Securitization Bonds, 2014 Series A: Effectiveness of Financing Order

Ladies and Gentlemen:

We have acted as co-counsel to Goldman Sachs & Co. and Citigroup Global Markets, Inc. (together, the "Underwriters") in connection with the issuance by the State of Hawaii (the "State"), acting through the Department of Business, Economic Development, and Tourism (the "Department"), of its $_____ Green Energy Market Securitization Bonds, 2014 Series A (the "Bonds"). The Bonds are issued pursuant to Article VII, Section 12 of the Constitution of the State of Hawaii and Part III, Chapter 39 of the Hawaii Revised Statutes ("HRS"), as amended (collectively, the "Revenue Bond Law"), HRS

§§196-61 to 196-70, HRS §§269-161 to 269-176, and HRS §§269-5 and 269-121, as amended (the "Statute"), Decision and Order No. 32281, in Docket No. 2014-0134 (the "Financing Order") issued by the Public Utilities Commission of the State of Hawaii (the "Commission") on September 4, 2014, pursuant to an application for its issuance, a Certificate of the Director of the Department dated as of _____, 2014 (the "Certificate") and an Indenture dated as of _____, 2014 (the "Indenture" and, together with the Certificate, the "Bond Documents") between the State and U.S. Bank National Association, as trustee (the "Indenture Trustee"). Capitalized terms used in this opinion without definition have the respective meanings set forth in the Bond Documents.

The Bonds are payable from, and secured by a lien upon, Green Infrastructure Property (the "Green Infrastructure Property"), which is a property right created by the Statute. The Green Infrastructure Property includes the right to impose, charge and collect certain nonbypassable fees and charges, as adjusted from time to time (the "Green Infrastructure Fee"), to be imposed on all existing and future electric utility customers of Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO") and Maui Electric Company, Limited ("MECO" and, together with HECO and HELCO, the "Electric Utilities"), as well as other collateral, to become effective upon the issuance of the Bonds.

We have assumed for the purpose of this opinion that the Bonds and related documents are executed in substantially the form we have examined, and the transactions contemplated to occur as described in the Official Statement dated _____, 2014 (the "Official Statement") relating to the Bonds, in fact occur as described in the Official Statement.

The law covered by the opinions expressed in this letter is limited to the law of the State of Hawaii. In rendering these opinions we have also examined pertinent statutes and regulations, and have done such other investigation as we have considered necessary as the basis for the opinions expressed below.

I. Questions Presented

You have requested our opinions as to whether the Financing Order has been duly issued and authorized by the PUC and is effective, irrevocable, and no longer subject to appeal.

II. Opinions

We have reviewed the provisions of the Statute relating to the Bonds, as well as the applicable provisions of the Hawaii Constitution, the Certificate, Indenture, and the Bonds, relevant judicial authority and such other documents and matters that we have deemed relevant. Based on the foregoing and our consideration of applicable law, if the arguments were properly briefed and presented to a court of competent jurisdiction, subject to the qualifications, limitations, and assumptions set forth below, it is our opinion that the court would conclude that:

(1) the Financing Order has been duly issued and authorized and is effective and irrevocable; and

(2) after the statutory appeal period has run, which occurred on November 3, 2014,[1] the Financing Order is no longer subject to appeal.

III. Support for Opinions

A. Effectiveness of the Financing Order

Pursuant to Hawaii Revised Statutes ("HRS") § 269-162, on June 6, 2014, the Department submitted an application to the Commission for the Financing Order seeking approval, among other things, of the issuance of Bonds, through the securitization described by the Statute. HRS § 269-163 provides that the Commission may issue a financing order if the Commission finds that the creation of Green Infrastructure Property to secure the payment of the Bonds, including the imposition of the Green Infrastructure Fee, will facilitate the acquisition of low-cost financing. A duly issued financing order under HRS § 269-161 authorizes the issuance of such bonds and imposition, adjustment from time to time, and collection of green infrastructure fees.

The Department, the Electric Utilities, and the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs ("Consumer Advocate")[2] were parties to the proceeding.

On July 14, 2014, the Commission issued Order No. 32206, granting intervenor status to Sally Kaye and Blue Planet Foundation, establishing a procedural schedule, and providing a statement of the issues to be addressed by the parties and intervenors. The parties and intervenors filed information requests, responses, and statements of position on a timely basis. On August 18, 2014, the Commission filed a letter amending the procedural schedule by determining that no hearing in the proceeding was necessary.

