NEW ISSUE
FULL BOOK-ENTRY

RATINGS: Fitch: AAA
Moody's: Aaa
Standard & Poor's: AAA

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and all of the Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

$371,770,000
CITY AND COUNTY OF HONOLULU
General Obligation Bonds,
Series 2005A, Series 2005B, Series 2005C and Series 2005D

Dated: Date of issuance. **Due: July 1, as shown on inside cover.**

The Bonds are issuable in fully registered form and when issued will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. So long as DTC or its nominee is the registered owner of the Bonds, purchases of the Bonds will be made in book-entry form only, through brokers and dealers who are, or who act through, DTC participants; beneficial owners of the Bonds will not receive physical delivery of certificates; payment of the principal of, and premium, if any, and interest on, the Bonds will be made directly to DTC or its nominee; and disbursement of such payments to DTC participants will be the responsibility of DTC and disbursement of such payments to the beneficial owners will be the responsibility of DTC participants. Purchases of the Bonds may initially be made in the denomination of $5,000 or any integral multiple thereof.

The Bonds will be dated as of the date of issuance thereof and will bear interest at the rates shown on the inside cover, payable on January 1 and July 1 of each year, commencing January 1, 2006. The Bonds are subject to redemption prior to the stated maturity thereof as described herein.

The Bonds are being issued for the purpose of refunding certain outstanding general obligations of the City and County.

The Bonds are the absolute and unconditional general obligations of the City and County. The principal and interest payments on the Bonds are a first charge on the general fund of the City and County, and the full faith and credit of the City and County are pledged to the punctual payment of such principal and interest. For the payment of the principal of and interest on the Bonds, the City and County has the power and is obligated to levy ad valorem taxes, without limitation as to rate or amount, on all real property subject to taxation by the City and County.

The scheduled payment of principal of and interest on each series of the Bonds when due will be guaranteed under a separate Financial Guaranty Insurance Policy to be issued by MBIA Insurance Corporation concurrently with the delivery of the Bonds.

MBIA

See "BOND INSURANCE" herein and APPENDIX E hereto for further information.

The Bonds are offered when, as and if issued and received by the Underwriters, and are subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the City and County. Certain legal matters will be passed upon for the Underwriters by their counsel, McCorriston Miller Mukai MacKinnon LLP, Honolulu, Hawaii. It is expected that the Bonds in definitive form will be available for delivery to DTC, in New York, New York, on or about May 26, 2005.

UBS Financial Services Inc.

JPMorgan **Merrill Lynch & Co.**

May 19, 2005

City and County of Honolulu

$371,770,000 General Obligation Bonds, Series 2005A, Series 2005B, Series 2005C and Series 2005D

$186,470,000 Series 2005A

Year (July 1)	Principal Amount	Interest Rate	Yield	Year (July 1)	Principal Amount	Interest Rate	Yield
2009	$5,240,000	5.000%	3.020%	2020	$ 600,000	4.000%	3.950%[*]
2010	5,460,000	3.250	3.160	2021	9,365,000	5.000	3.990[*]
2011	5,695,000	5.000	3.280	2022	9,630,000	5.000	4.020[*]
2012	5,985,000	5.000	3.410	2022	215,000	4.000	4.020
2013	6,290,000	5.000	3.520	2023	10,255,000	5.000	4.060[*]
2014	6,615,000	5.000	3.600	2023	95,000	4.000	4.060
2015	6,955,000	5.000	3.700	2024	10,830,000	5.000	4.090[*]
2016	6,655,000	5.000	3.760[*]	2024	50,000	4.100	4.090[*]
2016	650,000	4.000	3.760[*]	2025	11,380,000	5.000	4.120[*]
2017	7,470,000	5.000	3.810[*]	2025	55,000	4.100	4.120
2017	210,000	4.000	3.810[*]	2026	12,020,000	5.000	4.150[*]
2018	7,955,000	5.000	3.860[*]	2027	12,640,000	5.000	4.180[*]
2018	115,000	4.000	3.860[*]	2028	13,275,000	5.000	4.210[*]
2019	8,050,000	5.000	3.910[*]	2028	10,000	4.200	4.210
2019	430,000	4.000	3.910[*]	2029	13,645,000	5.000	4.240[*]
2020	8,310,000	5.000	3.950[*]	2029	320,000	4.200	4.240

$27,315,000 Series 2005B

Year (July 1)	Principal Amount	Interest Rate	Yield	Year (July 1)	Principal Amount	Interest Rate	Yield
2009	$1,975,000	5.000%	3.020%	2015	$2,540,000	3.750%	3.700%
2010	2,075,000	5.000	3.160	2016	2,655,000	5.000	3.760[*]
2011	2,185,000	5.000	3.280	2017	2,790,000	5.000	3.810[*]
2012	2,275,000	3.500	3.410	2018	2,930,000	5.000	3.860[*]
2013	2,360,000	3.500	3.520	2019	3,085,000	5.000	3.910[*]
2014	2,445,000	3.750	3.600				

$76,770,000 Series 2005C

Year (July 1)	Principal Amount	Interest Rate	Yield	Year (July 1)	Principal Amount	Interest Rate	Yield
2009	$4,340,000	3.000%	3.020%	2016	$6,095,000	5.000%	3.760%[*]
2010	4,515,000	5.000	3.160	2017	6,410,000	5.000	3.810[*]
2011	4,750,000	5.000	3.280	2018	6,740,000	5.000	3.860[*]
2012	5,000,000	5.000	3.410	2019	7,085,000	5.000	3.910[*]
2013	5,245,000	5.000	3.520	2020	7,445,000	5.000	3.950[*]
2014	5,515,000	5.000	3.600	2021	7,830,000	5.000	3.990[*]
2015	5,800,000	5.000	3.700				

$81,215,000 Series 2005D

Year (July 1)	Principal Amount	Interest Rate	Yield	Year (July 1)	Principal Amount	Interest Rate	Yield
2009	$3,785,000	5.000%	3.020%	2017	$5,550,000	5.000%	3.810%[*]
2010	3,980,000	5.000	3.160	2018	5,835,000	5.000	3.860[*]
2011	4,145,000	3.250	3.280	2019	6,135,000	5.000	3.910[*]
2012	4,320,000	5.000	3.410	2020	6,450,000	5.000	3.950[*]
2013	4,545,000	5.000	3.520	2021	6,780,000	5.000	3.990[*]
2014	4,775,000	5.000	3.600	2022	7,125,000	5.000	4.020[*]
2015	5,020,000	5.000	3.700	2023	7,490,000	5.000	4.060[*]
2016	5,280,000	5.000	3.760[*]				

[*] Priced to the first optional call date of July 1, 2015, at par.

City and County of Honolulu

State of Hawaii
(Incorporated 1907)

MAYOR
Mufi Hannemann

CITY COUNCIL

Donovan M. Dela Cruz
Chair and Presiding Officer

Ann H. Kobayashi
Vice-Chair

Romy M. Cachola
Floor Leader

Todd K. Apo

Charles K. Djou

Nestor R. Garcia

Barbara Marshall

Gary H. Okino

Rod Tam

DIRECTOR OF BUDGET AND FISCAL SERVICES
Mary Patricia Waterhouse

CORPORATION COUNSEL
Carrie K. S. Okinaga

BOND COUNSEL
Orrick, Herrington & Sutcliffe LLP
San Francisco, California

The information contained in this Official Statement has been obtained from the City and County of Honolulu and other sources deemed reliable. No guaranty is made, however, as to the accuracy or completeness of such information. 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 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. This Official Statement, which includes the cover page and appendices, does not constitute an offer to sell the Bonds in any state to any person to whom it is unlawful to make such offer in such state. No dealer, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon. The information contained herein is subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder at any time implies that the information contained herein is correct as of any time subsequent to its date.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. IN CONNECTION WITH THIS OFFERING THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

OFFICIAL STATEMENT

$371,770,000
City and County of Honolulu
General Obligation Bonds,
Series 2005A, Series 2005B, Series 2005C and Series 2005D

INTRODUCTION

This Official Statement, which includes the cover page hereof and the appendices hereto, is provided for the purpose of presenting certain information relating to the City and County of Honolulu (the "City and County," the "City," "Honolulu" or "Oahu"), and its $371,770,000 aggregate principal amount of General Obligation Bonds, Series 2005A, Series 2005B, Series 2005C and Series 2005D (the "Bonds").

AUTHORITY FOR AND PURPOSE OF ISSUANCE

Authority for Issuance

The Bonds are being issued pursuant to and in full compliance with Ordinance No. 99-11 of the City and County, Resolution No. 05-022, CD1 of the City and County, the Constitution and laws of the State of Hawaii, including Chapter 47, Hawaii Revised Statutes, and the Revised Charter of the City and County. The Bonds are being issued pursuant to a Certificate of the Director of Budget and Fiscal Services of the City and County (the "Authorizing Certificate").

Purpose of Issuance

The proceeds of the Bonds will be used to provide funds for (i) the refunding of general obligation commercial paper of the City and County which was issued to finance capital projects on an interim basis, and (ii) the refunding of certain outstanding general obligation bonds of the City and County, all as described in "THE REFUNDING PLAN."

THE REFUNDING PLAN

The Bonds are being issued in part for the purpose of refunding certain outstanding general obligations of the City and County in advance of the stated maturity thereof (the "Refunded Bonds"), and the current refunding of $100,000,000 of the General Obligation Commercial Paper Notes, Issue H, maturing on or before June 9, 2005, at a price equal to the principal amount thereof, and $100,000,000 of the General Obligation Commercial Paper Notes, Issue W, maturing on or before June 9, 2005, at a price equal to the principal amount thereof. The following table sets forth the series, maturity date, principal amount of bonds outstanding, principal amount of bonds to be refunded, interest rate, maturity or redemption date and redemption price of the general obligation bonds which is anticipated to be included in the Refunded Bonds:

Issue	Maturity Date	Principal Amount Outstanding	Principal Amount Refunded	Coupon	Call Date	Redemption Price	CUSIP
Series 1993C	09/01/2013	$ 1,605,000	$ 1,605,000	5.000%	N/A	N/A	438669RD7
Series 1993C	09/01/2014	1,685,000	1,685,000	5.000%	N/A	N/A	438669RE5
Series 1993C	09/01/2015	1,770,000	1,770,000	5.000%	N/A	N/A	438669RF2
Series 1993C	09/01/2016	1,860,000	1,860,000	4.750%	N/A	N/A	438669RG0
Series 1993C	09/01/2017	1,945,000	1,945,000	4.750%	N/A	N/A	438669RH8
Series 1995A	11/01/2010	4,290,000	4,290,000	6.000%	N/A	N/A	438669W33
Series 1996A	09/01/2009	2,610,000	2,610,000	5.400%	09/01/2006	102%	438669Y23
Series 1996A	09/01/2010	2,610,000	2,610,000	5.500%	09/01/2006	102%	438669Y31
Series 1997B	11/01/2009	2,585,000	2,585,000	5.500%	N/A	N/A	4386692A0
Series 1997B	11/01/2011	2,585,000	2,585,000	5.000%	11/01/2007	101%	4386692C6
Series 1997B	11/01/2012	2,585,000	2,585,000	5.000%	11/01/2007	101%	4386692D4
Series 1999B	07/01/2010	3,190,000	3,190,000	5.125%	07/01/2009	101%	4386693Y7
Series 1999B	07/01/2011	3,355,000	3,355,000	5.125%	07/01/2009	101%	4386693Z4
Series 1999B	07/01/2012	3,525,000	3,525,000	5.125%	07/01/2009	101%	4386694A8
Series 1999B	07/01/2013	3,710,000	3,710,000	5.125%	07/01/2009	101%	4386694B6
Series 1999B	07/01/2018	4,760,000	4,760,000	5.125%	07/01/2009	101%	4386694G5
Series 1999B	07/01/2019	5,005,000	5,005,000	5.000%	07/01/2009	101%	4386694H3
Series 1999B	07/01/2020	5,255,000	5,255,000	5.000%	07/01/2009	101%	4386694J9
Series 1999B	07/01/2021	5,515,000	5,515,000	5.000%	07/01/2009	101%	4386694K6
Series 1999B	07/01/2022	5,790,000	5,790,000	5.000%	07/01/2009	101%	4386694L4
Series 1999B	07/01/2023	6,080,000	6,080,000	5.000%	07/01/2009	101%	4386694M2
Series 1999B	04/01/2024	6,465,000	6,465,000	5.000%	07/01/2009	101%	4386694N0
Series 2003A	03/01/2010	6,645,000	4,170,000	5.000%	N/A	N/A	438670CB5
Series 2003A	03/01/2012	7,375,000	4,630,000	5.250%	N/A	N/A	438670CF6
Series 2003A	03/02/2013	7,165,000	4,495,000	5.250%	N/A	N/A	438670CH2
Series 2003A	03/01/2014	7,255,000	4,555,000	5.250%	03/01/2013	100%	438670CK5
Series 2003A	03/01/2014	2,010,000	1,260,000	4.000%	03/01/2013	100%	438670CJ8
Series 2003A	03/01/2015	9,340,000	5,865,000	5.250%	03/01/2013	100%	438670CM1
Series 2003A	03/01/2016	9,625,000	6,040,000	5.250%	03/01/2013	100%	438670CP4
Series 2003A	03/01/2017	10,340,000	6,490,000	5.250%	03/01/2013	100%	438670CR0
Series 2003A	03/01/2018	10,870,000	6,825,000	5.250%	03/01/2013	100%	438670CT6
Series 2003A	03/01/2019	11,400,000	7,155,000	5.250%	03/01/2013	100%	438670CV1
Series 2003A	03/01/2020	12,260,000	7,695,000	5.250%	03/01/2013	100%	438670CX7
Series 2003A	03/01/2021	12,865,000	8,075,000	5.250%	03/01/2013	100%	438670CZ2
Series 2003A	03/01/2022	13,520,000	8,485,000	5.250%	03/01/2013	100%	438670DB4
Series 2004A	07/01/2014	4,220,000	4,220,000	5.000%	N/A	N/A	438670EF4
Series 2004A	07/01/2015	4,440,000	4,440,000	5.000%	07/01/2014	100%	438670EG2
Series 2004A	07/01/2016	4,665,000	4,665,000	5.000%	07/01/2014	100%	438670EH0
Series 2004A	07/01/2017	4,905,000	4,905,000	5.000%	07/01/2014	100%	438670EJ6
Series 2004A	07/01/2018	5,165,000	5,165,000	5.250%	07/01/2014	100%	438670EK3
Series 2004A	07/01/2019	5,440,000	5,440,000	5.250%	07/01/2014	100%	438670EL1

The proceeds of the Bonds will be used to purchase direct non-callable obligations of the United States of America (the "Federal Securities"), the maturing principal and interest on which will be sufficient, together with any uninvested cash, to pay the interest on and the principal and redemption price of the Refunded Bonds coming due on and prior to their respective maturity or redemption dates. Simultaneously with the issuance and delivery of the Bonds, such Federal Securities will be deposited with Wells Fargo Bank, National Association (the "Escrow Agent") under an Escrow Agreement to be entered into by the City and County and Escrow Agent. At the time of such deposit, the City and County will give the Escrow Agent irrevocable instructions to give notice of the redemption of the Refunded Bonds and to apply the maturing principal of and interest on the Federal Securities, together with any uninvested cash, held in trust solely for the payment of the interest and redemption price coming due on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

THE BONDS

Description of the Bonds

The Bonds will be dated as of the date of issuance thereof; will mature serially on July 1 of the years and in the principal amounts shown on the inside cover page hereof; will bear interest (computed on the basis of a 360-day year) payable January 1 and July 1 of each year, commencing January 1, 2006, at the rates per annum shown on the inside cover hereof; and will be subject to redemption as described herein.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as Securities Depository for the Bonds. So long as the Securities Depository or its nominee is the registered owner of the Bonds, individual purchases of the Bonds will be made in book-entry form only (the "Book-Entry System"), in Authorized Denominations, as defined below. Purchasers will not receive certificates representing their interest in the Bonds. Principal of and interest on the Bonds will be paid to the Securities Depository, which will in turn remit such principal and interest to its Participants (as defined in Appendix D), for subsequent distribution to the Beneficial Owners (as defined in Appendix D) of the Bonds. The Bonds may be transferred or exchanged in the manner described in the Bonds and as referenced in accompanying proceedings of the City and County. See Appendix D, "Book-Entry System."

