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Fitch Rates State of Hawaii DBEDT GEMS Bonds 2014 Series A

Fitch Ratings-Chicago-13 November 2014: Fitch Ratings assigns the following ratings to State of Hawaii Department of Business, Economic Development, and Tourism Green Energy Market Securitization Bonds 2014 series A bonds:

--\$50,000,000 class A-1 'AAAsf'; Outlook Stable;
--\$100,000,000 class A-2 'AAAsf'; Outlook Stable.

Fitch's stress and rating sensitivity analysis are discussed in the presale report titled 'State of Hawaii Department of Business, Economic Development, and Tourism Green Energy Market Securitization Bonds 2014 Series A', dated Oct. 29, 2014, which is available on Fitch's web site. The presale report details how Fitch addresses the key rating drivers summarized below.

KEY RATING DRIVERS

Statutory and Regulatory Framework: The strength and stability of the underlying GIFs are established by the financing order issued by the state as part of Act 211. The financing order establishes the irrevocable and nonbypassable GIFs and defines bondholders' property rights in the green infrastructure property. The financing order contains the key elements important in a utility tariff/stranded cost securitization.

Adequate Credit Enhancement via True-Ups: Mandatory, semiannual true-up filing to adjust the GIFs to ensure collections is sufficient to provide all scheduled payments of principal and interest, pay fees and expenses and replenish the debt service reserve account (0.50%). Furthermore, optional interim true-ups and quarterly true-ups may occur, if necessary, to make all timely payments.

Supports 'AAAsf' Stresses: Customer count changes can be impacted by various factors, such as demographic shifts in total population, income, unemployment rates, mortality rates, fertility rates and net migration. These factors present greater risk in this transaction relative to others in this asset class, given the longer tenor of the GEMS bonds. Fitch's 'AAAsf' scenario analysis stresses key model variables, such as customer count variance, chargeoff rates and delinquencies, to address this risk.

Sound Legal Structure: Fitch reviews all associated legal opinions furnished to analyze the integrity of the legal structure (refer to the Legal Structure and Analysis section on page 8 for further detail related to the legislation).

RATING SENSITIVITIES

While Fitch believes that bondholders are protected from the various aforementioned risks based on the 'AAAsf' cash flow stress case, the break-the-bond case provides an alternative means by which to measure the potential effects of rapid, significant declines in customer count while capping the residential GIF at 20% of the total residential customers' bill.

In this scenario, the structure is able to withstand a maximum customer count decline of approximately 96% in year one. This is the level of forecast customer count decline that would cause a default in required payments on bonds or cause the GIF to exceed 20% of the total residential customers' bill. Despite this severe decline in customer count, due to the true-up mechanism, GIFs are able to pay all debt service by the legal final maturity date.

Key Rating Drivers and Rating Sensitivities are further described in the presale report dated Oct. 29, 2014. Fitch's analysis of the Representations and Warranties (R&W) of this transaction can be found in "State of Hawaii Department of Business, Economic Development, and Tourism Green Energy Market Securitization Bonds 2014 Series A- Appendix'. These R&Ws are compared to those of typical R&W for the asset class as detailed in the special report 'Representations, Warranties, and Enforcement Mechanisms in Global Structured Finance Transactions' dated Oct. 31, 2014.

Key Rating Drivers and Rating Sensitivities are further described in the accompanying presale report, available at

'www.fitchratings.com' or by clicking on the above link.

Contact:

Primary Analyst
Du Trieu
Senior Director
+1-312-368-2091
Fitch Ratings, Inc.
70 West Madison Street
Chicago, IL 60602

Secondary Analyst
Melvin Zhou
Director
+1-212-908-0503

Committee Chairperson
Hylton Heard
Senior Director
+1-212-908-0214

Media Relations: Sandro Scenga, New York, Tel: +1 212-908-0278, Email: sandro.scenga@fitchratings.com.

Additional information is available at www.fitchratings.com.

Applicable Criteria and Related Research:

--'Global Structured Finance Rating Criteria' (Aug. 4, 2014);
--'Representations, Warranties, and Enforcement Mechanisms in Global Structured Finance Transactions' (Oct. 31, 2014);
--'Rating Criteria for U.S. Utility Tariff Bonds' (December 2013);
--'Counterparty Criteria for Structured Finance and Covered Bonds' (May 2014);
--'State of Hawaii Department of Business, Economic Development, and Tourism Green Energy Market Securitization Bonds 2014 Series A -- Appendix' (October 2014).

Applicable Criteria and Related Research:

Global Structured Finance Rating Criteria (http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=754389)
Representations, Warranties and Enforcement Mechanisms in Global Structured Finance Transactions (http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=799248)
Rating Criteria for U.S. Utility Tariff Bonds (http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=726322)
Counterparty Criteria for Structured Finance and Covered Bonds (http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744158)
State of Hawaii Department of Business, Economic Development and Tourism Green Energy Market Securitization Bonds 2014 Series A (US ABS) (http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=803691)

Additional Disclosure

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