On September 4, 2014, the Commission issued the Financing Order. Pursuant to HRS § 269-165(a), the Financing Order remains in effect until the Bonds and all financing costs related to the Bonds have been paid in full or defeased by their terms.

B. Irrevocability of the Financing Order

Pursuant to HRS § 269-165(b), the Financing Order is irrevocable when final. Irrevocability means the Commission may not directly or indirectly reduce, impair, postpone, rescind, alter, or terminate the Green Infrastructure Fee or impair the Green Infrastructure Property or the collection of the Green Infrastructure Fee so long as the Bonds are outstanding or any financing costs remain unpaid. HRS § 269-165(b).

C. Right to Appeal the Financing Order

The right to appeal a decision of the Commission is established by HRS §269-15.5, which provides:

---

[1] The time to file a notice of appeal under HRAP 4(a)(1) – (3) or extension under HRAP (4)(a)(4)(A) expired on October 4, 2014, which was a Saturday, therefore Monday October 6, 2014 was the last day to file a notice of appeal. The time to file for an extension under HRAP (4)(a)(4)(B) expired on November 3, 2014, which is 60 days after entry of the Financing Order.

[2] The Consumer Advocate, is an ex officio party pursuant to HRS § 269-51 and Hawaii Administrative Rules ("HAR") § 6-61-62(a).

> An appeal from an order of the public utilities commission under this chapter shall lie, subject to chapter 602, in the manner provided for civil appeals from the circuit courts. Only a person aggrieved in a contested case proceeding provided for in this chapter may appeal from the order, if the order is final, or if preliminary, is of the nature defined by section 91-14(a). The commission may elect to be a party to all matters from which an order of the commission is appealed, and the commission may file appropriate responsive briefs or pleadings in the appeal; provided that where there was no adverse party in the case below, or in cases where there is no adverse party to the appeal, the commission shall be a party to all matters in which an order of the commission is appealed and shall file the appropriate responsive briefs or pleadings in defending all such orders. The appearance of the commission as a party in appellate proceedings in no way limits the participation of persons otherwise qualified to be parties on appeal. The appeal shall not of itself stay the operation of the order appealed from, but the appellate court may stay the order after a hearing upon a motion therefor and may impose conditions it deems proper, including but not limited to requiring a bond, requiring that accounts be kept, or requiring that other measures be taken as ordered to secure restitution of the excess charges, if any, made during the pendency of the appeal, in case the order appealed from is sustained, reversed, or modified in whole or in part.

HRS § 91-14, which governs judicial review of contested cases and comports with HRS § 269-15.5, states, in pertinent part:

> (a) Any person aggrieved by a final decision and order in a contested case or by a preliminary ruling of the nature that deferral of review pending entry of a subsequent final decision would deprive appellant of adequate relief is entitled to judicial review thereof under this chapter; but nothing in this section shall be deemed to prevent resort to other means of review, redress, relief, or trial de novo, including the right of trial by jury, provided by law. Notwithstanding any other provision of this chapter to the contrary, for the purposes of this section, the term "person aggrieved" shall include an agency that is a party to a contested case proceeding before that agency or another agency.
>
> (b) Except as otherwise provided herein, proceedings for review shall be instituted in the circuit court within thirty days after the preliminary ruling or within thirty days after service of the certified copy of the final decision and order of the agency pursuant to rule of court, *except where a statute provides for a direct appeal to the intermediate appellate court, subject to chapter 602. In such cases, the appeal shall be treated in the same manner as an appeal from the circuit court to the intermediate appellate court*, including payment of the fee prescribed by section 607-5 for filing the notice of appeal (except in cases appealed under sections 11-51 and 40-91). The court in its discretion may permit other interested persons to intervene.

Thus, in accordance with HRS § 91-14(b), HRS § 269-15.5, above, provides any of the parties or the intervenors may take a direct appeal of the Financing Order to the Intermediate Court of Appeals, "subject to [HRS] Chapter 602, in the manner provided for civil appeals from the circuit courts." Pursuant to HRS chapter 602, the Hawaii Supreme Court promulgated the Hawaii Rules of Appellate Procedure ("HRAP"), which govern all proceedings in the Hawaii appellate courts. HRAP 1(a).

Rule 4(a)(1) of the HRAP provides, in part, that "[w]hen a civil appeal is permitted by law, the notice of appeal shall be filed within 30 days after entry of the judgment or appealable order."