Prior Redemption

The Bonds maturing after July 1, 2015, are subject to redemption at the option of the City and County on and after July 1, 2015, in whole or in part, at any time, in any order of maturity selected by the City and County, and by lot within a maturity, at the principal amount thereof, plus the interest accrued to the date fixed for the redemption thereof, without premium.

Notice of redemption of any Bond will be mailed, at least once not less than thirty (30) days prior to the date fixed for redemption, to the holder in whose name the Bond is registered upon the Bond Register as of the close of business on the forty-fifth (45th) day (whether or not a business day) next preceding the date fixed for redemption. The failure of the registered holder to receive such notice by mail or any defect in such notice shall not affect the sufficiency of the proceedings for the redemption of any Bond. If a Bond is of a denomination in excess of $5,000, portions of the principal sum thereof in amounts of $5,000 or any integral multiple thereof may be redeemed, and if less than all of the principal sum thereof is to be redeemed, in such case, upon the surrender of such Bond to the Registrar there shall be issued to the registered holder thereof, without charge therefor, for the then unredeemed balance of the principal sum thereof, Bonds of like series, maturity and interest rate in any of the authorized denominations. If notice of redemption of any Bond (or any portion of the principal sum thereof) has been duly given, and if on or before the date fixed for such redemption the City and County has duly made or provided for the payment of the principal sum to be redeemed to the date fixed for such redemption, then such Bond (or the portion of the principal sum thereof to be redeemed) shall become due and payable upon such date fixed for redemption and interest thereon shall cease to accrue and become payable from and after the date fixed for such redemption on the principal sum thereof to be redeemed. See "APPENDIX D -- Book-Entry System" for a discussion of the notice of redemption to be given to beneficial owners of the Bonds when the Book-Entry System for the Bonds is in effect.

Payment of Bonds

The principal of and interest on the Bonds will be payable in lawful money of the United States of America. The principal of all Bonds shall be payable only at the principal office of the Paying Agent, and the payment of the interest on each Bond shall be made by the Paying Agent on each interest payment date to the person appearing on the Bond Register of the City and County as the registered owner thereof on the applicable record date, by check or draft mailed or otherwise delivered to such registered owner at its address as it appears on such Bond Register. The record date is the fifteenth day before an interest payment date. Payment of the principal of all Bonds shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable. The person in whose name any Bond is registered at the close of business on any record date with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to the record date and prior to such interest payment date. So long as any Bonds are in book-entry form, principal of and interest on such Bonds will be paid to the Securities Depository as the registered owner of the Bonds. See Appendix D, "Book-Entry System."

Debt Service on the Bonds

Set forth below is a schedule of debt service payments required for the Bonds for each Fiscal Year of the City and County, beginning with the Fiscal Year ending June 30, 2006:

CITY AND COUNTY OF HONOLULU
GENERAL OBLIGATION BONDS, SERIES 2005A, SERIES 2005B, SERIES 2005C AND SERIES 2005D
DEBT SERVICE REQUIREMENTS

FY Ending June 30	Principal	Interest	Total
2006		$ 10,854,537.78	$ 10,854,537.78
2007		18,175,040.00	18,175,040.00
2008		18,175,040.00	18,175,040.00
2009		18,175,040.00	18,175,040.00
2010	$15,340,000	17,834,940.00	33,174,940.00
2011	16,030,000	17,141,865.00	33,171,865.00
2012	16,775,000	16,405,783.75	33,180,783.75
2013	17,580,000	15,600,240.00	33,180,240.00
2014	18,440,000	14,734,502.50	33,174,502.50
2015	19,350,000	13,822,733.75	33,172,733.75
2016	20,315,000	12,862,265.00	33,177,265.00
2017	21,335,000	11,840,140.00	33,175,140.00
2018	22,430,000	10,750,315.00	33,180,315.00
2019	23,575,000	9,601,815.00	33,176,815.00
2020	24,785,000	8,395,540.00	33,180,540.00
2021	22,805,000	7,210,940.00	30,015,940.00
2022	23,975,000	6,044,440.00	30,019,440.00
2023	16,970,000	5,021,890.00	21,991,890.00
2024	17,840,000	4,153,190.00	21,993,190.00
2025	10,880,000	3,435,890.00	14,315,890.00
2026	11,435,000	2,878,487.50	14,313,487.50
2027	12,020,000	2,292,360.00	14,312,360.00
2028	12,640,000	1,675,860.00	14,315,860.00
2029	13,285,000	1,027,775.00	14,312,775.00
2030	13,965,000	347,845.00	14,312,845.00
Total:	$371,770,000	$248,458,475.28	$620,228,475.28

SECURITY FOR THE BONDS

Security Provisions

The Constitution and other laws of the State of Hawaii provide that the interest and principal payments on the Bonds shall be a first charge on the General Fund of the City and County. Under such laws, the full faith and credit of the City and County are pledged to the payment of such principal and interest, and for such payment the City Council has the power and is obligated to levy ad valorem taxes without limitation as to rate or amount on all the real property subject to taxation by the City and County.

Outstanding and Expected General Obligation Bonds

The capital improvement budgets for the Fiscal Years ended June 30, 1999, 2000, 2001, 2002, 2003 and 2004, and for the Fiscal Year ending June 30, 2005, authorized and appropriated a total of $1,583,072,460 for public improvements to be financed from the proceeds of general obligation bonds or notes. As of April 6, 2005, $817,860,703 of general obligation bonds and notes had been issued to finance appropriations for such Fiscal Years, and $301,279,786 of such appropriations had lapsed pursuant to the terms of the Revised Charter of the City and County (See "BUDGET PROCESS AND FINANCIAL MANAGEMENT -- Budgets and Expenditures" for more information relating to lapsing of capital budget appropriations). It is expected that $463,931,971, the balance of such appropriations, will be funded from the proceeds of the Bonds or of other general obligation bond or note issues to be issued in the future.

BOND INSURANCE

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix E for a specimen of MBIA's policy (the "Policy").

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "BOND INSURANCE". Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City and County to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2004, MBIA had admitted assets of $10.4 billion (unaudited), total liabilities of $7.0 billion (unaudited), and total capital and surplus of $3.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2005 MBIA had admitted assets of $10.6 billion (unaudited), total liabilities of $7.0 billion (unaudited), and total capital and surplus of $3.6 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2004 and December 31, 2003 and for each of the three years in the period ended December 31, 2004, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2004 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2005 and for the three month periods ended March 31, 2005 and March 31, 2004 included in the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2005, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at http://www.mbia.com and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2004; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and (2) the Company's Quarterly Reports on Form 10-Q for the quarter ended March 31, 2005) are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA at its principal executive offices.

THE CITY AND COUNTY OF HONOLULU

Introduction

Honolulu, the capital and principal city of the State of Hawaii, is located on the Island of Oahu. The City and County of Honolulu includes the entire Island of Oahu and a number of outlying islands. Of the eight major islands that constitute the State of Hawaii, Oahu, with an area of 593 square miles, is smaller than the Islands of Hawaii and Maui but larger than the Islands of Kauai, Molokai, Lanai, Niihau and Kahoolawe.

With slightly less than a tenth of the land area in the entire State, Oahu contains nearly three-fourths of the State's resident population. According to the 2000 U.S. Census, the resident population of the State was 1,211,537, and that of Honolulu was 876,156, approximately 72% of the total State population. Honolulu is the seat of the State Government and is the State's trade, finance, communication, and transportation center. Most federal establishments and personnel (both civilian and military), manufacturing, major educational and scientific, and significant agricultural activities are located on Oahu.

Additional demographic and economic information with respect to the City and County is set forth in Appendix A hereto.

Government and Organization

Introduction. Government in the State of Hawaii is highly centralized, with the State assuming several major functions usually performed by local governments in other jurisdictions. Foremost among these, in terms of cost, are health, education, welfare and judicial functions. For example, the public schools and public medical facilities in the City and County are administered and funded by the State. The State is also responsible for the operation and maintenance of all airports and harbors. See Appendix A for a summary of certain information relating to the State. The City and County does provide a broad range of municipal services. These include public safety (police and fire protection and public prosecutor), highways and streets, sanitation, social services, culture and recreation, public improvements, planning and zoning, water supply and general administrative services.

Because there are no separate city or township governments or any special districts in the City and County with taxing powers, there are no overlapping taxes at the local government level. With the exception of real property taxes, public utility franchise tax on electric power and light companies and vehicle weight taxes, the State collects all taxes for both itself and the counties. The State does not impose any real property tax. The principal taxes imposed by the State are the general excise tax, the user tax (a portion of the transient accommodations tax is allocated to the counties as mentioned under "CITY AND COUNTY REVENUES – General Fund - *Allocation of State Transient Accommodation Tax*") and the personal and corporate income taxes. In addition, the State imposes taxes on liquor, tobacco, insurance premiums, banks and other financial corporations, inheritances, estates and real property transfers. The State also imposes a public service companies tax on the gross income of certain public utilities. In an overview of the taxing authority relationship between the State and all the counties, the Tax Foundation of Hawaii found that of the $4.8 billion collected in taxes by the State and county governments during the Fiscal Year ended June 30, 2004, $4.0 billion went to the State Treasury.

The City and County of Honolulu was incorporated in 1907. The City and County is governed by the provisions of its Charter and applicable State law.

Mayor and Executive Branch. Under the provisions of and except as otherwise provided in the Charter of the City and County, the executive power of the City and County is vested in and exercised by the Mayor, as chief executive officer. The Department of Corporation Counsel reports directly to the Mayor; and all other executive departments and agencies of the City and County (excepting the Mayor's office staff and the Board of Water Supply and other semi-autonomous agencies) are supervised by and report directly to the Managing Director as principal administrative aide to the Mayor. The Mayor serves a four-year term. The next regular mayoral election is scheduled to take place in November 2008. The current Mayor is serving his first term, which expires on January 2, 2009. No person may be elected to the office of the Mayor for more than two consecutive full terms. Pursuant to the Charter of the City and County, the Department of Budget and Fiscal Services manages the budget and the finances of the City and County, including debt management.

City Council. Under the provisions of and except as otherwise provided in the Charter of the City and County, the legislative power of the City and County is vested in and exercised by the City Council. The City Council is the policy-making body of the City and County. Its major functions include approval of the budget, establishment of all fees and rates (other than those under the jurisdiction of semi-autonomous agencies) and taxes, appropriation of funds, and establishment of community plans and zoning. The City Council is comprised of nine members, each of whom represents a separate Council District. Pursuant to Section 16-122 of the City Charter, the staggering of the terms of councilmembers commenced on January 2, 2003. The councilmembers for council districts I, III, V, VII and IX were elected to four-year regular terms expiring on January 2, 2009, while the councilmembers for council districts II, IV, VI and VIII were elected to four-year regular terms expiring on January 2, 2007. Section 3-102 of the City Charter provides that "No person shall be elected to the office of councilmember for more than two consecutive four-year terms."

Semi-Autonomous Agencies. The Board of Water Supply is a semi-autonomous entity of the City and County, consisting of seven members, of which the Chief Engineer of the City Department of Facilities Maintenance and the Director of the State Department of Transportation are ex-officio members, with five other members appointed by the Mayor and confirmed by the City Council. Although the Board is subject to the Civil Service and administrative procedures governing the City and County, it maintains exclusive management and control over its water system servicing the Island of Oahu. The Board of Water Supply is created by the Charter of the City and County. The City Council may create by ordinance other semi-autonomous agencies with such powers as the City Council may legally grant.

Recalls, Initiatives and Charter Amendments. The Mayor and any member of the City Council may be recalled pursuant to petition initiated by the voters in accordance with procedures provided in the Charter of the City and County. Also, voters may propose and adopt ordinances by initiative powers in accordance with procedures set forth in the Charter. Such initiative powers do not extend to any ordinance authorizing or repealing the levy of taxes, the appropriation of moneys, the issuance of bonds, the salaries of City employees and officers, or any matters governed by collective bargaining contracts. Amendments or revisions to the Charter may be initiated by resolution of the City Council or by petition of the voters presented to the City Council. No amendments or revision to the Charter become effective unless approved by a majority of the voters voting thereon at a duly called election.

CITY AND COUNTY REVENUES

The taxes and other revenues discussed below account for substantially all the tax receipts and other revenues of the City and County. All tax receipts are credited to either the General Fund or the Special Revenue Funds of the City and County (the "Special Revenue Funds"). The audited financial statements of the revenues and expenditures of these funds for the Fiscal Year ended June 30, 2004, are set forth at the Website of the City and County at http://www.co.honolulu.hi.us/budget/cafr.htm, or may be obtained from the City and County by request to the attention of the Director of Budget and Fiscal Services, City and County of Honolulu, 530 South King Street, Honolulu, Hawaii 96813. (See "FINANCIAL INFORMATION AND ACCOUNTING – Financial Statements" herein.)

General Fund

The General Fund is utilized to account for all financial resources except those required to be accounted for in another fund. The sources of revenues of the General Fund are (i) real property taxation; (ii) licenses and permits; (iii) intergovernmental revenues (including the allocation of the State transient accommodation tax); (iv) charges for services; (v) fines and forfeits; and (vi) miscellaneous revenues. Real property taxes, which generally account for over two-thirds of General Fund revenues, and the allocation of the State transient accommodation tax are described below. See Table 12 under "FINANCIAL INFORMATION AND ACCOUNTING."

Real Property Taxation. Under the State Constitution, all functions, powers and duties relating to taxation of real property reside in the counties. In the case of the City and County of Honolulu, Chapter 8, Revised Ordinances of Honolulu, 1990 (the "Tax Ordinance") governs administration, setting of tax rates, assessment and collection of real property tax, including exemption therefrom, dedication of land and appeals. While each county has exclusive authority over real property tax within its jurisdiction, the Hawaii State Association of Counties has recommended uniformity in the methods of assessing real property. In support of such recommendation, the City Council adopted Resolution No. 89-509 on November 8, 1989, but recognized that other provisions of real property tax law need not be uniform.

Beginning in Fiscal Year 2004, the real property tax rates for various classes of property have been revised, resulting in a net increase of 3.2% in average tax rates. Table 2 sets forth such classes of property and their values, together with the applicable rates for Fiscal Years 2001 through 2005.

Under the Tax Ordinance, all real property in Honolulu, except as exempted or otherwise taxed, is subject each year to a tax upon the fair market value thereof. Land in Honolulu is classified and taxed as (1) improved residential, (2) unimproved residential, (3) apartment, (4) hotel and resort, (5) commercial, (6) industrial, (7) agricultural, (8) conservation and (9) public service (a new classification applicable to certain public utilities added by Ordinance No. 00-66 which took effect for tax year 2001-2002). In determining the value of land, other than land classified as agricultural and used for agriculture, consideration is given to its highest and best use, selling prices and income, productivity, actual and potential use, advantage or disadvantage of factors such as location, accessibility, transportation facilities, availability of water and its cost, easements, zoning, dedication as to usage, and other influences which fairly and reasonably bear upon the question of values. The value of buildings is the cost of replacement less depreciation, with consideration given to age, condition, utility or obsolescence. Real property owned by the respective governments of the United States, the State of Hawaii and the several counties of the State is exempt from taxation, but is taxable when leased to or occupied by a private entity under certain conditions described in the Tax Ordinance. Real property owned and actually and exclusively used for the exempt purpose by hospitals and religious, educational, community and charitable organizations is also exempt from taxation under certain conditions described in the Tax Ordinance. In addition, real property owned as homes is exempt from taxation to the extent of $40,000, except that such exemption is gradually increased for classes of persons based on age, from $60,000 for persons age 55 to $120,000 for persons age 70 and over. Under Chapter 239, Hawaii Revised Statutes, if a county exempts real property owned or leased (if the lessee is required to pay any real property taxes) by a public service company from real property taxes, the county is entitled to receive a portion of the public service company tax imposed by the State on the gross income of public service companies. Currently, the City does not tax the real property of public service companies, and it included in its budget for the Fiscal Year ending June 30, 2005, approximately $24.5 million for its share of the public service company tax.

Under Ordinance No. 84-30 of the City and County, as amended, real property tax relief is allowed to homeowners 55 years and older with multiple home exemptions whose total household income does not exceed $20,000 annually. The tax relief, in the form of a refund, is the amount by which real property tax due for the year exceeds 5% of the total household income, but such refund is limited to $500 for each eligible homeowner. Beginning in fiscal year 2005, Ordinance No. 03-28 amends the real property tax relief allowed to homeowners 55 years and older with multiple home exemptions by increasing the total household income limit to $26,100 annually, and changing the form from a refund to a credit without limit, provided the tax shall not be less than the minimum tax. Ordinance 04-43 amended the total household income limit from $26,100 to household income not exceeding "the income limits established by the United States Department of Housing and Urban Development for the period that includes the application period for a very low income household adjusted for household size."

