



Fitch Intends to Withdraw All Ratings on US Tobacco ABS

Fitch Ratings-New York-16 May 2016: Effective 30 days from the date of this release, Fitch Ratings intends to withdraw the current outstanding structured finance ratings on all of its rated U.S. Tobacco asset-backed securities (ABS).

The primary reason for the intended withdrawal is that individual, custom modifications (by several participants) to material calculations originally part of the base Master Settlement Agreement (the MSA) have eroded Fitch's confidence that ratings can be consistently maintained, as insufficient information exists to predict the likelihood and effect of future modifications or that insufficient information will exist to support new, material variables included in them.

Historically, the method for calculating the amount of the annual and strategic contribution fund payments was solely prescribed by the terms of the MSA. The calculation, which includes multiple adjustments of varying complexity, determines the total payment amount due from the participating tobacco manufacturers (the PTMs). This amount is then distributed amongst the jurisdictions that are party to the MSA according to the allocation percentages contained therein and a portion of these funds are then ultimately transferred to the issuers of the securities. In this manner, there was historically a single, consistent application of the calculation adjustments that affected all participating jurisdictions in the same way.

However, more recent settlement agreements related to disputed payments connected to the non-participating manufacturer (NPM) adjustment have eroded Fitch's confidence in the predictability of the calculation of MSA payments going forward. In the past few years, two material settlements, one between New York State (NYS) and the PTMs (the New York Settlement), and the other among California, 23 other states and the PTMs (the Settling States Agreement, collectively, with the New York Settlement, the Settlement Agreements) modified the calculation of the NPM Adjustment outside of original MSA calculations. The New York Settlement also introduces a new variable, a calculation related to Tribal Sales, which is based on estimates initially and its past and future volatility is unknown.

Fitch acknowledges that the Settlement Agreements have positive features - most notably the release of previously escrowed funds held in the disputed payment account, more clarity regarding disputed payment calculations going forward, and in the case of the New York Settlement, the removal of uncertainty that would be introduced by protracted arbitration in relation to these disputed amounts. However, the longer-term ramifications of the modifications to the NPM Adjustment calculation for both settling and non-settling jurisdictions is less clear and more problematic.

The Settlement Agreements highlight the incentives for each of the PTMs and the jurisdictions to resolve the NPM adjustment holdbacks: for the jurisdictions, some of the previously withheld funds are released and arbitration risk is reduced or eliminated, and for the PTMs, future obligations are materially reduced through a renegotiation of the NPM adjustment. Importantly, the Settlement Agreements also differ materially, highlighting the uncertainty in predicting the nature of future settlements that may be entered into by the jurisdictions that are not party to the Settlement Agreements. Furthermore, the Settlement Agreements can increase exposure of non-settling states to an outsized NPM adjustment.

In summary, the foregoing risks -- the significant trend toward material, and different settlements, the introduction of new variables with little analyzable history, and the incentives in place for additional

settlements -- erode our confidence that a consistently reliable structured finance rating methodology can be applied going forward.

The Fitch-rated securities issued by the following issuers are affected by this withdrawal notice:

- Buckeye Tobacco Settlement Financing Authority, Series 2007 (Ohio)
- California County Tobacco Securitization Agency, The (Alameda County Tobacco Asset Securitization Corporation), Series 2002
- California County Tobacco Securitization Agency, The (Alameda County Tobacco Asset Securitization Corporation), Series 2006
- California County Tobacco Securitization Agency, The (Fresno County Tobacco Funding Corporation), Series 2006
- California County Tobacco Securitization Agency, The (Golden Gate Funding Corporation), Series 2007
- California County Tobacco Securitization Agency, The (Kern County Tobacco Funding Corporation), Series 2014
- California County Tobacco Securitization Agency, The (Los Angeles County Securitization Corporation), Series 2006
- California County Tobacco Securitization Agency, The (Merced County Tobacco Funding Corporation), Series 2005
- California County Tobacco Securitization Agency, The (Stanislaus County Tobacco Funding Corporation), Series 2002
- California County Tobacco Securitization Agency, The (Stanislaus County Tobacco Funding Corporation), Series 2006
- California Statewide Financing Authority, Series 2002
- California Statewide Financing Authority, Series 2006
- Chautauqua Tobacco Asset Securitization Corporation, Series 2014
- Childrens Trust, Series 2002
- Childrens Trust, Series 2005
- Childrens Trust, Series 2008
- City of San Diego Tobacco Settlement Revenue Funding Corporation, Series 2006
- District of Columbia Tobacco Settlement Financing Corporation, Series 2001
- District of Columbia Tobacco Settlement Financing Corporation, Series 2006
- Erie Tobacco Asset Securitization Corporation (New York), Series 2005
- Golden State Tobacco Securitization Corporation, Series 2007-1
- Guam Economic Development Commerce Authority Tobacco
- Settlement Asset Backed Bonds, Series 2007
- Inland Empire Tobacco Securitization Corporation, Series 2007
- Michigan Tobacco Settlement Finance Authority, Series 2008
- Nassau County Tobacco Settlement Corporation (New York), Series 2006
- New York Counties Tobacco Trust I, Series 2000
- New York Counties Tobacco Trust II, Series 2001
- New York Counties Tobacco Trust III, Series 2003
- New York Counties Tobacco Trust IV, Series 2005
- New York Counties Tobacco Trust V, Series 2005
- Niagara Tobacco Asset Securitization Corporation, Series 2014
- Northern Tobacco Securitization Corporation, 2006 (Alaska), Series 2006
- Railsplitter Tobacco Settlement Authority Tobacco Settlement Revenue Bonds, Series 2010
- Rensselaer Tobacco Asset Securitization Corporation, Series A 2001
- Rockland Tobacco Asset Securitization Corporation, Series 2005
- Silicon Valley Tobacco Securitization Authority (Santa Clara County Tobacco Securitization Corporation), Series 2007
- Suffolk Tobacco Asset Securitization Corporation, Series 2008

--Tobacco Settlement Asset Securitization Corporation (TSASC), 1999 Indenture, (New York), Series 2006-1
--Tobacco Settlement Financing Corporation (Louisiana), Series 2013
--Tobacco Settlement Financing Corporation (Rhode Island), Series 2015 A and B
--Tobacco Settlement Financing Corporation (United States Virgin Islands), Series 2006
--Ulster Tobacco Asset Securitization Corporation, Series 2001
--Westchester Tobacco Asset Securitization Corporation (New York), Series 2005

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