However, the time period for filing a notice of appeal may be extended by either post order motions under HRAP 4(a)(3) or a request for extension of time under HRAP 4(a)(4)(A) or (B). Under HRAP 4(a)(4)(A), upon a showing of "excusable neglect," the agency that issued the order from which an appeal was taken from may extend the time for filing a notice of appeal upon motion filed within 30 days after the expiration of the original deadline for filing the notice of appeal.

An extension of the 30 day deadline to file the notice of appeal may be obtained after the initial 30 day period has expired only if: (1) a motion is filed with the Commission;[3] (2) the commission makes an express finding of "excusable neglect"[4] for failure to file the appeal on a timely basis; (3) the motion is filed no later than 30 days after the expiration of the original deadline; and (4) the extension does not exceed 60 days from the date the appealable order or judgment was filed.

"'[E]xcusable neglect' is a strict standard, requiring a showing that the failure to file a timely notice of appeal was due to circumstances beyond the appellant's control." *Enos v. Pacific Transfer & Warehouse, Inc.*, 80 Hawai`i 345, 350, 910 P.2d 116, 121 (1996). And, "as a matter of law, only plausible misconstruction, but not mere ignorance, of the law or rules rises to the level of excusable neglect." *Hall v. Hall*, 95 Hawai`i 318, 320, 22 P.3d 965, 967 (2001) (citation and internal quotation marks omitted). The Hawaii Supreme Court has explained that, a misinterpretation of a rule when "the language is crystal clear," is "a failure to follow the plain language of the rule rather than plausible misconstruction." *Enos*, 80 Hawai`i at 354, 910 P.2d at 125. Hawaii appellate courts have rarely found "excusable neglect," the exception being an instance where counsel misconstrued a new statute or procedural rule. *E.g.*, *McCormick v. Keohokalole*, 99 Haw. 212, at *5, 53 P.3d 820, at*5 (2002) ("Appellants' counsel construed the new [HRAP] rule as requiring that the notice of appeal be filed within 30 days of the entry of the certification order authorizing the interlocutory appeal. [And] that, under these circumstances, counsel's belief that an order was not 'appealable' until it was so certified by the court amounted to a 'plausible misconstruction' that rose to the level of excusable neglect."); *see also Gadd v. Kelley*, 66 Haw. 431, 447, 667 P.2d 251, 261 (1983) (holding under an HRCP 60(b)(1) analysis that "Petitioners' oversight in requesting post-judgment interest at the rate of 10% per annum constitutes excusable neglect.").[5] The following circumstances have been found not to meet the "excusable neglect"

[3] A request filed with the appellate court does not satisfy the rule. *See In the Interest of Doe Children*, No. 26798, 2004 Haw. Lexis 786, at *l-2 (Haw. Dec. 9, 2004) (A notice of appeal filed in the appellate court after the expiration of the original appellate deadline did not comply with the rule, in part, because "[t]he appellate court may not extend the time for appeal pursuant to HRAP 4(a)(4)(B) inasmuch as the rule authorizes the time for appeal to be extended 'by the court or agency appealed from.'").

[4] In *Hurst Grp., LLC v. Greene*, CAAP-14-0000815, 2014 WL 4548473, at *3-4 (Haw. Ct. App. Sept. 15, 2014), the Hawaii Intermediate Court of Appeals held that it lacked jurisdiction to hear the appeal where the trial court included a finding of "good cause" but failed to include a finding of "excusable neglect" in its order granting leave to file an untimely notice of appeal.

[5] The Hawaii Supreme Court has also cited to Moore's Federal Practice (2d ed.) for the position that "excusable neglect" may apply in instances where no notice of the entry of the judgment or order is received due to failure by the clerk of the court to mail the notice. *State v. Delaney*, 56 Haw. 444, 446, 540 P.2d 61, 62-63 (1975).

standard under the rule: (1) misreading the deadline limitations imposed by the appellate rules;[6] (2) counsel's failure to read and comply with the plain language of the applicable procedural rules;[7] (3) defense counsel's "miscalendaring;"[8] (4) vacation schedules of the appellant and his attorney that conflicted with the 30 day time period;[9] and (5) failure to learn when judgment was entered.[10]

Under the circumstances of the Commission's issuance of the Financing Order, we believe the likelihood of the Commission allowing an untimely notice of appeal for excusable neglect under HRAP 4(a)(4)(B) is remote. The Commission has served all parties and intervenors with the Financing Order. The Consumer Advocate and the Electric Utilities are mandatory parties to all dockets before the Commission involving the Electric Utilities and are therefore intimately familiar with the Commission's rules. Intervenors have also appeared before the Commission previously and have demonstrated a familiarity with the Commission's rules.