By Ordinance No. 93-112 of the City and County, approximately $600,000 in real property taxes annually have been exempted from payment starting in Fiscal Year 1994-95 for native Hawaiians leasing properties as homesteads from the State Department of Hawaiian Home Lands pursuant to the Hawaiian Homes Commission Act of 1920. The minimum real property tax on property of the Hawaiian Home Lands leased as homesteads is currently $100 annually per homestead.

Additionally, to encourage agriculture, the value of land classified and used for agriculture, whether or not dedicated for such use, is the value of such land for such use without regard to its value for its highest and best use. Further, (1) an owner of land, whether such land be situated in an agricultural district, a rural district, a conservation district or urban district, may elect to dedicate such land for a specific ranching or other agricultural use, provided such land is used for such purpose at the time of dedication and was substantially so used for the two-year period preceding the dedication, and if the dedication is approved, such land is thereafter taxed as agricultural land; and (2) land situated in any agricultural district may be dedicated for a specific ranching or other agricultural use for a period of 20 years, and if the dedication is approved, is taxed at 50% of its assessed value in the agricultural use.

From time to time proposals to amend the City and County's real property tax laws are submitted to the Council for consideration. Certain of these proposed amendments, if enacted, could have the effect of reducing the real property tax revenues of the City and County. It is not possible to predict whether or in what form any such proposals may be enacted, or the potential effects of such proposals, if enacted, on the real property tax revenues of the City and County.

The breakdown of assessed valuations by land and improvements of real property in the City and County for Fiscal Year 2005 and the components of assessed valuations by class of property are shown in Table 1 below, with the valuation of governmentally owned real property excluded from both the gross assessed valuation and the exemption valuation. Table 2 shows the net taxable values for each class of property within the City and County and the tax rates applicable thereto for the five Fiscal Years ending June 30, 2001 through 2005.

Table 1

ASSESSED VALUATION OF REAL PROPERTY[(1)]
For Fiscal Year 2005

	Total
Gross assessed valuation	$109,784,146,100
Less exemption valuation	(15,864,776,200)
Assessor's net taxable value	93,919,369,900
Less 50% of valuations on appeal	(1,497,987,355)
Net assessed valuation for rate purposes	$92,421,382,545

(1) At 100% of fair market value.

Table 2

CITY AND COUNTY OF HONOLULU
REAL PROPERTY NET ASSESSED VALUES BY CLASSIFICATION AND TAX RATES
Fiscal Years 2001 – 2005 (values in thousands)

	2001		2002		2003		2004		2005	
Classification[1]	Value	Rate	Value	Rate	Value	Rate	Value	Rate	Value	Rate
Improved Residential	$35,214,673	$3.65	$36,599,278	$3.65	$39,539,794	$3.65	$43,513,027	$3.75	$52,078,717	$ 3.75
Unimproved Residential	731,131	4.66	470,176	4.66	756,845	4.66	701,863	5.35	539,376	5.72
Apartment	13,579,947	4.49	13,518,327	4.21	14,255,474	3.93	16,133,218	3.75	19,832,878	3.75
Hotel/Resort	4,427,483	9.96	4,557,090	9.96	4,574,010	9.96	4,517,828	10.63	4,526,843	11.37
Commercial	9,246,149	9.25	9,160,313	9.25	9,162,362	9.25	9,116,271	10.63	9,025,643	11.37
Industrial	4,560,381	9.39	4,420,053	9.39	4,420,835	9.39	4,370,847	10.63	4,615,760	11.37
Agricultural	407,173	9.89	301,649	9.89	409,468	9.89	386,015	10.63	1,382,516	9.57
Conservation	509,261	9.25	425,294	9.25	430,498	9.25	399,601	10.63	404,535	9.57
Public Service[2]		0.00	219,393	0.00	35,071	0.00	15,870	0.00	15,114	0.00
Total All Classes	$68,676,198		$69,671,573		$73,584,357		$79,154,540		$92,421,382	

[1] Ordinance 02-45 eliminated the requirement to set forth values for land and building separately.
[2] As discussed above, the public service category was established in the fiscal year ended June 30, 2002, but the City does not currently tax property in this category. In lieu of taxing such property, the City receives a portion of the public service tax imposed by the State on the gross income of public service companies.

Assessments are determined as of October 1. Real property taxes are levied on July 1 and billed on July 20 of each year based on assessed valuation as of October 1, and are due in two equal installments on the following August 20 and February 20. Real property taxes receivable as of June 30 of each year are deemed delinquent and amounts which are not collected within sixty days of the end of the Fiscal Year are reported as deferred revenue. A lien for real property taxes attaches as of July 1 of each year. Annual assessments, levies and average tax rates and collection percentages for the Fiscal Years ending June 30, 2001 to 2005 are shown in the table below.

Table 3

STATEMENT OF REAL PROPERTY TAX LEVIES AND COLLECTIONS
SHOWING ASSESSED VALUATIONS AND TAX RATES
Fiscal Years 2001 – 2005 (values in thousands)

Fiscal Year	Net Valuation for Tax Rate Purposes*	Weighted Average Tax Rate Per $1,000	Amount of Levies	Percent of Collections to Levy
2001	$68,676,198	$5.58	$374,099	101.6%
2002	$69,671,573	$5.44	$371,234	103.0%
2003	$73,584,357	$5.26	$383,724	100.6%
2004	$79,154,540	$5.43	$427,171	100.7%
2005	$92,421,382	$5.43	$496,428	NA

* Valuation is 100% of fair market value.

The real property tax revenues of $435.3 million (excluding public service company tax) accounted for 70.0% of the General Fund revenues of $622.3 million for the Fiscal Year ended June 30, 2004.

Table 4

TEN LARGEST REAL PROPERTY TAXPAYERS
For Fiscal Year ending June 30, 2005

Taxpayer[(1)]	Type of Business	Assessed Valuation[(2)]	% of Net Assessed Valuation
Bishop Estate	Educational Trust Estate	$1,162,122,600	1.06%
GGP Ala Moana LLC	Real Estate Management and Leasing	1,008,002,100	0.92%
Kyo-ya Co. Ltd.	Hotel/Resort	$995,492,700	0.91%
Hilton Hawaiian Village LLC	Hotel/Resort	609,017,000	0.55%
Outrigger Hotels Hawaii	Hotel/Resort	472,521,000	0.43%
Azabu Building Company Limited	Hotel/Resort	332,717,200	0.30%
James Campbell Trust Estate	Real Estate	323,274,200	0.29%
Halekulani Corporation	Hotel/Resort	261,711,200	0.24%
Victoria Ward Limited	Shopping Center	258,737,900	0.24%
Dole Food Company	Processed and Fresh Food, Real Estate	191,609,600	0.17%
		$5,615,205,500	5.11%

(1) Taxpayer's name as recorded on real property records.
(2) Assessed valuation as of January 30, 2005, at 100% of market value.

Allocation of State Transient Accommodation Tax. Under Section 237D, Hawaii Revised Statutes, a transient accommodation tax (basically a hotel tax) is collected by the State of Hawaii. The tax was at a rate of 5% until July 1, 1994, when it was increased to 6%. Effective January 1, 1999, the tax rate was increased from 6% to 7.25% to be distributed as follows: 17.3% to the state convention center capital special fund, 37.9% to the state tourism special fund, and 44.8% to the four counties, with the City and County receiving 44.1% of such distribution, or 19.8% of the total. In the Fiscal Year ended June 30, 2004 the City and County received $35.4 million as its allocable share of the State transient accommodation tax, which amount is 5.7% of the General Fund revenues for such year. There can be no assurance that the allocation will continue to be maintained at current levels.

Other Revenues. In addition to the real property tax revenues and revenues from the allocation of the State transient accommodation tax, the City and County receives revenues from State and federal grants, sales of licenses and permits, rentals of City and County-owned property and charges for services, including sewer user charges.

Excise Tax. The State legislature voted to approve a bill allowing counties to impose a 0.5 percent surcharge (to be collected and distributed by the State) on the existing 4.0 percent State general excise tax in order to fund transportation projects. By the terms of the bill, counties have until December 31, 2005 to enact the surcharge (which may be levied after January 1, 2007). Members of the City Council have introduced a bill to impose the surcharge on Oahu, which will be initially considered by the full City Council on May 11, 2005. The Governor has initially indicated that she does not intend to veto the bill, although she has until July 12 to veto bills passed by the State legislature.

Special Revenue Funds

The Special Revenue Funds are utilized to account for the revenues derived from a specific source (other than special assessments) or which are applied to finance specified activities as required by law or administrative regulation. The primary sources of revenues of the Special Revenue Funds are outlined below.

Vehicle Weight Tax. Under Section 249-2, Hawaii Revised Statutes, the counties are authorized to impose an annual tax on the net weight of all vehicles used on the public highways. In accordance with Section 249-13, Hawaii Revised Statutes, the City and County imposes taxes between 2.0 cents per pound and 1.25 cents per pound, depending on the type of vehicle, with a minimum tax of $12.00 per vehicle. Under State law, the counties collect the vehicle weight tax in connection with their vehicle registration and licensing function. The proceeds from the county vehicle weight tax are restricted by Section 249-18, Hawaii Revised Statutes, to highway and related expenditures in the City and County, including $500,000 for police purposes. In fiscal year 2004, the City and County collected $34.9 million of vehicle weight taxes.

County Fuel Tax. The City and County fuel tax, authorized by Section 243-4 and 243-5, Hawaii Revised Statutes, is imposed on liquid fuels sold or used within its jurisdiction, except that it does not apply to aviation fuel; and it is imposed only on that portion of diesel fuel used on the public highways. By Resolution No. 89-92, adopted by the City Council on May 24, 1989, the fuel tax for the City and County was increased from 11.5 cents per gallon to 16.5 cents per gallon, effective July 1, 1989. The proceeds from the fuel tax are limited by Section 243-6, Hawaii Revised Statutes, to expenditures for such purposes as designing, constructing, repairing and maintaining highways, roads and streets, highway tunnel and bridges, street lights and storm drains, and for functions connected with county traffic control and safety. In fiscal year 2004, the City and County collected $49.3 million of fuel taxes.

Public Utilities Franchise Tax. Section 240-1, Hawaii Revised Statutes, requires all electric power companies and gas companies operating as public utilities to pay the county in which business is conducted a tax equal to 2½% of the companies' gross receipts for sales in such county, unless such county in its charters with such utilities has agreed to a lower rate of tax. The rate for such tax in the City and County is the full 2½% for all such utilities. In fiscal year 2004, the City and County collected $25.4 million of such taxes.

Revenues and Expenditures

The General Fund revenues and expenditures, including transfers out for debt service, mass transit subsidy and other purposes, and transfers in for recovery of debt service and other purposes, in Fiscal Year 2000 were $639.5 million and $630.4 million, respectively; in Fiscal Year 2001 were $603.3 million and $620.6 million, respectively; in Fiscal Year 2002 were $657.7 million and $644.9 million, respectively; in Fiscal Year 2003 were $669.8 million and $651.3 million, respectively; and in Fiscal Year 2004 were $718.5 million and $729.0 million, respectively.

DEBT STRUCTURE

Legal Requirements

Debt Limit. The creation of general debt by the counties in the State of Hawaii is governed by the Constitution of the State of Hawaii, the applicable provisions of the Hawaii Revised Statutes and further, in the case of the City and County of Honolulu, by the Revised Charter of the City and County.

The State Constitution provides that the funded debt of each county that is outstanding and unpaid at any time may not exceed 15% of the total of the assessed values for tax rate purposes of real property in such county, as determined by the last tax assessment rolls pursuant to law.

Pursuant to a resolution enacted by the City Council in 1996, the City has adopted debt and financial policies, including the establishment of a contingency reserve, a limitation on debt service as a percentage of General Fund revenues and a limitation on variable rate debt.

Debt Structure and Security. The State Constitution provides that all general obligation bonds with a term of more than two years shall be in serial form maturing in substantially equal installments of principal, or maturing in substantially equal installments of both principal and interest, the first installment of principal to mature not later than five years from the date of issue of such series, and the last installment not later than twenty-five years from the date of such issue; provided that the last installment on general obligation bonds sold to the federal government, on reimbursable general obligation bonds, and on bonds constituting instruments of indebtedness under which a county incurs a contingent liability as a guarantor shall mature not later than thirty-five years from the date of issue of such bonds.

Chapter 47, Hawaii Revised Statutes, is the general law for the issuance of general obligation bonds of the counties, and sets forth the provisions relating to the issuance and sale of general obligation bonds, including details such as method of authorization, maximum maturities, maximum interest rates, denominations, method of sale, form and execution of such bonds and terms of redemptions and refundings.

The Revised Charter of the City and County provides that the City Council, by the affirmative vote of at least two-thirds of its entire membership, may authorize the issuance of general obligation bonds not to exceed the amount and only for the purposes prescribed by the State Constitution. The authorization is enacted in the form of an ordinance.

The State Constitution provides that the interest and principal payments on general obligation bonds shall be a first charge on the general fund of the county issuing such bonds.

Exclusions. In determining the funded debt of a county, the Constitution provides for the following exclusions:

1. Bonds that have matured, or that mature in the then current Fiscal Year, or that have been irrevocably called for redemption and the redemption date has occurred or will occur in the then Fiscal Year, or for the full payment of which moneys or securities have been irrevocably set aside.

2. Revenue bonds, if the issuer thereof is obligated by law to impose rates, rentals and charges for the use and services of the public undertaking, improvement or system or the benefits of a loan program or a loan thereunder or to impose a user tax, or to impose a combination of rates, rentals and charges and user tax, as the case may be, sufficient to pay the cost of operation, maintenance and repair, if any, of the public undertaking, improvement or system or the cost of maintaining a loan program or a loan thereunder and the required payments of the principal of and interest on all revenue bonds issued for the public undertaking, improvement or system or loan program, and if the issuer is obligated to deposit such revenues or tax or a combination of both into a special fund and apply the same to such payments in the amount necessary therefor.

3. Special purpose revenue bonds, if the issuer thereof is required by law to contract with a person obligating such person to make rental or other payments to the issuer in an amount at least sufficient to make the required payment of the principal of and interest on such special purpose revenue bonds.

4. Bonds issued under special improvement statutes when the only security for such bonds is the properties benefited or improved or the assessments thereon.

5. General obligation bonds issued for assessable improvements, but only to the extent that reimbursements to the general fund for the principal and interest on such bonds are in fact made from assessment collections available therefor.

6. Reimbursable general obligation bonds issued for a public undertaking, improvement or system but only to the extent that reimbursements to the general fund for the principal and interest on such bonds are in fact made from the net revenue, or net user tax receipts, or combination of both, as determined for the immediately preceding Fiscal Year.

7. Reimbursable general obligation bonds issued by the State for a county, whether issued before or after November 7, 1978 (the date of ratification of the Constitutional amendments), but only for as long as reimbursement by the county to the State for the payment of principal and interest on such bonds is required by law; provided that in the case of bonds issued after the aforementioned date, the consent of the governing body of the county has first been obtained; and provided further that during the period that such bonds are excluded by the State, the principal amount then outstanding shall be included within the funded debt of such county.

8. Bonds constituting instruments of indebtedness under which the county incurs a contingent liability as a guarantor, but only to the extent the principal amount of such bonds does not exceed seven percent of the principal amount of outstanding general obligation bonds not otherwise excluded herein; provided that the county shall establish and maintain a reserve in an amount in reasonable proportion to the outstanding loans guaranteed by the county as provided by law.

9. Bonds issued by the county to meet appropriations for any fiscal period in anticipation of the collection of revenues for such period or to meet casual deficits or failures of revenue, if required to be paid within one year.

Funded Debt and Debt Margin

Under State law, a political subdivision (such as the City and County) is required annually, as of each July 1, and upon each issuance to determine and certify the amount of its funded debt and exclusions therefrom. Accordingly, a certification has been prepared of the funded debt of the City and County and the exclusions therefrom as of April 6, 2005, and Table 5 sets forth a summary statement of such funded debt and exclusions as of such date. Set forth in Table 6 is a detailed schedule of all outstanding general obligation funded debt of the City and County as of April 6, 2005. Table 7 lists all general obligation funded debt of the City and County as of April 6, 2005.

Table 5

STATEMENT OF FUNDED DEBT
As of April 6, 2005

1. Gross assessed valuation of real property, January 31, 2003			$ 109,784,146,100	
2. Less exempt valuation			15,864,776,200	
3. Assessor's net taxable value			93,919,369,900	
4. Less valuations on appeal			2,995,974,710	
5. Taxpayers' valuation			90,923,395,190	
6. Add 50% of valuation on appeal			1,497,987,355	
7. Net assessed valuation of real property for rate purposes			$ 92,421,382,545	
8. Limit of funded debt as set by the Constitution of the State of Hawaii			$ 13,863,207,382	(a)
9. Funded debt:				
a. General obligation bonds		$ 1,945,201,635		
b. Revenue bonds		885,622,890		(b)
c. Notes payable:				
Federal Government		3,163,133		
State of Hawaii		80,111,134		
d. Special assessment bonds		645,000		
e. Gross funded indebtedness		$ 2,914,743,792		
Less exclusions:				
f. Revenue bonds				
Self-supporting waterworks	$ 216,045,000			
Self-supporting wastewater	669,577,890			
g. General obligation bonds issued for H-Power waste disposal facility	91,875,000			
h. General obligation bonds issued for Housing	104,243,489			
i. General obligation bonds issued for solid waste	81,639,076			
j. General obligation bonds issued for sewer projects	59,029,458			
k. State of Hawaii notes issued for sewer projects	76,601,385			
l. Special assessment bonds	645,000	1,299,656,298		
m. Net funded debt			1,615,087,494	
10. Gross limit of additional funded debt			$ 12,248,119,888	
11. Less general obligation bonds authorized and unissued:				

Authorizing Ordinance	Total Authorized [c]	Amount Issued	Amount Unissued	
Ordinance No. 98-29	$ 178,860,068	$ 177,189,068	$ 1,671,000	
Ordinance No. 99-28	134,888,557	134,773,412	115,145	
Ordinance No. 00-24	199,302,622	196,896,437	2,406,185	
Ordinance No. 01-27	234,939,602	230,628,361	4,311,241	
Ordinance No. 02-27	213,637,425	78,373,425	135,264,000	
Ordinance No. 03-08	173,574,400	-	173,574,400	
Ordinance No. 04-15	146,590,000	-	146,590,000	
	$1,281,792,674	$ 817,860,703	$ 463,931,971	463,931,971

12. Net limit of additional funded debt $ 11,784,187,917

(a) The limit of the funded debt is set at a sum equal to 15% of the net assessed valuation for tax rate purposes of real property.
(b) Does not revenue bonds issued as a conduit issuer for housing.
(c) After deducting authorized amounts which have lapsed pursuant to the Charter of the City and County of Honolulu.

Table 6

GENERAL OBLIGATION FUNDED DEBT
OF THE CITY AND COUNTY OF HONOLULU
As of April 6, 2005

Direct Debt	Effective Interest Rate	Original Amount of Issue	Maturing Serially From/To	Optional Call Dates	Outstanding
General Obligation Bonds:					
April 1, 1977 Series A	4.37100%	$ 5,000,000	1/1/79-11	01/01/1986	$ 1,496,000
July 2, 1990 Series A	7.29949%	169,880,000	7/1/95-08	Non-callable	66,485,000
June 1, 1992 Series One	5.85896%	52,690,000	6/1/94-07	Non-callable	10,385,635
January 1, 1993 Series A	5.85764%	150,000,000	1/1/97-13	Non-callable	17,160,000
April 1, 1993 Series B	5.43923%	611,335,000	10/1/94-13	Non-callable	232,695,000
September 1, 1993 Series C	4.85624%	28,000,000	9/1/98-18	Non-callable	13,895,000
April 1, 1994 Series A	5.62722%	150,000,000	4/1/98-14	Non-callable	23,205,000
November 1, 1995 Series A	5.28686%	100,000,000	11/1/99-15	11/01/2005	10,375,000
September 1, 1996 Series A	5.45420%	100,000,000	9/1/00-16	09/01/2006	7,845,000
November 1, 1997 Series B	5.09054%	83,000,000	11/1/01-17	11/01/2007	15,020,000
November 1, 1997 Series C	5.40595%	157,605,000	11/1/99-10	Non-callable	78,795,000
April 1, 1999 Series B	5.00249%	88,000,000	7/1/03-24[1]	07/01/2009	61,090,000
April 1, 1999 Series C	4.91016%	349,215,000	7/1/01-20	07/01/2009	304,405,000
November 3, 1999 Series D	4.72927%	45,820,000	2/1/01-10	Non-callable	25,390,000
March 1, 2001 Series 2001A	5.09921%	141,500,000	9/1/05-24	09/01/2011	26,290,000
March 1, 2001 Series 2001B	4.07029%	8,500,000	9/1/04-05	Non-callable	4,250,000
June 21, 2001 TECP[2]	Variable	150,000,000	N/A	Non-callable	124,800,000
December 5, 2001 Series 2001C	Variable	250,000,000	12/1/06-20	Undetermined	250,000,000
August 8, 2003 Series 2003A	4.85540%	250,000,000	3/1/08-28	03/01/2013	250,000,000
April 14, 2004 Series 2004A	4.36246%	123,065,000	7/1/05-28	7-1-2014	123,065,000
April 14, 2004 Series 2004B	3.62613%	192,850,000	7/1/08-17	7-1-2014	192,850,000
April 14, 2004 Series 2004C	1.31412%	5,705,000	7-1-05	Non-callable	5,705,000
December 6, 2004 TECP[2]	Variable	100,000,000	N/A	Non-callable	100,000,000
		$3,312,165,000			$1,945,201,635
Notes Payable - Federal Government	5.11600%	$ 5,668,313	6/20/84-16	Non-callable	$ 3,163,133
Notes Payable – State of Hawaii	Various	122,134,649	Various	Non-callable	80,111,13
		$ 127,802,962			$ 83,274,267
Total Gross Direct Debt		$3,439,967,962			$2,028,475,902
Less exclusions:					
Bonds issued for solid waste				$81,639,076	
Bonds issued for housing				104,243,489	
Bonds issued for H-Power waste disposal facility				91,875,000	
Bonds issued for sewer projects				59,029,458	
State of Hawaii Notes issued for sewer projects				76,601,385	413,388,408
Net Funded Debt					$1,615,087,494

(1) Last maturity date is April 1, 2024.
(2) The maximum combined authorized outstanding principal amount of these notes under the City and County's commercial paper program is $250,000,000.

Table 7

CITY AND COUNTY OF HONOLULU
DEBT SERVICE CHARGES ON
OUTSTANDING GENERAL LONG-TERM DEBT
As of April 6, 2005 to Maturity [1]

FY Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest[2]	Other Debt[3] Principal	Other Debt[3] Interest[4]	Gross Debt Service Charges	Reimbursable Debt Principal	Reimbursable Debt Interest	Net Debt Service Charges
2004	$ 3,303,873	$ 12,440,747	$ 3,357,802	$ 1,221,787	$ 20,324,209	$ 3,392,449	$ 932,857	$ 15,998,903
2005	97,801,750	90,507,371	7,164,274	2,823,462	198,296,857	41,693,200	18,810,885	137,792,772
2006	111,477,012	85,037,639	6,426,413	2,636,644	205,577,708	44,307,027	16,262,222	145,008,459
2007	119,539,000	73,531,450	6,586,985	2,447,024	202,104,459	43,965,640	13,884,224	144,254,595
2008	122,954,000	67,257,485	6,754,537	2,249,692	199,215,714	45,406,179	11,354,228	142,455,307
2009	121,775,000	61,054,423	6,923,805	2,049,870	191,803,098	29,137,973	9,423,139	153,241,986
2010	119,516,000	54,176,957	7,098,431	1,825,658	182,617,046	21,196,631	7,978,995	153,441,420
2011	111,960,000	48,352,746	7,277,045	1,602,304	169,192,095	18,580,857	7,081,121	143,530,117
2012	107,140,000	42,866,746	7,462,253	1,381,917	158,850,916	17,487,090	6,280,358	135,083,468
2013	101,800,000	37,521,414	6,347,412	981,349	146,650,175	13,646,038	5,324,508	127,679,629
2014	72,885,000	33,043,520	3,922,840	668,962	110,520,322	10,280,061	4,648,154	95,592,107
2015	75,800,000	29,460,408	3,962,348	519,237	109,741,993	10,664,453	4,148,701	94,928,839
2016	78,865,000	25,729,851	3,713,683	372,314	108,680,848	11,138,023	3,636,400	93,906,425
2017	81,975,000	21,842,798	3,489,015	242,558	107,549,371	11,298,353	3,105,596	93,145,422
2018	64,985,000	18,306,060	2,496,037	130,709	85,917,806	11,236,100	2,559,757	72,121,949
2019	65,345,000	15,189,804	925,851	58,240	81,518,895	8,662,900	2,064,009	70,791,986
2020	67,860,000	12,005,841	507,824	29,820	80,403,485	9,084,497	1,622,696	69,696,292
2021	25,415,000	9,743,272	341,804	13,118	35,513,194	3,966,108	1,298,350	30,248,736
2022	26,725,000	8,425,178	93,596	1,842	35,245,616	4,167,590	1,094,570	29,983,456
2023	28,100,000	7,044,990	-	-	35,144,990	6,578,819	908,095	27,658,076
2024	29,630,000	5,502,640	-	-	35,132,640	2,429,774	599,859	32,103,007
2025	24,375,000	4,214,152	-	-	28,589,152	2,555,358	474,655	25,559,139
2026	25,645,000	2,943,478	-	-	28,588,478	2,686,461	343,004	25,559,013
2027	26,985,000	1,606,440	-	-	28,591,440	2,825,865	204,557	25,561,018
2028	8,545,000	213,625	-	-	8,758,625	2,375,339	59,383	6,323,903
2029	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-
	$ 1,720,401,635	$ 768,019,035	$ 84,851,955	$ 21,256,507	$ 2,594,529,132	$ 378,762,785	$ 124,100,323	$ 2,091,666,024

[1] Excludes Commercial Paper, Issue W dated 6/21/2001, Commercial Paper, Issue H dated 12/1/2004 and self-supporting revenue bonds and state revolving fund notes payable.
[2] An estimate of 4% is used in lieu of actual variable rate for the 12/01/2001 Series C.
[3] Includes:

$ 3,163,133	U.S. Government note payable for City's share of Kaneohe Reservoir Recreation & Fish and Wildlife Development
80,111,134	State of Hawaii notes payable for various sewer projects, storm dewatering facility and storm water equipment
103,084	Lease purchase agreement for City's telephone network
1,474,604	Installment purchase contracts for various fixed assets
$ 84,851,955	

[4] Includes loan fees charged to interest for State of Hawaii notes payable.

Trend of General Obligation Indebtedness

The following table sets forth the trend of outstanding general obligation indebtedness of the City and County as of June 30 of each of the most recent five Fiscal Years. Except for the Bonds to be issued, the City and County has not issued any general obligation bonds or general obligation notes (other than commercial paper notes) subsequent to April 14, 2004.

Table 8

TREND OF GENERAL OBLIGATION LONG-TERM INDEBTEDNESS
Fiscal Years 2000 – 2004

	General Obligation Bonds				
FY Ending June 30	Non-Reimbursable[a]	Reimbursable for Other Purposes[b]	Total General Obligation Bonds	Note Payable	Total General Obligation Debt
2000	$1,055,244,446	$505,547,957	$1,560,792,403	$3,861,202	$1,564,653,605
2001	1,103,083,519	510,263,618	1,613,347,137	3,699,520	1,617,046,657
2002	1,310,484,560	498,061,235	1,808,545,795	3,529,568	1,812,075,363
2003	1,385,330,839	451,025,802	1,836,356,641	3,350,920	1,839,707,561
2004	1,505,216,109	444,667,138	1,949,883,247	3,163,133	1,953,046,380

(a) Direct debt.

(b) Pursuant to the State Constitution, the general obligation bonds issued to finance the H-Power waste disposal facilities, water facilities, sewer treatment facilities, the West Loch Subdivision and other low income housing projects may be classified as reimbursable general obligation bonds based on reimbursements having actually been made to the General Fund of the City and County for payment of the principal of and interest on such bonds from the revenues of such undertakings, as determined for the immediately preceding Fiscal Year.

Reimbursement to General Fund for Debt Service

All general obligation bonds of the City and County are payable as to principal and interest from the General Fund of the City and County. The City Council for certain purposes may require that the General Fund be reimbursed for the payment from such fund of the debt service on such bonds, such reimbursement to be made from any revenues, user taxes or other income derived from the carrying out of such purposes or from assessment collections. To the extent that reimbursements are not made, the City and County would be required to apply other money in the General Fund, including receipts from taxes, to pay debt service on general obligation bonds. As noted in the explanation for the table immediately preceding, reimbursable general obligation bonds have been issued to finance capital projects for water facilities, assessable public improvements, H-Power waste disposal facility, wastewater treatment facilities, the West Loch Subdivision and other low income housing projects. As explained under "DEBT STRUCTURE -- Legal Requirements -- Exclusions," and as shown in the Statement of Funded Debt in Table 6 above, reimbursable general obligation bonds issued for the Board of Water Supply, assessable public improvements, housing projects, H-Power waste disposal facility and wastewater treatment facilities are excluded in determining the funded debt of the City and County beginning in the Fiscal Year when reimbursements are, in fact, made to the General Fund. It is the current policy of the City and County to finance water and sewer improvements with revenue bonds instead of reimbursable general obligation bonds.

Pension Liability

The City and County provides retirement, disability and death benefits for all regular employees of the City and County through the Employees' Retirement System of the State. (See "EMPLOYEE RELATIONS; PENSIONS" herein for a discussion of the County's liability under the Employee's Retirement System of the State for the payment of such benefits).

Leases

The City and County has entered into various capital and operating leases expiring at various dates through 2058. The leases are financed from general resources. Expenditures for such leases approximated $2.0 million for the Fiscal Year ended June 30, 2004, and future expenditures for such leases are projected to be $10.7 million.

Special Assessment Indebtedness

The City and County had outstanding as of June 30, 2004, $1,010,000 principal amount of special assessment bonds of various improvement districts, none of which is subject to the limit on funded debt of the City and County or is a charge against the full faith and credit of the City and County. The City and County has received a request to form a community facilities district and to issue assessment bonds to finance infrastructure.

Revenue Indebtedness

The Board of Water Supply of the City and County has issued revenue bonds in the aggregate principal amount of $221,000,000 (of which $216,045,000 are currently outstanding) to finance capital improvements for the water system of the Board of Water Supply, which are payable from revenues of the water system. Such revenue bonds are payable solely out of revenues, assets and funds pledged under the applicable security documents. Such revenue bonds are limited obligations of the City and County, are excluded for purposes of determining the funded indebtedness of the City and County, and do not constitute a general or moral obligation or a pledge of the full faith and credit or taxing power of the City and County of Honolulu or the State of Hawaii.

The City and County has issued a total of $191,320,000 principal amount of senior revenue bonds and $218,400,000 principal amount of junior revenue bonds to finance improvements to the wastewater system of the City and County, and $264,152,890 principal amount of junior revenue bonds to refund certain reimbursable general obligation bonds of the City and County issued to finance the wastewater system of the City and County. As of April 6, 2005, the outstanding amount of senior and junior revenue bonds were $187,025,000 and $482,552,890, respectively. Such revenue bonds are limited obligations of the City and County, are excluded for purposes of determining the funded indebtedness of the City and County, and do not constitute a general or moral obligation or a pledge of the full faith and credit or taxing power of the City and County of Honolulu or the State of Hawaii.

The City and County has issued and has outstanding private activity revenue bonds for housing purposes for which it served as conduit issuer.

H-Power Waste Disposal Facility and Operating Agreement

The City and County issued approximately $256 million of reimbursable general obligation bonds to finance the acquisition and construction of the H-Power waste disposal facility, which went into commercial operation in May 1990. In 1999, the City and County issued general obligation bonds to refund a portion of the reimbursable general obligation bonds issued for the H-Power waste disposal facility.

Prior to completion of the H-Power waste disposal facility, the City and County entered into a leveraged lease transaction with respect to the facility pursuant to which the facility was sold to an "Owner Trust" and simultaneously leased to a private operator, under a lease which terminates in 2010. Under the terms of such sale, the City and County was obligated to pay the cost of completion of the facility. Pursuant to an operating agreement with such operator (which also terminates in 2010), the City and County will pay the private operator fees in an amount which is expected to be sufficient for such operator to pay lease rentals. The fees under the operating agreement will be paid from disposal fees imposed by the City and County on all users of the facility, including the City and County, from energy and material revenues generated by the facility, from funds appropriated by the City Council for such purpose and from other sources. As consideration for the purchase of the facility, the Owner Trust paid approximately $80 million in cash, issued its mortgage note for the balance of the purchase price and gave the City and County a mortgage on the facility as security for its obligation to make payments on the mortgage note.