Finally, the failure to file a timely notice of appeal in a civil matter is a jurisdictional defect that the parties cannot waive and the appellate courts cannot disregard in the exercise of judicial discretion. *Bacon v. Karlin*, 68 Haw. 648, 650, 727 P.2d 1127, 1128 (1986); HRAP Rule 26(b) ("[N]o court or judge or justice thereof is authorized to change the jurisdictional requirements contained in Rule 4 of [the HRAP].")

The foregoing opinion is based upon existing law, including case law, and our judgment as to the claims that might be asserted under the rules and laws of the State of Hawaii.

To our knowledge, no such claims have been asserted. Our opinions are, however, subject to the uncertainties inherent in any litigation that might be brought challenging the validity of the Statute or the Financing Order, and do not constitute a guaranty as to the outcome of such litigation. In addition, we express no opinion herein with respect to any subsequent changes in law, through the legislative process or otherwise.

This opinion letter is solely for your benefit and may not be relied upon or used by, circulated, quoted, or referred to, nor may any copies of this opinion be delivered to, any other person without our prior written approval.

---

[6] *Hous. Fin. & Dev. Corp. v. 1974 Ltd. P'ship*, No. 26500, 2004 WL 1824393, at *1 (Haw. Aug. 12, 2004).

[7] *Hall*, 95 Hawai`i at 32022 P.3d at 967: accord *Pitre v. Admin. Dir. of the Courts*, No. 26316, 2004 WL 745698, at *2 (Haw. Apr. 7, 2004) ("failure to follow the plain language of the rule rather than plausible misconstruction" regarding the appeal deadline time limitations.).

[8] *GE Capital Haw., Inc. v. Balicanta*, No. 23624, 2004 WL 1179449, at *2-3 (Haw. May 28, 2004) ("By finding that defense counsel's "miscalendaring' was caused by his ignorance of the number of calendar days in May 2000, and, therefore, deemed excusable neglect, the circuit court set the excusable neglect standard so low as to nearly eliminate the standard altogether.").

[9] *Porter v. Porter*, No. 28066, 2006 WL 2949007, at *2-3 (Haw. Ct. App. Oct. 13, 2006).

[10] Ek v. Boggs, 102 Hawai`i 289, 299-300, 75 P.3d 1180, 1190-91 (2003) (holding that failure to learn when the judgment is entered does not constitute "excusable neglect," because counsel has an independent duly to keep informed.).

We disclaim any obligation to update this opinion letter for events occurring or coming to our attention after the date of this opinion.

Very truly yours,

ALSTON HUNT FLOYD & ING

APPENDIX I

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the State of Hawaii (the "State"), acting by and through the Department of Business, Economic Development, and Tourism (the "Department"), in connection with the issuance of $_____ State of Hawaii Department of Business, Economic Development, and Tourism Green Energy Market Securitization Bonds, 2014 Series A (the "Bonds"). The Bonds are being issued pursuant to the authority of the Constitution and laws of the State, including, in particular, Article VII, Section 12 of the Constitution of the State of Hawaii and Part III, Chapter 39 of the Hawaii Revised Statutes ("HRS"), as amended (collectively, the "Revenue Bond Law"), HRS §§ 196-61 to 196-70, 269-161 to 269-176, 269-5 and 269-121, as amended (the "Statute"), Decision and Order No. 32281 in Docket No. 2014-0134 (the "Financing Order"), issued by the Public Utilities Commission of the State of Hawaii (the "Commission") on September 4, 2014, a Certificate of the Director of the Department (the "Director") dated as of November ___, 2014 (the "Certificate") and an Indenture of Trust dated as of November 1, 2014 (the "Indenture") between the State, acting through the Department, and U.S. Bank National Association, as trustee.

Pursuant to Section 6.14 of the Indenture, the State, acting by and through the Department, covenants and agrees as follows:

Section 1. Purpose of Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the State for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5)(i).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the State, acting through the Director, pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Department" shall mean the State of Hawaii Department of Business, Economic Development, and Tourism or any successor thereto.

"Director" means the Director of the Department or his or her designee.

"*Dissemination Agent*" means the State, acting through the Director, or any successor Dissemination Agent designated in writing by the State, acting through the Director and which has filed with the Director a written acceptance of such designation.

"*Green Infrastructure Authority*" shall mean the Hawaii Green Infrastructure Authority established by HRS § 196-63.

"*Green Infrastructure Bond Fund*" shall mean the Hawaii Green Infrastructure Bond Fund established by HRS § 196-67.

"*Green Infrastructure Special Fund*" shall mean the Hawaii Green Infrastructure Special Fund established by HRS § 196-65.

"*Holder*" shall mean the person in whose name any Bond shall be registered.

"*Indenture*" shall mean that certain Indenture of Trust dated as of November 1, 2014, between the State, acting through the Department, and U.S. Bank National Association, as trustee.

"*Listed Events*" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"*Official Statement*" shall mean the Official Statement, dated November ___, 2014, prepared and distributed in connection with the initial sale of the Bonds.

"*Participating Underwriters*" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Service Providers" shall mean Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc. and Maui Electric Company, Limited, as the electric utilities providing service in connection with the Green Infrastructure Property, or each successor or assigns (in the same capacity), pursuant to the Service Provider Agreement.

"*Service Provider Agreement*" shall mean that certain Service Provider Agreement, dated as of November 1, 2014, among the State, acting through the Department, and each of the Service Providers.

Section 3. Provision of Annual Reports.

(a) The State, acting through the Director, shall, or shall cause the Dissemination Agent (if other than the Director) to, not later than nine months after the end of the State's fiscal year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2015, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Audited financial statements of the Green Infrastructure Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the State's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 15 business days prior to said date, the State, acting through the Director, shall provide the Annual Report to the Dissemination Agent (if other than the Director).

(c) If the State is unable to provide to the MSRB an Annual Report by the date required in subsection (a) above, the State shall provide to the MSRB a notice in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall (if the Dissemination Agent is other than the Director), file a report with the State certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Contents of Annual Reports.

(a) The Annual Report shall contain or incorporate by reference the following information:

(i) Audited financial statements of the Green Infrastructure Authority for the Green Infrastructure Special Fund and the Green Infrastructure Bond Fund for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. The audited financial statements shall satisfy the requirement of Section 6.11(a)(2) of the Indenture, and shall include, as a supplement or otherwise, a statement of receipts and disbursements and statement of reserve account balances held under the Indenture for such fiscal year. If the Green Infrastructure Authority's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, if available, without the State, acting through the Director, having to undertake to prepare unaudited financial statements exclusively for the purpose of satisfying this Section 4, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available;

(ii) To the extent not provided in the audited financial statements of the State, the Annual Report shall also include unaudited tabular or numerical information for each of the Service Providers for the prior fiscal year of the types contained in APPENDIX A – "CERTAIN INFORMATION CONCERNING THE SERVICE PROVIDERS AND THEIR CUSTOMERS" under the following captions:

(a) "Historical Customer Count by Class (as of Years Ended December 31) (as of fiscal years ended June 30),"

(b) "Historical Year-Over-Year Change in Customer Count,"

(c) "Historical Net Charge-Off Data,"

(d) "Historical Annual Delinquencies (Per Old Customer Information System)," and

(e) "Historical Annual Delinquencies (Per New Customer Information System)"; it being understood that such information shall be provided to the State by the Service Providers.

(iii) The Annual Report shall include copies of (a) each report filed by the Service Providers, including the Monthly Service Provider Certificates, the Semiannual Service Provider Certificates and the Annual Certification, pursuant to Section 4.01(c) of the Service Provider Agreement, (b) each report filed by the Department with the Trustee and/or the Rating Agencies, including the audited financial statements and semiannual statement of cash flows pursuant to Section 6.11 of the

Indenture, and (c) each True-Up Filing filed by the Department with the Commission, for the prior fiscal year (unless previously filed with the MSRB).

Any of such information may be included by specific reference to other documents, including official statements of debt issues of the State or related public entities, which have been (i) available to the public on the MSRB's website or (ii) filed with the Securities and Exchange Commission. The State shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the State shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material, including any default (if material) under the Service Provider Agreement;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) [reserved];

(7) Modifications to rights of Bondholders, if material;

(8) Bond calls, if material, and tender offers;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the State, acting through the Department;

- (Note to clause 12: For the purposes of the event identified in clause 12 above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the State in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over

substantially all of the assets or business of the State. The State is not authorized to file for bankruptcy under the U.S. Bankruptcy Code.)