The City and County will continue to dispose of its solid waste at the facility pursuant to the operating contract, and is receiving the revenues generated by the facility.

No Default

The City and County has never defaulted on the payment when due of the principal of or interest on any indebtedness.

There are no so-called “moral obligation” bonds of the City and County outstanding or authorized which contemplate a voluntary appropriation by the City Council of General Fund revenues in such amounts as may be necessary to make up any deficiency in either a debt service fund or any other funds or accounts.

BUDGET PROCESS AND FINANCIAL MANAGEMENT

Budgets and Expenditures

The Charter of the City and County provides for (1) an annual executive budget consisting of an operating and capital budget, including a statement of relationships between operating and capital items for the executive branch, and (2) a legislative budget setting forth the expenditures of the legislative branch. Appropriations in the legislative and executive operating budget ordinances are valid only for the Fiscal Year for which made, and any part of such appropriations which has not been expended or encumbered on the basis of firm commitments lapses at the end of the Fiscal Year. Appropriations in the executive capital budget ordinance are valid only for the Fiscal Year for which made and for six months thereafter, and any part of such appropriations which is not expended or encumbered lapses six months after the end of the Fiscal Year.

Expenditures for capital improvements of the City and County, exclusive of capital outlays of the semi-autonomous Board of Water Supply, for the current and last four Fiscal Years are shown in the table below.

Table 9

EXPENDITURES FOR CAPITAL IMPROVEMENTS
Fiscal Years 2001 – 2005
(in million dollars)

		Expenditures[1]						
		Bond Funds			Cash			
Fiscal Year	Grand Total	General Obligation	Sewer Revenue	Total[1]	Federal Grants	Cash[2]	Total	Cash as % of Total
2001[3]	$385.5	$251.9	$ 88.3	$340.2	$26.9	$18.4	$45.3	11.8%
2002[3]	449.5	262.0	170.2	432.2	10.3	7.0	17.3	3.8%
2003[3]	440.0	274.7	144.8	419.5	21.6	2.9	24.5	5.5%
2004	242.8	134.3	61.1	195.4	33.3	14.1	47.4	19.5%
2005[4]	298.2	146.6	111.4	258.0	29.3	10.9	40.2	13.5%

(1) Inclusive of encumbrances.
(2) Funds from current revenues and surplus.
(3) Adjusted for lapses.
(4) Budgeted amounts.

Cash Management and Investments

The investment of funds by the City and County is governed by and conforms to Section 46-50, Hawaii Revised Statutes, which authorizes investments in bonds or interest bearing notes or obligations of the county, of the State, of the United States, or of agencies of the United States for which the full faith and credit of the United States are pledged for the payment of principal and interest; federal land bank bonds; joint stock farm loan bonds; Federal Home Loan Bank notes and bonds; Federal Home Loan Mortgage Corporation bonds; Federal National Mortgage Association notes and bonds; securities of a mutual fund whose portfolio is limited to bonds or securities issued or guaranteed by the United States or an agency thereof; repurchase agreements fully collateralized by any such bonds or securities; bank savings accounts; time certificates of deposit; certificates of deposit open account; bonds of any improvement district of any county of the State; bank, savings and loan association, and financial services loan company repurchase agreements; student loan resource securities including: student loan auction rate securities, student loan asset-backed notes, student loan program revenue notes and bonds, and securities issued pursuant to Rule 144A of the Securities Act of 1933, including any private placement issues, issued with either bond insurance or overcollateralization guaranteed by the United States Department of Education; provided all insurers maintain a triple-A rating by Standard & Poors, Moody's, Duff & Phelps, Fitch, or any other major national securities rating agency; provided in each case the investments are due to mature not more than five years from the date of investment.

Chapter 38-3, Hawaii Revised Statutes, provides for collateralization of all public funds on deposit with banks and savings and loan associations, except that portion of deposits insured under the laws of the United States.

The City and County manages its own portfolio and does not engage in pooled investments, speculate with investments or leverage its investments. The City's philosophy and policy in managing its investments is: first, for safety of public funds; second, for liquidity, so that funds are available when needed; and third, for yield, after the first two considerations are met.

Interest earnings from funds invested by the City totaled $7.9 million in the Fiscal Year ended June 30, 2004, representing an investment yield of 0.98%.

Under the City Charter, the City's Treasury is subject to an audit and verification at such times as necessary, by representatives of the City Council.

Inter-Fund Borrowing

Under State law, the Director of Budget and Fiscal Services may, with the consent of the City Council, use any portion of moneys belonging to any funds under his or her control, except pension or retirement funds, funds set aside for redemption of bonds or the payment of interest thereon, and private trust funds, for the purpose of paying warrants and checks drawn against any fund temporarily depleted. All sums so used are required to be repaid to the credit of the fund from which taken immediately after the replenishment of such depleted fund.

State law also provides that whenever there are moneys in any fund of the City and County, except pension or retirement funds, funds under the control of any independent board or commission, funds set aside for redemption of bonds or the payment of interest thereon and private trust funds, which, in the judgment of the Director of Budget and Fiscal Services of the City and County, are in excess of the amounts necessary for the immediate requirements of the respective funds, and where, in such officer's judgment, such action will not impede the necessary or desirable financial operations of the City and County, said Director may, with the consent of the City Council, make temporary transfers or loans therefrom, without interest, to other funds of the City and County for undertaking public improvements for which the issuance and sale of general obligation bonds have been duly authorized by the City Council. Such transfers shall be made only after passage by the City Council of an ordinance or resolution authorizing the public improvements. Amounts transferred under such statutory authorization shall not exceed the total sum of unissued authorized bonds of the City and County. The funds from which the transfers or loans are made shall be reimbursed by the Director of Budget and Fiscal Services from the proceeds of the bond sales upon the eventual issuance and sale of the bonds, or by appropriations of the City Council.

FINANCIAL INFORMATION AND ACCOUNTING

Independent Audit

The Charter of the City and County requires that at least once every year the City Council obtain an independent audit of the accounts and other evidences of financial transactions of the City and County and of every agency. The audit is made by a certified public accountant or a firm of certified public accountants designated by the City Council. The City and County's auditor for the Fiscal Years ended June 30, 2000, 2001, 2002, 2003 and

2004 is PricewaterhouseCoopers. The basic financial statements of the City and County for the year ended June 30, 2004, may be found at the Website of the City and County at http://www.co.honolulu.hi.us/budget/cafr.htm, or may be obtained from the City and County by request to the attention of the Director of Budget and Fiscal Services, City and County of Honolulu, 530 South King Street, Honolulu, Hawaii 96813. PricewaterhouseCoopers has not reviewed this Official Statement and has no responsibility with respect to this Official Statement.

The financial statements have been prepared in conformity with generally accepted accounting principles, using the accrual basis of accounting. The fund financial statements are prepared on a modified accrual basis, under which expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred and revenues are recorded when earned. Taxes are recorded when levied and other revenues are recorded when they become both measurable and available for the payment of expenses for the current fiscal period. Proprietary fund accounts are maintained on the accrual basis.

Financial Statements

The following four tables set forth the balance sheet and the statement of revenues and expenditures and changes in fund balance for the General Fund and the balance sheet and the combined statement of revenues and expenditures and changes in fund balance for all governmental fund types and expendable trust funds for the Fiscal Years shown in such tables. The information set forth in such financial statements has been prepared by the Director of Budget and Fiscal Services of the City and County based on audited financial statements for the Fiscal Years ended June 30, 2000 to 2004, inclusive, and has been summarized from the Director's Annual Financial Reports for the related Fiscal Years.

Table 10

CITY AND COUNTY OF HONOLULU
GENERAL FUND
BALANCE SHEET
For Fiscal Years Ended June 30, 2000 through June 30, 2004
(In thousand dollars)

	FY Ended June 30, 2000	FY Ended June 30, 2001	FY Ended June 30, 2002	FY Ended June 30, 2003	FY Ended June 30, 2004
ASSETS:					
Cash and Securities	$59,877	$34,330	$58,128	$13,490	$45,964
Receivables:					
Real Property Taxes	6,638	5,950	5,234	4,354	8,265
Other	4,693	19,295	9,206	9,393	8,897
Component unit – CASE fees	8,413	- -	3,326	6,600	3,300
Due from other funds	579	- -	305	58,999	21,571
Total Assets	$80,200	$59,575	$76,199	$92,836	$87,997
LIABILITY AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 5,305	$ 1,323	$ 6,094	$ 3,854	$ 5,089
Checks payable	3,500	2,261	2,507	- -	--
Due to other funds	2,408	300	640	5,271	2,815
Accrued payroll and fringes	- -	3,807	3,686	3,887	3,735
Deferred revenues	10,128	10,348	8,922	7,008	14,041
Total Liabilities	$21,341	$18,039	$21,849	$20,020	$25,680
Fund Balances:					
Reserved for encumbrances	$20,683	$18,189	$19,191	$21,320	$20,838
Unreserved-undesignated	38,176	23,347	35,159	51,496	41,479
Total Fund Balances	$58,859	$41,536	$54,350	$72,816	$62,317
Total Liabilities and Fund Balances	$80,200	$59,575	$76,199	$92,836	$87,997

Table 11

CITY AND COUNTY OF HONOLULU
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For Fiscal Years Ended June 30, 2000 through June 30, 2004
(In thousand dollars)

	FY Ended June 30, 2000	FY Ended June 30, 2001	FY Ended June 30, 2002	FY Ended June 30, 2003	FY Ended June 30, 2004
REVENUES:					
Real property tax	$399,115	$380,098	$407,270	$411,043	$458,116
Licenses and permits	25,969	26,820	25,897	29,340	34,258
Intergovernmental revenues	33,680	35,742	32,063	32,763	35,584
Charges for services	5,110	4,836	3,912	4,250	4,650
Fines and forfeits	222	159	249	303	417
Miscellaneous	124,113	105,184	105,248	92,593	89,245
Total Revenues	$588,209	$552,839	$574,639	$570,292	$622,270
EXPENDITURES:					
Current:					
General government	$ 83,464	$ 86,444	$ 95,817	$ 94,835	$ 94,690
Public safety	178,544	193,692	199,990	222,366	229,602
Highways and streets	1,387	2,964	5,768	2,478	2,076
Sanitation	0	0	0	0	0
Health and Human Resources	12,324	14,327	14,579	1,689	1,403
Culture and recreation	34,859	38,792	41,339	44,578	42,917
Urban redevelopment and housing	0	0	0	0	0
Utilities or other enterprises	8	140	0	0	0
Miscellaneous	67,602	66,112	100,573	88,776	105,914
Capital outlay	86	2,670	0	0	0
Debt service:					
Principal retirement	1,501	1,084	1,207	1,311	1,336
Interest charges	438	362	310	264	205
Total Expenditures	$380,213	$406,587	$459,583	$456,297	$478,143
Excess of Revenues over Expenditures	$207,996	$146,252	$115,056	$113,995	$144,127
OTHER FINANCING SOURCES (USES):					
Inception of installment purchase contracts	$ 86	$ 2,670	$ 0	$ 0	$ 0
Sales of general fixed assets	6,531	117	187	310	10,544
Operating transfer-in	44,714	47,634	82,919	99,180	85,686
Operating transfer-out	(250,211)	(213,996)	(185,348)	(195,019)	(250,856)
Total Other Financing Sources (Uses)	$(198,880)	$(163,575)	$(102,242)	$(95,529)	$(154,626)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	$ 9,116	$ (17,323)	$ 12,814	$ 18,466	$ (10,499)
Fund Balance--July 1	49,743	58,859	41,536	54,350	72,816
Residual equity transfer from other fund	0	0	0	0	0
Fund Balance—June 30	$ 58,859	$ 41,536	$ 54,350	$ 72,816	$ 62,317

Table 12

CITY AND COUNTY OF HONOLULU
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR FISCAL YEAR ENDED JUNE 30, 2004 (AUDITED) WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2003 (AUDITED)
(In thousand dollars)

	Governmental Funds					Totals (Memorandum Only)	
Revenues:	General Fund	Highway Fund	General Obligation Bond and Interest Redemption Fund	General Improvement Bond Fund	Other Governmental Funds	2004	2003
Taxes	$458,116	$74,688	$ -	$ -	$ -	$532,804	$480,851
Special assessments	0	-	-	-	56	56	520
Licenses and permits	34,258	36,907	-	-	2,973	74,138	61,220
Intergovernmental	35,584	-	-	-	145,262	180,846	144,482
Charges for services	4,650	4,462	-	-	13,033	22,145	20,703
Fines and forfeitures	417	5	-	-	235	657	646
Miscellaneous:			-	-			
Reimbursements and recoveries	77,403	263	-	-	10	77,676	78,908
Interest	1,908	-	-	-	565	2,473	3,646
Other - primarily rents, concessions, trust receipts	9,934	1,556	-	-	19,220	30,710	31,165
Total revenues	622,270	117,881	-	-	181,354	921,505	822,141
Expenditures:							
Current:							
General government	94,690	11,827	-	28,176	9,458	115,975	115,067
Public safety	229,602	19,888	-	4,576	6,741	256,231	246,109
Highways and streets	2,076	12,726	-	6,329	162	14,964	13,831
Sanitation	-	692	-	-	-	692	648
Health and human resources	1,403	-	-	-	55,591	56,994	52,007
Culture-Recreation	42,917	-	-	35,282	16,595	59,512	62,260
Utilities or other enterprises	-	1,296	-	-	23,040	24,336	22,557
Miscellaneous:							
Retirement and health benefits	85,664	9,321	-	-	4,143	99,128	82,791
Other	20,250	1,453	-	-	510	22,213	18,864
Capital outlay	-	-	-	74,363	71,292	145,655	193,722
Debt service:				-			
Principal retirement	1,336	-	256,883	-	365	258,584	73,900
Interest charges	205	-	80,488	-	81	80,774	83,164
Total expenditures	478,143	57,204	337,371	74,363	187,978	1,135,058	964,920
Revenues over (under) Expenditures	144,127	60,678	(337,371)	(74,363)	(6,624)	(213,553)	(142,779)
Other financing sources (uses):							
Proceeds of general obligation bonds	-	-	153,435	41,815	63,543	258,793	80,066
Proceeds of tax-exempt commercial paper	-	-	18,022	51,242	30,000	99,264	36,732
Proceeds of long-term notes	-	-	-	-	13	13	2,781
Proceeds of refunding bonds	-	-	275,444	-	-	275,444	-
Payment of refunded bonds	-	-	(275,444)	-	-	(275,444)	-
Sales of general fixed assets	10,544	276	-	-	-	10,820	887
Operating transfers in	85,686	-	165,914	-	23,123	274,723	238,353
Operating transfers out	(250,856)	(63,159)	-	-	(22,213)	(336,228)	(266,021)
Other	-	-	-	(20)	(55,265)	(55,285)	0
Total Other Financing Sources (Uses)	(154,626)	(62,883)	337,371	93,037	39,201	252,100	92,798
Revenues and Other Sources over (under)	(10,499)	(2,205)	-	18,674	32,577	38,547	
Expenditures and Other Uses							(49,981)
Fund Balances – July 1	72,816	26,981	-	(17,079)	47,593	130,311	180,292
Fund Balances – June 30	$ 62,317	$ 24,776	$ -	$ 1,595	$ 80,170	$ 168,858	$ 130,311

Table 13

CITY AND COUNTY OF HONOLULU
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For Fiscal Years Ended June 30, 2000 through June 30, 2004
(In thousand dollars)