(13) The consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material; or

(15) Appointment of a successor Service Provider under the Servicer Provider Agreement.

(b) The State shall in a timely manner, not in excess of ten (10) business days after the occurrence of a Listed Event, (i) where relevant pursuant to subsection (a) above, determine if such event would be material under applicable federal securities laws, and (ii) in all events, file notice of such occurrence with the MSRB.

Section 6. Filings with MSRB. All Annual Reports, notices of Listed Events and other notices and information provided to the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format as prescribed by the MSRB (currently, portable document format (pdf) which must be word-searchable except for non-textual elements), accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The State's obligations under this Disclosure Certificate shall terminate with respect to each Bond upon the legal defeasance or payment in full of such Bond. If the obligations of the State under this Disclosure Certificate with respect to all Bonds terminate prior to the final maturity of the Bonds, the State shall give notice of such termination in the same manner as for a Listed Event under subsection 5(a).

Section 8. Dissemination Agent. The State may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the State pursuant to this Disclosure Certificate.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the State may amend this Disclosure Certificate, and any provision of this, Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4 or subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the State shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the State. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the State chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the State shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the State to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the State to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the State to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the State, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 13. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State of Hawaii, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State of Hawaii; provided, however, that to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

Date: November ___, 2014

STATE OF HAWAII, DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM

By: _____
RICHARD C. LIM
Director of Business, Economic Development, and Tourism

EXHIBIT A

FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	State of Hawaii
Names of Bond Issue:	$_____ State of Hawaii Department of Business, Economic Development, and Tourism Green Energy Market Securitization Bonds, 2014 Series A
Date of Issuance:	_____, 2014

NOTICE IS HEREBY GIVEN that the State has not provided an Annual Report with respect to the above-named Bonds as required by its Continuing Disclosure Certificate dated _____, 2014. The State anticipates that the Annual Report will be filed by _____.

Dated:

STATE OF HAWAII

By:_____

Name: _____

Title:_____

APPENDIX J

SECURITIES DEPOSITORY

The Bonds will be available to investors only in book-entry form. Bondholders may hold the Bonds through DTC in the United States, and may hold the Bonds through Clearstream Banking, Luxembourg, S.A. ("Clearstream"), or Euroclear in Europe or in any other manner described in this Official Statement. A Holder may hold the Bonds directly with one of these systems if the Holder is a participant in the system or indirectly through organizations that are participants.

The Role of DTC, Clearstream and Euroclear. Cede & Co., as nominee for DTC, will hold the Bonds. Clearstream and Euroclear will hold omnibus positions on behalf of the Clearstream customers and Euroclear participants, respectively, through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositaries. These depositaries will, in turn, hold these positions in customers' securities accounts in the depositaries' names on the books of DTC.

The Function of DTC. DTC is a limited purpose trust company organized under the laws of the State of New York and is a member of the Federal Reserve System. DTC is a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entries, thereby eliminating the need for physical movement of bonds. Direct participants of DTC include securities brokers and dealers, banks, trust companies and clearing corporations and may include other organizations, including the underwriters of the Bonds. Indirect access to the DTC system also is available to others, including banks, brokers, dealers and trust companies, as indirect participants, that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

The Function of Clearstream. Clearstream is incorporated under the laws of Luxembourg and is an indirect wholly-owned subsidiary of Deutsche Borse AG. Clearstream holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream customers through electronic book-entry changes in accounts of Clearstream customers, thereby eliminating the need for physical movement of securities. Transactions may be settled by Clearstream in any of various currencies, including United States dollars. Clearstream provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing and collateral management. Clearstream also deals with domestic securities markets in various countries through established depositary and custodial relationships. Clearstream is registered as a bank in Luxembourg and, therefore, is subject to regulation by the Commission de Surveillance du Secteur Financier, which supervises Luxembourg banks. Clearstream's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, among others, and may include the underwriters of the Bonds. Clearstream's United States customers are limited to securities brokers and dealers and banks. Clearstream has customers located in various countries. Indirect access to Clearstream is also available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream. Clearstream has established an electronic bridge with Euroclear Bank S.A./N.V., as the operator of the Euroclear System, in Brussels to facilitate settlement of trades between Clearstream and Euroclear.