	FY Ended June 30, 2000 (1)	FY Ended June 30, 2001	FY Ended June 30, 2002 (2)	FY Ended June 30, 2003(3)	FY Ended June 30, 2004
REVENUES:					
Taxes	$461,255	$448,986	$477,746	$480,851	$532,804
Special assessments	447	445	440	520	56
Licenses and permits	55,157	56,266	56,614	61,220	74,138
Intergovernmental revenues	165,189	170,152	145,439	144,482	180,846
Charges for services	20,489	20,718	18,482	20,703	22,145
Fines and forfeitures	477	366	460	646	657
Miscellaneous	407,685	316,265	454,633	114,391	111,490
Total Revenues	$1,110,699	$1,013,198	$1,153,814	$822,813	922,136
EXPENDITURES:					
Current:					
General government	$348,481	$282,406	$430,133	$115,067	$115,975
Public safety	202,353	218,724	225,186	246,109	256,231
Highways and streets	14,980	15,051	15,138	13,831	14,964
Sanitation	1,083	1,043	856	648	692
Health and human resources	63,892	70,991	66,990	52,007	56,994
Culture-Recreation	68,861	64,975	68,201	62,260	59,512
Utilities or other enterprises	20,582	23,648	23,865	22,557	24,336
Miscellaneous	76,581	75,932	114,757	102,042	121,341
Capital outlay	198,031	203,714	257,866	193,722	146,440
Debt service:					
Principal retirement	69,417	147,703	27,728	73,900	258,584
Interest charges	75,982	77,896	81,205	83,164	80,774
Total Expenditures	$1,140,243	$1,182,083	$1,311,925	$965,307	1,135,843
Revenues over (under) Expenditures	($29,544)	($168,885)	($158,111)	$(142,494)	(213,707)
OTHER FINANCING SOURCES (USES):					
Proceeds of general obligation bonds	$111,500	$150,060	$205,015	$80,066	$258,793
Proceeds of general obligation refunding bonds	38,500	9,300	90,584	36,732	99,264
Proceeds of tax-exempt commercial paper			1,119	2,781	13
Proceeds of long-term notes	6,094	0	1,119	2,781	13
Proceeds of refunding bonds					275,244
Proceeds of refunded bonds					(275,244)
Inception of installment purchase contracts	86	2,670	0	0	0
Sales of general fixed assets	18,006	283	532	887	10,820
Operating transfers-in	230,941	221,828	211,909	238,353	274,723
Operating transfers-out	(348,236)	(288,503)	(253,265)	(288,175)	(336,228)
Payment to refunding bond escrow agent	0	0	0	0	0
Insurance Cost	(918)	0	0	0	0
Expenditures for refunded bonds	(43,500)	(9,300)	(90,584)	0	0
Other	0	0	0	0	(55,285)
Total Other Financing Sources (Uses)	$12,473	$86,338	$165,310	$70,644	252,100
Revenues and Other Sources over (under) Expenditures and Other Uses	($17,071)	($82,547)	$7,199	$(71,850)	38,393
Fund Balances—July 1	240,421	210,015	205,002	206,499	134,649
Residual equity transfers from (to) other funds	(13,335)				
Fund Balances—June 30	$210,015	$127,468	$212,201	$134,649	$173,042

(1) Beginning fiscal year ended June 30, 2000, Sewer and Solid Waste Operations were accounted for as Enterprise Funds and are excluded from the Combined Statement of Revenues, Expenditures and Changes in Fund Balances.
(2) Effective July 1, 2001, the City implemented a new financial reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."
(3) The reclassification of the Treasury Fund and Real Property Tax Trust Fund from Private-Purpose Trust Funds to Agency Funds resulted in a change in the Fund Balances as of June 30, 2002 and July 1, 2002.

EMPLOYEE RELATIONS; PENSIONS

Employee Relations

The State Constitution grants public employees in Hawaii the right to organize for the purpose of collective bargaining as provided by law. Chapter 89, Hawaii Revised Statutes, as amended, provides for 13 recognized bargaining units for all public employees in the State, including City and County employees. Eight of these bargaining units represent City and County employees. (i.e., blue-collar non-supervisory; blue collar supervisory; white-collar non supervisory; white-collar supervisory; institutional health and correctional workers; firefighters; police; and professional scientific). Each bargaining unit designates an employee organization as the exclusive representative of all employees of such unit, which organization negotiates with the public employer. The State and the counties are required to bargain collectively with the bargaining units. Decisions by the employer representatives are determined by simple majority vote, with the Governor having six votes and each of the mayors, Chief Justice and Hawaii Health Systems having one vote for bargaining units involving blue-collar non-supervisory; blue-collar supervisory; white-collar non-supervisory; white-collar supervisory; institutional, health and correctional workers, and professional scientific. For bargaining units involving firefighters and police, the Governor has four votes with each of the mayor having one. Under State law enacted in 1995, if an impasse in any negotiation is declared, the parties may attempt to resolve the impasse through mediation, fact finding and except blue-collar non-supervisory workers (who are permitted by law to strike), final and binding arbitration. Although State law characterizes arbitration as "final and binding" it also provides that all cost items are subject to approval by the respective legislative bodies. State law does not permit the workers in any bargaining unit to strike except the blue-collar non-supervisory workers.

Of the City and County of Honolulu's eight public bargaining units, all have received final and binding arbitration awards or have reached negotiated settlements resulting in two-year contracts beginning July 1, 2005 and ending June 30, 2007.

Pensions

All regular employees of the City and County are covered under the Employees' Retirement System of the State (the "State Retirement System"). Retirement, disability and death benefits provided by the State Retirement System are financed by employee contributions and by employer contributions determined on an actuarial reserve basis. Most contributory employee members contribute 7.8% of compensation to the pension accumulation fund, except that for firefighters, policemen and certain correction officers such contribution rate is 12.2% of compensation.

Actuarial valuations are prepared each year to determine the total employer contribution requirement. In accordance with the statutory funding provisions (Sections 88-122 and 88-123, Hawaii Revised Statutes), including the changes due to Act 327, Session Laws of Hawaii 1997; Act 100, Session Laws of Hawaii 1999; and Act 216, Session Laws of Hawaii 2000, the total employer contribution requirement to the pension accumulation fund is comprised of the normal cost plus the level annual payment required to amortize the unfunded accrued liability over a period of 29 years from July 1, 2000. As of June 30, 2004, the total unfunded actuarial accrued liability for the State Retirement System was estimated to be approximately $3.474 billion. The actuary for the State Retirement System does not provide a breakdown of the unfunded liability for the counties. Historically, the City's contribution has been approximately 14.7% of the total employer appropriation to the State Retirement System.

Each employer's (i.e., the State's or a county's) annual contribution to the State Retirement System is determined by multiplying (1) the total employer contribution requirement derived from the annual actuarial valuation as of the next preceding June 30, by (2) the ratio of that employer's (i.e., the State's and each of the respective county's) payroll over the total covered payroll included in the actuarial valuation. For example, Honolulu's contribution requirement for the 2001-02 fiscal year is based on the June 30, 1999 actuarial valuation and the payroll used in that valuation. The City and County's contribution to the State Retirement System for the last five Fiscal Years, exclusive of costs for employees of the Board of Water Supply, was $10,285,300 for 2000, $1,070,400 for 2001, $34,385,900 for 2002, $18,500,000 for 2003 and $33,300,000 for 2004, including amortization of a portion of prior service cost in each such year. Retirement contributions are funded on an actuarial basis.

A noncontributory retirement plan for certain public employees was created by enactment of Act 108, Session Laws of Hawaii 1984. All persons hired after June 30, 1984, and those contributory members who elected to join the plan, are covered under the provisions of the noncontributory retirement plan. Police officers, firefighters, elected officers and those employed in positions not covered by social security are excluded from the noncontributory retirement plan. Retirement, disability, and death benefits under the noncontributory plan are less than the contributory plan. There is no major change in the City's funding requirements because the cost of the noncontributory retirement plan is about the same as the contributory retirement plan.

In addition to contributions to the State Retirement System, the City and County makes payments under three pension systems established prior to the establishment of the State Retirement System in 1926. These pension systems are administered by the City's Department of Budget and Fiscal Services. At June 30, 2004, there were no pensioners and 12 beneficiaries under these pensions. Such unfunded payments amounted to $92,780 for 2000, $78,561 for 2001, $67,699 for 2002, $53,749 for 2003 and $49,455 for 2004. No estimates have been made of the cost of future benefits.

PENDING LITIGATION

In the normal course of business, claims and lawsuits are filed against the City and County. Generally the City and County is self-insured with respect to general liability claims. In the Fiscal Years ended June 30, 2000, 2001, 2002, 2003, and 2004, judgments against the City and County paid from the General Fund amounted to $2,587,683, $4,235,175, $4,762,200, $3,601,260 and $3,799,617, respectively.

A lawsuit filed against the City in July 2002 as a class action, primarily on behalf of members of the Honolulu Police Department and the Honolulu Fire Department, alleges violations of the Fair Labor Standards Act, including the lack of proper compensation for work performed as a result of pre-shift and post-shift requirements, failure to maintain a proper compensation time system, and incorrect calculation of overtime pay. Discovery is ongoing and while it is premature to accurately estimate any potential liability, the City believes that these claims are not likely to have a material adverse effect on the City's financial position.

A lawsuit filed against the City in July 2004 by the Sierra Club and other environmental groups seeks enforcement of the City's 1995 consent decree with the Environmental Protection Agency and penalties for alleged violations as a result of sewage spills and alleged permit violations pertaining to certain wastewater treatment plants. Since the litigation is presently in the early preliminary motion and discovery phases, the cost of any potential liability for alleged violations or penalties beyond the City's approximate $1.9 billion twenty-year plan to upgrade its collection systems and wastewater treatment plants, is speculative.

The Corporation Counsel also reports that no pending litigation affects the right of the City and County to levy taxes or to issue evidences of indebtedness.

In the opinion of the Director of Budget and Fiscal Services of the City and County, based on the foregoing, the expected liability arising out of pending litigation would not constitute a significant impairment of the financial position of the City and County.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), and the Bonds and the income therefrom are exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of Hawaii tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Certain requirements and procedures contained or referred to in the Ordinances authorizing the Bonds, the Authorizing Certificate, the Tax Certificate of the City and County relating to the Bonds, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and that the Bonds and the income therefrom are exempt from taxation by the State or any political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City and County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City and the County covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City and the County or the beneficial owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and the County and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City and the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the City and the County or the beneficial owners to incur significant expense.

LEGAL MATTERS

All legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City and County. The form of the opinion Bond Counsel proposes to render is set forth in Appendix B hereto. Copies of the approving opinion of Bond Counsel will be available at the time of delivery of the Bonds. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriters by their counsel, McCorriston Miller Mukai MacKinnon LLP, Honolulu, Hawaii.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey, Demgen & Moore Inc. (the "Verification Agent") will verify from the information provided by the Underwriters set forth on the cover page of this Official Statement (the "Underwriters") the mathematical accuracy as of the date of issuance of the Bonds of (1) the computations contained in the schedules provided by the Underwriters to determine that the anticipated receipts from the securities and cash deposits listed in such schedules to be held in escrow will be sufficient to pay when due the principal, interest and call premium payment requirements of the Refunded Bonds, and (2) the computations of yield on both the Federal Securities and the Bonds contained in the schedules provided to Bond Counsel for use in its determination that the interest on the Bonds is excluded from gross income for federal income tax purposes. The Verification Agent will express no opinion on the reasonableness of the assumptions provided to them, the likelihood that the principal of and interest on the Bonds will be paid as described in the schedules provided to them, or the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

BOND RATINGS

It is expected that Fitch Ratings, Moody's Investors Service, and Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., will assign to the Bonds ratings of "AAA", "Aaa" and "AAA", respectively, with the understanding that upon delivery of the Bonds the Policy insuring the payment of the principal of and interest on the Bonds will be issued by MBIA. Such ratings reflect only the respective views of such organizations, and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Inc., One State Street Plaza, New York, New York 10004; Moody's Investors Service, 99 Church Street, New York, New York 10007; Standard & Poor's Ratings Services, 25 Broadway, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies concerned, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by the Underwriters. The Underwriters have agreed to purchase the Bonds at an aggregate purchase price of $400,876,844.38 (equal to the principal amount of the Bonds, plus net premium of $30,350,806.80, less an underwriting discount of $1,243,962.42). The bond purchase contract with respect to the Bonds provides that the Underwriters will purchase all the Bonds if any are purchased.

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 City and County will undertake in a Master Continuing Disclosure Certificate of the City and County, as supplemented, constituting a written agreement for the benefit of the holders of the Bonds (the "Continuing Disclosure Certificate"), to provide to each Nationally Recognized Municipal Securities Information Repository (as referred to in Rule 15c2-12), and others, on an annual basis, certain financial and operating data concerning the City and County, financial statements, notice of certain events if material, and certain other notices, all as described in the Continuing Disclosure Certificate. The undertaking is an obligation of the City and County that is enforceable as described in the Continuing Disclosure Certificate. Beneficial owners of the Bonds are third party beneficiaries of the Continuing Disclosure Certificate. The execution of the Continuing Disclosure Certificate is a condition precedent to the obligation of the Underwriters to purchase the Bonds. The form of the Master Continuing Disclosure Certificate and the proposed form of the Series Certificate for the Bonds are contained in Appendix C.

The City and County has not failed to comply in any material respect with any of its previous continuing disclosure undertakings under Rule 15c2-12.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

MISCELLANEOUS

Additional information may be obtained, upon request, from the Director of Budget and Fiscal Services.

All quotations from, and summaries and explanations of, the State Constitution and laws referred to herein do not purport to be complete, and reference is made to the State Constitution and laws for full and complete statements of their provisions.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of any of the Bonds.

/s/ Mary Patricia Waterhouse
Mary Patricia Waterhouse
Director of Budget and Fiscal Services
City and County of Honolulu

APPENDIX A

ECONOMIC AND DEMOGRAPHIC FACTORS

Introduction

The economy of the City and County of Honolulu is somewhat diversified. Employment is provided by tourism, federal government and military, State and county governments, manufacturing, construction, education, research and science, together with the related activities of trade and services, finance, transportation and communications. A brief description of each of these segments of the economy follows. The economic and demographic statistics are the most recent available from sources used by the City and County.

Oahu is situated between 21 degrees and 22 degrees north latitude, just below the Tropic of Cancer. The climate has an average mean winter temperature of 70.2 degrees and an average mean summer temperature of 78.6 degrees. Oahu has neither the cold of the temperate zones nor the heat and humidity of the tropics. Two modest mountain ranges, the Koolau and the Waianae, intercept the dominant northeast tradewinds. Average rainfall varies widely from one area of Oahu to another. Rainfall is comparatively light in the leeward coastal area where the larger part of the population is located. Waikiki, located on the leeward side of Oahu, has a dry climate with annual precipitation averaging about 27 inches; precipitation in the upper reaches of the Koolau mountains averages about 400 inches a year and provides an adequate supply of water for irrigation use and retention in large subterranean reservoirs for household and industrial uses.

The population of the City and County, based on U.S. Census data, was 353,020 in 1950, 500,409 in 1960, 630,528 in 1970, 762,565 in 1980, 836,231 in 1990 and 876,156 in 2000. The population of the City and County represents approximately 72% of the population of the State of Hawaii.

The per capita income for the City and County for 2002 was $31,707. Gross State Product increased by $3.1 billion from $44.0 billion in 2002 to $47.1 billion in 2003.

Land Use

State law establishes four major land use categories in which all lands in the State are to be placed: urban, rural, agricultural, and conservation. The Hawaii State Land Use Commission is vested with authority for grouping contiguous land areas in all of the counties into one of these four major categories. For the City and County of Honolulu, the permitted major uses are: (1) urban, (2) agricultural and (3) conservation. Conservation lands include mountainous regions unsuitable for urban or agricultural development, lands of a historic or scenic nature and lands having recreational uses. As of December 31, 2003, of the total 386,188 acres on Oahu, 100,730 acres, or 26.1%, were classified urban, 156,619 acres, or 40.6%, were classified conservation, and 128,839 acres, or 33.4%, were classified agricultural.

Visitor Industry

The visitor industry encompasses an array of businesses including hotels, restaurants, airlines, travel agencies, taxis, tour-bus operators, gift shops and other service and recreational industries.