The Function of Euroclear. Euroclear was created in 1968 to hold securities for Euroclear participants and to facilitate the clearance and settlement of securities between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for

physical movement of securities and any risk from lack of simultaneous transfers of securities and cash. Such transactions may be settled in any of various currencies, including United States dollars. The Euroclear System includes various other services, credit custody, including securities lending and borrowing, tri-party collateral management and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described below. Euroclear is operated by Euroclear Bank SA/NV. Euroclear participants include central banks and other banks, securities brokers and dealers and other professional intermediaries and may include the underwriters of any Bonds. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Euroclear is operated under the laws of Belgium as a bank and is subject to regulation by the Belgian Banking and Finance Commission and the National Bank of Belgium.

Terms and Conditions of Euroclear. Securities clearance accounts and cash accounts with Euroclear are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of Euroclear and applicable Belgian law. These terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific securities to specific securities clearance accounts. Euroclear acts under these terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

The Rules for Transfers Among DTC, Clearstream or Euroclear Participants. Transfers between DTC participants will occur in accordance with DTC rules. Transfers between Clearstream customers or Euroclear participants will occur in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream customers or Euroclear participants, on the other, will be effected through DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its depositary; however, those cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines, which will be based on European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depositary to take action to effect final settlement on its behalf by delivering or receiving the Bonds in DTC and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream customers and Euroclear participants may not deliver instructions directly to Clearstream's and Euroclear's depositaries.

Because of time-zone differences, credits of securities in Clearstream or Euroclear as a result of a transaction with a participant will be made during the subsequent securities settlement processing, dated the business day following the DTC settlement date, and those credits or any transactions in those securities settled during that processing will be reported to the relevant Clearstream customer or Euroclear participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream customer or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

DTC Will Be the Holder of the Bonds. Holders that are not participants or indirect participants but desire to purchase, sell or otherwise transfer ownership of, or other interest in, Bonds may do so only through participants and indirect participants of DTC. In addition, Holders will receive all distributions of

principal of and interest on the Bonds from the Trustee through the participants, who in turn will receive them from DTC. Under a book-entry format, Holders may experience some delay in their receipt of payments because payments will be forwarded by the Trustee to Cede & Co., as nominee for DTC. DTC will forward those payments to its participants, who thereafter will forward them to indirect participants or Holders. It is anticipated that the only "Holder" will be Cede & Co., as nominee of DTC. The Trustee will not recognize any other person as a Bondholder, as that term is used in the Indenture, and Holders will be permitted to exercise the rights of Holders only indirectly through the participants, who in turn will exercise the rights of Holders through DTC.

Under the rules, regulations and procedures creating and affecting DTC and its operations, DTC is required to make book-entry transfers among participants on whose behalf it acts with respect to the Bonds and is required to receive and transmit distributions of principal and interest on the Bonds. Participants and indirect participants with whom Holders have accounts with respect to the Bonds similarly are required to make book-entry transfers and receive and transmit those payments on behalf of their respective Holders. Accordingly, although Holders will not possess the Bonds, Holders will receive payments and will be able to transfer their interests.

Because DTC can act only on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of a Holder to pledge Bonds to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of those Bonds, may be limited due to the lack of a physical certificate for those Bonds.

DTC has advised it will take any action permitted to be taken by a Bondholder under the Indenture only at the direction of one or more participants to whose account with DTC the Bonds are credited. Additionally, DTC has advised it will take those actions with respect to specified percentages of the Outstanding Amount of the Bonds or any Tranche thereof only at the direction of and on behalf of participants whose holdings include interests that satisfy those specified percentages. DTC may take conflicting actions with respect to other interests to the extent that those actions are taken on behalf of participants whose holdings include those interests.

How Bond Payments Will Be Credited by Clearstream and Euroclear. Distributions with respect to the Bonds held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream customers or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by its depositary. Those distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Please read "MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES—Tax Consequences To U.S. Holders" in this Official Statement. Clearstream or the Euroclear operator, as the case may be, will take any other action permitted to be taken by a Holder under the Indenture on behalf of a Clearstream customer or Euroclear participant only in accordance with its relevant rules and procedures and subject to its depositary's ability to effect those actions on its behalf through DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of the Bonds among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform those procedures, and those procedures may be discontinued at any time.