Approximately 6.9 million visitors came to the State of Hawaii by air in 2004, representing an increase of 8.2% from 2003. The domestic arrivals of 4.9 million visitors represented an increase of 7.6% over 2003. The international arrivals of 2.0 million visitors increased by 9.8% compared with 2003. The preliminary average daily visitor (by air) census figure for 2004 was 171,569, or an increase of 6.5% compared to 161,049 in 2003. Oahu has 35,664 hotel rooms, or 50.2% of the total hotel rooms in the State. Hotel occupancy rates on Oahu averaged 79.7% in 2004. More detailed statistics on the visitor industry are as follows:

Table I

SELECTED STATE OF HAWAII AND OAHU VISITOR STATISTICS
1999 – 2004

	1999	2000	2001	2002	2003[R]	2004[P]
Total Arrivals by Air (thousands)	6,741	6,949	6,304	6,389	6,380	6,908
Domestic (thousands)*	4,256	4,447	4,224	4,359	4,531	4,877
International (thousands)*	2,485	2,502	2,079	2,030	1,849	2,030
Domestic average daily visitor census (thousands)*	118.0	123.4	118.1	125.4	123.3	132.0
Domestic average length of stay (number of days)*	10.1	10.2	10.2	10.5	9.9	9.9
International average daily visitor census (in thousands)*	46.4	44.4	40.1	39.2	37.6	39.6
International average length of stay (number of days)*	6.8	6.5[R]	7.0	7.0	7.4	7.1
Hotel inventory-State	71,157	71,506	72,204	70,783	70,977	N/A
Hotel inventory – Oahu	35,861	36,303	36,824	36,457	35,313	N/A
Occupancy-State (percent)	72.1	76.4	69.2	69.7	72.1	77.8
Occupancy – Oahu (percent)	71.9[R]	76.2	68.6	70.5	73.2	79.7
Oahu Average Daily Room Rate	$108	$118	$116	$114	$116	$123

Source: State of Hawaii Department of Business, Economic Development & Tourism.

* In 1998, the Hawaii Visitors and Convention Bureau (now known as the Hawaii Tourism Authority) began reporting visitors as domestic and international instead of eastbound and westbound. For purposes of simplicity, for 1998, "westbound" visitors are reported as "domestic" and "eastbound" visitors as "international."

(R) Revised.

(P) Preliminary, as of April 1, 2005.

The City and County of Honolulu continues to attract major investment in the visitor industry including hotels, restaurants, and recreation facilities. The Ko Olina Resort & Marina is attracting major investors such as Marriott, Ritz Carlton and Centex Homes. The resort has more than $1 billion in planned projects, including an aquarium. The Hyatt Regency Waikiki Resort & Spa began the first phase of a two-phase, $14-million room renovation in April 2004. The Hawaii Prince Hotel Waikiki and Golf Club is undergoing a $1.9 million renovation. The Waikiki Improvement Association continues with revitalization projects of Waikiki, including the Kuhio Avenue Improvements project, running from Kalakaua to Kapahulu Avenue, which, among other things, will enhance landscaping and widen sidewalks.

In addition to hotel and restaurant development, the Royal Hawaiian Shopping Center will undergo a major renovation at the end of 2005. The project's completion date is December 2005. The International Marketplace will undergo a $100-$150 million renovation. The project will begin in 2005 and will reach completion sometime in 2007. Lastly, the Bishop Museum is constructing a new $40 million Science Learning Center that will introduce visitors to Hawaii's natural world. The new facility is expected to open some time in calendar year 2005.

Outrigger Enterprises Inc. is continuing with its estimated $460 million redevelopment project for Waikiki. The Waikiki Beach Walk is the largest development project ever to be undertaken in Waikiki's history. Nearly eight acres along Lewers Street will be completely rebuilt as a showcase and gathering place in the new Waikiki. An outdoor entertainment plaza, forty new retailers, six name brand restaurants, and four hotels will welcome visitors and island residents alike to redefine the Waikiki experience.

The first phase of the project, which broke ground in April 2005, will be expected to be completed by late 2006. This first phase relates to the construction of forty retailers and six name brand restaurants, and a street-level open-air promenade and entertainment plaza will emerge along the length of Lewers Street between Kalakaua Avenue and Kalia Road. It will also include the development by Fairfield Resorts, Inc., the world's largest vacation ownership company, of 195 deluxe vacation ownership units through an extensive renovation of the former Ohana Reef Towers hotel. In addition, a new deluxe twin-tower hotel will be created through an extensive renovation of the current Ohana Waikiki Village and Ohana Waikiki Tower hotels, consisting of 421 suites, including 17 two-bedroom suites, 352 one-bedroom suites, and 52 hotel room suites.

The second phase of the project, which is expected to commence in late 2005, will involve the development of the block bordered by Saratoga Road, Beach Walk, and Kalia Road. It is expected that the Outrigger Reef and the Ohana Islander Waikiki will undergo renovation to improve upon its guest rooms as well as public areas. Lastly, it is expected that the proposed Saratoga Tower, which will serve as a mixed-use tower, will be built on the 49,250 square foot site where the Ohana Royal Islander hotel, Ohana Lanai hotel, Malihini and Hale Pua Nui apartments are currently located.

Hawaii continues to be an attractive market for the cruise ship industry. Since December 2001, Norwegian Cruise Lines has operated passenger cruises that have included a required stopover in the Republic of Kirabati to comply with federal restrictions on foreign flagged vessels. In 2003, Norwegian obtained an exemption from federal maritime law to operate three foreign built ships under the U.S. flag in Hawaii. Two of these ships were partially constructed under Project America, a loan guarantee provided by the Maritime Administration for American Classic Voyages to build two cruise vessels in a U.S. shipyard for use in Hawaii. Norwegian purchased the partially build vessels upon the bankruptcy of American Classic Voyages. One of these ships, the Pride of America is currently under construction and anticipated to be in Hawaii in late July, 2005. A third ship, the Pride of Aloha, is an existing foreign built vessel, and commenced service in July, 2004. The State's Harbors Division has several projects under design to improve certain terminal facilities statewide to accommodate the increased activity. The construction of a new cruise passenger terminal at Pier 2, Honolulu Harbor, began in April 2005 and is expected to be completed in early November 2005. Design of subsequent improvements at Pier 2, including construction of a boarding gangway and offices for U.S. Customs is ongoing.

Employment

At the end of 2003, employment was estimated to be 419,550 and the unemployment rate was estimated to be 3.9%. The following table sets forth certain employment statistics for the most recent five years for which data are available.

Table II

EMPLOYMENT STATISTICS -- CITY AND COUNTY OF HONOLULU
1998 – 2003[(1)]

	1998	1999	2000	2001	2002	2003
Civilian Labor Force	433,800	430,200	430,200	438,950	429,350	436,480
Employment	410,550	408,950	414,100	421,250	412,650	419,550
Unemployment	23,300	21,250	16,100	17,700	16,700	16,900
Unemployment Rate	5.4%	4.9%	3.7%	4.0%[(1)]	3.9%	3.9%
Total Job Count[(2)]	403,150	403,700	414,300	415,800	414,900	421,750

Source: State of Hawaii Department of Business, Economic Development & Tourism.
(1) Data for 1998 and 1999 have been revised to reflect 2000 census data. Data for 2000, 2001 and 2002 have been benchmarked but are preliminary pending further review. Data for 2003 have been benchmarked.
(2) Refers to number of jobs rather than number of persons employed.

Federal Government and Military

Total expenditures by the federal government in the State of Hawaii amounted to $11.3 billion during Fiscal Year 2003, representing an 8.6% increase over the preceding year. Of the total, $4.5 billion was expended for defense, an increase of 13.1% over the prior year. The remaining $6.8 billion was expended for nondefense activities in the State, principally for health, education, welfare and transportation. Federal government outlays for both defense and nondefense activities are among the largest expenditures in the State of Hawaii.

The large military establishment maintained in Hawaii is almost entirely on the Island of Oahu. Members of the armed services, as of September 30, 2003, totaled 33,773, an increase of 4.3% since 1999. Civilian dependents of these military personnel numbered 46,102. In addition to uniformed personnel and their dependents, the military agencies in Hawaii provided employment for some 16,602 civilians in 2003. Pearl Harbor, located on the island of Oahu, is home of the Commander-in-Chief of the United States Pacific Fleet and headquarters of the Third Fleet. Pearl Harbor will become the home of the USS Hawaii, the third Virginia Class submarine being built. The command stretches from the West Coast of the Americas to the Indian Ocean and from the North Pole to the South Pole.

The U.S. military has announced plans and begun the process of privatizing the military housing stock on Oahu. The plans, at various stages by each branch of service, calls for nearly $2 billion in bonds coupled with approximately $8 million from developers to be spent over the next 10 years for the renovation, demolition and new construction of over 16,000 homes, as well as community centers and landscaping improvements.

The largest privatized military housing transaction to date (approximately $1.49 billion) sold in April 2005 with proceeds expected to fund costs associated with the design, demolition, construction and renovation of 8,132 housing units in six military multi-family rental housing communities on Oahu. At the end of the development period (scheduled for 2015), a total of 7,894 new family housing units are expected to be in place as well as construction of eleven community centers that will offer swimming pools, water parks and tot lots. The scope of work is expected to take ten years to complete with construction spread over three phases.

Projects currently in progress include a construction project by the U.S. Navy to make Ford Island the center of Pearl Harbor Naval Base operations. This project is part of a master development project that will eventually add 430 new navy housing units to the island by 2007. The infrastructure phase will require the services of 250 construction workers and at the peak of construction could potentially provide employment to approximately 400 local workers. The work involves installing new electrical and telecommunication systems, as well as major improvements to the sewer system and roadways. Once infrastructure work is complete, construction of the new housing units will begin. This project is one part of several large military housing projects in Hawaii scheduled over the next decade that are expected to add several billion dollars to the local economy.

Total federal civilian employment, including both defense and nondefense agencies (Postal Service, Internal Revenue Service, the Social Security Administration, etc.), in Hawaii in 2004 was approximately 31,450.

State and County Governments

With Honolulu as the State capital, most State government activity is concentrated on the Island of Oahu. In 2004, the State government generated 71,500 jobs, of which approximately 77.2% were located on Oahu. The largest number of employees work in the public education and university system, with 80.3% of these employed in Oahu. The City and County of Honolulu government generated 11,500 jobs in 2004.

Construction

Construction activity statewide amounted to $4.9 billion in 2004, with the bulk of the activity generated on Oahu. For 2004, the construction, natural resources and mining industry generated 29,300 jobs, or 5.0% of the total non-agricultural job count of the State. Construction contracting receipts, as summarized by the State of Hawaii Department of Taxation (in its General Excise and Use Tax Base), decreased 5.7% in 1995, increased 4.8% in 1996, decreased 10.4% in 1997, increased 2.4% in 1998, decreased .8% in 1999, and increased 20.8%, 4.2%, 13.5% and 6.1% in 2000, 2001, 2002 and 2003, respectively. The value of building permits, a measure of future construction, increased 26.7% in 2003. Expenditures for capital improvements of the City and County amounted to over $298 million in Fiscal Year 2004. See also "Visitor Industry" above for a description of certain construction projects related to the visitor industry. Table III shows the estimated value of construction authorizations for private buildings for the State of Hawaii as a whole and for the City and County of Honolulu for the last ten years for which such information is available.

Table III

ESTIMATED VALUE OF BUILDING PERMITS
1994 – 2003
(in thousands of dollars and percentage change from the previous year)

Year	State	% Change from Prior Year	City & County of Honolulu	% Change from Prior Year
1994	1,612,899	7.8%	1,073,264	11.9%
1995	1,531,317	-5.1%	980,703	-8.6%
1996	1,117,760	-27.0%	698,697	-28.8%
1997	1,179,182	5.5%	772,825	10.6%
1998	1,054,281	-10.6%	624,226	-19.2%
1999	1,320,218	25.2%	706,358	13.2%
2000	1,513,073	14.6%	694,223	-1.7%
2001	1,585,739	4.8%	682,660	-1.7%
2002	1,772,027	11.7%	876,049	28.3%
2003	2,352,720	32.4%	1,109,568	26.7%

Source: State of Hawaii Department of Business, Economic Development and Tourism (compiled monthly from county building departments).

Diversified Manufacturing and Agriculture

Manufacturing, other than sugar milling and pineapple canning, consists principally of manufacturing cement (one plant), refining oil (two refineries), and converting oil into synthetic natural gas (one plant). Other activities include the manufacturing of garments, plastic and concrete pipe, jewelry and gift items, and the processing and packaging of tropical fruits, nuts and other food items. Manufacturing is a relatively small sector in the State's and the City and County's economy.

Education, Research and Science

The main campus of the University of Hawaii is located on Oahu, as are four community colleges, three private universities, and one private college. The federally funded East-West Center is adjacent to the Manoa Campus of the University of Hawaii. Research and development activity in Honolulu is expanding, particularly in the fields of oceanography, geophysics and biomedicine. The University of Hawaii has 14 research units which are funded by the State of Hawaii, the six largest of which are the Hawaii Institute of Tropical Agriculture and Human Resources, the Institute for Astronomy, the Hawaii Institute of Geophysics, the Pacific Biomedical Research Center, the Curriculum Research and Development Group, and the Cancer Research Center of Hawaii. In addition, the University of Hawaii broke ground for its $150 million new medical school in October 2002 in the Kakaako District of Honolulu. The first building, which includes classrooms, was completed in January 2005, with the second building, the Biomedical Research Building, to be completed in August 2005. The first classes in the new school began in April 2005. Construction of the project is on schedule and under budget. Federal government research agencies in Honolulu include the U.S. Bureau of Commercial Fisheries and the Environmental Science Services Administration. Among private research organizations on Oahu are the Oceanic Institute and the Bishop Museum. The three high technology centers located on Oahu are the Mililani Technology Park, the Kaimuki Technology Enterprise and the Manoa Innovation Center.

Trade and Services

The economy of both the City and County and the State as a whole is heavily trade and service-oriented, largely because of the heavy volume of purchases by visitors to the State, including approximately 6.9 million who arrived in 2004. Another reason for the high volume of trade and service activity is the above-average per capita personal income of the resident population, which ranks among the top ten states in terms of growth since 2003 (5.6%). Total retail trade in Hawaii was approximately $18.8 billion in 2003 a 0.4 increase over the previous year. Wholesale trade activity amounted to $9.7 billion in 2003, an increase of 4.6% from the previous year. Of the

State's non-agricultural job count of 591,850 (as of February 2005), the retail sector generated 67,650 jobs (a 4% increase) and the wholesale sector generated 17,250 jobs (a 3% increase). Services accounted for $7.9 billion in activity.

Finance

Honolulu has a full range of financial services, including banks, savings and loan associations and industrial loan companies. Branch banking is permitted in Hawaii. As of December 31, 2003, total assets of all State of Hawaii chartered financial institutions, including banks, trust companies and savings and loan associations, were reported at $24.0 billion. The four state chartered banks (196 branches) in Hawaii had combined assets of some $23.5 billion. In addition, two state chartered financial services companies that issue investment certificates, with assets of $474.2 million.

Transportation

All parts of the City and County Honolulu are connected by a comprehensive network of roads, highways, and freeways, and all of the populated areas of the island are served by a bus transit system, named the "Best Bus System in America" by a national transit publication most recently in 2001. The State legislature voted to approve a bill allowing counties to impose a 0.5 percent surcharge (to be collected and distributed by the State) on the existing 4.0 percent State general excise tax in order to fund transportation projects. See "CITY AND COUNTY REVENUES – General Fund – Excise Tax" in the forepart of this Official Statement. The State and the City and County also are currently collaborating to develop plans to alleviate traffic congestion on Oahu.

Honolulu is the hub of air and sea transportation for the entire Pacific. Honolulu International Airport is located approximately five miles by highway from the center of the downtown area of Honolulu. It has four runways, of which two, at 12,001 feet and 12,357 feet, respectively, are among the nation's longest. According to preliminary data from the publication of the Airports Council International, Honolulu International Airport is one of the busiest air terminals in the world, ranking 45th in the world and 25th in the United States in total passengers serviced in 2003. Honolulu International Airport is the fifth busiest airport in the Pacific Rim, after Tokyo International Airport (Haneda), Los Angeles International Airport, San Francisco International Airport and New Tokyo International Airport (Narita). Approximately 60 aircraft can be handled at one time at the terminal complex, including 36 wide-bodied aircraft.

As of April, 2005, Honolulu International Airport has scheduled air service to/from 23 North American destinations and 12 international destinations across the Pacific. Oahu's strong tourism market has led to demand for additional airline seats into Honolulu. Notable new air service additions include flights to/from Honolulu and Nagoya, Japan (Continental), Portland (Hawaiian), Oregon (Hawaiian), San Francisco (Northwest), Sydney, Australia (Hawaiian) and Reno, Nevada (Aloha). During the same period, additional direct services were reinstated to Chicago by United and to Los Angeles by Northwest. Hawaiian Airlines and Aloha Airlines continue to operate under federal bankruptcy protection. This has resulted in the elimination of all south and west pacific flights by Aloha, and a further reduction in the frequency of inter-island flights by both airlines.

Honolulu Harbor is the hub of the State's Statewide System of Harbors, where it serves as a major distribution point of overseas cargo to the neighbor islands and a primary consolidation center for export of overseas cargo. Overseas and interisland cargo tonnage handled through the Honolulu Harbor was 8.2 million short tons in fiscal year 2002, 8.0 million short tons in fiscal year 2003, and 9.4 million short tons in fiscal year 2004. The State manages, maintains and operates the statewide harbors system to provide for the efficient movement of cargo and passengers. Matson Navigation Co. and Horizon Lines (formerly CSX Lines) are the primary shipping lines to/from the mainland U.S. Young Brothers provides interisland shipping services. A new provider, Pasha Transport Hawaii, began auto-hauling services to/from the mainland U.S. in March 2005, and a fourth mainland shipping line, Ocean Blue Express Inc., has announced plans to begin service this year.

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

City and County of Honolulu
Honolulu, Hawaii

Re: City and County of Honolulu, General Obligation Bonds
Series 2005A, Series 2005B, Series 2005C and Series 2005D
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City and County of Honolulu (the "City") of $371,770,000 aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2005A, Series 2005B, Series 2005C and Series 2005D (the "Bonds"), pursuant to the provisions of Chapter 47, Hawaii Revised Statutes (the "Act"), a Certificate of the Director of Budget and Fiscal Services of the City dated May __, 2005 (the "Certificate"), and a bond authorizing ordinance and resolution adopted by the City Council and identified in the Certificate (the "Bond Proceedings").

In such connection, we have reviewed the Bond Proceedings, the Certificate, the Tax Certificate of the City, dated the date hereof (the "Tax Certificate"), an opinion of the Corporation Counsel of the City, certificates of the City and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Bond Proceedings, the Certificate, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Proceedings, the Certificate and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Bond Proceedings, the Certificate and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against counties in the State of Hawaii. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, waiver or severability provisions contained in the documents described in the second paragraph hereof. 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.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the City.

2. The Certificate has been duly executed and delivered by the Director of Budget and Fiscal Services; and the Certificate constitutes the valid and binding obligation of the City.

3. Under the Act, the City is obligated to levy ad valorem taxes, without limitation as to rate or amount, for the payment of the Bonds and the interest thereon, upon all the real property within the City subject to taxation by the City.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and the Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX C

FORM OF MASTER CONTINUING DISCLOSURE CERTIFICATE
[Excluding Signatures and Exhibit to Master Certificate]

MASTER CERTIFICATE OF THE DIRECTOR OF FINANCE OF THE CITY AND COUNTY OF HONOLULU, HAWAII, PROVIDING FOR CONTINUING DISCLOSURE

I, the undersigned, RUSSELL W. MIYAKE, being the duly appointed Director of Finance (the "Director of Finance") of the City and County of Honolulu, Hawaii (the "City and County"), and under Part I of Chapter 47, Hawaii Revised Statutes, as amended, and the Revised Charter of the City and County, the officer having the responsibility for issuing, selling, paying interest on and redeeming bonds, notes and other instruments of indebtedness of the City and County authorized by the Council thereof, DO HEREBY CERTIFY as follows:

ARTICLE I

PURPOSE AND DEFINITIONS

Section 1.1. *Purpose.* This Certificate shall constitute a written undertaking for the benefit of the Holders of the Bonds, and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. *Definitions.* The following terms used in this Certificate shall have the following respective meanings:

"*Annual Financial Information*" means, collectively, (i) the financial information and operating data with respect to the City and County for each Fiscal Year of the City and County of the type included in the Series 1995A Official Statement under the headings "DEBT STRUCTURE," "CITY AND COUNTY REVENUES," "FINANCIAL INFORMATION AND ACCOUNTING," "EMPLOYEE RELATIONS; PENSIONS," and "PENDING LITIGATION;" and (ii) the information regarding amendments to this Certificate required pursuant to Sections 3.2(c) and (d) of this Certificate. Audited Financial Statements, if available, or Unaudited Financial Statements shall be included in the Annual Financial Information as described in Section 2.1(c) of this Certificate.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information.

"*Audited Financial Statements*" means the annual financial statements, if any, of the City and County, audited by such auditor as shall then be required or permitted by State law or the Charter of the City and County. Audited Financial Statements shall be prepared in accordance with GAAP; *provided, however,* that the City and County may from time to time, if required by federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(d) of this Certificate shall include a reference to the specific federal or State law or regulation describing such accounting principles.

"*Beneficial Owner*" means any person who (i) has the power, directly or indirectly, to vote or consent with respect to, or dispose of ownership of, any Bonds (including a person who holds Bonds through a nominee, depository or other intermediary), or (ii) is treated as the owner of any Bonds for federal income tax purposes.

"*Bonds*" means any general obligation bonds issued by the City and County and identified in a Series Certificate.

"*Counsel*" means Hawkins, Delafield & Wood or other nationally recognized bond counsel or counsel expert in federal securities laws.

"*Director of Finance*" means any duly appointed director of finance or deputy director of finance of the City and County.

"*GAAP*" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board.

"*Holder*" means any person who shall be the registered owner, or his duly authorized attorney-in-fact, representative or assign, of any Bond.

"*Material Event*" means any of the following events with respect to the Bonds, whether relating to the City and County or otherwise, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(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) adverse tax opinions or events affecting the tax-exempt status of the security;

(7) modifications to rights of security holders;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the securities; and

(11) rating changes.

"*Material Event Notice*" means notice of a Material Event.

"*MSRB*" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"*NRMSIR*" means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs as of the date of this Certificate are Bloomberg L.P. (Princeton, NJ), Disclosure, Inc. (Bethesda, MD), Kenny Information Systems (New York, NY), Moody's Investors Service (New York, NY), and Thomson Municipal Services Inc. (New York, NY). Filing information relating to such NRMSIRs is set forth in Exhibit A hereto.

"*Official Statement*" means the "final official statement," as defined in paragraph (f)(3) of the Rule.

"*Rule*" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Certificate, including any official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

"*SEC*" means the United States Securities and Exchange Commission.

"*Series Certificate*" means any certificate executed by the Director of Finance as described in Section 3.3 of this Certificate extending the benefits of this Certificate to the Beneficial Owners, Holders and Underwriters of Bonds of a Series.

"*Series 1995A Official Statement*" means the Official Statement of the City and County relating to its General Obligation Bonds, Series 1995A.

"*SID*" means, at any time, a then-existing a state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. As of the date of this Certificate, there is no SID.

"*State*" means the State of Hawaii.

"*Supplemental Certificate*" means any certificate executed by the Director of Finance as described in Section 3.2 of this Certificate amending the provisions of this Certificate.

"*Unaudited Financial Statements*" means the same as Audited Financial Statements, except that they shall not have been audited.

"*Underwriter*" means any original underwriter of a Series of Bonds who is required to comply with the Rule and who is identified in a Series Certificate.

ARTICLE II

THE UNDERTAKING

Section 2.1. *Annual Financial Information.* (a) The City and County shall provide Annual Financial Information with respect to each Fiscal Year of the City and County, commencing with the Fiscal Year ending June 30, 1996, by no later than eight months after the end of the respective Fiscal Year, to each NRMSIR and the SID. The City and County may provide Annual Financial Information by specific reference to documents (i) either (1) provided to each NRMSIR existing at the time of such reference and the SID or (2) filed with the SEC, or (ii) if such document is an Official Statement, available from the MSRB. The City and County may provide Annual Financial Information in one document or multiple documents comprising a package, and at one time or in part from time to time.

(b) The City and County shall provide, in a timely manner, notice of any failure of the City and County to provide the Annual Financial Information by the date specified in subsection (a) above to (i) either the MSRB or each NRMSIR, and (ii) the SID.

(c) If Audited Financial Statements are not provided as part of Annual Financial Information by the date required by Section 2.1(a) of this Certificate, the City and County shall provide (i) as part of the Annual Financial Information, Unaudited Financial Statements in a format similar to the unaudited financial statements contained in the Series 1995A Official Statement under the heading "CITY AND COUNTY REVENUES -- Financial Statements," and (ii) Audited Financial Statements, when and if available, to each NRMSIR and the SID.

(d) The City and County's current Fiscal Year is July 1 of a calendar year to June 30 of the succeeding calendar year. The City and County shall promptly notify (i) each NRMSIR, and (ii) the SID of each change in its Fiscal Year.

Section 2.2. *Material Event Notices.* (a) If a Material Event occurs, the City and County shall provide, in a timely manner, a Material Event Notice to (i) either the MSRB or each NRMSIR, and (ii) the SID.

(b) Upon any legal defeasance of any Bonds of a Series, the City and County shall provide notice of such defeasance to (i) each NRMSIR or the MSRB and (ii) the SID, which notice shall state whether such Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

(c) Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Bonds.

Section 2.3. *Additional Disclosure Obligations.* The City and County acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City and County, and that under some circumstances compliance with this Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the City and County under such laws.

Section 2.4. *Additional Information.* Nothing in this Certificate shall be deemed to prevent the City and County from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Certificate. If the City and County chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Certificate, the City and County shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information or Material Event Notice.

Section 2.5. *No Previous Non-Compliance.* The City and County represents that since July 3, 1995, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

Section 2.6. *Transmission of Information and Notices.* Unless otherwise required by law and, in the City and County's sole determination, subject to technical and economic feasibility, the City and County shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the City and County's information and notices.

ARTICLE III

TERMINATION, AMENDMENT, ENFORCEMENT, BENEFICIARIES AND DISSEMINATION AGENT

Section 3.1. *Termination.* (a) The City and County's obligations under this Certificate with respect to the Bonds of each Series shall terminate upon (i) a prior redemption or payment in full of all of the Bonds of such Series, or (ii) a legal defeasance of all of the Bonds of such Series.

(b) This Certificate, or any provision of this Certificate, shall be null and void in the event that there is delivered (i) to the Director of Finance an opinion of Counsel, addressed to the City and County, to the effect that those portions of the Rule which require this Certificate, or any of the provisions of this Certificate, respectively, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) copies of such opinion to each NRMSIR and the SID.

Section 3.2. *Amendment.* (a) This Certificate may be amended by a Supplemental Certificate of the Director of Finance, without the consent of the Holders of the Bonds, if all of the following conditions are satisfied:

(1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules

or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City and County or the type of business conducted thereby;

(2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(3) there shall have been delivered to the Director of Finance, an opinion of Counsel, addressed to the City and County, to the same effect as set forth in clause (2) above;

(4) there shall have been delivered to the Director of Finance, an opinion of Counsel or a determination by a person, in each case unaffiliated with the City and County (such as bond counsel) and acceptable to the City and County, addressed to the City and County, to the effect that the amendment does not materially impair the interests of the Holders of the Bonds; and

(5) the City and County shall have delivered copies of such opinion(s) and amendment to each NRMSIR and the SID.

(b) In addition to subsection (a) above, this Certificate may be amended and any provision of this Certificate may be waived by a Supplemental Certificate of the Director of Finance, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Certificate which is applicable to this Certificate, (2) there shall have been delivered to the Director of Finance an opinion of Counsel, addressed to the City and County, to the effect that performance by the City and County under this Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule as amended or officially interpreted and (3) the City and County shall have delivered copies of such opinion and amendment to each NRMSIR and the SID.

(c) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided pursuant to this Certificate, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. Notice of such amendment shall be provided by the City and County to (i) either the MSRB or each NRMSIR and (ii) the SID.

Section 3.3. *Benefit; Third-Party Beneficiaries; Enforcement.* (a) By execution of a Series Certificate identifying the Underwriters and the Bonds of a Series, the provisions of this Certificate shall inure solely to the benefit of such Underwriters and the Holders from time to time of such Bonds. Beneficial Owners of such Bonds shall be third-party beneficiaries of this Certificate.

(b) Except as provided in this subsection (b), the provisions of this Certificate shall create no rights in any person or entity. The obligations of the City and County to comply with the provisions of this Certificate shall be enforceable by any Holder of outstanding Bonds; provided, however, that such right to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City and County's obligations under this Certificate. In consideration of the third-party beneficiary status of Beneficial Owners of Bonds pursuant to subsection (a) of this Section, Beneficial Owners shall be deemed to be Holders of Bonds for purposes of this subsection (b).

(c) Any failure by the City and County to perform in accordance with this Certificate shall not constitute a default under any ordinance or resolution of the City Council authorizing the Bonds of any Series or any certificate of the Director of Finance providing for the issuance of the Bond of a Series.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Section 3.4. *Dissemination Agent.* The Director of Finance, on behalf of the City and County, shall disseminate the Annual Financial Information, the Audited Financial Statements, the Unaudited Financial Statements, the Material Event Notices and all other information and notices as described in this Certificate. The Director of Finance may appoint one or more agents to disseminate such information and notices.

Dated this 15th day of November, 1995.

FORM OF SERIES CERTIFICATE OF THE DIRECTOR OF BUDGET AND FISCAL SERVICES OF THE CITY AND COUNTY OF HONOLULU, PROVIDING FOR CONTINUING DISCLOSURE

I, the undersigned, MARY PATRICIA WATERHOUSE, being the duly appointed Director of Budget and Fiscal Services (the "Director of Budget and Fiscal Services") of the City and County of Honolulu (the "City and County"), and under Part I of Chapter 47, Hawaii Revised Statutes, as amended, and the Revised Charter of the City and County, the officer having the responsibility for issuing, selling, paying interest on and redeeming bonds, notes and other instruments of indebtedness of the City and County authorized by the Council thereof, DO HEREBY CERTIFY that: (i) this Certificate is a Series Certificate as defined in Section 1.1 and described in Section 3.3 of the Master Certificate of the Director of Finance of the City and County of Honolulu, Hawaii, Providing for Continuing Disclosure, dated November 15, 1995 (the "Master Certificate"); (ii) UBS Financial Services Inc., J.P. Morgan Securities Inc. and Merrill Lynch & Co., as Underwriters of the City and County General Obligation Bonds, Series 2005A, Series 2005B, Series 2005C and Series 2005D, dated the date of issuance thereof (the "Series 2005 Bonds"), shall be beneficiaries of the Master Certificate; (iii) the Holders of the Series 2005 Bonds shall also be beneficiaries of the Master Certificate; (iv) the Beneficial Owners of the Series 2005 Bonds shall be third-party beneficiaries of the Master Certificate; and (v) all capitalized terms used herein shall have the respective meanings as defined in the Master Certificate.

The NRMSIRs as of the date hereof are set forth at www.sec.gov/info/municipal/nrmsir.htm.

Dated as of May __, 2005.

____
Mary Patricia Waterhouse
Director of Budget and Fiscal Services
City and County of Honolulu

The above and foregoing certificate is hereby approved as to form and legality this May __, 2005.

____
Carrie K.S. Okinaga
Corporation Counsel
City and County of Honolulu

(This Page Intentionally Left Blank)

APPENDIX D

BOOK-ENTRY SYSTEM

Information on DTC and Book-Entry System. Information concerning DTC and the Book-Entry System contained in this Official Statement has been obtained from DTC and other sources that the City and County and the Underwriters believe to be reliable, and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters or the City and County.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC and its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices and Other Communications. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City and County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption Proceeds, Distributions, and Dividend Payments. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City and County or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City and County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City and County or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuance of Book-Entry System. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City and County or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City and County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Use of Certain Terms in Other Sections of the Official Statement. In reviewing this Official Statement it should be understood that while the Bonds are in the Book-Entry System, references in other sections of this Official Statement to owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry System and (ii) notices that are to be given to owners by the City and County will be given only to DTC. DTC will forward (or cause to be forwarded) the notices to the Participants by its usual procedures so that such Participants may forward (or cause to be forwarded) such notices to the Beneficial Owners.

City and County Disclaimer of Responsibility. The City and County will have no responsibility or obligation to Direct Participants, to Indirect Participants or to Beneficial Owners with respect to (i) the accuracy of any records maintained by DTC, any Direct Participants or Indirect Participants, or (ii) the payment by DTC, any Direct Participants or any Indirect Participants of any amount in respect of principal or redemption price of or interest on the Bonds, or (iii) any notice which is permitted or required to be given to owners (except such notice as is required to be given by the City and County to DTC), or (iv) the selection by DTC of any Participant to receive payment in the event of a partial redemption of the Bonds, or (v) any consent given or other action taken by DTC as Owner of the Bonds, or (vi) any other event or purpose.

APPENDIX E

SPECIMEN BOND INSURANCE POLICY

(This Page Intentionally Left Blank)

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

____
President

Attest: ______________________________
Assistant Secretary

STD-R-7
01/05

(This Page Intentionally Left Blank)